SUMMARY OF THE CONSOLIDATED ANNUAL REPORT 2022

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2 SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Every year, the Geoplin Group issues a publication summarising the most important highlights from the annual report. The annual report is published on the company website www.geoplin.si. It is sent to our business partners (gas exchanges, banks, and similar) in electronic or paper form and is also used as promotional material to inform prospective partners and other interested stakeholders about Geoplin’s activities and its key results.

Rapid challenges. Complex response.

A varied economic landscape, rapidly changing priorities, the increasing importance of energy, new players in the energy sector and its strategic role pose a challenge to our dynamics, adaptability, judgement and responsibility.

We respond in close cooperation with end users, with a clear commitment and goal to substantially contribute to sustainable and uninterrupted supply, foreseeable conditions and green unburdening of the environment.

Geoplin. Next to energy.

MANAGEMENT'S INTRODUCTION

Looking back over the last three years, it is evident that they were truly unique and marked by events that have radically changed global structures and relationships, and introduced a great deal of uncertainty. Following 2020, when the world "was stopped" by the outbreak of the Covid-19 pandemic and strict containment measures, 2021 was marked by the fastest economic recovery in recent decades as well as dramatic fluctuations and price surges in all energy markets, with natural gas prices recording the largest increase among energy sources. The situation in the natural gas market grew even more volatile in 2022, marked by exceptional uncertainty that came with the war in Ukraine and was followed by the worst energy crisis since 1970, supply disruptions, rising interest rates, economic slowdown, and tensions. These events once again revealed the EU's reliance on Russian gas and restarted appeals to reduce this dependence. Oscillating between its own energy needs and the urge to help Ukraine, Europe was trying to reduce its energy imports from Russia and find alternative sources. This resulted in substantially higher imports of liquefied natural gas (LNG) to Europe, which nearly doubled compared to 2021.

Geoplin's greatest challenges in 2022, however, were unpredictable natural gas supply volumes in the second half of the year and record prices that persisted through the year and were accompanied by extraordinary volatility. Geoplin tackled both challenges through alternative purchases in the market. Despite the challenging circumstances, Geoplin invested substantial efforts in diversifying its supply sources in order to ensure reliable gas supplies. We thus entered 2023 with a new medium-term supply contract with the Algerian firm Sonatrach, and will continue to invest our efforts in providing quality, affordable, and, most importantly, reliable services for our customers.

In the natural gas segment, the Group sold a total of 17.4 TWh of natural gas in 2022, which is 16.1% less than the previous year. This reduction was largely the result of the contraction of trading activities due to high prices and declining liquidity in natural gas markets. Owing to higher natural gas price indices, net sales revenues in 2022 were higher than the previous year's, totalling EUR 1.4 billion. The Group's earnings before interest and taxes (EBIT) totalled EUR −33.8 million, and its net profit totalled EUR −28.4 million. Challenging market conditions, especially the unpredictability of Gazprom's gas supplies and high natural gas price volatility, were the main reasons for the business results achieved in 2022, but the Group expects the situation to stabilise in 2023, which will have a positive effect also on its business outcome.

Customers remained at the centre of Geoplin Group's operations in 2022. We continued to closely monitor the developments in gas exchanges and kept customers up to date, especially in view of the unstable geopolitical as well as economic and financial environment (in Europe and the wider region), in order to support them in making informed decisions about the management of the natural gas purchasing portfolio. Given the developments on the global and European levels in 2022 that had a direct impact on the economy and on the energy sector in particular, the Geoplin Group had to increase its adaptability and responsiveness to the rapidly changing market situation. At the same time, the Group provided reliable supply through short- and long-term contracts on the regulated market (EEX, CEEGEX) and on the non-regulated OTC market. Throughout the period, the Group took active steps towards optimising its purchasing portfolio, and by substantially expanding the list of its trading partners.

At the Geoplin Group, we are aware how important it is to ensure the sustainable use of energy. In 2022, the Group continued its sales activities related primarily to finding new projects aimed at efficient energy use and renewable energy sources. In reaction to the trends of accelerating the green transition, the focus was on activities related to the development of green hydrogen projects geared towards the decarbonisation of natural gas.

The Group proceeded with its digital transformation project. We replaced the entire hardware infrastructure and updated several systems. We upgraded the architecture and promoted the use of the analytical reporting system (BI). The use of our online customer portal, which provides a better and easier overview and analysis of natural gas consumption, considerably increased in the last year.

A great emphasis was given to cybersecurity and the safety of the information and communication systems. We conducted security screening of the internal network to test our IT system for potential abuse by third parties and malicious or unaware internal users, and obtained detailed information on the level of the network security. We took all measures as required by the screening findings. All our employees received advanced training for IT system security awareness .

As we live in a world of constant change, it is essential for the existence of the Group to pause and consider where and how we will operate in the coming years. Therefore, in 2023, we will complete the overhaul of our strategy and strategy goals for the next period, adapting them to the changes in the internal and external business environment.

Ljubljana, 7 June 2023

Manager:
Jože Bajuk, MSc

General Manager
Matija Bitenc, MSc

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SUMMARY CONSOLIDATED BUSINESS REPORT

1.2 COMPANY PROFILE

1.2.1 Parent company

Geoplin was established in 1975 based on an agreement concluded in 1974 with future natural gas customers. Since mid-1978, the Company has been engaged in energy operations related to supplying, trading, and acting as an agent and intermediary in the natural gas market, the Company's principal activity. The Company also operates in foreign markets, where it supplies natural gas and provides services. To ensure reliable supply, the Company has secured appropriate and diversified procurement sources, as well as transportation and storage capacities. Until 26 March 2021, the Company was led and represented by Boštjan Napast; from 26 March until 1 September 2021, it was led and represented jointly by Boštjan Napast and Jože Bajuk, MSc, from 1 September 2021 to 3 January 2022 by Jože Bajuk, MSc, from 3 January 2022 to 1 February 2022 jointly by Vanja Lombar and Jože Bajuk, MSc, from 1 February 2022 until 26 September 2022 by Vanja Lombar, from 26 September 2022 until 20 October 2022 by Aleš Zupančič; since 21 October 2022 the Company has been jointly led and represented by Matija Bitenc, MSc, and Jože Bajuk, MSc.

Company at a glance:

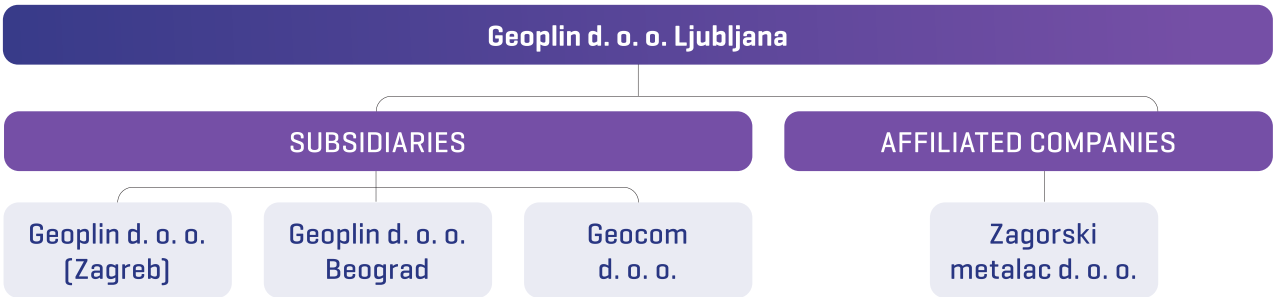
Company name:	Geoplin, d.o.o., Ljubljana, družba za trgovanje z zemeljskim plinom
Abbreviated company name:	Geoplin d.o.o. Ljubljana
Registered office:	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia
Registration number:	5025869000
VAT ID no.:	SI51503581
Activity code:	46.710 Wholesale of solid, liquid, and gaseous fuels and related products
Management:	General Manager Matija Bitenc, MSc, Manager Jože Bajuk, MSc (since 21/10/2022)
Procurator:	David Štoka
Email:	info@geoplin.si
LinkedIn:	https://www.linkedin.com/company/geoplin-d.o.o.-ljubljana/

1.2.2 Geoplin Group

The controlling company is Petrol, Slovenska energetska družba d.d., Ljubljana, which has a 74.3% stake in the company Geoplin d.o.o. Ljubljana. The financial statements of Geoplin d.o.o. Ljubljana are included in the consolidated financial statements. The annual report of the Petrol Group is prepared by Petrol, Slovenska energetska družba, d.d., Ljubljana, and is available at www.petrol.si.

Due to the considerable impact of subsidiaries on the balance sheet and the profit and loss statement, Geoplin d.o.o. will prepare the consolidated financial statements of the Geoplin Group for the year ended 31 December 2022 and comparatively for the year ended on 31 December 2021. The consolidated financial statements of the Geoplin Group will be available at the Company's registered office.

Geoplin Group



Geoplin društvo s ograničenom odgovornošću za trgovinu i opskrbu energentima d. o. o.	
Registered office:	Radnička cesta 177, 10000 Zagreb, Croatia
Director:	Zvonimir Jonjić
Procurator:	Emil Wein
Shareholding of Geoplin d.o.o. Ljubljana:	100%

The company Geoplin društvo s ograničenom odgovornošću za trgovinu i opskrbu energentima d.o.o. was established in 2014. It holds a valid energy permit to supply natural gas issued by the Croatian Energy Regulatory Agency (Hrvatska energetska regulatorna agencija – HERA) and is responsible for the balance group on the Croatian natural gas market via the Croatian energy market operator (Hrvatski operator tržišta energije – HROTE). The company is a natural gas trader and supplier in Croatia.

Geoplin d. o. o. Beograd	
Registered office:	Zelengorska 1g, 11070 Novi Beograd, Serbia
Director:	Emil Wein
Shareholding of Geoplin d.o.o. Ljubljana:	100%

The company Geoplin d.o.o. Beograd was established in 2015 and received a natural gas trading licence the same year but has not yet concluded its first transactions due to delays by the competent institutions regarding the announced change to system rules. Geoplin d.o.o. Beograd did not operate in 2022.

Geocom, družba za energetski inženiring d. o. o.	
Registered office:	Cesta Ljubljanske brigade 11, 1000 Ljubljana, Slovenia
Director:	David Štoka
Shareholding of Geoplin d.o.o. Ljubljana:	100%

The company Geocom d.o.o. did not operate in 2022.

Zagorski metalac d. o. o.	
Registered office:	Ulica Josipa Broza Tita 2F, 49210 Zabok, Croatia
Director:	Zdravko Čulig
Shareholding of Geoplin d.o.o. Ljubljana:	25%

In 2018, the companies Geoplin d.o.o. Ljubljana and Petrol d.d. Ljubljana acquired a 25% and a 56% share, respectively, in the company Zagorski Metalac d.o.o. In 2020, Petrol d.d. increased its share to 74.34%. Zagorski Metalac d.o.o. is a natural gas distributor and supplier in Croatia.

1.2.3 Audit

The external audit of financial statements and the annual report of the Geoplin Group for the financial year 2021 were conducted by the auditing firm Ernst & Young, d. o. o., and by PwC for the financial year 2022.

The summary of the consolidated financial statements comprises: the consolidated statement of financial position; consolidated profit and loss statement; consolidated statement of other comprehensive income; consolidated cash flow statement; consolidated statement of changes in equity, significant accounting policies for financial assets, inventories, provisions, liabilities, cash flow statement; notes to the statement of financial position for financial assets, inventories, provisions, and current liabilities.

High-quality accounting information serves as the foundation for responsible monitoring of business decision-making. Such information is ensured by taking due account of accounting standards and appropriate accounting policies, as well as through regular annual supervision of the accounting process in auditing procedures.

1.2.4 Mission, vision, values

MISSION	VALUES	VISION
The Group's mission is to provide a competitive and reliable supply of natural gas to customers, while maintaining a sustainable level of profitability.	Honesty, respect, straightforward and open communication within the Company and beyond, diligence, proactivity, innovation, integrity, and responsibility.	To maintain its position as the best-known and leading provider of natural gas in Slovenia and the region, and to further expand our core business activity. To adapt the range of products and services and our activities to the needs of the market and to ensure the competitiveness and reliability of supply. To seek new development and growth opportunities in the energy sector in Slovenia and beyond by offering other energy products and services.

1.2.5 Key stakeholder groups

In the Geoplin Group, we strive to ensure the long-term viability of our operations and are aware that responsibility and concern for our stakeholders' interests are the key to success. Geoplin has four key groups of stakeholders.

KEY STAKEHOLDER GROUPS

CONSUMERS	OWNERS	EMPLOYEES	WIDER ENVIRONMENT
Through its operations the Group generates benefits for customers through a range of products and services tailored to their needs, and by providing a competitive and reliable supply of natural gas to the corporate sector and population.	The Group generates benefits for owners through the continued development of the company and by maintaining sustainable profitability of operations.	The Group generates benefits for employees by providing a suitable work environment, and the opportunity for professional development.	The Group generates benefits for the wider community by ensuring environmentally acceptable supply and by acting responsibly toward the natural and social environment.

1.3 EXPECTED DEVELOPMENT

The Russian-Ukrainian conflict represents a distinct milestone in the development of energy markets in Europe, which until 2022 progressed towards a gradual reduction in carbon dioxide emissions with the goal of becoming climate neutral by 2050. The conflict, however, forced Europe to set more ambitious environmental goals in the framework of the Fit for 55 strategy, which envisages a net 55% reduction in emissions by 2030. Towards the end of 2022, the European Commission reached a provisional agreement regarding the so-called Carbon Border Adjustment Mechanism (CBAM), which is designed to prevent carbon leakage, meaning to ensure that the EU's ambition to reduce greenhouse gas emissions is not achieved on account of carbon-intensive production relocating to countries with less ambitious environmental policies.

As the cleanest fossil fuel, natural gas will play a key role in replacing coal in electricity production in the transitional period, when energy production from renewable sources will not be sufficient to meet Europe's energy requirements, and will thus critically contribute to the gradual transition to a zero-carbon society. In the coming decades, we thus expect further growth in natural gas trading. Natural gas is an easily transportable energy source, and gas storage facilities are currently the most efficient and the largest possible energy reservoir available for immediate use. With this in mind, the Geoplin Group will dedicate more of its activities to expanding natural gas supply and trade options, given that new supply channels are emerging in Southeast Europe, which is one of the Group's markets, and that the liquidity of less-developed markets is gradually growing, in turn opening up new business opportunities. As Europe increasingly relies on external supply, one of Geoplin Group's priorities will be to optimise its leased long-term natural gas storage capacities, through which it will continue to provide a reliable supply of natural gas to its customers and tap into the opportunities arising in the natural gas market.

As a group, we expect another increase in trading in the Austrian VTP and Dutch TTF markets. In 2022, trading activities in both markets contracted due to high prices and subsequent liquidity problems that hit certain traders. Both markets are becoming global pricing mechanisms and benchmarks for the supply of liquefied natural gas to Europe. Natural gas trading will progress towards exploiting the market potential of medium-term sales and purchase agreements on the one hand and optimised management of the short-term segment of our portfolio on the other. In the future, we will not be able to control fluctuations in short-term natural gas prices through trade in standardised products alone but will have to diversify into more complex structured products and boost our competitive advantage this way.

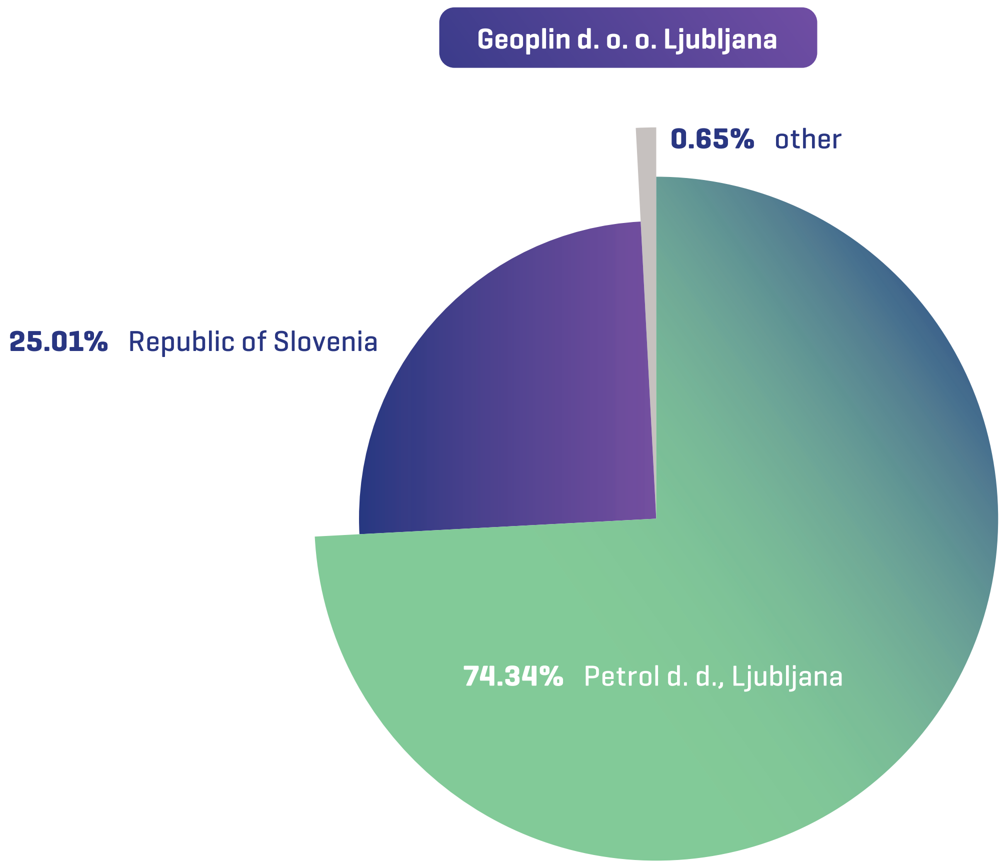
The Group's activities will focus also on the continued development and marketing of energy efficiency projects and services, as well as the promotion of natural gas in electricity generation, including cogeneration.

1.4 GROUP MANAGEMENT AND GOVERNANCE

1.4.1 Ownership structure

In 2022, the shareholder JBKU Invest d.o.o. sold its share in the Company, namely 0.0626% of the share capital of Geoplin d.o.o. Ljubljana, to the shareholder Petrol d.d., Ljubljana, exercising the right of pre-emption. As at 31 December 2022, the company Geoplin d.o.o. thus had five shareholders.

Ownership structure as at 31 December 2022



1.4.2 Work of the General Meeting, Management and Supervisory Boards

1.4.2.1 General Meeting

In 2022, the General Meeting convened in seven sessions.

At its 44th meeting, on 30 June 2022, the General Meeting:
- granted discharge to the management board and the supervisory board for the financial year 2021;
- was informed of the remuneration of members of the Company's and subsidiaries' management and supervisory bodies;
- adopted a resolution on the allocation of the Company's distributable profit;
- appointed the auditor for 2022, 2023, and 2024;
- adopted amendments to the Articles of Association of Geoplin d.o.o. Ljubljana;
- noted that, due to the changes to the articles of association, the terms of office of all supervisory board members were terminated.

At its 45th meeting, on 28 July 2022, the General Meeting:
- gave consent to legal transactions or performance of legal acts concerning the supply of natural gas from new sources of supply.

At its 46th meeting, on 24 August 2022, the General Meeting:
- took note of the Company's business results in the period of January–June 2022 and of the progress of the Company's operations.

At its 47th meeting, on 12 September 2022, the General Meeting:
- requested specific information concerning the Company's operations due to the shareholders' due diligence in stressful conditions in the natural gas market, in line with the information requirements;
- gave consent to the conclusion of a loan agreement with a commercial bank pursuant to provision 10.c of the articles of association.

At its 48th meeting, on 26 September 2022, the General Meeting:
- revoked the power of attorney of Aleš Zupančič and appointed David Štoka as the new procurator;
- passed a vote of no confidence on Vanja Lombar and removed her from the position of the Company's general manager, appointing Aleš Zupančič as the new general manager;
- adopted the rules of procedure of the management board;
- requested additional information concerning the Company's operations due to the shareholders' due diligence in stressful conditions in the natural gas market and obliged the management board to regularly report on the risks associated with selling and trading in natural gas.

At its 49th meeting, on 20 and 21 October 2022, the General Meeting:
- took note of Aleš Zupančič's resignation from the position of the Company's general manager and appointed Matija Bitenc, MSc, as general manager and Jože Bajuk, MSc, as the Company's manager;
- took note of Jurij Planinc's resignation from the position of director of Geocom d.o.o. and gave consent for the appointment of David Štoka as the new director of this company;
- took note of the resignation of two supervisory board members of Geoplin d.o.o. (Zagreb) and Geoplin d.o.o. Beograd, and gave consent to the appointment of a new member of both supervisory boards;
- gave consent to the conclusion of a loan agreement with the parent company pursuant to provision 10.c of the articles of association;
- took note of the activities in place to ensure Company liquidity.

At its 50th meeting, on 28 November 2022, the General Meeting:
- took note of the activities in place to ensure Company liquidity;
- gave consent to the amendment or conclusion of loan agreements with the parent company pursuant to provision 10.c of the articles of association;
- gave consent to legal transactions and acts concerning the contract for natural gas supplies from the Russian Federation;
- took note of the management's explanations regarding the agreement on natural gas supply from Algeria;
- approved the proposed service contract with the general manager Matija Bitenc, MSc, and manager Jože Bajuk, MSc.

1.4.2.2 Management and supervisory bodies

There were several changes in management and supervisory bodies in 2022.

The company Geoplin is led by General Manager Matija Bitenc, MSc, and Manager Jože Bajuk, MSc. The Company's procurator is David Štoka.

Company Management Board in the period from 1 January to 3 January 2022	
Manager:	Jože Bajuk, MSc

Company Management in the period from 3 January to 1 February 2022	
General Manager:	Vanja Lombar
Manager:	Jože Bajuk, MSc

Company Management in the period from 1 February to 26 September 2022	
General Manager:	Vanja Lombar

Company Management in the period from 26 September to 20 October 2022	
General Manager:	Aleš Zupančič

Company Management in the period from 21 October 2022	
General Manager:	Matija Bitenc, MSc
Manager:	Jože Bajuk, MSc

Supervisory Board in the period from 1 January to 30 June 2022	
Chair – shareholder representative:	Nada Drobne Popović, MSc
Deputy chair – shareholder representative:	Jože Bajuk, MSc (from 1 February 2022 to 30 June 2022)
Member – employee representative:	Samo Lahovnik

With the amendment to the articles of association, the Company's general meeting dissolved the supervisory board and terminated the term of office to all three members of the supervisory board on 30 June 2022.

1.5 CORPORATE GOVERNANCE STATEMENT

The corporate governance statement of Geoplin d.o.o. Ljubljana is available on the company website at **www.geoplin.si**.

1.6 ANALYSIS OF OPERATIONS IN 2022

1.6.1 The energy products market

In 2022, all of the world's major economies were hit by a slowdown. This is attributed to high inflation rates triggered by the expansionary monetary policy of the world's largest central banks in recent years and accelerated by soaring energy prices following the Russian invasion of Ukraine in February. The Covid-19 pandemic and China's zero-Covid policy that continued to stifle the country's economic activity until almost the end of the year also contributed to the global economic slowdown. In the OECD estimation, the world economy grew by 3.1% in 2022, which is about a half less than in 2021, and is expected to slow further to just 2.2% in 2023.

Along with the economic slowdown in the first half of 2022, the demand for crude oil and its derivatives also declined. The International Energy Agency (IEA) reported that the world oil consumption at the end of last year totalled 99.8 million barrels per day and projected that global oil demand in 2023 will climb to a record 101.7 million barrels per day. OECD countries saw demand decline by 910,000 barrels per day compared to the previous year, and China, the world's largest crude oil importer, also recorded a dip in consumption of 130,000 barrels per day. In Europe, the declining demand reflected the mild weather and weak economic activity, whereas in China it was its strict Covid strategy that led to reduced demand. The price of Brent crude oil started the year at just under USD 80 per barrel and settled just above that level at the end of the year. Russia's invasion of Ukraine pushed the price of Brent crude oil above USD 125 per barrel, but the price gradually declined in the second half of the year to nearly the same level at which it started the year.

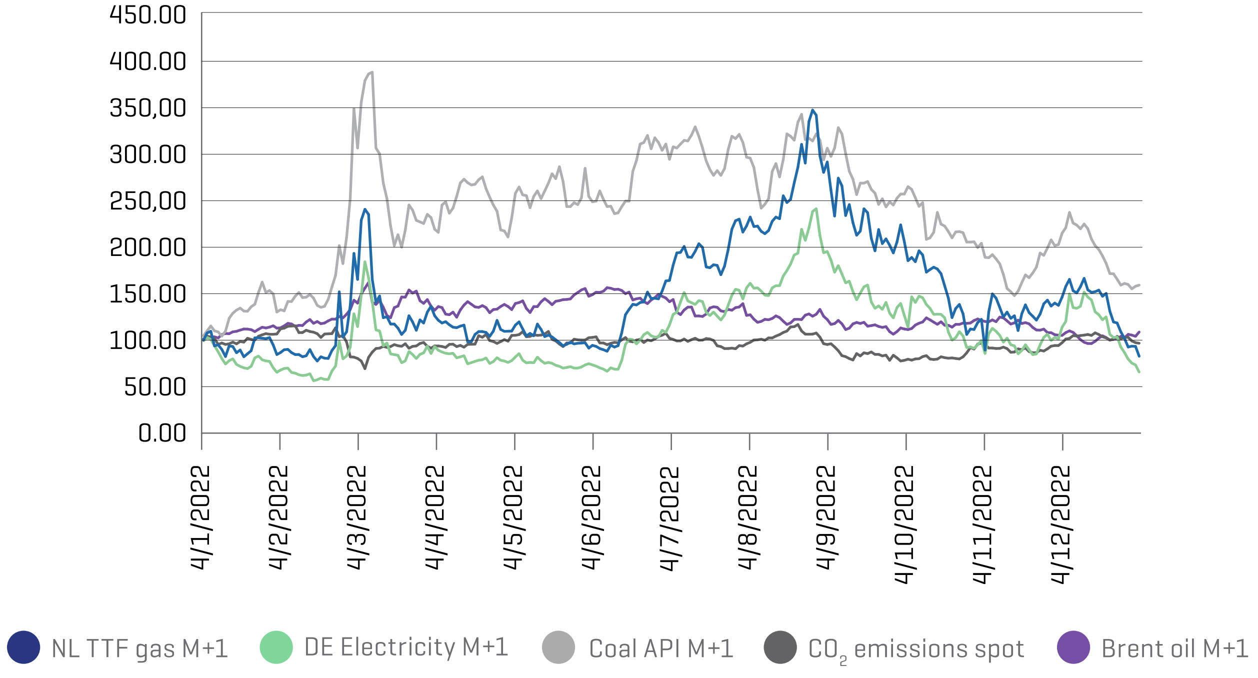
The global natural gas market started 2022 expecting a slight growth in demand, but the February invasion of Ukraine changed everything as it sparked the biggest energy crisis after the 1980s, which will affect the world economy and global energy markets. The efforts of the European Union to reduce its dependency on Russian gas resulted in record-high prices of liquefied natural gas, shrinking demand and shifts to new energy sources. Global natural gas consumption contracted slightly in 2022, and growth forecasts for the coming years have also been revised downward.

Despite the gradual transition of the developed countries towards renewable energy sources, the world's coal consumption increased by 1.2% in 2022, surpassing 8 billion tons for the first time ever.

China remains the world's largest coal consumer and accounts for 53% of global coal consumption. Coal is predominantly used in electricity generation, for which consumption grew by 2%, whereas coal consumption in industry declined by 1%. The next month's price of ARA coal delivered to Europe soared from the initial USD 113 to USD 460 per ton and finished the year at USD 190.5 per ton, recording a growth of 68% in 2022.

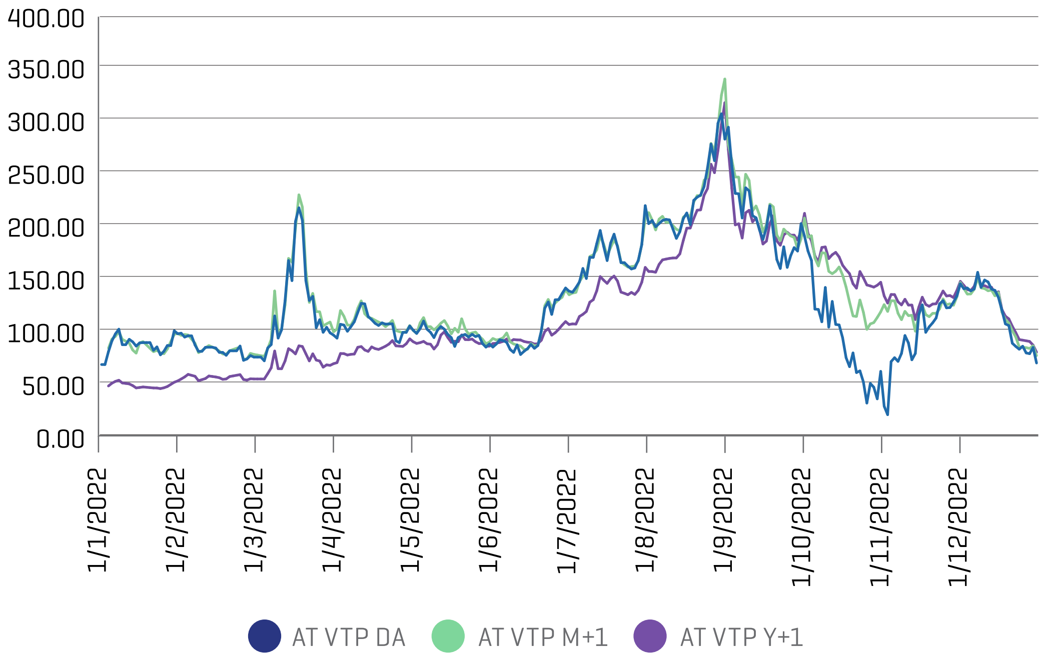
In 2022, the European Union recorded a 3.5% drop in electricity consumption. High energy prices pushed down industry users' demand, especially in energy-intensive industrial sectors. CO_2 emissions from EU power generation increased by 4.5% as a result of a 6% increase in coal-fired power generation. This coal rebound is in contrast with the EU's climate commitments, which prior to 2022 succeeded in reducing coal-fired electricity generation by 8% a year. Other reasons include weak hydroelectric output due to historic droughts and a 17% drop in nuclear power generation due to extensive maintenance work and the closures of several nuclear power plants.

Energy prices in 2022
(energy index (100 = 1/1/2022))



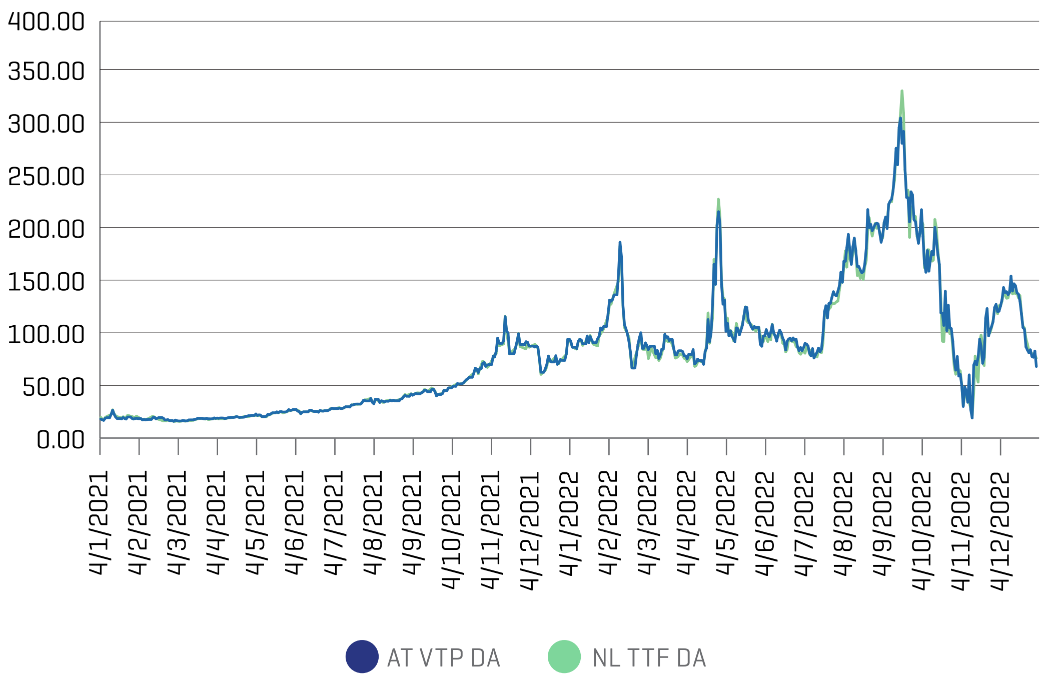
The natural gas market in Europe was strongly disrupted when, in February, the Russian Federation (then most important natural gas supplier to Europe) invaded Ukraine, the country through which most of Russia's natural gas was supplied to Europe. Uncertainty regarding future supplies and the fact that European storage facilities were only 53% full at the beginning of the year caused the first price surge in March, when daily gas prices surpassed 200 EUR/MWh. The second surge followed when the Russian Federation began to additionally reduce gas supplies to Europe and completely cut deliveries through the Nord Stream pipeline. In August, daily prices in European gas hubs exceeded 300 EUR/MWh. When European gas demand surged due to the need to refill gas storage facilities before winter, Europe became a premium market for liquefied natural gas, which started arriving in the old continent from destinations as remote as Australia. During the summer filling season, the inflow of liquefied natural gas averaged 3.6 TWh per day, which is substantially above the record 2.8 TWh in 2019.

Natural gas prices in the Austrian hub in 2022
(in EUR/MWh)



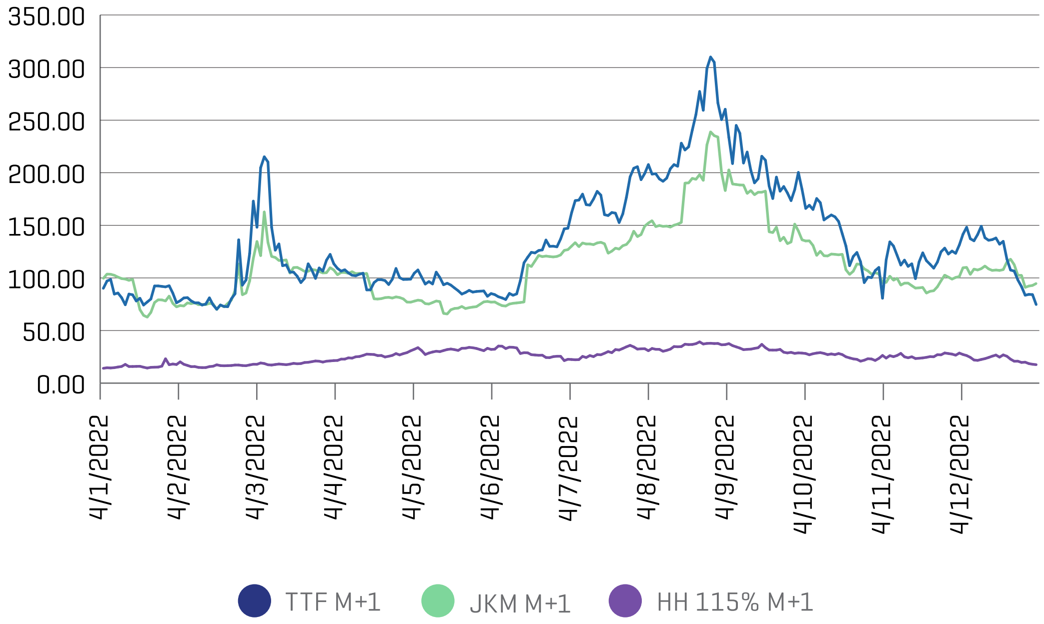
On average, daily natural gas prices in the Austrian CEGH hub in 2022 were 166% higher than in 2021. The average CEGHIX price in 2022 was 123.98 EUR/MWh, well above the previous year's average of 46.53 EUR/MWh. The increased dependence of Eastern-European markets on supplies from the Russian Federation led to increased differences against the Dutch TTF hub, and the difference between the TTF and CEGH prices temporarily exceeded 10 EUR/MWh in the period of price extremes.

Daily natural gas prices in 2021 and 2022 in NL TTF and AT VTP markets
(in EUR/MWh)



The developments in 2022 completely reshuffled the supply routes to the European gas market. After the Russian Federation began to reduce its gas supplies to Europe in 2021, supplies dropped even further in mid-2022 with the shutdown of the Nord Stream pipeline. Since then, the Russian Federation has been supplying gas via Ukraine and the Turk Stream pipeline, but the volumes of Russian gas have been cut to about 10% of the volumes supplied before the war in Ukraine. With 122 billion cubic metres supplied in 2022, Norway thus became the largest single European gas supplier. With reserves of record 159 billion cubic metres in regasified form, which was 73% more than the previous year, liquefied natural gas became the largest source of gas in Europe. With a 40% share in liquefied natural gas imports, the USA stood out among the countries of origin of natural gas. In 2022, Europe significantly accelerated the construction of new LNG terminals, of which some have already started operating. However, as an infrastructure of such magnitude is a long-term project, the effects of investment decisions will only be felt in the coming years. As Europe continues to decrease its dependence on Russian gas, its import capacities for liquefied natural gas will have increased by a third by the end of 2024.

Global natural gas prices in 2022
(in EUR/MWh)



Natural gas consumption in Europe dropped by 12% in 2022 compared to the previous three-year average, which was due to several factors. In the summer, record-breaking price spikes brought down demand in the industry sector, whereas unseasonably mild weather in October and November reduced residential gas demand to well below average levels.

1.6.2 Performance of the Geoplin Group

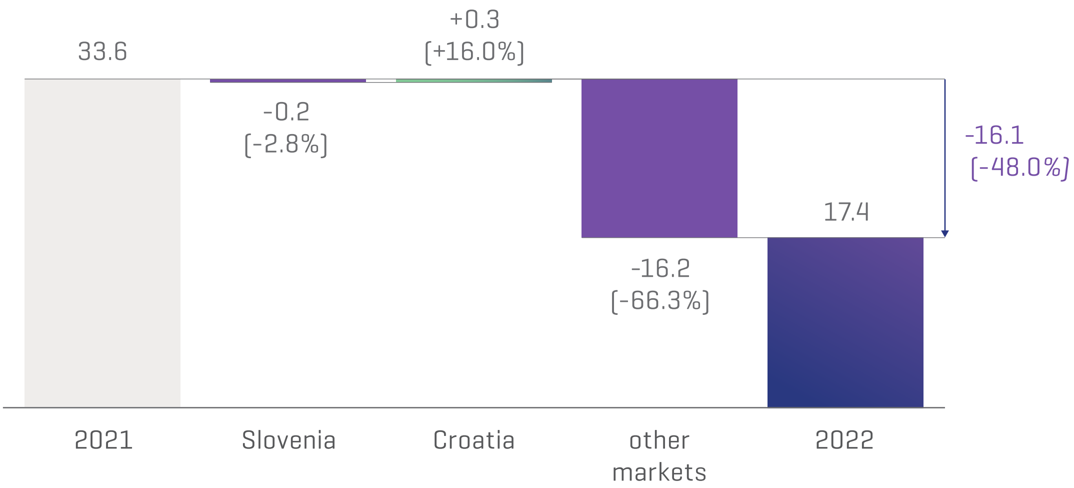
In 2022, developments in gas markets were primarily shaped by the following factors:
- uncertainty regarding the Nord Stream 1 pipeline supplies;
- concerns about the expected start of operations of the Nord Stream 2 pipeline and subsequent alleged sabotage of both pipelines;
- tensions and subsequent Russian-Ukrainian military conflict;
- reduced natural gas supplies from the Russian Federation to Europe;
- extreme price spikes in the European natural gas market;
- Europe's search for alternative sources of supply (North Africa, increased LNG imports);
- global economic slowdown as a result of high energy prices and the continued strict zero-Covid policy in China.

High price trends were also observed in the Slovenian natural gas market, which led, among other things, to the introduction of price regulation legislation as well as the phasing-out of supply activities by certain suppliers in the retail market.

1.6.2.1 Sales and marketing of natural gas

In 2022, the Geoplin Group sold 17.4 TWh of natural gas, which is 16.1 TWh less than the previous year, mainly as a result of the contraction of trading activities due to high prices and declining liquidity in natural gas markets.

Natural gas sales
(in TWh)



During the reporting period, Geoplin provided uninterrupted gas supply in line with contractual provisions and customer needs. Balancing services are provided to customers in the scope of Geoplin's balance group with the system operator. The Group ensured reliable supply to customers based on long- and short-term contracts and purchases on the EEX trading platform and the OTC market. Throughout the period, the Group remained focused on optimising its purchasing portfolio.

In 2022, the Geoplin Group carried out activities on the OTC market (bilaterally with contractual partners) as well as on EEX and CEEGEX energy exchanges. Via the exchange, the Group traded mainly in the spot market with daily products, whereas the majority of other transactions linked to term products were concluded on the OTC market to ensure better liquidity. Active trading allowed us to further optimise the existing portfolio and manage contracts with customers based on the fixing and unfixing of contract prices. This strategy allows the Geoplin Group to offer its customers the possibility of securing the price they pay for supply. Our increased cooperation with partners with which the Group signed EFET contracts in recent years proved beneficial in these transactions, and the Group thus continues to expand the list of such partners.

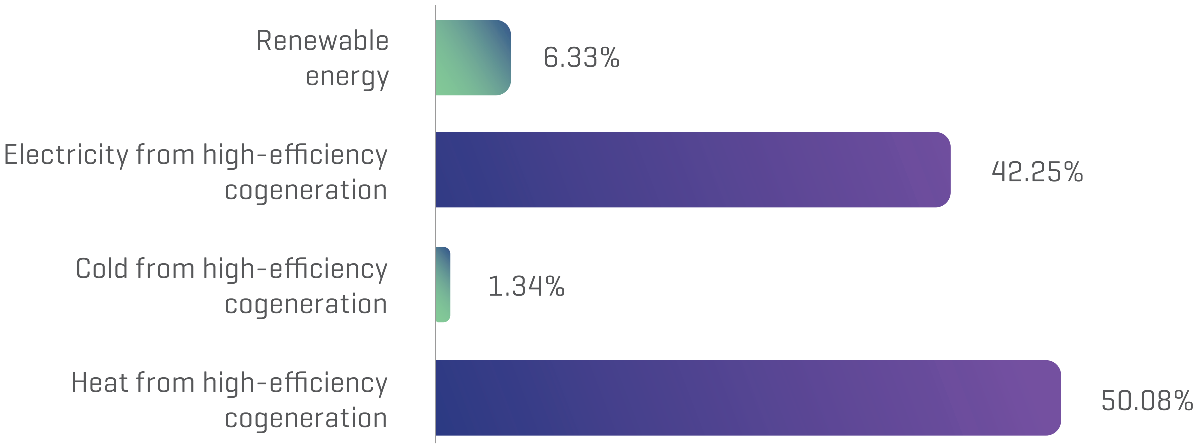
1.6.2.2 Energy efficiency projects

In terms of energy efficiency, projects the Geoplin Group continued to invest its efforts in the development of energy solutions.

The energy crisis prompted us to place an even stronger focus on green transition projects. Developing these projects will help industrial consumers to reduce their emissions.

In 2022, Geoplin's production units operated in line with the requirements. The graph below shows energy generated in 2022 by production source.

Energy generated in 2022 by production source



Through ongoing energy projects, we saved 12,914 MWh of energy, which is equivalent to 3,671 tCO_2 emissions.

Effects of ongoing energy projects in 2022

	Industr. lighting	Plants CHP	Small photovoltaic power plants	Cooling energy production	Total
Final energy savings [MWh/A]	2,578	9,287	1,004	45	12,914
CO_2 savings [t/A]	1,289	1,857	502	22.5	3,671

1.6.2.3 Investments

In 2022, the Geoplin Group invested EUR 0.5 million in fixed assets. The majority of investments were made in the updating of IT and other technical equipment.

1.6.2.4 Performance analysis

Challenging market conditions, primarily the unpredictability of Gazprom's gas supplies, the contraction of trading activities due to high prices, and shrinking liquidity in natural gas markets, were the main reasons for the business results achieved in 2022.

Key financial highlights are provided below.

Key financial highlights

	Unit	2022	2021
Net sales revenues	in EUR mil	1,358.2	756.1
Adjusted gross profit or loss[1]	in EUR mil	-115.9	30.1
EBIT	in EUR mil	-33.8	15.1
Net profit or loss	in EUR mil	-28.4	18.6
Balance sheet total	in EUR mil	325.6	301.8
Equity	in EUR mil	113.9	159.6
Financial debt	in EUR mil	8.2	0.1
Equity / Balance sheet total	%	35.0	52.9
Employees on the last day of the period	number	48	46
Added value per employee[2]	EUR 000	-638.7	583.7

1 Adjusted gross profit or loss = sales revenue – cost of goods sold; this item is not defined under the International Financial Reporting Standards.
2 Added value per employee = (EBIT + depreciation and amortisation costs + labour costs) / number of employees on the last day of the period.

BUSINESS WITH THE SUPPLIER GAZPROM

We analysed the losses arising from our business with Gazprom and identified the following damage suffered up until the end of 2022, totalling EUR 140.3 million:

- EUR 43.2 million from realised losses due to the non-delivery of the current year's supplies and the cost of replacement purchases of natural gas,
- EUR 97.1 million losses on undelivered leased volumes of natural gas at fixed prices from previous years.

On 27 December 2022, we notified Gazprom of the damage suffered and informed them that our outstanding liability to Gazprom for the natural gas delivered for the months of October and November 2022 in the total amount of EUR 92.1 million would be offset against a pro rata share of our claims for damages.

To prevent further damage, we also informed them of the termination of the contract due to the non-delivery of natural gas.

In view of the above, we derecognised the liabilities to Gazprom for the natural gas delivered in October and November 2022 totalling EUR 92,142k, and re-recognised them at fair value. On 31 December 2022, we remeasured them to fair value in the amount of EUR 3,550k.

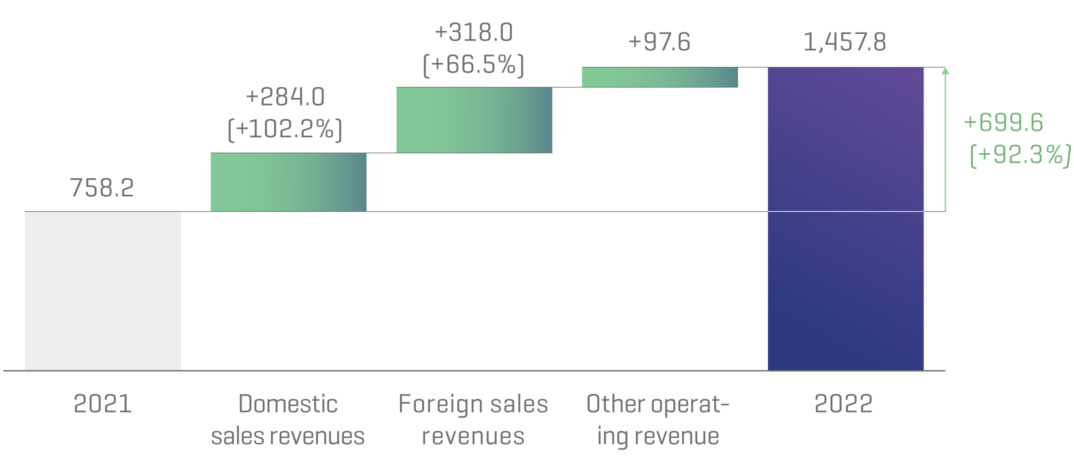
Therefore, EUR 88,592k under other income relates to the revaluation of the liability to Gazprom to fair value based on an independent valuer's valuation. The valuation was made using the scenarios of different present values of expected cash flows from the liability. The valuation of the liabilities took into account the offsetting of our claims for damages arising from our business with Gazprom against Gazprom's liabilities. Our claims for damages exceed our liabilities to Gazprom. The valuation used required rates of return ranging between 15 and 25 per cent.

The fair value of the liability to Gazprom represents 4 per cent of the historical cost. If the range of discount rates were to increase or decrease, the fair value would decrease by EUR 90,000 and increase by EUR 130,000, respectively. We estimate that a change in other assumptions would not have a material effect on the fair value of these liabilities.

OPERATING REVENUE

Totalling EUR 1.4 billion, the Group's operating revenue was 92.3% higher than in 2021, which was largely due to higher natural gas prices on gas exchanges.

Operating revenue – year-on-year change
(in EUR million)

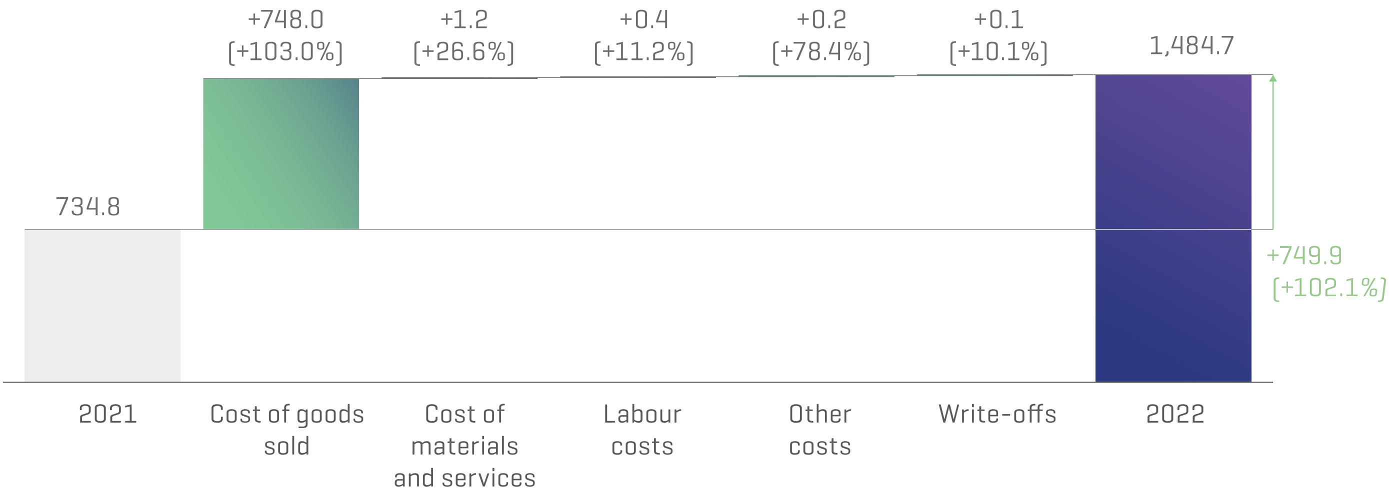


In 2022, the Geoplin Group generated **sales revenues** totalling EUR 1,358.2 million. Realised revenues in the domestic and international markets were higher than the previous year, mainly on account of higher natural gas prices on gas exchanges. Totalling EUR 99.6 million, **other operating revenue** was higher than the previous year, mainly on account of the revaluation of liabilities to the Gazprom Group to fair value based on the valuation of the independent valuer.

OPERATING EXPENSES

At EUR 1.5 billion, the Group's operating expenses were twice as high as in 2021.

Operating expenses – year-on-year change
(in EUR million)



At EUR 1,474.1 million **the cost of goods sold** represents the highest share in the structure of the Group's operating expenses and was 103% higher than in the previous year, mainly on account of the uncertainty regarding Gazprom's supply volumes and higher natural gas prices on gas exchanges. **Cost of material and services** totalled EUR 5.7 million or 26.6% more than in 2021. The highest increase under this item was in the cost of own-use natural gas, which was higher as a result of the higher average purchase price of the inventory under which they were evaluated. **Labour costs** totalled EUR 3.5 million and were 11.2% higher than the previous year, mainly on account of changes in the management structure, a higher number of employees during the year, and severance payments. **Other costs** totalled EUR 440 thousand and were 78.4% higher than the previous year, mainly on account of provisions for litigation.

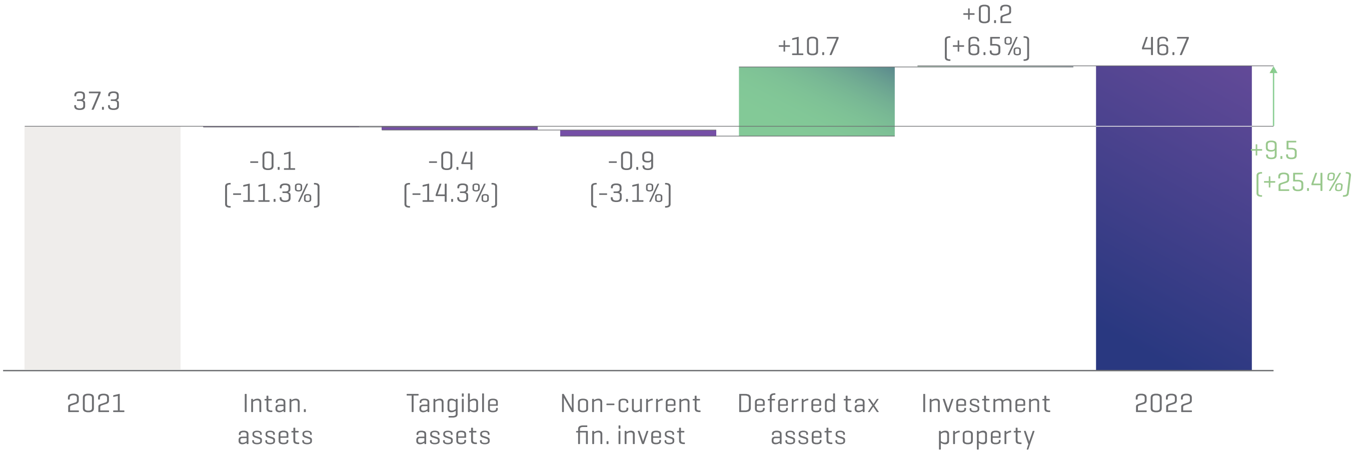
OPERATING RESULTS

EBIT totalled EUR −33.8 million and earnings before taxes EUR −35 million, with both items lower than the previous year, owing largely to the uncertainty regarding Gazprom's supply volumes and shrinking trading activities due to high prices and declining liquidity in natural gas markets. The Group's net profit in 2022 totalled EUR −28.4 million.

ASSETS

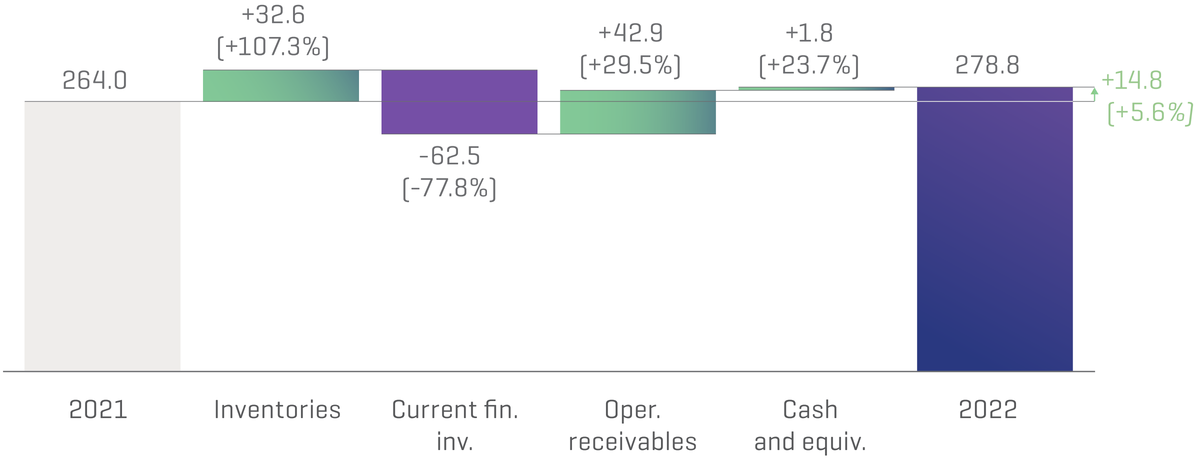
As at 31 December 2022, the Group had total assets of EUR 325.6 million, an increase of 8% relative to year-end 2021.

Non-current assets – year-on-year change (in EUR million)



The most important item under **non-current assets** is *non-current financial investments*, representing 61% of non-current assets as at 31 December 2022, totalling EUR 28.5 million or EUR 0.9 million less than the year before. The reduction was largely due to the lower balance of non-current loans to the parent company. The increase in deferred tax assets was mainly the result of the tax loss incurred in 2022.

Current assets – year-on-year change (in EUR million)

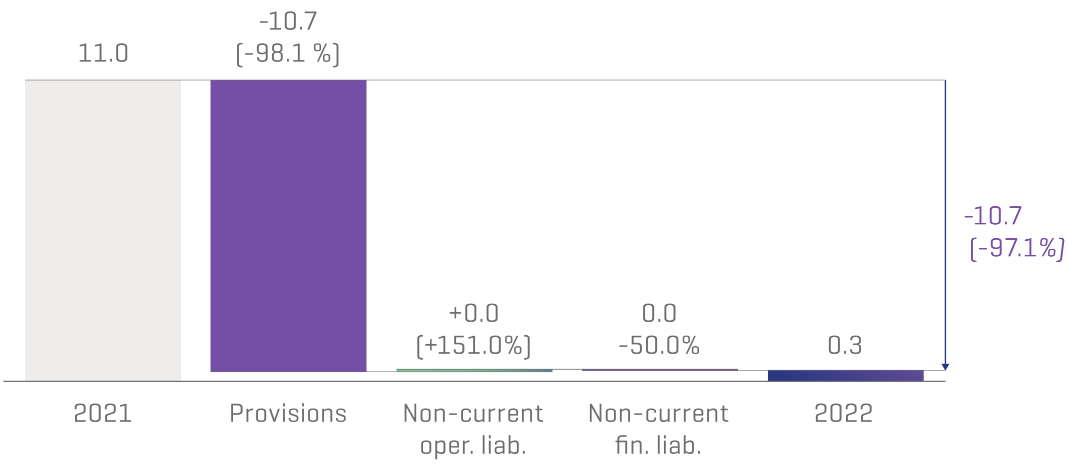


The value of **current assets** as at 31 December 2022 totalled EUR 278.8 million or 86% of the Geoplin Group's assets. The most important current assets item is *operating receivables*, representing 68% of current assets as at 31 December 2022, totalling EUR 188.5 million or EUR 42.9 million more than the year before. This increase was largely due to higher trade receivables. The value of *inventories* as at 31 December 2022 was up EUR 32.6 million compared to the year before. The increase is the result of higher inventory levels as at 31 December 2022 and the higher average cost at which it is valued. At EUR 9.6 million, the value of cash as at 31 December 2022 was EUR 1.8 million higher than the previous year.

EQUITY AND LIABILITIES

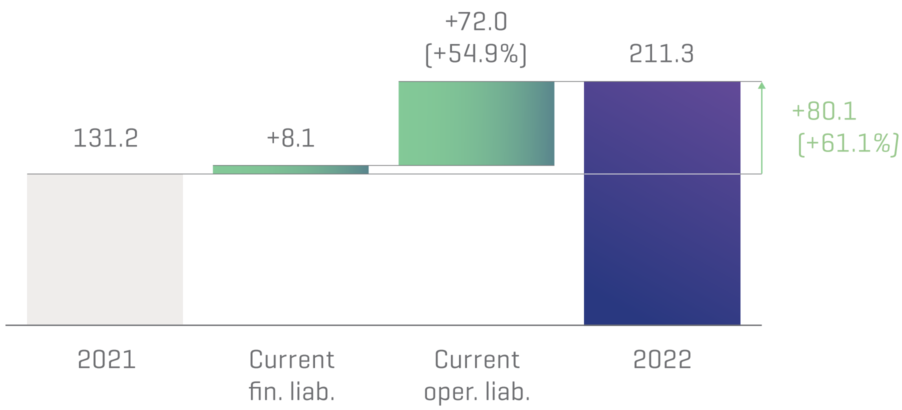
Group **equity** as at 31 December 2022 totalled EUR 113.9 million. The decrease in equity is the result of negative *net profit or loss* achieved in 2022 and fair value reserve.

Non-current liabilities – year-on-year change (in EUR million)



The value of *provisions* under **non-current liabilities** was down EUR 10.7 million, which was due to the utilisation of provisions for onerous contracts.

Current liabilities – year-on-year change (in EUR million)



The highest increase under the current liabilities item, which increased by EUR 80 million as at 31 December 2022 compared to the previous year, was reported for current operating liabilities, which totalled EUR 203.2 million as at year end.

1.7 RISK MANAGEMENT

Having gradually overcome the epidemic at the beginning of 2022, we found ourselves again in a very challenging year when we were confronted with a new, severe geopolitical risk posed by the war in Ukraine. Significant easing of the European and global monetary policy and an overall increase in demand were accompanied by high inflation and soaring energy prices with a high level of volatility that manifested in the market. In response to the war in Ukraine, many Western countries imposed sanctions against the Russian Federation, which hit back with its own sanctions. Russian natural gas supplies to Europe thus gradually decreased through 2022; to replace them, Europe had to turn to the existing and new LNG terminals and increase imports from Algeria and Norway. On 1 December 2022, Geoplin also terminated its natural gas supplies from the Russian Federation and resumed supplies from Algeria on 1 January 2023. The cut-off on natural gas supplies nevertheless had a significant financial impact on the Group's business results in 2022.

The war in Ukraine will continue to shape energy prices and will also have an impact on the availability of natural gas supplies to Europe. There are many possible scenarios for the future development of the war in Ukraine. The most important for Slovenia is the fact that the Geoplin Group succeeded in a very short time to find a substitute source of natural gas in Algeria and via other supply routes and is thus able to continue to provide reliable natural gas supply.

Below, we describe significant types of risks to which the Group is exposed and how they are managed. The risks are classified into five key groups.

Key risk groups

1.7.1 Strategic and regulatory risks

RISK AREA	DESCRIPTION OF RISKS	RISK MANAGEMENT	RISK IMPACT
Geopolitical situation	The war in Ukraine, changes in the external business environment, international relations and conflicts, protectionism, terrorist attacks on pipelines	Regular monitoring of international developments and adjustment to new circumstances, expansion of the supply source portfolio, presence in relevant markets, finding alternative natural gas supply sources	increased
Regulatory changes	Changes in European energy laws, changes in Slovenian energy law and regulatory changes in areas in which the Group operates, price limits, regulation	Active monitoring and adjustments to legislative changes, participation in the drafting of Slovenian legislation, cooperation with external institutions	increased
New supply sources	Construction of new pipelines in the Group's markets, construction of LNG terminals, new long-term supply contracts, changes in the natural gas balance in the region	Active monitoring and participation in the new terminal construction processes or changes in transport capacities, effective cooperation with our suppliers, access to major gas exchanges, extension of the business partners list	moderate
Declaration of a local, regional, or global pandemic	Reduced customers' consumption within allowed parameters, invocation of force majeure and subsequent non-performance of contracts, deviations from allowed contract parameters	Ongoing monitoring of contract performance, cooperation with external legal consultants in cases in which force majeure is invoked, cooperation with customers in solving problems, ongoing monitoring of customers' and trading partners' credit standing	moderate

Strategic and regulatory risks are derived from the wider external business environment. Although the Geoplin Group is exposed to these risks in the course of its operations, they typically remain beyond its control. The Group must respond to changes through appropriate monitoring and adjustment of its operations in order to eliminate or minimise the impact of the external environment on the Group's performance and the achievement of its strategic objectives.

The strategic risks of the Geoplin Group largely consist in the geopolitical situation, new supply sources and routes across Slovenia and the markets in which the Group operates, as well as changed conditions in the gas market, which are reflected in surpluses or shortages in the natural gas supply in the region. The Group identifies strategic risks through annual planning and the realisation of short-term objectives. When adjusting to the changes in the business environment, the Group introduces good business practices and trains and encourages its employees to develop the competencies required to function in a rapidly changing business environment.

In 2022, the war in Ukraine significantly increased the geopolitical risk of the Geoplin Group. In response to the war, the West imposed various sanctions against the Russian Federation and vice versa. This translated to rapidly reduced natural gas supplies from the Russian Federation throughout the year. While the flows through Nord Stream pipelines were halted completely, there were also large reductions in natural gas supplies through the Ukrainian pipeline. This had an impact also on Geoplin's management of the long-term supply contract with Gazprom and resulted in the termination of the supply under this contract on 1 December 2022. Geoplin promptly reacted and entered into a new medium-term agreement with the Algerian company Sonatrach, which replaced most of the lost supplies of Russian natural gas. The Company offset other lost supply volumes through purchases from large European oil companies or at the exchange. This transition, however, had a negative financial impact on the Group's business operations in 2022.

Regulatory risks are the result of changes to market rules or legislation and affect the Group's operations. These risks primarily include changes to European and Slovenian energy regulations and to national regulations on the markets where the Geoplin Group operates. It is often difficult to quantify these risks and to mitigate their effects, so our employees actively monitor changes to regulations and market rules. In Slovenia and Croatia, the Group is actively involved in legislative public hearings and also participates in the development of legislation governing the natural gas market. The Group responds to regulatory changes by adjusting its operations, thus ensuring compliance of its operations with applicable legislation and rules. As these changes frequently result in higher operating costs, the Group assesses their impact on its operations through appropriate monitoring and makes provisions required to implement such changes.

At the onset of the energy crisis in 2022, much attention was placed on the regulation of natural gas prices, both at the European level and in Slovenia. The Group complied with all regulatory obligations, in particular with regard to supply security. As a wholesaler, Geoplin suffered only a limited impact on its operations from the natural gas price cap.

The entire region is also strongly affected by the existing and new supply sources, as the war in Ukraine redirected the natural gas supply flow from predominantly Russian sources to the West. Therefore, the most important Western sources are new and increased natural gas supplies from Algeria and Norway, as well as LNG terminals. Europe is currently investing a lot of resources into developing existing and building new transport capacities. In our region, large investments are being made into increasing the capacity of LNG terminals, e.g. in Croatia and Italy. In the coming years, it can thus be expected that our region will be able to replace Russian natural gas with supply sources in Algeria and LNG terminals. This puts Slovenia and Croatia in a good position as the natural gas inflow will change its course from north–south into the opposite direction, from the south to the north. Our proximity to the Algerian source and LNG terminals in the region can also be a strategic advantage.

Geopolitical risks are also managed through insurance arrangements with financial institutions, diversification of supply sources, natural gas storage, long- and short-term supply sources and close monitoring of external factors within the Company and the Group.

1.7.2 Commercial risks

RISK AREA	DESCRIPTION OF RISKS	RISK MANAGEMENT	RISK IMPACT
Retention of existing contracts	Our customers may change supplier when their contract expires	Proper and regular communication with customers, adapting to customers' needs, diverse range of products, medium-term contracts	moderate
Risks arising from concluded contracts	Timing, quantitative and price mismatch between the purchase and the sales part of the portfolio	Optimised matching of purchase and sales agreements, use of storage facilities and non-current supply contracts, trading platforms and business with OTC partners	moderate
Business expansion within and beyond the region	Risk of different regulations, unfamiliarity with the market, new business partners, specificity of the market in the transport and storage of natural gas, reporting according to EU regulations, setting the local market price	Cooperation with larger local partners, a proper overview of the market and individual business partners, careful examination of gas transportation conditions and local legislation, close monitoring of exposure to foreign partners	moderate
Market competition	Arrival of new natural gas providers, aggressive existing competition, decline in the Company's market share	A wide range of products and services, flexibility, extended payment plan options, competitive prices, long-term business relationships with customers, reliable supply, business expansion beyond the Slovenian market, takeovers in the Croatian market	moderate
Energy projects	Technical and financial risks, failure to achieve the defined operational objectives, failure to achieve energy savings	Presence with customers, assessment of individual projects, co-investments, maintenance agreements, insurance policies	moderate
Alternative fuels	The largest industrial customers switching from natural gas to other types of fuel	Technological and environmental requirements make switching to other types of fuels difficult; over the long term, natural gas is cheaper than other comparable fuels	low
Gas supply	Inability to supply natural gas to customers	Short-term purchase contracts, use of storage facilities, coordination with gas transport system operators regarding overhauls and other works, diversification of the purchasing portfolio	medium

Commercial risks are almost fully interdependent throughout the entire purchase-sales chain, so it is of critical importance for the Group that they are neutralised, for the most part contractually, and properly managed.

The most significant commercial risks to which the Group is exposed are linked to the renewal of contracts with customers whose contracts expire in the next period, business expansion in and beyond the region, increasing pricing and similar pressures from customers, heightening competition, deviations in outdoor temperatures from long-term averages, prices of substitutes, increased use of renewable energy sources and energy efficiency, achievement of minimum volumes in non-current supply agreements, new legislation and fear of another economic downturn, in particular in view of the current global geopolitical situation, high inflation and the prospect of central banks raising interest rates.

Against the difficult geopolitical backdrop, the entire structure of the natural gas market in Slovenia and Europe began to change as well. Difficulties that sellers encountered with natural gas supplies in the market led some of them to discontinue this activity, whereas others carefully began to control their sales portfolio and optimise their supply contracts. The most affected companies even required capital injection from the state (e.g. Uniper in Germany, HSE in Slovenia, etc.). Dealing with high natural gas prices, customers also sought ways to optimise energy use and find reliable supply sources. The Geoplin Group was highly successful in this situation, proving itself to be a very reliable supplier that complies with contractual provisions. In the given situation, this can be the attribute that is even more important than the price of natural gas.

All commercial risks involved in the sale of natural gas are mitigated to the greatest extent possible by matching purchase and sales agreements or terms and conditions, and through the use of storage facilities. The Group manages credit risks through regular monitoring of overdue receivables and by insuring its commodity receivables with a relevant institution. For customers assessed as high risk or those with high exposure, we use other insurance instruments as well, including advance payments, bank guarantees, deposits, parent company sureties and asset collaterals (inventories, accounts receivable). Commercial risk management models and procedures in natural gas sales were adjusted and promptly adapted to market circumstances in 2022, also by offering a range of customer-tailored natural gas products and related services.

The development of energy services brings new technical and financial risks associated with ensuring the proper functioning of CHP and other plants, and their economic performance. Proper functioning and protection against potential malfunctions are insured through relevant maintenance agreements and with an insurance company. To some extent, the achievement of required operating hours and, in turn, adequate performance depends on proper technical functioning and the selection of suitable input parameters. The subsidy scheme represents the highest uncertainty, in particular in view of the level of allocated operational support and new calls for tenders, as well as in view of its long-term financing viability.

Achieving energy savings with consumers is a financial risk associated with the level of specific cost of saving per megawatt hour. This requires intensive presence with consumers and identifying relevant projects or recognising co-investment opportunities. In case of failure to achieve required savings, suppliers are obligated to pay a high price to the Eco Fund for these savings.

Opportunities for business expansion to foreign countries are favourable as the natural gas supply courses in Europe have been changing to the south–north direction, as mentioned above. The drawbacks are higher natural gas prices and, in particular, high price fluctuations, which have significantly increased market risks, and a significantly larger range of financial resources required to finance business expansion. There are also additional risks that should be mitigated in operations, in particular credit, operational and regulatory risks. Therefore, in such cases, we closely cooperate with insurance companies, banks, and international business partners.

There has been significant interest in finding alternatives to natural gas in the past year, but these efforts turned out to be extremely time-consuming and costly, in some cases even impossible to achieve in the short term. In particular, industry has been struggling with rapid changes in the production process, supply of alternative fuels, transport, and similar. Natural gas is also a very important source of power generation, especially when production from other sources is low (in 2022, for example, due to the shortage of coal, poor hydrology, maintenance outage in the Krško nuclear power plant, etc.). It is expected that in 2023 Energetika Ljubljana will launch its natural gas-fired combined heat and power plant. Natural gas consumption in Slovenia is therefore likely to continue to grow.

In its present form, the regulatory requirement to ensure reliable supply for specific users does not represent a significant risk. Risks deriving from possible overhauls, construction, or other interventions in the Slovenian gas transmission system are minimised through prior coordination of activities. The independent operator ensures immediate response to any irregularities in the Slovenian transmission system and their elimination, so the impact of extraordinary events is minimised.

The Geoplin Group buys natural gas based on non-current contracts and other agreements covering in particular spot natural gas supplies in European gas hubs. Due to the nature of non-current contracts, the risks arising from the reliability of natural gas supply to the Slovenian border and further to Croatia under such contracts are low and are mainly associated with the availability of transport routes. The Group manages natural gas supply risks by utilising the flexibility of leased gas storage facilities (in Austria and Croatia) and transport routes, with the systematic diversification of its purchasing portfolio and by entering into additional backup agreements on the purchase of natural gas.

The risks associated with the supply of natural gas purchased based on short-term contracts in Gas Hub Baumgarten, i.e. at the Austrian VTP, are subject to the liquidity and functioning of the market. In ordinary conditions, there are practically no risks associated with the liquidity of the Austrian hub as it sufficiently meets the needs of the Geoplin Group; at the moment, however, the risks are higher, because the Austrian hub largely depends on natural gas supplies from the Russian Federation and less on other supply sources. The Geoplin Group has established business contacts with major European natural gas traders, which, is the basis, to a certain extent, for adequate diversification of supply sources.

In addition to quantity risks, purchase and sales activities involve price risks, which the Group manages by integrating the same mechanisms of price conversion to purchase as well as sales agreements, and by locking in purchase prices.

1.7.3 Financial risks

RISK AREA	DESCRIPTION OF RISKS	RISK MANAGEMENT	RISK IMPACT
Liquidity	Possible shortage of liquid assets to cover operating and financial liabilities	Cash flow planning and matching, day-to-day management of receivables, diversification of investments, open short-term credit lines	increased
Credit risk	Default risk	Day-to-day monitoring of customers' credit discipline, compliance with internal rules, customer credit checks, setting credit limits for customers and business partners, different tools to protect against credit risk (insurance policies, deposits, directly enforceable collaterals, inventories and similar instruments)	increased
Interest rate risk	An increase in interest rates	Low debt ratio	moderate
Currency risk	Unfavourable moves in exchange rates, especially the EUR/USD currency pair	Use of derivatives (forwards)	moderate
Price risk – natural gas trading	Possibility of natural gas trading losses	Day-to-day monitoring of open positions under the trading item, detailed trading instructions prescribed by internal rules	increased

Financial risks primarily comprise risks associated with changing prices, risks associated with creditworthiness, credit and interest-rate risk, and currency risk.

Measures for identifying, monitoring and mitigating financial risks include the optimisation of operations and involve measures such as the planning and coordination of cash flow, a prudent investment approach (diversification before profitability), day-to-day management of trade receivables, verification of customer credit ratings, optimisation of financial service costs, timely settlement of liabilities and hedging against currency risk.

The Group continually identifies price risks and monitors and appropriately protects against them through optimised purchasing and sales portfolio, flexible purchasing contracts, the use of storage facilities, and financial derivatives. However, the high volatility in natural gas prices that was observed in 2022 and seems set to continue in 2023 significantly increases the level of risk.

The Group's exposure to currency risk is currently limited to the EUR/USD level, as the Group conducts most of its business in euros. Transactions in other currencies are planned and protected through derivatives.

Solvency risk is managed through cash flow planning and management. The Group also has credit lines established within the Petrol Group that allow it to ensure additional liquidity, if necessary. At present, the liquidity risk is higher, as the current natural gas price levels require significantly more cash for financing the Group's working capital and long-term natural gas leases. In 2022, more liquid assets were also required to ensure substitute purchases of natural gas as a result of discontinued supply from the Russian Federation.

Short-term cash surpluses are deployed in the short-term, in line with the dynamics of sales, purchasing, and inventories. As part of the Petrol Group, we manage liquidity primarily through cash-pooling within the Petrol Group.

A certain degree of risk also comes from solvency risk manifested as delayed payments by liquidity-poor customers, who can only pay their obligations in instalments. Payment discipline is tracked daily. In line with internal rules, we check customers' credit rating and require additional guarantees and collateral for defaults, with termination of supply as a measure of last resort. To mitigate these risks, the Company also insures its commodity receivables.

In the current geopolitical situation, the main focus is on the purchase side, where the financial status of our OTC partners is extremely important. Their problems result in the Group risking losses when purchasing natural gas in the free market. The Group mitigates these risks by working only with major oil companies with solid credit ratings. In 2023, we can definitely expect stricter control over approved credit lines among partners and requests for higher collateralisation. Certain business partners also limited or completely discontinued activities in the European natural gas market, which means that we have to expand the list of partners further.

Currently, the Company requires more liquidity loans, which in turn increases the interest rate risk. This risk, however, remains moderate as our needs for liquidity loans are short-term and serviced within the Petrol Group.

1.7.4 Human resources risk

RISK AREA	DESCRIPTION OF RISKS	RISK MANAGEMENT	RISK IMPACT
Human resources risk	Key staff leaving, shortage of professionally qualified employees, small number of employees, losing employees to competitors	Motivating employees for training and education, internal communication, employee information, remuneration, regular quarterly and annual interviews	medium

Due to its low headcount and specific knowledge requirements, the Company is also exposed to human resources risks. These are mainly associated with the loss of key personnel and the lack of specific expertise in new recruits. The demand for personnel with specific knowledge and skills is growing as competition in the natural gas market intensifies. The risk is being mitigated by providing and promoting continuous learning and training, through in-house communication and information sharing with all employees, and by conducting quarterly and annual interviews. Employees' health and safety at work are continuously monitored through employee medical check-ups and workplace inspections.

1.7.5 Systemic and operational risks

RISK AREA	DESCRIPTION OF RISKS	RISK MANAGEMENT	RISK IMPACT
ICT infrastructure	Obsolete ICT infrastructure, third-party intrusion into our IT system, disruptions in ICT infrastructure operation, inappropriate business monitoring system	Regular monitoring and control over the ICT system, use of modern software and hardware, regular technical and security checks, software upgrades, introduction of new software for improved traceability of operations, cooperation with external providers	increased
Operational risk	Errors resulting from internal processes, people, organisation, or external events	Rules defining the procedure of specific processes, education and training of employees, verification of transactions and registrations at multiple levels	moderate

By regularly monitoring and supervising the ICT infrastructure and by using modern software and equipment, the ICT Department ensures its uninterrupted operation and full availability. The Company responds to various information and technological risks by regularly following up on technological developments, especially in security systems, and with regular technical check-ups and tests, and thus additionally verifies the adequacy and security of the existing ICT infrastructure. The Company mitigates potential risks or keeps them at an acceptable level with regular software updates and the planned replacement of the existing hardware with current, up-to-date technology as well as with the relevant technical warranties. With the above-mentioned preventive measures, the ICT department ensures uninterrupted operation of all key business systems and thus maintains their availability at the highest level possible.

Cybercrime, however, is on the rise, which poses additional risks for the Group, as it operates in the energy sector. The Group organises additional activities aimed at raising employee awareness about the gravity of these risks and provides external assistance to manage them.

The Group continues with the implementation of the new ETRM system, which will provide an even better overview of the Company's operation and reduce the likelihood of operational errors. The system is being developed in cooperation with the Company's majority owner, where such an ETRM system is already in place. This will considerably reduce the risks associated with the introduction of the new system into the Company's operation.

1.8 SUSTAINABLE DEVELOPMENT

Due to the nature of its business, the Geoplin Group focuses its sustainable development efforts on environmental management and social responsibility. One of the Group's key sustainable development priorities is the promotion of natural gas as the most environmentally acceptable fossil fuel, which reduces the burden on the natural environment.

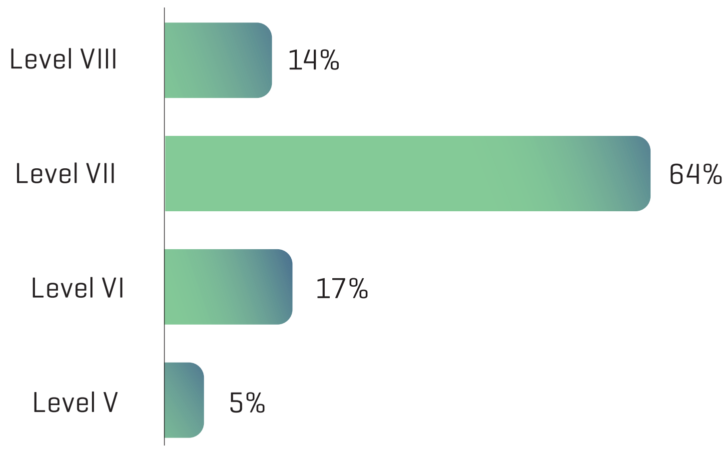
The Geoplin Group's objective in terms of quality and social responsibility is to respect the interests of all stakeholders with which the Group engages in the course of its operations: owners, business partners, employees, the expert public, media, the environment, and local communities. Through prudent operations, reliable supply of natural gas, and social responsibility, the Geoplin Group creates benefits and contributes to better quality of the wider environment. Activities relating to the quality of operations are aimed at improving business processes and reducing their impact on the environment, taking into account the principles of the Group's environmental policy.

1.8.1 Human resources

As at 31 December 2022, the Geoplin Group had 48 employees. The Group employs highly educated and qualified professionals with specific skills required for its activity and builds their level of professional proficiency every year through additional training.

The Group endeavours to provide optimum work conditions for its employees and has prepared workplace risk assessments for each position. We regularly examine work equipment and the workplace environment, taking into account the risk of injury or ill health. To raise awareness, we organise theoretical and practical refresher training sessions for safety at work and periodic preventive medical examinations for our employees.

Employees by level of education



The educational profile of our workforce is very high, with university graduates prevailing. At the end of 2022, as many as 95.2% of employees held a college or higher degree. Women constituted 43% of employees.

As a group with a strong diversity policy, the Geoplin Group has established a system of rules ensuring equal opportunities based on the following premises: the enforcement of legislation (satisfying statutory regulations in the field of human rights protection and labour legislation), respect for ethical principles such as honesty and fairness, the pursuit of diversity objectives, such as investing in employees and equal opportunities, prevention of discrimination, adjustment to demographic trends, and maximising of employee potential and promotion of diversity, all of which contributes both to the success of individual employees and the organisation as a whole.

1.8.2 Environmental performance

The Geoplin Group is aware that environmental management is an ongoing process that requires us to conform to ever-new legislative requirements and changes in the environment. The Group's environmental policy and objectives are primarily aimed at reducing the environmental impact through the reduction of emissions into the atmosphere, waste management, improved water use efficiency and other targeted environmental activities. In 2022, the Group also emphasised the benefits of natural gas as an environmentally friendly energy source in the scope of corporate communication.

Natural gas is an environmentally friendly fuel. It is green energy and the cleanest fossil fuel, since it generates substantially lower CO_2 emissions during combustion compared to other fossil fuels and contributes to lower greenhouse gas emissions. Natural gas has a number of environmental advantages over other fossil fuels:

- it contains fewer impurities, such as sulphur, nitrogen and dust particles; methane, which is the main component of natural gas, is a carbohydrate with the lowest carbon content; the combustion of natural gas emits 25% less CO_2 than fuel oil, and close to 45% less than coal;
- environmentally friendly transmission via underground pipelines;
- natural gas production does not involve a complex refining process.

Through the diversification of its energy-related activities, the Group promotes energy efficiency and renewable energy sources, aware of their advantages for both consumers and the environment. Aware of the importance of sustainable energy use, the Group promotes the measures aimed at ensuring energy savings and increased energy efficiency, in particular with final consumers of natural gas. In accordance with its mission, the Group has developed an array of energy services that allow its partners to monitor, report and analyse trends in energy consumption, plan organisational and investment measures to reduce energy consumption, and carry out and finance relevant projects.
The Group's energy activity expanded to include green hydrogen production projects. This is especially important in view of the green transition, which gained new momentum at the time of dramatic shake-ups in energy markets.

1.8.3 Social responsibility

The Geoplin Group's sustainable development and social responsibility efforts were also aimed at reinforcing the Group's positive image in Slovenia and the region, as well as exercising its ongoing commitment to contributing to the development and well-being of the local environment.

In accordance with the adopted annual communication plan, the Geoplin Group's sponsorship and donation strategy is balanced and diversified so as to support various sports events, professional athletes, cultural and artistic events, and professional conferences. The selection of sponsorship and donation recipients takes into account media coverage, outstanding results, and events focused on knowledge exchange in energy, and more specifically the gas area, whereas charity donations depend on the most pressing needs of people and the environment at a given moment.

1.9 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In April 2023 the Croatian regulator HERA adopted a new methodology that regulates retail natural gas prices in Croatia and introduces a 15-day reference period for determining the selling prices of gas instead of the previous 11-month period.

The change has a retroactive effect on the contractual relationships between the Petrol Group companies and our customers because the changed methodology does not take into account the actual value of the price of purchased gas, which has a negative effect on the Geoplin Group's operations. At this stage, it is not known whether the state will provide any compensation due to the changed methodology. An application for the assessment of legality of the amended methodology and a proposal for suspension of its implementation has been submitted to the Higher Administrative Court.

Since the method and amount of the compensation for the damage suffered are not yet known, it is not possible to provide an estimate of the total effect of the price regulation and the expected compensation for the damage from the state.

On 16 May 2023, Geoplin d.o.o. Ljubljana initiated an arbitration procedure against Gazprom Export LLC on the grounds of a breach of the natural gas supply agreement. Due to the corporate guarantee being enforced by Gazprom Export LLC., Geoplin d.o.o. Ljubljana filed the request for arbitration together with Petrol d.d., Ljubljana.

As we cannot with certainty assess the outcome of the arbitration procedure against Gazprom Export LLC. on the grounds of (non)supply of natural gas, the conditions for the recognition of claims or contingent claims under IFRS have not been satisfied.

Based on the currently available data and results achieved in 2022, the Geoplin Group does not expect events and circumstances to have a significant effect on the operations and existence of the Geoplin Group in 2023 or on the assets and liabilities reported in the statement of the financial position on the reporting date.

02

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

The summary of consolidated financial statements comprises a summary of information from the financial section of the audited consolidated annual report of the Geoplin Group, which was approved by the management on 7 June 2023. The audited consolidated annual report of the Geoplin Group is available at the registered office of the Geoplin Group.

2.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GEOPLIN GROUP AS AT 31 DECEMBER

in EUR

		Notes	As at 31/12/2022	As at 31/12/2021
	ASSETS		**325,559,818**	**301,784,906**
A.	**NON-CURRENT ASSETS**		**46,715,512**	**37,770,074**
I.	**INTANGIBLE ASSETS**		**835,130**	**941,516**
	Property rights		835,130	220,224
	Intangible assets under development		0	721,292
II.	**TANGIBLE FIXED ASSETS**		**2,549,932**	**2,975,476**
	Land		600,701	600,701
	Buildings		565,993	675,783
	Plant and other equipment		1,234,021	1,520,440
	Right of use assets		116,497	93,226
	Ongoing investments		32,720	85,327
III.	**INVESTMENTS IN LAND AND BUILDINGS**		**2,579,518**	**2,421,189**
IV.	**NON-CURRENT FINANCIAL ASSETS**		**28,494,302**	**29,918,591**
	Investments in associates		2,971,078	3,676,280
	Other non-current financial assets		25,523,224	26,242,311
V.	**DEFERRED TAX ASSETS**		**12,256,629**	**1,513,302**
B.	**CURRENT ASSETS**		**278,844,307**	**264,014,831**
I.	**INVENTORIES**	**2.8.1**	**62,923,180**	**30,349,922**
	Merchandise		50,942,277	18,370,299
	Advance payments for inventories		11,980,902	11,979,623
II.	**CURRENT FINANCIAL INVESTMENTS**	**2.8.2**	**17,853,548**	**80,348,568**
	Loans granted		17,513,282	66,133,355
	Other current financial assets		340,266	14,215,213
III.	**OPERATING RECEIVABLES**	**2.8.3**	**188,476,195**	**145,561,170**
	Trade receivables		159,198,247	136,360,728
	Corporate income tax assets		3,619,829	1,064,763
	Other current assets		25,658,119	8,135,680
IV.	**CASH AND CASH EQUIVALENTS**		**9,591,384**	**7,755,170**

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

	Notes	As at 31/12/2022	in EUR As at 31/12/2021
EQUITY AND LIABILITIES		**325,559,818**	**301,784,906**
A. EQUITY		**113,916,948**	**159,567,230**
I. CALLED-UP CAPITAL		**29,583,473**	**29,583,473**
II. CAPITAL RESERVES		**75,010,673**	**75,010,673**
III. PROFIT RESERVES		**20,036,697**	**20,036,697**
IV. CAPITAL REVALUATION ADJUSTMENT		**-2,142**	**165,477**
V. FAIR VALUE RESERVE		**1,451,474**	**1,978,103**
VI. HEDGE RESERVES		**-16,621,045**	**0**
VII. RETAINED EARNINGS		**32,888,674**	**14,155,186**
VIII. NET PROFIT FOR THE PERIOD		**-28,430,856**	**18,637,621**
NON-CURRENT AND CURRENT LIABILITIES TOTAL		**211,642,871**	**142,217,676**
B. NON-CURRENT LIABILITIES		**325,379**	**11,038,391**
I. PROVISIONS	**2.8.5**	**212,548**	**10,929,014**
Provisions for severance pay		76,744	76,744
Provisions for jubilee awards		29,942	32,240
Other provisions		105,862	10,820,030
II. NON-CURRENT OPERATING LIABILITIES		**72,657**	**28,951**
III. NON-CURRENT FINANCIAL LIABILITIES		**40,174**	**80,426**
C. CURRENT LIABILITIES	**2.8.6**	**211,317,492**	**131,179,285**
I. CURRENT FINANCIAL LIABILITIES		**8,118,346**	**1,546**
II. CURRENT OPERATING LIABILITIES		**203,199,146**	**131,177,739**
Trade payables		179,265,844	118,460,227
Corporate income tax liabilities		0	103,230
Contract liabilities		0	177,303
Other current operating liabilities		23,933,302	12,436,980

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.2 CONSOLIDATED PROFIT AND LOSS STATEMENT

CONSOLIDATED PROFIT AND LOSS STATEMENT OF THE GEOPLIN GROUP FOR THE FINANCIAL YEAR FROM 1/1 THROUGH 31/12

		in EUR 2022	in EUR 2021
1.	**Sales revenue**	**1,358,199,813**	**756,140,905**
2.	**Cost of goods sold**	**1,474,089,337**	**726,039,664**
	Costs of materials and services	5,715,269	4,513,486
	Labour costs	3,510,747	3,130,785
	Depreciation and amortisation	952,905	865,712
	Other costs	440,260	262,949
3.	**OPERATING COSTS**	**10,619,180**	**8,772,931**
	Other revenues	99,598,162	2,038,816
	Other expenses	6,604,500	8,257,601
	Impairment of receivables	297,952	29,160
4.	**OPERATING INCOME**	**-33,812,994**	**15,080,365**
	Financial revenue	748,972	8,104,092
	Financial expenses	2,028,982	329,326
5.	**FINANCIAL RESULT**	**-1,280,010**	**7,774,767**
6.	**EARNINGS BEFORE TAXES**	**-35,093,004**	**22,855,132**
	Tax expense	58,889	4,083,841
	Deferred taxes	-6,721,036	133,670
7.	**CORPORATE INCOME TAX AND DEFERRED TAX**	**-6,662,147**	**4,217,511**
8.	**NET PROFIT FOR THE PERIOD**	**-28,430,857**	**18,637,621**
	Net profit for the period attributable to:		
	owners of the controlling company	*-28,430,857*	*18,637,621*

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF OTHER COMP. INCOME OF THE GEOPLIN GROUP FOR THE FINANCIAL YEAR FROM 1/1 THROUGH 31/12

		in EUR 2022	in EUR 2021
1.	**NET PROFIT FOR THE PERIOD**	**-28,430,857**	**18,637,621**
2.	**Items to be recognised in the profit or loss statement in the future**	**-17,147,674**	**842,232**
	Effective part of change in the fair value of the cash flow hedging instrument	-20,519,806	0
	Change in deferred taxes	3,898,761	0
	Change in reserve due to fair value valuation	-650,160	1,039,793
	Change in deferred taxes	123,530	-197,561
3.	**Items not to be recognised in the profit or loss statement in the future**	**-71,751**	**48,133**
	Unrealised actuarial gains and losses	0	-25,129
	Change in capital revaluation adjustment	-71,751	73,262
4.	**TOTAL COMPREHENSIVE INCOME FOR THE REPORT. PERIOD**	**-45,650,283**	**19,527,986**
	Of which:		
	owners of the controlling company	*-45,650,283*	*19,527,986*

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.4 CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT OF THE GEOPLIN GROUP FOR THE FINANCIAL YEARS 2022 AND 2021

		in EUR 2022	in EUR 2021
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a.	**NET PROFIT OR LOSS**	**-28,430,857**	**18,637,621**
b.	**ADJUSTMENT FOR:**	**-100,450,601**	**10,754,952**
	corporate income tax	-6,662,147	4,083,841
	depreciation and amortisation (+)	894,312	794,915
	operating revenues from revaluation	-88,727,519	-20,264
	operating expenses from revaluation	4,427,486	8,264,198
	financial income excl. fin. income from operating receivables	-285,696	-1,006,596
	financial expenses excl. fin. expenses from operating liabilities	722,992	31,387
	other income and expense adjustments	-10,820,030	-1,392,529
c.	**CHANGES IN NET OPERATING CURRENT ASSETS (AND DEFERRED AND ACCRUED ITEMS, PROVISIONS, AND DEFERRED TAX ASSETS AND LIABILITIES) OF OPERATING ITEMS OF THE STATEMENT OF FINANCIAL POSITION**	**-68,973,938**	**34,299,471**
	Opening less closing operating receivables	-40,412,200	-60,152,949
	Opening less closing current deferred expenses	52,242	11,065,899
	Opening less closing deferred tax assets	-10,743,327	331,231
	Opening less closing inventories	-28,736,545	12,406,594
	Closing less opening operating liabilities	150,215,206	74,758,303
	Closing less opening accrued expenses and provisions	779,856	3,365,729
	Cash disbursements for corporate income tax	-2,181,294	-7,475,336
d.	**POSITIVE/NEGATIVE OPERATING CASH FLOW (a+b+c)**	**-59,907,521**	**63,692,044**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a.	**RECEIPTS FROM INVESTING ACTIVITIES**	**457,003,441**	**164,597,089**
	Receipts from participation in the profit of others related to investing activities	0	110,000
	Receipts from interest	77,100	203,136
	Receipts from disposal of tangible fixed assets	26,341	10,450
	Receipts from disposal of financial assets	456,900,000	164,273,503
b.	**CASH DISBURSEMENTS IN INVESTING ACTIVITIES**	**-408,992,914**	**-223,840,740**
	Disbursements for acquisition of intangible assets	-95,063	-148,809
	Disbursements for acquisition of tangible fixed assets	-447,851	-2,626,017
	Disbursements for acquisition of financial assets	-408,450,000	-221,065,914
c.	**POSITIVE CASH FLOW FROM INVESTING ACTIVITIES (a+b)**	**48,010,527**	**-59,243,651**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
a.	**RECEIPTS FROM FINANCING ACTIVITIES**	**114,835,220**	**92,645,895**
	Cash proceeds from increase in financial liabilities	100,993,933	79,620,238
	Cash proceeds from decrease in financial receivables	13,841,287	13,025,657
b.	**CASH DISBURSEMENTS IN FINANCING ACTIVITIES**	**-101,102,013**	**-95,988,238**
	Interest paid	-92,607	-31,072
	Dividends and other profit participations paid	0	-1,290,060
	Repayment of financial liabilities	-100,990,857	-94,647,011
	Repayment of principal on leases	-18,549	-20,095
c.	**NEGATIVE CASH FLOW IN FINANCING ACTIVITIES (a+b)**	**13,733,207**	**-3,342,343**
D.	**CLOSING BALANCE OF CASH**	**9,591,384**	**7,755,170**
x.	Net increase/decrease in cash for the period (Ad+Bc+Cc)	1,836,213	1,106,050
y.	Opening balance of cash	7,755,170	6,649,120

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE GEOPLIN GROUP IN 2022

	in EUR	share capital	capital reserves	profit reserves – other	capital revaluation adjustment	fair value reserves	hedge reserves	retained earnings	net profit/ loss for the period	**TOTAL EQUITY**
A.1.	**Closing balance of the previous reporting period – corrected**	**29,583,473**	**75,010,673**	**20,036,697**	**165,477**	**1,978,103**	**0**	**14,155,186**	**18,637,621**	**159,567,230**
A.2.	**Opening balance of the reporting period – corrected**	**29,583,473**	**75,010,673**	**20,036,697**	**165,477**	**1,978,103**	**0**	**32,792,807**	**0**	**159,567,230**
B.1.	**Changes in equity – transactions with owners**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a.	Profit-sharing payments									
B.2.	**Total comprehensive income for the reporting period**	**0**	**0**	**0**	**-167,619**	**-526,629**	**-16,621,045**	**95,868**	**-28,430,857**	**-45,650,282**
a.	Net profit/loss for the reporting period								-28,430,857	**-28,430,857**
b.	Change in revaluation reserve									
c.	Change in reserve due to fair value revaluation					-526,629	-16,621,045			**-17,147,674**
d.	Change in capital revaluation adjustment				-167,619			95,868		**-71,751**
B.3.	**Changes in equity**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a.	Alloc. of part of the net prof. of comp.rep. per. to other eq. comp.									0
C.	**Closing balance for the period**	**29,583,473**	**75,010,673**	**20,036,697**	**-2,142**	**1,451,474**	**-16,621,045**	**32,888,675**	**-28,430,857**	**113,916,948**

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE GEOPLIN GROUP IN 2021

	in EUR	share capital	capital reserves	profit reserves – other	capital revaluation adjustment	fair value reserves	retained earnings	net profit/ loss for the period	TOTAL EQUITY
A.1.	**Closing balance of the previous reporting period**	**29,583,473**	**75,010,673**	**20,036,697**	**92,215**	**1,160,999**	**0**	**15,444,201**	**141,328,258**
A.2.	**Opening balance of the reporting period**	**29,583,473**	**75,010,673**	**20,036,697**	**92,215**	**1,160,999**	**15,444,201**	**0**	**141,328,258**
B.1.	**Changes in equity – transactions with owners**	**0**	**0**	**0**	**0**	**0**	**-1,290,060**	**0**	**-1,290,060**
a.	Profit-sharing payments						-1,290,060		**-1,290,060**
B.2.	**Total comprehensive income for the reporting period – corrected**	**0**	**0**	**0**	**73,262**	**817,104**	**0**	**18,637,621**	**19,527,987**
a.	Net profit/loss for the reporting period – corrected							18,637,621	**18,637,621**
b.	Change in revaluation reserve								
c.	Change in reserve due to fair value revaluation					817,104			**817,104**
d.	Change in capital revaluation adjustment				73,262				**73,262**
B.3.	**Changes in equity**	**0**	**0**	**0**	**0**	**0**	**1,045**	**0**	**1,045**
a.	Alloc. of part of the net prof. of comp.rep. per. to other eq. comp.						1,045		**1,045**
C.	**Closing balance for the period – corrected**	**29,583,473**	**75,010,673**	**20,036,697**	**165,477**	**1,978,103**	**14,155,186**	**18,637,621**	**159,567,230**

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.6 STATEMENT OF COMPLIANCE

2.6.1 Statement of Compliance

The management of the Geoplin Group approved the consolidated financial statements on 7 June 2023.

The consolidated financial statements of the Geoplin Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, along with the interpretations adopted by the International Financial Reporting Interpretations Committee and by the European Union, and in accordance with the provisions of the Companies Act (ZGD-1).

They were compiled under the assumptions of the accrual basis and going concern, and provide understandable, relevant, reliable and comparable information.

2.6.2 Newly adopted standards and interpretations

The accounting policies used in compiling the Group's financial statements are the same as those used for the financial statements for the previous financial year. Exceptions consist of the newly adopted or amended standards and interpretations that apply for annual periods beginning on or after 1 January 2022 and are presented below.

Proceeds before intended use, Onerous Contracts – Cost of Fulfilling a Contract, Conceptual Framework for Financial Reporting – Narrow-Scope Amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRS Standards 2018–2020 affecting IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and applicable for annual periods beginning on or after 1 January 2022).

Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant, and equipment any amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, the proceeds from selling such items and the cost of producing those items are recognised in profit or loss. A company must use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not ready for its intended use. The amendment also clarifies that a company is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might, therefore, be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendment also clarifies that, before a separate provision for an onerous contract is established, a company recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 has been updated to refer to the 2018 Conceptual Framework for Financial Reporting in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, a company applying IFRS 3 should instead refer to IAS 37 or IFRIC 21 rather than the 2018 Conceptual Framework. Without this new exception, a company would have recognised certain liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the company would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It has also been clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 clarifies which fees should be included in the 10 per cent test for the derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10 per cent test.

Illustrative Example 13 that accompanies IFRS 16 has been amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 has been amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 has been removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The management assessed that the amendments to these standards did not lead to significant changes in the Geoplin Group's financial statements.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021)

The amendment to IFRS 16 issued in May 2020 introduced an optional practical expedient for lessees, allowing them to decide whether a rent concession related to Covid-19 that led to a reduction in lease payments and was originally to expire on or before 30 June 2021, is a lease modification. The amendment issued on 31 March 2021 extended the application period of the practical expedient by one year to 30 June 2022.

The management assessed that the amendment to this standard did not lead to significant changes in the Geoplin Group's financial statements.

The Group believes that the adoption of these new standards and amendments to the existing ones will not have a significant impact on its financial statements in the period of initial application.

New standards and interpretations not yet effective

The standards and interpretations presented below have not yet become effective by the date of the consolidated/separate financial statements. The Group will use the relevant standards and clarifications in the compilation of its financial statements when they become effective. The Group did not early adopt any of the standards.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture.
The amendments address an acknowledged inconsistency between the requirements of IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the International Accounting Standards Board (IASB) postponed the effective date of this standard indefinitely, pending the outcome of its research on the equity method of accounting. The amendments to the standard have not yet been adopted by the EU.

The Group is examining the impact of the amendments to the standard and will adopt them when they become effective.

Amendments to IAS 1 and IFRS Practice statement 2: Disclosure of Accounting Policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
The IAS 1 was amended so as to require companies to disclose their material accounting policy information instead of significant accounting policies. The amendment defined material accounting policy information. The amendment also clarifies that accounting policy is material if users of a company's financial statements would need it to understand other material information in the financial statements. The amendments also provide illustrative examples of when accounting policy information is likely to be material for the company's financial statements. Furthermore, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, Making Materiality Judgements, was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group is examining the impact of the amendments to the standard and will adopt them when they become effective.

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
IFRS 17 replaces IFRS 4, which exceptionally permitted companies to continue using existing accounting practices for insurance contracts. As a result, it was difficult for investors to analyse and compare the financial performance of otherwise similar insurers. IFRS 17 requires applying a single framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard stipulates that an entity recognises and measures groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) for (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will recognise the profit from the group of insurance contracts as they provide insurance coverage and when they are excluded from the risk. If a group of contracts is or begins to be loss-making, the company immediately recognises the loss.

The Group does not expect these changes to have an impact on its consolidated financial statements.

Amendments to IFRS 17 and Amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
The amendments include several clarifications intended to ease the implementation of IFRS 17 and simplify some of the standard and transition requirements. The amendments relate to eight areas of IFRS 17 and are not intended to change the fundamental principles of the standard. The amendments to IFRS 17 include:
– Effective date: The effective date of IFRS 17 (incorporating the amendments) was deferred by two years to annual reporting periods beginning on or after 1 January 2023; the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 was also deferred to annual reporting periods beginning on or after 1 January 2023.

– Expected recovery of insurance acquisition cash flows: A company is required to allocate part of the acquisition costs to related expected contract renewals and to recognise those costs as an asset until the company recognises the contract renewals. Companies are required to assess the recoverability of the asset at each reporting date and to provide specific information about the asset in the notes to the financial statements.
– Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
– Reinsurance contracts held – recovery of losses: A company is required to adjust the contractual service margin of a group of reinsurance contracts held and, as a result, recognise income, when the company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on the addition of onerous underlying insurance contracts to that group. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on the underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
– Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Group does not expect these changes to have an impact on its consolidated financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
The amendments to IAS 8 are designed to clarify the distinction between changes in accounting estimates from changes in accounting policies.

The Group is examining the impact of the amendments to the standard and will adopt them when they become effective.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)
Amendments to IAS 12 clarify how companies account for deferred tax on transactions such as leases or decommissioning obligations. In certain circumstances, a company is exempted from recognising deferred tax when it recognises assets or liabilities for the first time. In the past, views differed on whether the recognition exemption applied to transactions, such as leases and decommissioning obligations, where both the asset and liability are recognised. The amendments clarify that the exemption does not apply and that companies must recognise deferred tax on such transactions. Amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Group is examining the impact of the amendments to the standard and will adopt them when they become effective.

Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on the initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply on different dates and will result in the following one-time classification differences in the comparative information presented on the initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if a company chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will aid insurers in avoiding these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does so by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, companies would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the company does not restate IFRS 9 comparative information. The transition option would be available on an instrument-by-instrument basis; it would allow a company to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset but not require a company to apply the impairment requirements of IFRS 9; it requires a company that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the company expects that financial asset to be classified applying IFRS 9.

The Group does not expect these changes to have an impact on its consolidated financial statements.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
The amendments relate to sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure liabilities arising from a transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. This means a deferral of such a gain even if there is a liability for variable payments that do not depend on an index or a rate. The amendments to the standard have not yet been adopted by the EU.

The Group is examining the impact of the amendments to the standard and will adopt them when they become effective.

Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (first issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, effective for annual periods beginning on or after 1 January 2024).
The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. To classify a liability as non-current, a company must have the right to delay the settlement of a liability for at least 12 months from the end of the reporting period. The requirement for such a right to be unconditional has been removed. The amendment of October 2022 clarified that covenants with which a company must comply after the reporting date do not affect a liability's classification as current or non-current at the reporting date. The classification of liabilities is unaffected by management's expectations about whether the company will exercise its right to defer settlement. A liability is classified as current if a condition is breached at or before the reporting date, even if a lender's waiver is obtained after the end of the reporting period. A loan, however, is classified as non-current if a covenant was breached after the reporting date. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits, or a company's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments for which the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The amendments to the standard have not yet been adopted by the EU.

The Group is examining the impact of the amendments to the standard and will adopt them when they become effective.

The summary of significant accounting policies discloses selected accounting policies identified by the management as significant for understanding the summary of the consolidated financial statements, as well as policies governing items containing significant assessments and disclosures relating to the items subject to amendments to the International Financial Reporting Standards as adopted by the EU.

FINANCIAL ASSETS

Financial assets comprise cash, short-term deposits, financial assets at fair value through other comprehensive income, trade receivables, loans, and other receivables.

Financial assets and financial liabilities are offset when, and only when, an entity has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the asset. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method, less impairment loss.

Cash is initially recognised in the amount recorded in the underlying documents after their nature has been verified. Cash denominated in a foreign currency is translated into the domestic currency at the exchange rate applicable on the date of receipt.

The balance of cash denominated in a foreign currency is converted into the national currency on the date of the financial statement, using the reference exchange rate of the European Central Bank. Exchange rate differences arising due to the conversion increase either financial revenue or financial expenses.

Financial assets at fair value through other comprehensive income that have the nature of a debt instrument are the financial assets held by the company in a business model whose objective is achieved by both collecting contractual cash flows, which are solely payments of principal and interest on the principal amount outstanding, and by selling financial assets. After initial recognition, such investments are measured at fair value increased by associated transaction costs. The Geoplin Group conducts an annual impairment review and does not record insignificant impairments in its financial statements.

The Geoplin Group holds debt instruments at fair value through other comprehensive income, including quoted bonds, which are recognised under long-term financial assets.

Financial assets at fair value through other comprehensive income that have the nature of an equity instrument are those financial assets that meet the definition of own equity under IAS 32 Financial Instruments, and for which the company elected to classify them irrevocably as equity instruments designated at fair value through other comprehensive income, and are not held for trading.

Fair value changes and exchange gains and losses on financial instruments at fair value through other comprehensive income that have the nature of an equity instrument are recognised in other comprehensive income under equity or fair value reserve, except for profit-sharing payments. The effect of the disposal of such a financial instrument will be recorded under retained earnings. Upon derecognition of equity at fair value through other comprehensive income, the cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings and are never recycled from equity to profit or loss. When a debt financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gains and losses are reclassified to profit or loss.

DERIVATIVES

Derivatives are initially recognised at fair value. Business-related costs are recognised in the profit and loss when they are incurred. After initial recognition, derivatives are measured at fair value, whereas associated changes are treated as described below.

- When a derivative is designated as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of the change in fair value of the derivative is recognised in the comprehensive income of the period and disclosed under hedge reserve. The ineffective portion of the change in fair value of the derivative is recognised directly in the profit or loss. As a rule, the Geoplin Group discontinues hedge accounting if the hedge no longer qualifies for hedge accounting or if the hedging instrument is sold, terminated, or exercised. The cumulative gain or loss recognised in other comprehensive income stays disclosed under hedge reserve until the forecast transaction affects the profit or loss. If the forecast transaction is no longer expected to occur, the amount that has been recognised in other comprehensive income is recognised directly under profit or loss. In other cases, the amount recognised in other comprehensive income is reclassified to profit or loss in the same period as the hedged item affects profit or loss.
- The effects of other derivatives not designated as a hedge of the risk of the exposure to variability in cash flows and not attributable to a particular risk associated with a recognised asset or liability are recognised in profit or loss.

The Geoplin Group uses the following derivatives:

Forwards

The Group makes part of the purchase of natural gas in U.S. dollars and sells it predominantly in euros. Because it buys and sells in different currencies, there is a mismatch between purchase and selling prices, which the Geoplin Group manages with forward contracts.

Forwards include the fair value of open transactions on the date of the statement of financial position, which is determined based on publicly available information on the value of forwards on the organised market on the date of reporting for all open transactions. Gains and losses are recognised in profit or loss under financial revenues and expenses.

When a forward financial instrument is designated a hedge of the exposure to variability in cash flows associated with a recognised asset or liability or a forecast transaction, the portion of the gain or loss from the instrument designated as an effective hedge is recognised directly in the comprehensive income. Gains and losses from the instrument designated as ineffective are recognised in profit or loss under financial revenues and expenses.

Commodity derivatives

The purchase and sale of natural gas involves a mismatch between purchase and selling prices, which the Geoplin Group hedges through derivatives. The Geoplin Group uses commodity derivatives as a cash flow hedge in the purchasing of natural gas.

The fair value of open commodity derivatives as at the date of the statement of financial position is defined based on publicly available information from relevant institutions on the values of commodity derivatives in the market on the day of the statement of financial position. Gains and losses are recognised under operating income under gains and losses from derivatives.

When a commodity derivative is designated a hedge of the exposure to variability in cash flows associated with a recognised asset or liability or a forecast transaction, the portion of the gain or loss from the instrument designated as an effective hedge is recognised directly in the comprehensive income. Gains and losses from the instrument designated as ineffective are recognised in profit or loss under gains and losses from derivatives.

INVENTORIES

The Geoplin Group only keeps inventories of merchandise. The inventory of merchandise consists of natural gas held in leased storage facilities abroad.

The value of natural gas in inventory is determined based on the monthly average cost, which is calculated based on the average price of the monthly initial inventory and the average cost of supplies in the current month.

The actual cost is the purchase price of natural gas and direct acquisition costs (transport, storage and other acquisition costs until the goods are released for free circulation), excluding duty (eco-tax, excise duty) and costs (carrier, network charge) incurred when the merchandise is released for free circulation.

The net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of sale. The Geoplin Group verifies net realisable value of inventories on the date of the statement of financial position. If the net realisable value is less than the carrying amount, inventories are impaired.

PROVISIONS

Provisions are recognised for present obligations arising from obligating past events that can be estimated reliably and will be settled in an unspecified period and for losses expected on onerous contracts.

Provisions for onerous contracts are recognised when market conditions lead to a situation where the unavoidable costs of meeting the obligations under the long-term contract exceed the economic benefits expected to be received under it.

Accordingly, the amount of long-term provisions is calculated based on estimated economic benefits and service costs from long-term contracts for the lease of capacities and storage agreements with consideration of the cross-zonal capacity used . Provisions are carried as the difference between the contract price and its mark-to-market value. The current market value is determined based on the realised value, and the estimated value for future years of contracts is based on the probable trend of future market prices. The difference between the estimated market value and the contract value is discounted at the discount rate based on the data on the yield of Slovenian government bonds maturing in the year of the expiry of long-term contracts.

LIABILITIES

Liabilities are non-current and current, financial and operating.

Liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Liabilities are initially reported in the amounts recorded in underlying documents or at the value equal to the amount of cash or cash equivalents received. Subsequently, they are measured at amortised cost and increased by accruing interest, if so agreed with the creditor. They are reduced by amounts paid and any other form of settlement agreed with the creditor.

Debts denominated in foreign currencies are translated into the national currency on the day of origination. Debts denominated in a foreign currency are translated on the balance sheet date using the middle exchange rate of the European Central Bank. Resulting exchange differences are classified under operating expenses or revenues.

CASH FLOW STATEMENT

The cash flow statement has been compiled based on data from the profit and loss account for the period 1 January 2022 to 31 December 2022, data from the statement of financial position as at 31 December 2022 and 1 January 2022 and other required information.

2.8 SUMMARY OF NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The summary discloses the notes shaped by significant assessments and disclosures relating to the items subject to amendments to the International Financial Reporting Standards as adopted by the EU.

2.8.1 Inventories

in EUR

	As at 31/12/2022	As at 31/12/2021
Merchandise	50,942,277	18,370,299
Advance payments for merchandise	11,980,902	11,979,623
Total	**62,923,179**	**30,349,922**

The Geoplin Group has leased storage capacities in Austria and Croatia. The volume of inventories in storage is subject to the dynamics in the price situation and efforts to achieve optimum sales conditions.

For inventories whose net realisable value, i.e. the estimated selling price in the ordinary course of business less the estimated cost of sale, is lower than the carrying amount, the Geoplin Group recognised inventory revaluation of EUR 4,427,486. Revaluation took into account market prices on the date of compilation of financial statements.

The inventory count revealed no excess or shortage of merchandise. No part of the Geoplin Group's inventory is pledged as collateral for the Group's obligations.

2.8.2 Current financial investments

in EUR

	As at 31/12/2022	As at 31/12/2021
Current loans granted to Petrol Group companies	17,513,282	66,133,355
Current loans to others	0	0
Current financial assets at fair value through other comprehensive income	340,266	340,266
Derivatives	0	33,654
Other current financial assets	0	13,841,293
Total	**17,853,548**	**80,348,568**

The Geoplin Group's current financial assets comprise current loans to Petrol Group companies, other current financial assets – bonds, and derivatives. Loans granted to Petrol Group companies represent loans to the company Petrol, d. d., Ljubljana, with interest running until 31 December 2022 at a fixed interest rate.

2.8.3 Current operating receivables

The table below shows the structure of operating receivables.

in EUR

	As at 31/12/2022	As at 31/12/2021
Trade receivables	159,198,247	136,360,727
Corporate income tax assets	3,619,829	1,064,763
Other current assets	25,658,119	8,135,680
Total	**188,476,195**	**145,561,170**

2.8.4 Credit risk

Credit risk is the risk of a counterparty failing to meet its contractual obligations or obligations arising from financial instruments. The Geoplin Group is exposed to credit risk from operations, in particular from trade receivables and financial receivables, mainly from loans granted and cash.

Credit risk concentration is not disclosed. The most noteworthy exposure is to the sovereign from government bonds. As at 31 December 2022, the Geoplin Group has no past due and unimpaired financial assets.

The table below shows the maximum exposure to the Geoplin Group's credit risk, namely the worst-case exposure of the Geoplin Group to credit risk as at 31 December 2022 and 31 December 2021.

in EUR

	31/12/2022	31/12/2021
Companies' interests	1,817,600	1,817,600
Companies' shares	2,408,000	3,058,160
Bonds	0	0
Non-current loans	21,000,000	21,000,000
Trade receivables	159,198,247	136,360,727
Current financial investments	17,853,548	80,348,568
Cash and cash equivalents	9,591,384	7,755,170

Up by 17% compared with 2022, trade receivables are the most exposed to credit risk as at the reporting date.

The Geoplin Group manages credit risk by insuring its receivables with Zavarovalnica Triglav insurance company, with financial collaterals and guarantees. The policy for creating allowances for receivables, the ageing of receivables, and changes in the allowance for receivables are described in note 2.8 Summary of significant accounting policies in the framework of operating receivables and in disclosure 2.9.8.

Trade receivables insurance

in EUR

	31/12/2022	31/12/2021
Gross trade receivables	162,922,794	140,796,275
Allowance	-3,724,547	-4,435,548
Net trade receivables	159,198,247	136,360,727
Past due trade receivables (gross)	16,061,382	8,886,038
Percentage of past due receivables in outstanding receivables	10%	7%
Insured trade receivables higher than EUR 100,000	194,327,500	94,555,080

Insurance includes all types of insurance and collaterals.

The receivable due from the largest customer as at 31 December 2022 totals EUR 18,248,916 (31 December 2021: EUR 17,012,754) and represents 11.5% of trade receivables in the Group (31 December 2021: 12.5%).

The majority of receivables are domestic and foreign trade receivables from the sale of natural gas. Customers are diversified, so there is no major exposure to individual customers.

2.8.5 Provisions

in EUR

	As at 31/12/2022	As at 31/12/2021
Provisions for severance pay	76,744	76,744
Provisions for jubilee awards	29,942	32,240
Other provisions	105,862	10,820,030
Closing balance	**212,548**	**10,929,014**

Tables below show changes in provisions.

in EUR

	As at 31/12/2022	Additions 2022	Reversals 2022	Uses 2022	As at 1/1/2022
Provisions for severance pay	76,744	0	0	0	76,744
Provisions for jubilee awards	29,942	0	0	2,298	32,240
Other provisions	105,862	105,862	10,820,030	0	10,820,030
Total	**212,548**	**105,862**	**10,820,030**	**2,298**	**10,929,014**

in EUR

	As at 31/12/2021	Additions 2021	Reversals 2021	Uses 2021	As at 1/1/2021
Provisions for severance pay	76,744	28,638	0	0	48,106
Provisions for jubilee awards	32,240	13,477	0	3,328	22,091
Other provisions	10,820,030	0	1,528,318	0	12,348,348
Total	**10,929,014**	**42,115**	**1,528,318**	**3,328**	**12,418,545**

The reduction in provisions in 2022 relates to the utilisation or reversal of provisions for onerous contracts in 2022 and to the utilisation of provisions for jubilee awards paid.

Other provisions represent provisions for litigation (EUR 105,862).

2.8.6 Current liabilities

The structure of current liabilities as at 31 December is shown below.

in EUR

	As at 31/12/2022	As at 31/12/2021
Current financial liabilities	8,118,346	1,546
Current operating liabilities	203,199,145	131,177,739
Total	**211,317,491**	**131,179,285**

Current financial liabilities as at 31 December 2022 consist primarily of liabilities arising from derivatives used for hedging. Current operating liabilities largely relate to liabilities for the purchase of natural gas, which were fully repaid in January 2023; the increase is due to high natural gas prices.

Changes in current financial liabilities are shown in the table below.

in EUR

	As at 1/1/2022	Increase	Repayments	As at 31/12/2022
Current financial liabilities	0	109,067,313	100,950,513	8,116,800
Current lease liabilities	1,546	18,549	18,549	1,546
Total	**1,546**	**109,085,862**	**100,969,062**	**8,118,346**

Current operating liabilities of the Geoplin Group consist of:

in EUR

	As at 31/12/2022	As at 31/12/2021
Trade payables	179,265,844	118,460,227
Corporate income tax liabilities	0	103,230
Contract liabilities	0	177,303
Commodity derivatives	13,864,853	0
Other current liabilities	10,068,448	12,436,980
Total	**203,199,145**	**131,177,739**

A portion of commodities totalling EUR 12,427,784 is designated for hedging, and the effect of these derivatives is recognised in other comprehensive income and disclosed under equity as a hedge reserve.

Trade payables include a trade payable due to Gazprom, measured at fair value, totalling EUR 3,550,000.

In 2022, Geoplin d.o.o. Ljubljana recorded a negative income, which was the result of non-delivered natural gas supplies under the long-term contract with the Russian company Gazprom.

We analysed the damage arising from our business with Gazprom and identified the following loss, incurred by the end of 2022, totalling EUR 140.3 million:

- EUR 43.2 million from realised losses due to the non-delivery of the current year's supplies and the cost of replacement purchases of natural gas;
- EUR 97.1 million losses on undelivered leased volumes of natural gas at fixed prices from previous years.

On 27 December 2022, we notified Gazprom of the damage suffered and informed them that our outstanding liability to Gazprom for the natural gas delivered for the months of October and November 2022 in the total amount of EUR 92.1 million would be offset against a pro rata share of our claims for damages.

To prevent further damage, we also informed them of the termination of the contract due to the non-delivery of natural gas.

In view of the above, we derecognised the liabilities to Gazprom for the natural gas delivered in October and November 2022 totalling, EUR 92,142k, and re-recognised them at fair value. On 31 December 2022, we remeasured them to fair value in the amount of EUR 3,550,000.

Contract liabilities – IFRS 15 liabilities as at 31 December are presented in the table below.

in EUR

	As at 31/12/2022	As at 31/12/2021
Liabilities for payments and deposits received in advance	0	177,303
Total	**0**	**177,303**

In 2021, payments and deposits received in advance comprised advance payments received for the supply of natural gas that closed when the gas was supplied.

Corporate income tax liabilities

in EUR

	As at 31/12/2022	As at 31/12/2021
Corporate income tax liabilities	0	103,230
Total	**0**	**103,230**

Other current operating liabilities as at 31 December are presented in the table below.

in EUR

	As at 31/12/2022	As at 31/12/2021
Payables to employees	267,649	215,951
Payables to the state	8,954,534	11,864,774
Accrued costs and expenses	845,534	354,742
Other current liabilities	13,865,584	1,512
Total	**23,933,302**	**12,436,980**

Liabilities to employees comprise gross salaries and related contributions, supplementary pension insurance premiums, and other labour costs for December 2022, paid in January 2023.

Payables to the state totalling EUR 8,954,534 (2021: EUR 11,864,774) represent liabilities for VAT, excise duty, ecotax, and contributions for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources.

Accrued costs and expenses were formed for accrued costs of services, costs related to unused leave and accrued costs of business cooperation in ensuring energy savings for final consumers.

As at 31 December 2022, the Geoplin Group does not record operating liabilities to members of the supervisory and management boards.

2.9 THE IMPACT OF SIGNIFICANT BUSINESS EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

In April 2023 the Croatian regulator HERA adopted a new methodology that regulates retail natural gas prices in Croatia and introduces a 15-day reference period for determining the selling prices of gas instead of the previous 11-month period.

The change has a retroactive effect on the contractual relationships between the Petrol Group companies and our customers because the changed methodology does not take into account the actual value of the price of purchased gas, which has a negative effect on the Geoplin Group's operations. At this stage, it is not known whether the state will provide any compensation due to the changed methodology. An application for the assessment of legality of the amended methodology and a proposal for suspension of its implementation has been submitted to the Higher Administrative Court.

Since the method and amount of the compensation for the damage suffered are not yet known, it is not possible to provide an estimate of the total effect of the price regulation and the expected compensation for the damage from the state.

On 16 May 2023, Geoplin d.o.o. Ljubljana initiated an arbitration procedure against Gazprom Export LLC on the grounds of a breach of the natural gas supply agreement. Due to the corporate guarantee being enforced by Gazprom Export LLC., Geoplin d.o.o. Ljubljana filed the request for arbitration together with Petrol d.d., Ljubljana.

As we cannot with certainty assess the outcome of the arbitration procedure against Gazprom Export LLC. on the grounds of (non)supply of natural gas, the conditions for the recognition of claims or contingent claims under IFRS have not been satisfied.

Based on the currently available data and results achieved in 2022, the Geoplin Group does not expect any events and circumstances to have a significant effect on the operations and existence of the Geoplin Group in 2023 or on the assets and liabilities presented in the statement of the financial position on the reporting date.

Manager
Jože Bajuk, MSc

General Manager
Matija Bitenc, MSc

2.10 ADDITIONAL CLARIFICATIONS PURSUANT TO THE ELECTRICITY SUPPLY ACT, GAS SUPPLY ACT, AND HEAT SUPPLY FROM DISTRIBUTION SYSTEMS ACT

In 2022, the Geoplin Group did not perform transmission or distribution activities, activities relating to liquefied natural gas or storage activities for which the law prescribes separate accounting records and disclosure of separate financial statements in the notes to financial statements.

pwc

Independent Auditor's Report on the Summary Consolidated Financial Statements

To the owners of GEOPLIN d.o.o. Ljubljana

Our opinion

In our opinion, the accompanying summary consolidated financial statements of GEOPLIN d.o.o. Ljubljana (the "Company") and its subsidiaries (together – the "Group") are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the International Financial Reporting Standards, as adopted by the EU.

The summary consolidated financial statements

The Group's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended 31 December 2022 comprise:

- the summary consolidated statement of financial position as at 31 December 2022;
- the summary consolidated income statement for the year then ended;
- the summary consolidated statement of other comprehensive income for the year then ended;
- the summary consolidated statement of cash flows for the year then ended;
- the summary consolidated statement of changes in equity for the year then ended; and
- the related notes to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards, as adopted by the EU. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 7 June 2023.

Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the International Financial Reporting Standards, as adopted by the EU.

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Translation note:

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

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), "Engagements to Report on Summary Financial Statements".

For and on behalf of PricewaterhouseCoopers d.o.o.:

Aleš Grm	Primož Kovačič
Statutory auditor	Director, Statutory auditor

7 June 2023

Ljubljana, Slovenia

Translation note:

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In 2022/23 season, the Slovenian ski jumpers achieved exceptional results both in the World Cup competition and at the Planica Nordic World Ski Championship.

They won the podium 36 times.
Together, they won six individual first places, three team second places, 18 individual second places, and nine individual third places.

At the Nordic World Ski Championship in Planica they won three medals.
Slovenian men's ski jumping team won the gold medal, Timi Zajc won the individual gold medal and our mixed team won the bronze medal.

Geoplin, proud sponsor of the Slovenian Nordic Ski Team.

SUMMARY
ANNUAL REPORT
OF THE GEOPLIN GROUP
2022

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geoplin PETROL GROUP