SUMMARY ANNUAL REPORT 2021

SUMMARY OF THE CONSOLIDATED ANNUAL REPORT OF THE GEOPLIN GROUP 2021

geoplin
Next to Energy.

Exceptional energy, clear vision.

The right starting position, the right posture, speed on the take-off table, the best moment for take-off and a well-though-out flight curve lead to a long reliable flight and a safe landing in the landing zone.

A great position within the industry, the right business philosophy, fast response to change, making the right decisions at the right moment and well-though-out planning lead to long-term business stability and a reliable end-of-year result.

Geoplin. Next to Energy.

Every year, the Geoplin Group issues a publication summarizing 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.

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STATEMENT BY THE MANAGEMENT BOARD

The year 2021 was marked by dramatic fluctuations and price surges in all energy markets, with natural gas prices recording the largest increase. According to analysts, cold winter in Europe combined with a long heating season, increased demand for natural gas in the wake of economic recovery, strong demand in Asia, reduced imports of liquefied natural gas to Europe as tankers with LNG were drawn to other, more expensive markets, reduced natural gas inventories in European storage sites, and reduced natural gas supply from the Russian Federation to Europe were the main reasons for persistent growth in natural gas prices in 2021. Soaring prices caused turmoil in the natural gas market, which are thus increasingly volatile in 2022. The Geoplin Group is very concerned about the developments in Ukraine, as they could have an impact on natural gas supply from the Russian Federation to the EU. For the time being, the Russian Federation delivers uninterrupted supplies in accordance with contractual obligations, whereas the gas exchange prices respond to supply and demand. Recent events once again revealed EU's reliance on Russian gas and resumed appeals to reduce this dependence. The Geoplin Group has a diversified purchasing portfolio and will invest every effort in ensuring uninterrupted supply of natural gas to its customers.

In the natural gas segment, the Group sold a total of 33.6 TWh of natural gas in 2021, which is 27% above the previous year's figure and represents record sales in the Group's history. The growth was mainly a result of higher international sales. Due to higher natural gas price indices net sales revenues in 2021 were higher than the previous year's, totalling EUR 756.1 million. The Group's earnings before interest and taxes (EBIT) totalled EUR 15.1 million and its net profit totalled EUR 18.6 million. The Group's net return on equity (ROE) at year-end totalled 12.4%.

Customers remained at the centre of Geoplin Group operations in 2021. We continued to carefully monitor the developments in gas exchanges and kept our customers up to date in order to support them in making informed decisions about the management of the natural gas purchasing portfolio. This was even more important in the context of continued Covid-19 epidemic and the energy crisis, skyrocketing prices, especially in the last quarter of 2021, and related dynamic and extremely volatile developments in gas exchanges. The price surge has impacted our liquidity as well as the liquidity of our customers. We also provided all necessary support and solutions that helped our customers deal with the new circumstances in their business operations and adapt to the dynamic economic situation on the one hand and to the natural gas market on the other. This approach further consolidated our status of a reliable and flexible business partner.

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 remained focused on optimising its purchasing portfolio, also by expanding the list of its trading partners. Special attention was paid also to the possibility of expanding to international markets and developing a trading infrastructure to further support trading activities.

At the Geoplin Group we are aware how important it is to ensure sustainable use of energy. In 2021, the Group continued sales activities related primarily to finding new projects aimed at efficient energy use and renewable energy sources. In reaction to the global trends and market requirements the focus was on activities related to the development of green hydrogen projects geared towards the decarbonisation of natural gas.

The Group also continued its multi-year digital transformation. The implementation of a comprehensive ETRM system is in the production stage, we installed several upgrades to the existing ERP system, and proceeded with the automation and visualisation of reports in BI. The "corona times" impelled us to modernise a part of our applications software, introduce the electronic signature and move to teleworking in order to ensure safe and uninterrupted business operations at the time of stringent epidemic containment measures. We updated the online portal for customers to provide for a better and easier overview and analysis of natural gas consumption. Our website was completely revamped.

Particular emphasis was given to cybersecurity and safety of the information and communication systems. We conducted security screening 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 ICT system security. We followed recommendations and installed IT system security updates. All our employees received IT system security awareness training.

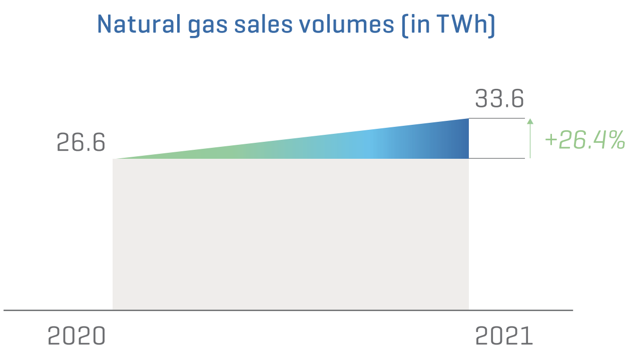
We are living in a rapidly changing environment and at the time of rapid changes it is of key importance for the existence of the Group to stop and think where and how we will operate in the coming years. In 2022 we will thus focus on overhauling our strategy and strategy goals for the next period, adapting them to the changes in the internal and external business environment.

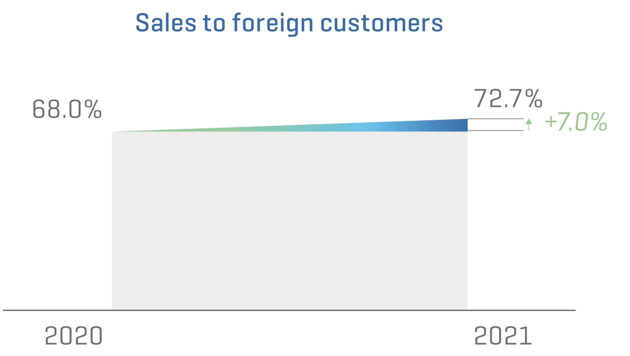
Ljubljana, 22 June 2022

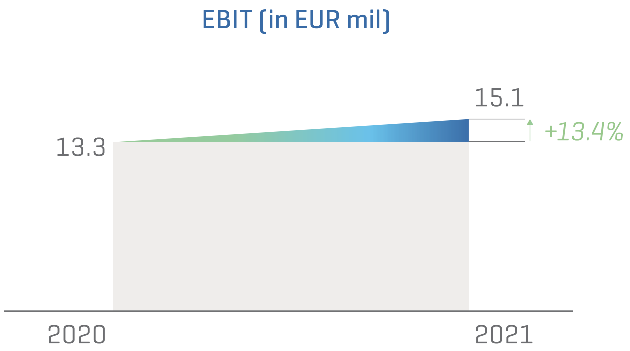
Vanja Lombar
General Manager

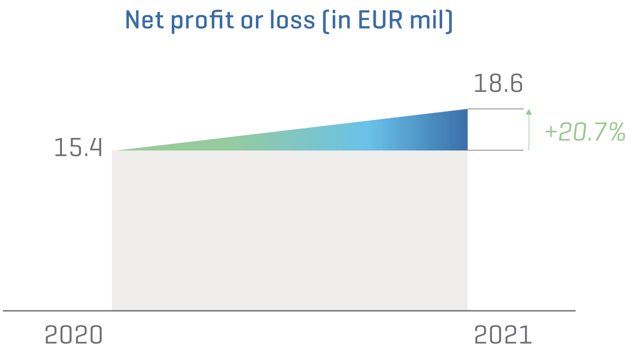
1. 2. OPERATING HIGHLIGHTS

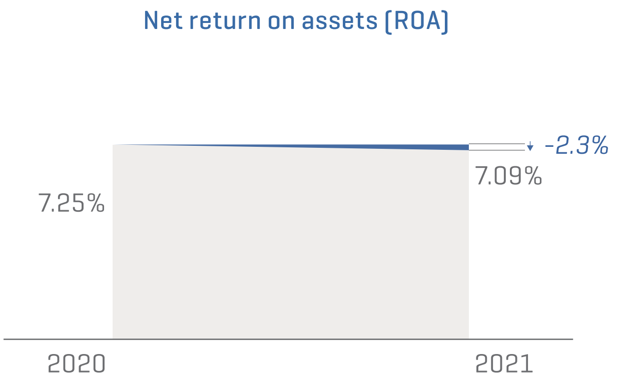
The graphs below show business operations in 2020–2021 in terms of non-financial data.[1]

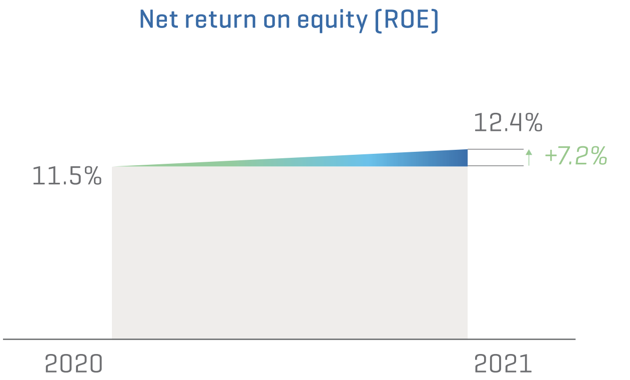












[1] Return on assets (ROA) = (net income / average assets in the year)
Return on equity (ROE) = (net income / average equity in the year)

1. 3. COMPANY PROFILE

1. 3. 1. PARENT COMPANY

Geoplin was established in 1975 based on an agreement concluded in 1974 with future natural gas customers. 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, since mid-1978. It also operates on 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, and since 1 February 2022 the company has been led and represented by Vanja Lombar.

Company at a glance:

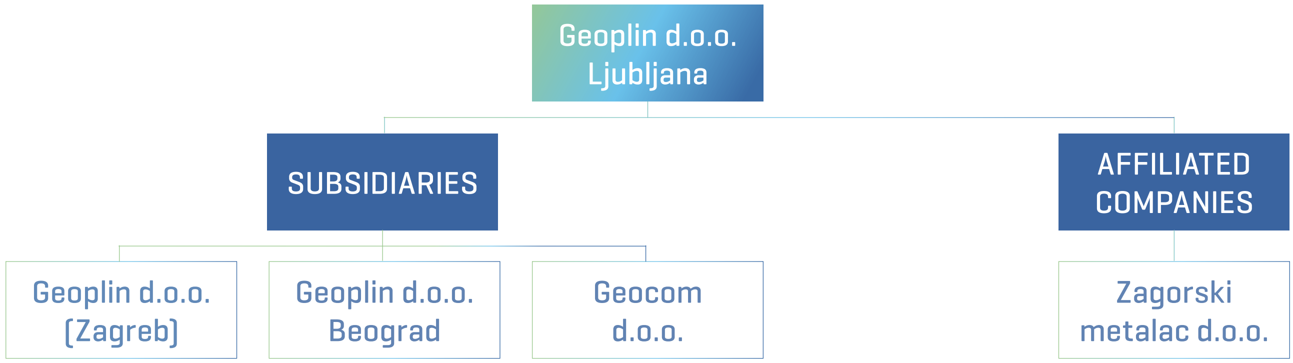
Company name:	Geoplin d.o.o. Ljubljana, družba za trgovanje z zemeljskim plinom
Abbreviated company name:	Geoplin d.o.o. Ljubljana
Registered office:	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia
Registration number:	5025869000
VAT ID no.:	SI51503581
Activity code:	46.710 Wholesale of solid, liquid and gaseous fuels and related products
Management:	General Manager Vanja Lombar (since 3 January 2022)
President of the Supervisory Board:	Nada Drobne Popović, Msc (since 18 June 2020)
Website:	https://www.geoplin.si
Email:	info@geoplin.si
LinkedIn:	https://www.linkedin.com/company/geoplin-d.o.o.-ljubljana/

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.

1. 3. 2. GEOPLIN GROUP

Due to the considerable impact of subsidiaries on the balance sheet and the profit and loss statement Geoplin d.o.o. Ljubljana will prepare the consolidated financial statements of the Geoplin Group for the year ended 31 December 2021 and comparatively for the year ended on 31 December 2020. Consolidated companies are Geoplin d.o.o. Ljubljana and Geoplin d.o.o. (Zagreb). Geoplin d.o.o. Belgrade and Geocom d.o.o. are inactive and are not included in the consolidation. 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 (HERA), and is responsible for the balance group on the Croatian natural gas market via the Croatian energy market operator (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 2021.

Geocom, družba za energetski inženiring, d.o.o.

Registered office:	Cesta Ljubljanske brigade 11, 1000 Ljubljana, Slovenia
Director:	Jurij Planinc
Shareholding of Geoplin d.o.o. Ljubljana:	100%

The company Geocom d.o.o. did not operate in 2021.

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., Ljubljana increased its share to 75%. The company Zagorski Metalac d.o.o. is a natural gas distributor and supplier in Croatia.

The external audit of financial statements and the annual report of Geoplin for the financial years 2021 and 2020 were conducted by the auditing firm Ernst & Young d.o.o.

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

1. 3. 3. AUDIT

The audit of financial statements and annual report of the Geoplin Group for 2021 was conducted by the auditing firm Ernst & Young d.o.o.

The summary of the consolidated financial statements comprises: 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.

The financial statements that served as the basis for the consolidated financial statements as at 31 December 2021 were audited, namely by the auditing firm Ernst & Young d.o.o. Ljubljana for Geoplin d.o.o. Ljubljana, and by Ernst & Young d.o.o. Croatia for the Croatian company Geoplin d.o.o.

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

1. 3. 4. MISSION, VISION, VALUES

MISSION	VALUES	VISION
Geoplin's mission is to provide a competitive and reliable supply of natural gas to customers, while maintaining a sustainable level of profitability.	Honesty,	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.
	respect,	
	straightforward and open communication within the company and beyond,	To adapt our range of products and services, and our activities to the needs of the market, and to ensure the competitiveness and reliability of supply.
	diligence,	
	proactivity,	To seek new development and growth opportunities in the energy sector in Slovenia and beyond by offering other energy products and services.
	innovation,	
	integrity and responsibility.	

1. 3. 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.

STAKEHOLDERS

CONSUMERS

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.

OWNERS

The Group generates benefits for **owners** through the continued development of the company and by maintaining sustainable profitability of operations.

EMPLOYEES

The Group generates benefits for **employees** by providing a suitable work environment, and the opportunity for professional development.

WIDER ENVIRONMENT

The Group generates benefits for the **wider community** by ensuring environmentally acceptable supply and by acting responsibly toward the natural and social environment.

1. 4. EXPECTED DEVELOPMENT

Energy markets in Europe are progressing towards a gradual reduction in carbon dioxide emissions with a view to achieve decarbonization by 2050. 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 zero carbon society. In the coming decades we therefore 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 it will be one of Geoplin Group's priorities 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 additional increase in trading in the fast-growing Austrian VTP and Dutch TTF markets, which are becoming global pricing mechanisms and benchmarks for the supply of liquefied natural gas in Europe. Natural gas trading will develop towards exploiting the market potential of long-term sales and purchase contracts 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.

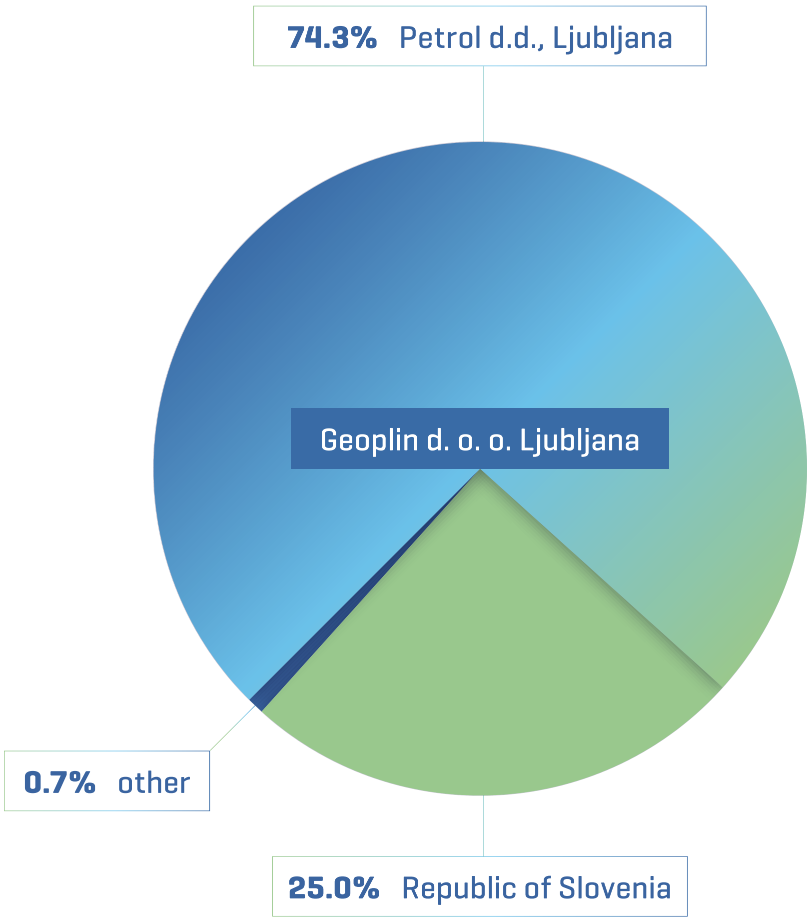
The Group's activities will focus also on the continued development and marketing of energy efficiency projects and services, and the promotion of natural gas in electricity generation, including cogeneration.

1. 5. GOVERNANCE

1. 5. 1. OWNERSHIP STRUCTURE

There were no changes in the ownership structure of Geoplin in 2021, and as at 31 December 2021 the Company therefore had six shareholders.

Ownership structure as at 31 December 2021



1. 5. 2. WORK OF THE GENERAL MEETING, MANAGEMENT AND SUPERVISORY BOARDS

1. 5. 2. 1. General Meeting

The General Meeting convened in two sessions.

At its 42nd meeting of 29 June 2021 the General Meeting:
- granted discharge to the management board and the supervisory board for the financial year 2020;
- adopted a resolution on the allocation of the company's distributable profit;
- noted the resignation of the supervisory board member, shareholder representative, noted the course of the employee representative's term of office in the supervisory board, and took note of the appointment of the new employee representative to the company's supervisory board, and
- adopted amendments to the Articles of Association of Geoplin d.o.o. Ljubljana.

At its 43rd meeting of 23 December 2021 the General Meeting:
- adopted new amendments to the Articles of Association of Geoplin d.o.o. Ljubljana;
- appointed a new supervisory board member, shareholder representative.

1. 5. 2. 2. Management and supervisory bodies

There were several changes in management and supervisory bodies in 2021.

On 26 March 2021 the Supervisory Board appointed Jože Bajuk as a management board member for a five-year term of office. General manager Boštjan Napast's second five-year term of office on the company's management board expired on 1 September 2021.

Company Management Board in the period from 1 January to 26 March 2021	
General Manager:	Boštjan Napast

Company Management Board in the period from 26 March to 1 September 2021	
President of the Management Board – General Manager:	Boštjan Napast
Member of the Management Board – Director	Jože Bajuk, MSc

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

On 3 January 2022 the Supervisory Board appointed Vanja Lombar as the general manager.

On 26 March 2021 Jože Bajuk resigned as a supervisory board member, shareholder representative. The term of office of Simon Jelovčan, supervisory board member – employee representative, expired on 28 June 2021. Geoplin's works council elected and appointed Samo Lahovnik as the new member of the supervisory board – employee representative for a four-year term of office beginning on 28 June 2021.

Supervisory Board in the period from 1 January to 25 March 2021	
Chair – shareholder representative:	Nada Drobne Popović, MSc
Deputy chair – shareholder representative:	Jože Bajuk, MSc
Member – employee representative:	Simon Jelovčan

Supervisory Board in the period from 25 March to 28 June 2021	
Chair – shareholder representative:	Nada Drobne Popović, MSc
Member – employee representative:	Simon Jelovčan

Supervisory Board in the period from 28 June to 31 December 2021	
Chair – shareholder representative:	Nada Drobne Popović, MSc
Member – employee representative:	Samo Lahovnik

1. 6. CORPORATE GOVERNANCE STATEMENT

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

1. 7. PERFORMANCE ANALYSIS FOR 2021

1. 7. 1. THE ENERGY PRODUCTS MARKET

Energy markets in Europe are progressing towards a gradual reduction in carbon dioxide emissions with a view to achieve decarbonization by 2050. 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 zero carbon society. In the coming decades we therefore 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 company 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 company'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 it will be one of Geoplin Group's priorities 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 additional increase in trading in the fast-growing Austrian VTP and Dutch TTF markets, which are becoming global pricing mechanisms and benchmarks for the supply of liquefied natural gas in Europe. Natural gas trading will develop towards exploiting the market potential of long-term sales and purchase contracts 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, and the promotion of natural gas in electricity generation, including cogeneration.

1. 7. 2. PERFORMANCE OF THE GEOPLIN GROUP

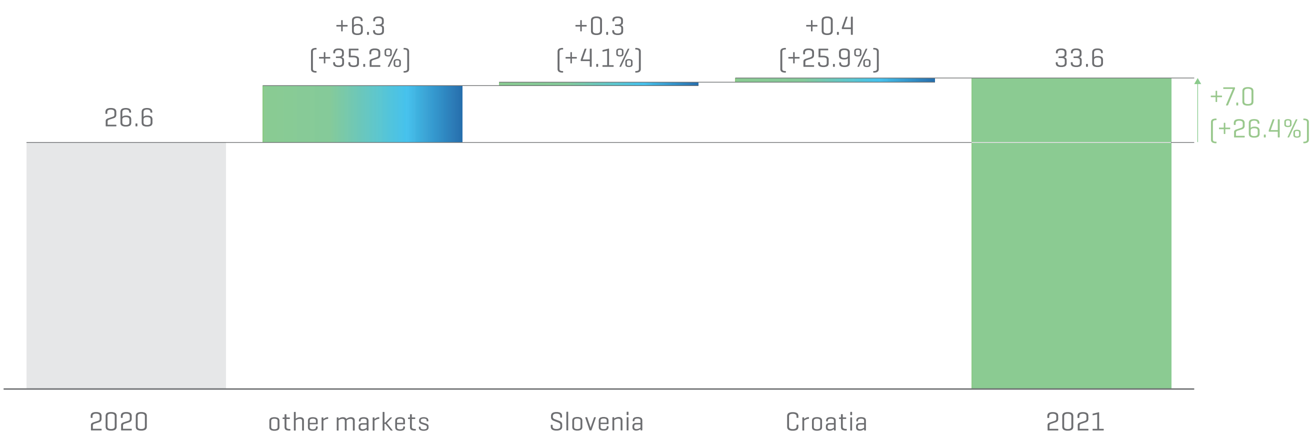
In 2021, the developments in gas markets were shaped in the first place by the following factors:
- uncertainty regarding the expected start of operations of the Nord Stream 2 pipeline;
- problems associated with Gazprom's booked transit capacities across the Ukrainian territory and tensions at the Russian-Ukrainian border;
- Europe's natural gas storage shortfall;
- chronic shortage of LNG supplies to Europe;
- record growth in the price of carbon offsets.

The Geoplin Group maintained its position as the leading provider of natural gas in Slovenia also in 2021. It focused on the performance and development of its core business activity of marketing and trading in natural gas, in particular in the context of performing the existing and entering into new purchase and sales agreements for natural gas supply in future delivery periods. The Geoplin Group also continued to develop and market energy-related services and projects aimed at efficient energy use and renewable energy sources.

1. 7. 2. 1. Sales and marketing of natural gas

In 2021, the Geoplin Group sold a total of 33.6 TWh of natural gas, of which 78% was sold to international buyers. Total sales were up 7 TWh relative to the previous year, mainly on account of business expansion and penetration of new markets.

Natural gas sales (in TWh)



During the reporting period, Geoplin supplied its customers with natural gas without disruptions and 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.

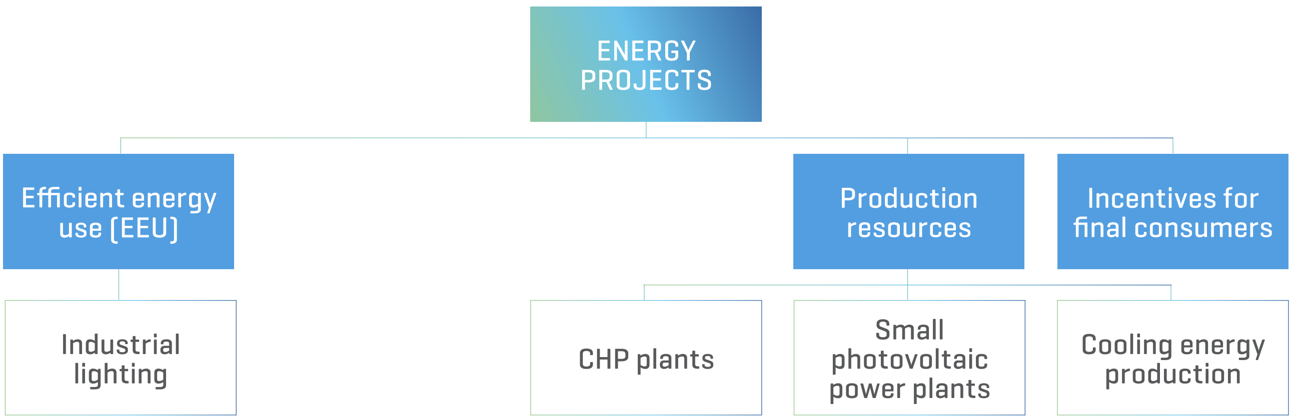
In 2021, the Geoplin Group carried out activities on the OTC market (bilaterally with contractual partners) as well as on EEX and CEEGEX energy exchanges. Via the exchange the Group traded mainly in the spot market with daily products, whereas the majority of other transactions linked to term products were concluded on the OTC market to ensure better liquidity. Active trading allowed us to further optimise the existing portfolio and manage contracts concluded with customers in terms of fixing and unfixing 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.

1. 7. 2. 2. Energy efficiency projects

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

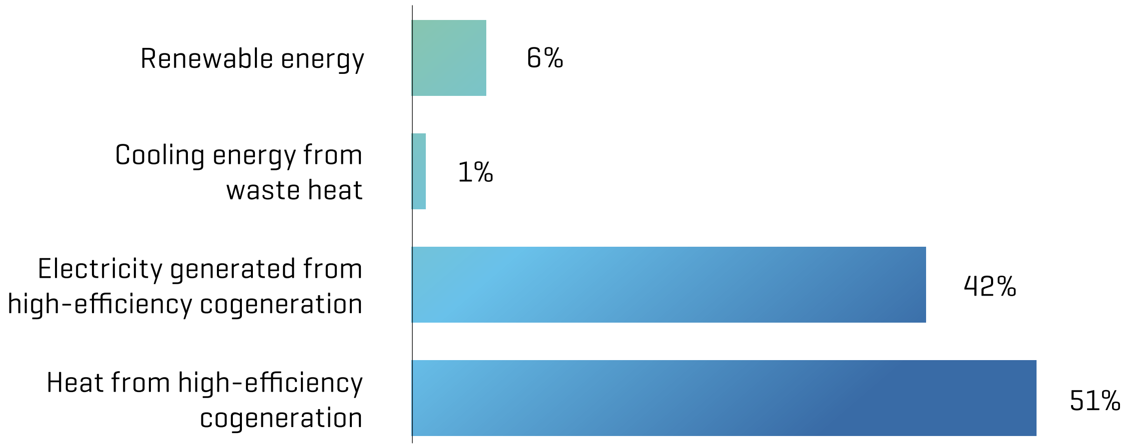
The Group recognised global trends in restructuring the energy sector through the introduction of green energy and green technologies as an opportunity and need to develop projects for the production and supply of decarbonised natural gas for industrial consumers.

Energy efficiency projects by segment



In 2021, Geoplin's production units operated in line with the requirements. The graph below shows energy generated in 2021 by production source.

Energy generated in 2021 by production source



1. 7. 2. 3. Investments

In 2021, the Geoplin Group invested EUR 2.7 million in fixed assets. The majority of investments concerned the purchase of a part of the business premises.

1. 7. 2. 4. Performance analysis

Group performance in 2021 was successful on account of several factors, the most important being the highest sales volumes in the Group's history, in particular in international markets, as well as optimization and utilization of storage facilities and the purchasing portfolio.

Key financial highlights are provided below.

Key financial highlights

	Unit	2021	2020 – corrected	2019
Net sales revenues	in EUR mil	756.1	390.2	397.4
Adjusted gross profit or loss[2]	in EUR mil	30.1	24.2	13.1
EBIT	in EUR mil	15.1	13.3	9.8
Net profit or loss	in EUR mil	18.6	15.4	8.7
Balance sheet total	in EUR mil	301.8	224.0	201.7
Equity	in EUR mil	159.6	141.3	127.4
Financial debt	in EUR mil	0.1	15.2	0.2
Equity / Balance sheet total	%	52.9	63.1	63.2
Employees on the last day of the period	Number	46	46	46
Added value per employee[3]	EUR 000	583.7	496.3	309
ROA	%	7.1	7.3	4.3
ROE	%	12.4	11.5	6.8

[2] Adjusted gross profit or loss = sales revenue – cost of goods sold; this item is not defined under the International Financial Reporting Standards.

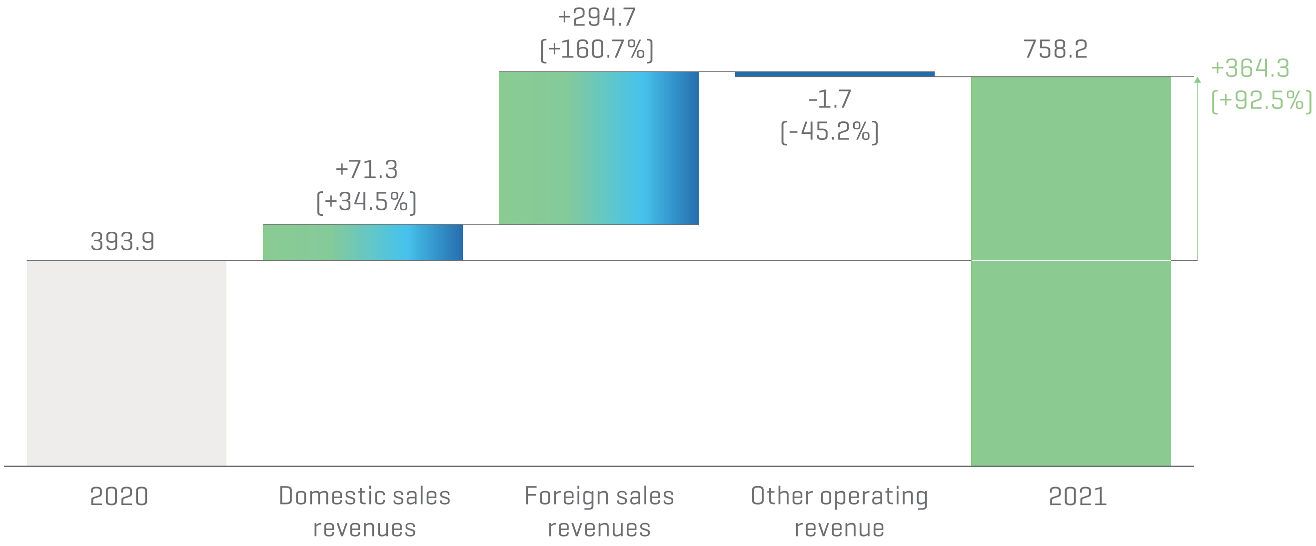
[3] Added value per employee = (earnings before taxes + depreciation and amortisation costs + labour costs) / number of employees based on hours worked.

* Amended items as per audit recommendations (disclosures 2.6.1 and 2.10.2.1).

OPERATING REVENUE

Totalling EUR 758.2 million the Group's operating revenue was 92.5% higher than in 2020, which was due to higher natural gas prices on gas exchanges.

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



In 2021, the Geoplin Group generated **sales revenues** of EUR 756 million. Realized revenues in the domestic and international markets were higher than the previous year, mainly on account of higher natural gas prices on gas exchanges. **Other operating revenue** totalled EUR 2 million and was below the previous year's level, mainly on account of the lower release of onerous contract provisions.

OPERATING EXPENSES

At EUR 734.8 million the Group's operating expenses were 97% higher than in 2020.

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

At EUR 726 million **the cost of goods sold** represents the highest share in the structure of the Group's operating expenses and is 98.4% higher than in the previous year, mainly on account of higher natural gas prices on gas exchanges. **Cost of material** in 2021 totalled EUR 925.2 thousand or 64.1% more than the year before. The highest increase under this item was in the cost of own use of natural gas, which was higher as a result of higher average purchase price of the inventory under which they were evaluated. **Service costs** totalled EUR 3.6 million and were 25.2% higher than in the previous year. The highest increase in the service costs structure was recorded in other service costs on account of the requalification of a transaction as per audit corrections. **Labour costs** totalled EUR 3.1 million and were 3.6% higher than the previous year. **Other costs** totalled EUR 263 thousand and were 27.5% higher than the previous year.

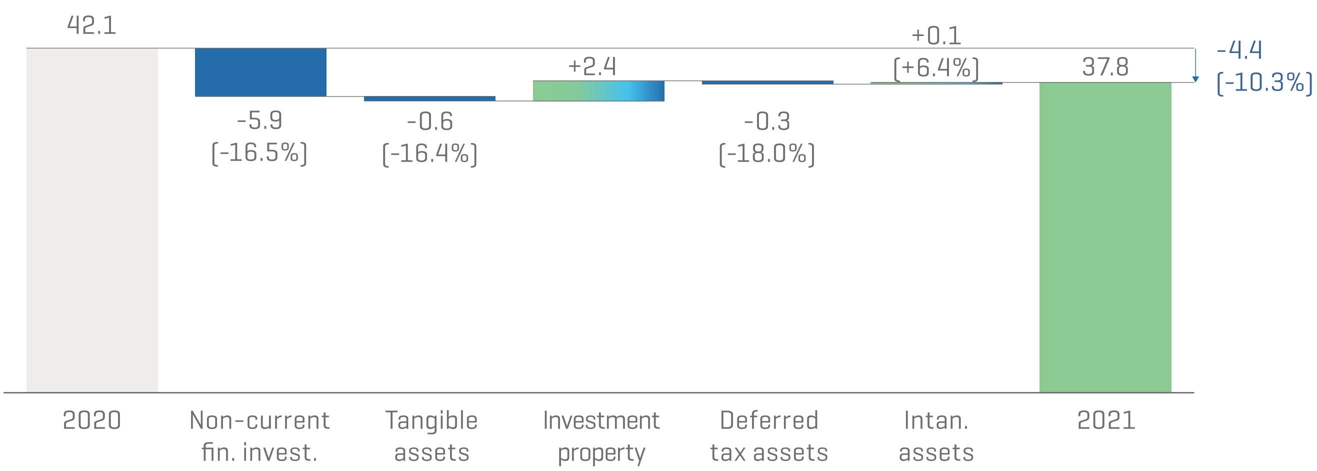
OPERATING RESULTS

EBIT totalled EUR 15.1 million and earnings before taxes EUR 22.9 million, with both items higher than the previous year, mainly due to the highest sales volumes in the Group's history, adequate optimisation and utilisation of storage capacities, and the purchasing portfolio. The Group's net profit in 2021 totalled EUR 18.6 million.

ASSETS

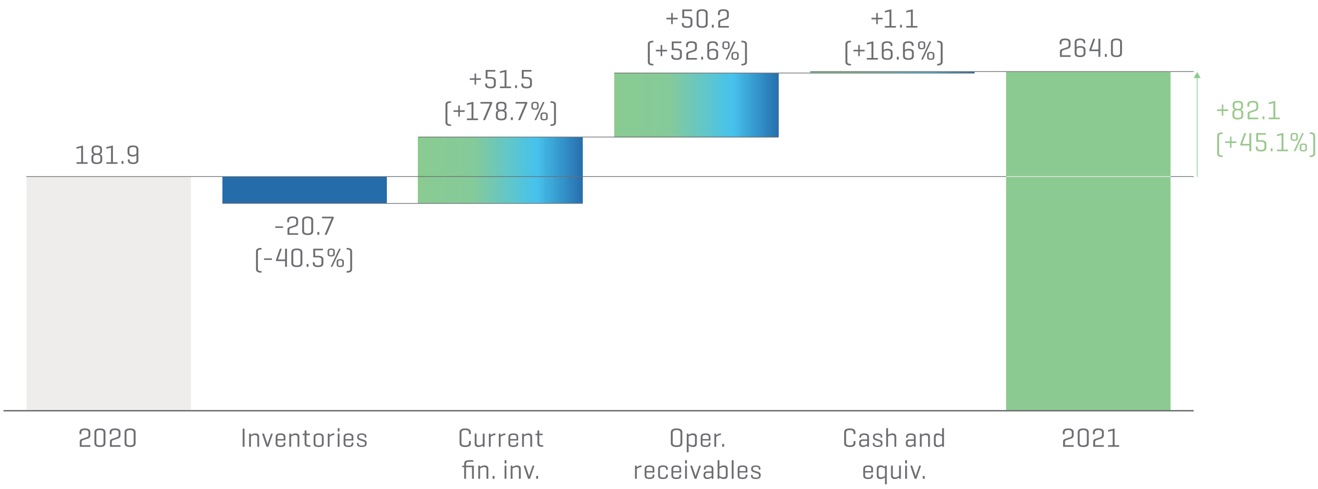
As at 31 December 2021, the Group had total assets of EUR 301.8 million, an increase of 34.7% relative to year-end 2020.

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



The most important item under **non-current assets** is *non-current financial investments*, representing 79.2% of non-current assets as at 31 December 2021, totalling EUR 29.9 million or EUR 5.9 million less than the year before.

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

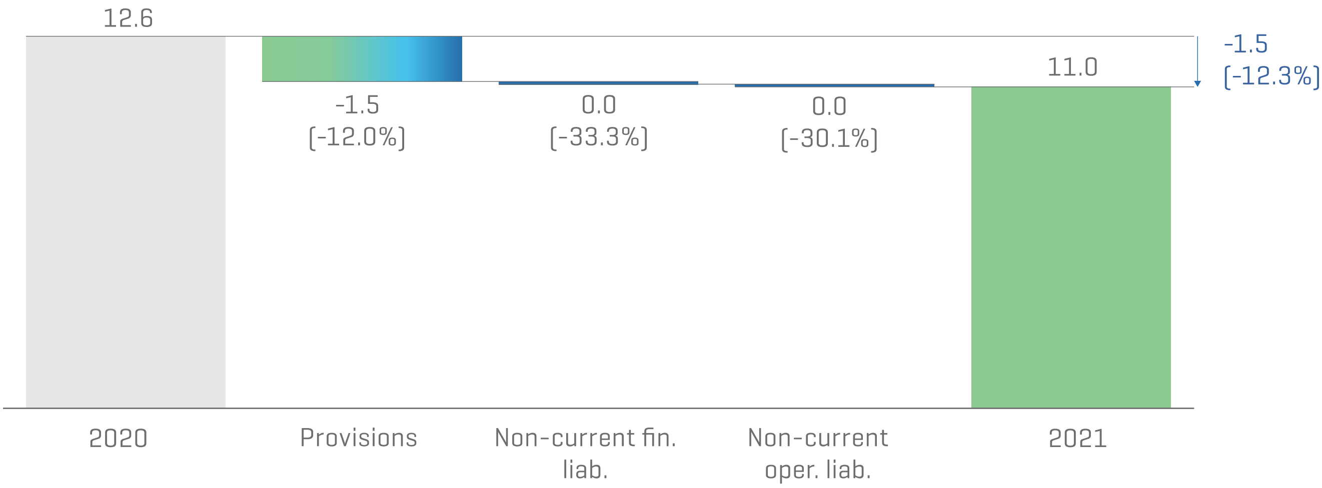


The value of **current assets** as at 31 December 2021 totalled EUR 264 million or 87.6% of the Geoplin Group's assets. The most important current assets item is *operating receivables*, representing 55% of current assets as at 31 December 2021, totalling EUR 145.6 million or EUR 50.2 million more than the year before. This increase was largely due to higher trade receivables. The value of *inventories* as at 31 December 2021 was down EUR 20.7 million compared to the year before. The decrease is a result of lower inventory levels as at 31 December 2021. The value of *cash* as at 31 December 2021 was EUR 7.8 million or EUR 1.1 million higher than the previous year.

EQUITY AND LIABILITIES

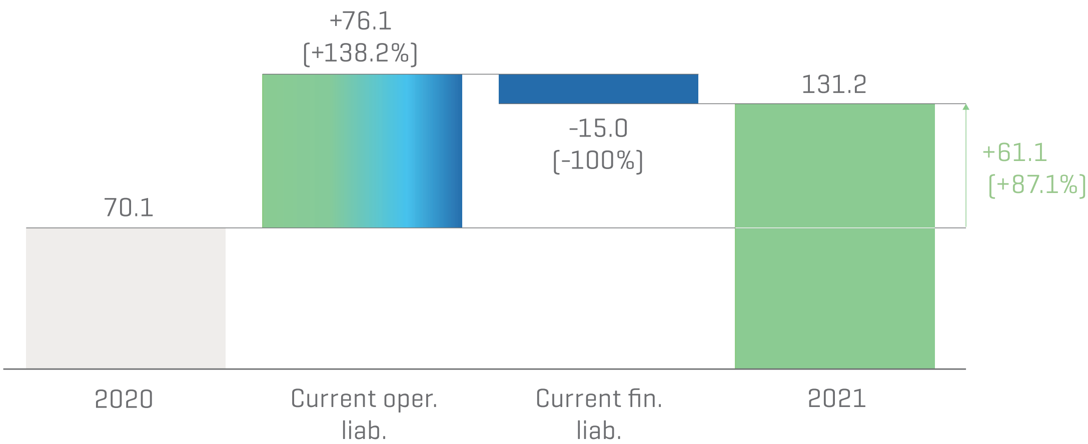
Group **equity** as at 31 December 2021 totalled EUR 159 million or 12.9% more than at year-end 2020. The increase in equity is mainly the result of *net profit* achieved in 2021.

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



The value of *provisions* under **non-current liabilities** was down EUR 1.5 million, totalling EUR 10.9 million as at 31 December 2021. This reduction was due to the utilisation of provisions for onerous contracts and creation of provisions for jubilee awards.

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



The highest increase under the **current liabilities** item, which as at 31 December 2021 increased by EUR 61 million compared to the previous year, was reported for current operating liabilities, which totalled EUR 131 million as at year end.

1. 8. RISK MANAGEMENT

Like the previous year, 2021 was marked with the ongoing global pandemic, which is expect to continue to shape the world's economy in 2022 as well, and in turn also the Geoplin Group's operations. Significant easing of the European and global monetary policy, and resumed overall increase in demand led to inflation and soaring energy prices. High natural gas prices and its high volatility represent an opportunity as well as a risk a for the Group. In addition to said risks geopolitical issues relating to the natural gas supply from the Russian Federation increased at the end of 2021 and even more so at the beginning of 2022 with the war in Ukraine. There are many potential scenarios for this situation and they have considerable potential impact on the natural gas supply as well as its price. Interrupted natural gas supplies from the Russian Federation could have significant financial consequences for the entire Geoplin Group as well as the Slovenian economy and population.

In order to maximize its risk management strategy the Geoplin Group adopted an updated risk register in 2021. The risk register defines or identifies, manages and quantifies the most significant risks.

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.

1. 8. 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	Regular monitoring of international developments and adjustment to new circumstances, 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	Active monitoring and adjustments to legislative changes, participation in drafting of Slovenian legislation, cooperation with external institutions	moderate
New supply sources	Construction of new pipelines in the Group's markets, construction of LNG terminals, new long-term supply contracts, changes in 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 where force majeure is invoked, cooperation with customers in problem solving, ongoing monitoring of customers' credit standing	moderate

Strategic and regulatory risks derive 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 on the gas market, which result in surpluses or shortages in natural gas supply in the region. The Group identifies strategic risks through annual planning and 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.

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, the company is actively involved in legislative public hearings and also participates in the development of legislation governing the Slovenian 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 relevant changes.

The epidemic, i.e. the pandemic has an impact on the local and even global level as it affects production as well as consumption. This may lead to significant changes in the consumption of energy sources such as natural gas as well as on their price. The most critical for us, other than changes in the natural gas price, is compliance with contractual volumes both in the purchase and sales context. With consistent monitoring and control of the overall portfolio we seek to ensure that contracts are performed in maximum compliance with contractual provisions. Where this is not possible we try to reach agreement with the customers to amend contractual provisions.

The entire region is affected also by new supply sources such as the new LNG terminal in Croatia, which entered into operation in 2021. This changed the gas supply in Croatia and entire SE region. It is therefore important for our Group to be part of this process in order to secure its position and market share in the region. This would enable us to expand our business in the region. Another new source is the Turkish Stream pipeline that transmits gas from Russia via Turkey and Serbia to Hungary. This has additionally increased the natural gas volume in the region. The current geopolitical situation in Ukraine, however, brings natural gas supply to Germany via Nord Stream 2 pipeline into question.

Geopolitical risks are managed also 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. 8. 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 sales part of the portfolio	Optimised matching of purchase and sales agreements, use of storage facilities and short-term supply contracts, trading platforms and business with our 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 Group's market share	A wide range of products and services, flexibility, extended payment plan options, competitive prices, long-term business relationships with our 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	Our largest industrial customers switching from natural gas to other types of fuels	Technological and environmental requirements make switching to other types of fuels difficult; over the long term, natural gas is cheaper than comparable fuels	low
Gas supply	Inability to supply natural gas to customers	Non-current supply 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 neutralized, 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 health situation, high inflation and the prospect of central banks raising interest rates.

Motivated by the external business environment more and more customers are looking for the most competitive supply conditions and switch between different suppliers. At the same time they expect maximum flexibility in quantity and other trading conditions for natural gas as well as diverse products and related services, all of which increases the supplier's risks. There has been strong pressure on the natural gas price, which is the most important factor when selecting a supplier. Other important factors are the payment period and quantity flexibility. Market prices are set at price levels that are subject to price movements in trading hubs. Any lapses between the time of actual sale and purchase of natural gas, and diversity of supply and sales products generate certain risks, as individual price elements and market conditions can change dynamically. With low natural gas sales margins more attention has to be paid to customers' credit monitoring and obtaining guarantee instruments.

All commercial risks involved in the sale of natural gas are mitigated to the highest 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 2021, also by offering a range of customer-tailored natural gas products and related services.

The Geoplin Group responds to the changes in market conditions and heightened competition by optimising its supply, transport and sales contracts, introducing customer-tailored natural gas products and providing comprehensive energy solutions. With new sales products and services the Geoplin Group will continue to invest maximum effort to retain its existing customers.

The development of energy services brings new technical and financial risks associated with ensuring 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 an insurance company. To some extent, 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.

The possibility of individual distributors deciding to start trading natural gas is a potentially high risk in the Slovenian market. Should such a scenario materialise the Geoplin company will have to increase its sales activities aimed at small business customers.

With tightening competition in the Slovenian natural gas market and limited possibilities for further sales growth in this market, the Group increased natural gas sales activities in international markets. Expansion opportunities here are considerably better, but they also bring additional risks that must be mitigated through our operations, the most significant being in particular credit, operational and regulatory risks. In such cases we closely cooperate with insurance companies, banks and international business partners.

In the current market conditions natural gas is competitive to alternative fuels. The possibility of certain large industrial customers switching to light fuel oil is small due to technological and environmental restrictions. In the long term, natural gas prices in the household segment are lower than fuel oil prices and consequently have a comparatively positive impact on consumption. On the other hand, the regulatory framework for new buildings, which prescribes that a quarter of energy consumption in buildings be sourced from renewable energy sources, and increasing energy efficiency in existing buildings have a negative impact. This, and relatively high fossil fuel prices raise interest in other fuels in mass consumption, in particular wood and subsidized fuels such as biomass and/or heat pumps. In cities with regulated natural gas distribution the use of the latter is currently very small and limited to areas without natural gas, so it does not pose a significant threat to the activities of the Geoplin company.

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 agreements and other contracts covering in particular spot natural gas supply in European gas hubs. Due to the nature of non-current contracts the risks arising from the reliability of natural gas supply through non-current contracts to the Slovenian border and further to Croatia are low, and are mainly associated with the availability of transport routes to the Slovenian border. Natural gas supply to Croatia is additionally diversified also with the possibility to supply natural gas to this market through Hungary, and since recently also by using the Krk LNG terminal.

Given the current situation in Ukraine there is increased risk associated with the supply of natural gas from the Russian Federation, as the geopolitical conflicts in the region may lead to temporary or permanent interruptions in natural gas transit to Europe. The Group manages natural gas supply risks by utilising the flexibility of leased gas storage facilities and transport routes, with systematic diversification of its purchasing portfolio and by entering into additional back-up purchase agreements. The Group has engaged natural gas storage facilities in Croatia (in addition to storage in Austria) to protect its portfolio in the country.

The risks associated with the supply of natural gas purchased based on current contracts in Gas Hub Baumgarten, i.e. at the Austrian VTP, or at the Hungarian virtual point MGP, are subject to the liquidity and functioning of both markets. In ordinary conditions, the liquidity of both hubs is sufficient for the Geoplin Group's requirements, but at the moment the risks are higher, as the Austrian hub largely depends on natural gas supply from the Russian Federation and less on other supply sources. The Geoplin Group has established business contacts with major European natural gas traders, which to a certain extent is the basis 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. 8. 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	low
Currency risk	Unfavourable moves in exchange rates	A small share of foreign currency transactions, use of derivatives (forwards)	low
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 constantly identifies price risks, and monitors and properly protects against them through optimized purchasing and sales portfolio. However, high volatility in natural gas prices that we saw in 2021 and looks set to continue in 2022 significantly increases the level of risk.

The Group's exposure to currency risk is low 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 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. In addition, interrupted natural gas supplies from the Russian Federation or financial difficulties of any of our OTC partners would require investing substantial financial resources to finance the purchase of natural gas from alternative sources.

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

A certain degree of risk comes also 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 ratings, and require additional guarantees and collateral for defaults, with termination of supply as a measure of last resort. To mitigate these risks the Group 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 rating. Nevertheless, an embargo on Russian natural gas could have dramatic consequences for the entire European energy sector.

The Group's financial debt is minimal and the Group's exposure to interest rate risk on the liability side is therefore limited. The downward trend in interest rates is expected to continue, which will affect the returns in the short-term deposits segment.

1. 8. 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 Group 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 on the natural gas market intensifies. The risk is being mitigated by providing and promoting continuous learning and training, through in-house communication and information, and by conducting quarterly and annual interviews. Employees' health and safety at work is continuously monitored through employee medical check-ups and workplace inspections.

1. 8. 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 upgrade, introduction of new software for improved traceability of operations, cooperation with external providers	increased
Operational risk	Errors resulting from internal processes, people, organization or external events	Rules defining the procedure of specific processes, education and training of employees, verification of transactions and registrations at multiple levels	moderate

1. 9. 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 that reduces the burden on the natural environment.

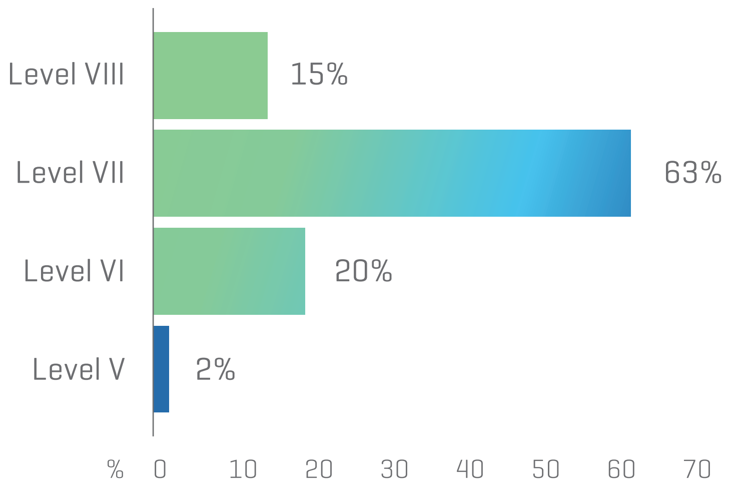
The Geoplin Group's objective in terms of quality and social responsibility is to respect the interests of all stakeholders with which the Group engages in the course of its operations: owners, business partners, employees, the expert public, media, the environment and local communities. Through prudent 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. 9. 1. HUMAN RESOURCES

As at 31 December 2021, the Geoplin Group had 45 employees. The Group employs highly educated and qualified professionals with specific skills required by its activities, 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 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 2021, as many as 98% of Company 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 as well as 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.

In view of the current epidemiological situation – the spread of the coronavirus and related employee health protection measures, and with a view to ensuring uninterrupted operations of the Group, employees worked mainly from home (in shifts) throughout 2021. Arrangements with ICT equipment and a secure remote access were made to ensure their efficient work from home. The Group constantly adapted office work to ensure safety with all measures required by regulations and recommendations of the National Institute of Public Health.

1. 9. 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 2021, the Group emphasised the benefits of natural gas as an environmentally friendly energy source also in the scope of corporate communications.

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.

1. 9. 3. SOCIAL RESPONSIBILITY

The Geoplin Group's sustainable development and social responsibility efforts were aimed also at reinforcing the Group's positive image in Slovenia and the region, and exercising its ongoing commitment to contributing to the development and wellbeing 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, events focused on knowledge exchange in energy, and more specifically gas area, whereas charity donations depend on the most pressing needs of people and the environment at a given moment.

1. 10. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

At the end of the reporting period the Geoplin Group remains very concerned about the developments in Ukraine, as they could have an impact on natural gas supply from the Russian Federation to the EU. For the time being, the Russian Federation delivers uninterrupted supplies in accordance with contractual obligations, whereas the gas exchange prices respond to supply and demand. Recent events once again revealed EU's reliance on Russian gas and resumed appeals to reduce this dependence. The Geoplin Group will invest every effort in ensuring uninterrupted supply of natural gas for its customers.

The Geoplin Group does not have subsidiaries or representative offices in the Russian Federation, Ukraine or Belarus. In 2021, its sales revenues from these markets constituted 8.5%. The percentage of the Group's direct purchase in these markets in 2021 measured at cost of goods sold totalled 22.6%, but there is also significant indirect dependence on these countries via the international market.

When compiling the annual report we analysed the impact of the situation in Russia and Ukraine on our operations and concluded that given the currently adopted measures the situation does not have an impact on the Geoplin Group's planned performance in 2022.

Based on the currently available data and results achieved in 2021 the Group does not expect events and circumstances to have a significant effect on the operations and existence of the Group in 2022, nor does it expect them to have an impact 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 Board on 24 May 2022. 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 Geoplin Group as at 31 December

in EUR

	Notes	As at 31/12/2021	As at 31/12/2020 – corrected	As at 31/12/2019
ASSETS		301,784,906	224,032,014	201,746,076
A NON-CURRENT ASSETS		37,770,074	42,127,845	59,695,542
I. INTANGIBLE ASSETS		941,516	884,688	848,064
Property rights		220,224	218,181	302,454
Intangible assets under development		721,292	666,507	545,610
II. TANGIBLE FIXED ASSETS		2,975,476	3,560,215	4,163,750
Land		600,701	600,701	600,701
Buildings		675,783	843,322	1,015,133
Plant and other equipment		1,520,440	1,900,599	2,295,463
Right of use assets		93,226	163,982	235,682
Ongoing investments		85,327	51,611	16,771
III. INVESTMENTS IN LAND AND BUILDINGS		2,421,189	0	0
IV. NON-CURRENT FINANCIAL ASSETS		29,918,591	35,838,409	53,025,374
Investments in associates		3,676,280	3,160,631	3,160,631
Other non-current financial assets		26,242,311	32,677,778	49,864,743
V. DEFERRED TAX ASSETS		1,513,302	1,844,533	1,658,354
B CURRENT ASSETS		264,014,831	181,904,169	142,050,534
I. INVENTORIES	2.8.1	30,349,922	51,020,714	20,670,941
Merchandise		18,370,299	28,578,972	17,085,766
Advance payments for inventories		11,979,623	22,441,742	3,585,175
II. CURRENT FINANCIAL INVESTMENTS	2.8.2	80,348,568	28,824,978	8,976,046
Loans granted		66,133,355	1,958,030	8,972,730
Other current financial assets		14,215,213	26,866,948	3,316
III. OPERATING RECEIVABLES	2.8.3	145,561,170	95,409,357	110,604,054
Trade receivables		136,360,728	68,413,709	64,725,613
Corporate income tax assets		1,064,763	0	6,704
Other current assets		8,135,680	26,995,648	45,871,738
IV. CASH AND CASH EQUIVALENTS		7,755,170	6,649,120	1,799,493

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

in EUR

	Notes	As at 31/12/2021	As at 31/12/2020 – corrected	As at 31/12/2019
EQUITY AND LIABILITIES		301,784,906	224,032,014	201,746,076
A EQUITY		159,567,230	141,328,258	127,421,305
I. Called-up capital		29,583,473	29,583,473	29,583,473
II. Capital reserves		75,010,673	75,010,673	75,010,673
III. Profit reserves		20,036,697	20,036,697	12,643,897
IV. Capital revaluation adjustment		165,477	92,215	89,330
V. Fair value reserve		1,978,103	1,160,999	1,404,809
VI. Retained earnings		14,155,186	0	0
VII. Net profit for the period		18,637,621	15,444,201	8,689,123
Non-current and current liabilities total		**142,217,676**	**82,703,756**	**74,324,771**
B NON-CURRENT LIABILITIES		11,038,391	12,580,605	16,064,076
I. PROVISIONS	2.8.5	10,929,014	12,418,545	15,831,375
Provisions for severance pay		76,744	48,106	48,106
Provisions for jubilee awards		32,240	22,091	23,870
Other provisions		10,820,030	12,348,348	15,759,399
II. NON-CURRENT OPERATING LIABILITIES		28,951	41,443	71,953
III. NON-CURRENT FINANCIAL LIABILITIES		80,426	120,617	160,748
C CURRENT LIABILITIES	2.8.6	131,179,285	70,123,151	58,260,695
I. CURRENT FINANCIAL LIABILITIES		1,546	15,041,656	1,546
II. CURRENT OPERATING LIABILITIES		131,177,739	55,081,494	58,259,149
Trade payables		118,460,227	40,748,261	46,165,536
Corporate income tax liabilities		103,230	2,429,622	1,607,061
Contract liabilities		177,303	4,321,891	464,220
Other current operating liabilities		12,436,980	7,581,720	10,022,331

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 Geoplin Group for the financial year from 1/1 through 31/12

in EUR

	2021	2020 – corrected
1. SALES REVENUE	756,140,905	390,158,716
2. COST OF GOODS SOLD	726,039,664	365,984,593
Costs of materials and services	4,513,486	8,353,359
Labour costs	3,130,785	3,021,832
Depreciation and amortisation	865,712	849,090
Other costs	262,949	206,288
3. OPERATING COSTS	8,772,931	12,431,080
Other revenues	2,038,816	3,722,944
Other expenses	8,257,601	71,319
Impairment of receivables	29,160	2,094,336
4. OPERATING INCOME	15,080,365	13,300,331
Financial revenue	8,104,092	6,203,650
From revaluation of an investment in associates	*515,649*	*0*
Financial expenses	329,326	543,329
5. FINANCIAL RESULT	7,773,725	5,660,321
6. EARNINGS BEFORE TAXES	22,855,132	18,960,652
Tax expense	4,083,841	3,645,439
Deferred taxes	133,670	-128,989
7. CORPORATE INCOME TAX AND DEFFERED TAX	4,217,511	3,516,450
8. NET PROFIT FOR THE PERIOD	18,637,621	15,444,201
Net profit for the period attributable to:		
owners of the controlling company	*18,637,621*	*15,444,201*

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 Geoplin Group for the financial year from 1/1 through 31/12

in EUR

	2021	2020 – corrected
1. NET PROFIT FOR THE PERIOD	18,637,621	15,444,201
2. ITEMS TO BE RECOGNISED IN THE PROFIT OR LOSS STATEMENT IN THE FUTURE	842,232	-243,810
Change in reserve due to fair value valuation	1,039,793	-301,000
Change in deferred taxes	-197,561	57,190
3. ITEMS NOT TO BE RECOGNISED IN THE PROFIT OR LOSS STATEMENT IN THE FUTURE	48,133	2,886
Unrealised actuarial gains and losses	-25,129	0
Change in capital revaluation adjustment	73,262	2,886
Total comprehensive income for the report. Period	**19,527,986**	**15,203,276**
Of which:		
owners of non-controlling company's equity (Geoplin Group)	*19,454,724*	*15,200,391*

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 Geoplin Group for the financial years 2021 and 2020

in EUR

		2021	2020 – corrected
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
a.	**Net profit or loss**	**18,637,621**	**15,444,201**
b.	**Adjustment for:**	**10,754,952**	**2,807,966**
	corporate income tax	4,083,841	3,645,439
	depreciation and amortisation (+)	794,915	778,334
	operating revenues from revaluation	-20,264	-168,159
	operating expenses from revaluation	0	279
	financial income excl. fin. income from operating receivables	-1,006,596	-429,051
	financial expenses excl. fin. expenses from operating liabilities	31,387	39,949
	other income and expense adjustments	6,871,669	-1,058,825
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**	**47,325,128**	**-51,255,952**
	Opening less closing operating receivables	-60,152,949	11,566,877
	Opening less closing current deferred expenses	11,065,899	7,631,726
	Opening less closing deferred tax assets	331,231	-186,179
	Opening less closing inventories	12,406,594	-30,349,772
	Closing less opening operating liabilities	74,758,303	-4,381,905
	Closing less opening accrued expenses and provisions	3,365,729	-5,853,442
	Cash disbursements for corporate income tax	-7,475,336	-2,816,313
	Change in financial receivables	13,025,657	-26,866,944
d.	**Positive/negative operating cash flow (a + b + c)**	**76,717,701**	**-33,003,786**
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
a.	**Receipts from investing activities**	**164,597,089**	**56,154,025**
	Receipts from participation in the profit of others related to investing activities	110,000	110,000
	Receipts from interest	203,136	313,809
	Receipts from disposal of tangible fixed assets	10,450	7,545
	Receipts from disposal of financial assets	164,273,503	55,722,672
b.	**Cash disbursements in investing activities**	**-223,840,740**	**-32,017,502**
	Disbursements for acquisition of intangible assets	-148,809	-72,169
	Disbursements for acquisition of tangible fixed assets	-2,626,017	-88,761
	Disbursements for acquisition of financial assets	-221,065,914	-31,856,573
c.	**Positive cash flow from investing activities (a + b)**	**-59,243,651**	**24,136,522**

C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Receipts from financing activities	**79,620,238**	**57,064,163**
Cash proceeds from increase in financial liabilities	79,620,238	57,064,163
b. Cash disbursements in financing activities	**-95,988,238**	**-43,347,273**
Interest paid	-31,072	-39,949
Dividends and other profit participations paid	-1,290,060	-1,290,060
Repayment of financial liabilities	-94,647,011	-42,001,805
Repayment of principal on leases	-20,095	-15,458
c. Negative cash flow in financing activities (a + b)	**-16,368,000**	**13,716,890**
D. CLOSING BALANCE OF CASH	7,755,170	6,649,120
x. Net increase/decrease in cash for the period (Ad + Bc + Cc)	**1,106,050**	**4,849,627**
y. Opening balance of cash	**6,649,120**	**1,799,493**

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 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 – corrected**	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 – corrected**	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**						-1,290,060		**-1,290,060**
a.	Profit sharing payments						-1,290,060		**-1,290,060**
B.2.	**Total comprehensive income for the reporting period**				73,262	817,104		18,637,621	**19,527,987**
a.	Net profit/loss for the reporting period							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**						1,045		**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**	**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.

Consolidated statement of changes in equity of Geoplin Group in 2020 (corrected)

	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	12,643,897	89,330	1,404,809	0	8,689,123	**127,421,305**
A.2.	**Opening balance of the reporting period**	29,583,473	75,010,673	12,643,897	89,330	1,404,809	8,689,123	0	**127,421,305**
B.1.	**Changes in equity – transactions with owners**						-1,290,060		**-1,290,060**
a.	Profit sharing payments						-1,290,060		**-1,290,060**
B.2.	**Total comprehensive income for the reporting period – corrected**				2,885	-243,810		15,444,201	**15,203,276**
a.	Net profit/loss for the reporting period – corrected							15,444,201	**15,444,201**
b.	Change in revaluation reserve								
c.	Change in reserve due to fair value revaluation					-243,810			**-243,810**
d.	Change in capital revaluation adjustment				2,885				**2,885**
B.3.	**Changes in equity**			7,392,800			-7,399,062		**-6,262**
a.	Alloc. of part of the net prof. of comp.rep. per. to other eq. comp.			7,392,800			-7,399,062		**-6,262**
C.	**Closing balance for the period – corrected**	**29,583,473**	**75,010,673**	**20,036,697**	**92,215**	**1,160,999**	**0**	**15,444,201**	**141,328,258**

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 board of the Geoplin Group approved the consolidated financial statements on 24 May 2022.

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.

Change in accounting policies and error correction

Based on another authorised auditors' examination of the facts regarding accounting items for 2020 and 2021, and the management board's resolution regarding inventories and recognition of relevant transactions the Geoplin Group requalified some transactions and recognised them as financial transactions rather than sales of goods. The financial statements for 2021 took into account the correction of the error in the financial statements of 2020 regarding the requalification of individual transactions as financial transactions rather than sale of goods, as required by accounting standards.

Based on the findings of the auditors' re-examination of facts and the management board's resolution we also changed the method of inventory valuation, which now takes into account the average purchase price in the last month (previously average annual purchase price). The method was applied retrospectively, which in turn corrected the financial statements for 2020, but did not have an impact on the financial statements for 2019.

The effects on consolidated financial statements 2020 are disclosed below.

Correction 1 (requalification of transactions)

The audit of financial statements for 2021 re-examined a selected group of transactions to ascertain the correctness of their recognition in financial statements for the years 2020 and 2021, and requalified certain transactions as financial transactions. Consequently, the following corrections were recognized:

- other current financial assets were increased by EUR 26,866,944, and inventories were reduced;
- financial revenue in 2020 increased by EUR 5,496,330;
- costs of services in 2020 increased by EUR 4,880,591;
- costs of materials in 2020 increased by EUR 43,372.

Correction 2 (change in accounting policy)

Ever since its inception the Geoplin Group has been using the annual averaging method for inventory valuation. Having observed significant fluctuations in natural gas prices in 2020 and 2021 we changed, based on the analysis and re-examination of facts, the method of inventory usage valuation and introduced monthly average of inventory. Based on this correction our inventory in 2020 increased by EUR 4,742,693. The analysis ascertained that no corresponding corrections need to be recognised for 2019. The correction for 2020 derecognises the inventory revaluation in 2020 in the amount of EUR 7,331,973.

Together, the corrections changed the net profit of the Geoplin Group for the financial year 2020, which thus increased from EUR 11,958,321 to EUR 15,444,201 (+ EUR 3,485,881).

The new method of transaction recognition and the change in accounting policy had an effect on the net profit or loss for the financial year 2021, which increased from EUR 16,611,201 to EUR 18,637,621 (+ EUR 2,026,420).

The effect of changes on the items of the statement of financial position items, profit and loss statement, cash flow statement, fair value, and quantitative disclosures on fair value measurements for assets and liabilities as at 31 December 2020, and credit risk and equity risk management is shown below.

in EUR

	Notes	31/12/2020	Adjustment	31/12/2020 – corrected
1 EFFECT ON THE STATEMENT OF FINANCIAL POSITION				
Inventories	2.9.6.	80,800,277	-29,779,563	51,020,714
Other current financial assets		4	+26,866,944	26,866,948
Other current assets		21,499,317	+5,496,330	26,995,648
Total assets		**221,448,303**	**+2,583,711**	**224,032,014**
Net profit for the period		11,958,321	+3,485,881	15,444,201
Corporate income tax liabilities		3,331,792	-902,170	2,429,622
Total liabilities		**221,448,303**	**+2,583,713**	**224,032,014**
2 EFFECT ON THE PROFIT AND LOSS STATEMENT				
Cost of goods sold		360,663,960	+5,320,633	365,984,593
Costs of materials and services		3,429,396	+4,923,963	8,353,359
Other expenses		7,403,293	-7,331,974	71,319
Financial revenue		707,320	+5,496,330	6,203,650
Tax expense		4,547,609	-902,170	3,645,439
Total – net profit or loss for the period		**11,958,321**	**+3,485,881**	**15,444,201**
3 EFFECT ON THE CASH FLOW STATEMENT				
Net profit or loss		11,958,320	+3,485,881	15,444,201
Adjustment for corporate income tax		4,547,609	-902,170	3,645,439
Other income and expense adjustments		6,015,258	-7,331,973	-1,028,862
Opening less closing operating receivables		5,631,635	+4,003,906	11,566,877
Opening less closing current deferred expenses		7,342,521	+289,203	7,631,726
Opening less closing inventories		-60,129,336	+29,779,564	-30,349,772
Closing less opening liabilities		134,616	-2,457,470	-2,322,854
Change in financial receivables		0	-26,866,944	-26,866,944
Total – net increase/decrease in cash for the period		**4,849,628**	**0**	**4,849,628**

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 in the newly adopted or amended standards and interpretations that apply for annual periods beginning on 1 January 2021 or later and are presented below.

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 postponed the effective date of this amendment 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 management assessed that the amendments to this standard did not lead to significant changes in Geoplin company's financial statements.

IAS 1 Presentation of financial statements: Classification of liabilities as current or non-current (amendments)

The amendments were originally effective for annual periods beginning on or after 1 January 2022. Early application was permitted. In response to the Covid-19 pandemic, the IASB deferred the effective date by one year, i.e. to 1 January 2023, in order to allow entities sufficient time to implement the changes in the classification of liabilities. The amendments aim to promote consistency in applying the requirements of the standard by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements related to measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt a company might settle by converting it into equity.

In November 2021 the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with at a date subsequent to the reporting period.

In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period.

Instead, the proposal requires entities to present separately and disclose information about all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period, if those covenants are not met at the end of the reporting period.

The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and an entity is required to apply them retrospectively in accordance with IAS 8. Early adoption is permitted. The Board has also proposed to defer the effective date of the 2020 amendments, so that entities are not required to change current practice before the proposed amendments come into effect. The amendments to the standard and the exposure draft have not yet been adopted by the EU. The management assessed that the amendments to this standard did not lead to significant changes in Geoplin company's financial statements.

IFRS 3 Business combinations; IAS 16 Property, plant and equipment; IAS 37 Provisions, contingent liabilities and contingent assets, and Annual improvements 2018–2020 (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The IASB published the following limited amendments to the IFRS standards:

- Amendments to IFRS 3 Business Combinations update the reference in IFRS 3 to the revised Conceptual Framework for Financial Reporting without changing its requirements in accounting for business combinations.
- IAS 16 Property, Plant and Equipment (amendments). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling any items produced while bringing an item of property, plant and equipment into use, and requires a company to recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments). Amendments define costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- Annual Improvements 2018–2020 bring several minor amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 9 – Financial Instruments, IAS 41 – Agriculture, and Illustrative Examples accompanying IFRS 16 – Leases.

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

IFRS 16 Leases – Covid-19-related rent concessions beyond 30 June 2021 (amendments)

The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with early application permitted also for financial statements not yet authorised for issue at the date the final amendment is issued. In March 2021 the International Accounting Standards Board supplemented the conditions for application of the practical expedient in IFRS 16 to provide an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. A company may apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that all conditions for the application of the practical expedient have been met. The management assessed that the amendments to this standard did not lead to significant changes in Geoplin company's financial statements.

IAS 1 Presentation of financial statements and IFRS Practice Statement 2: Disclosure of accounting policies (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. Amendments to IAS 1 require an entity to disclose its "material" accounting policy information instead of its "significant" accounting policies. At the same time the practice statement provides guidance and examples to explain and demonstrate the application of the materiality concept in making decisions about accounting policy disclosures. The amendments to the standard have not yet been adopted by the EU. The management assessed that the amendments to this standard did not lead to significant changes in Geoplin company's financial statements.

IAS 8 Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. The amendments address changes in accounting policies and accounting estimates at the beginning of this period or after, and define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify changes in accounting estimates and how they are distinguished from the changes in accounting policies and correction of errors. The amendments to the standard have not yet been adopted by the EU. The management assessed that the amendments to this standard did not lead to significant changes in Geoplin company's financial statements.

IAS 12 Income taxes: Deferred tax related to assets and liabilities arising from a single transaction (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. In May 2021 the IASB published amendments to the accounting standard IAS 12 that narrow the scope of the initial recognition exception under IAS 12, and clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. In accordance with the amendments the exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The exemption applies only if on recognition of a leased asset and related liabilities (or liabilities related to decommissioning and decommissioning of a part of an asset) the taxable amount is not equal to the amount of deductible temporary differences. The amendments to the standard have not yet been adopted by the EU. The management assessed that the amendments to this standard did not lead to significant changes in Geoplin company'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.

2. 7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and the net amount reported in the balance sheet 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 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.

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 monthly initial inventory and average cost of supplies in the current year.

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.

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 realizable 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 lease of capacities and storage agreements with consideration of used cross-zonal capacity. Provisions are carried as the difference between the contract price and its mark-to-market value. Current market value is determined based on the realised value, and 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 contract value is discounted at the discount rate based on the data on the yield of Slovenian government bonds maturing in the year of expiry of long-term contracts.

Liabilities

Liabilities are non-current and current, financial and operating. After initial recognition they are measured at amortised cost using the effective interest rate method.

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 2021 to 31 December 2021, data from the statement of financial position as at 31 December 2021 and 1 January 2020 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 31/12/2021	As at 31/12/2020 – corrected	As at 31/12/2019
Merchandise	18,370,299	28,578,972	17,085,766
Advance payments for merchandise	11,979,623	22,441,742	3,585,176
Total	**30,349,922**	**51,020,714**	**20,670,941**

The Geoplin Group has leased storage capacities in Austria, Ukraine and Croatia. The volume of inventories in storage is subject to the dynamics in the price situation and efforts to achieve optimum sales conditions. Advance payments for merchandise are reported based on the contractual provision which stipulates that by the end of the year uncollected natural gas volumes are to be recognised as a liability falling due within 30 days after the expiry of a financial year. Uncollected natural gas volumes so recognised must be collected within three years.

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 8,235,038. Revaluation took into account market prices on the date of compilation of financial statements. Correction 2 is disclosed under section 2.6.1.

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 31/12/2021	As at 31/12/2020 – corrected	As at 31/12/2019
Current loans granted to Petrol Group companies	66,133,355	1,644,696	3,661,564
Current loans to others	0	313,334	5,311,165
Current financial assets at fair value through other comprehensive income	340,266	0	0
Derivatives	33,654	0	3,314
Other current financial assets	13,841,293	26,866,948	2
Total	**80,348,568**	**28,824,978**	**8,976,046**

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 2021 at a fixed interest rate. Other current financial investments totalling EUR 13,841,287 (2020: EUR 26,866,944) refer to corrections from requalification of transactions as financial transactions (correction 1 is disclosed under section 2.6.1).

2. 8. 3. CURRENT OPERATING RECEIVABLES

The table below shows the structure of operating receivables:

in EUR

	As at 31/12/2021	As at 31/12/2020 – corrected	As at 31/12/2019
Trade receivables	136,360,727	68,413,709	64,725,613
Corporate income tax assets	1,064,763	0	6,704
Other current assets	8,135,680	26,995,648	45,871,738
Total	**145,561,170**	**95,409,357**	**110,604,054**

Changes in allowance for receivables:

in EUR

	2021	2020
Allowance for receivables		
Opening balance	4,421,249	2,511,665
Reduction (payments/write-offs)	-14,861	-184,752
Increase (additions)	29,160	2,113,559
Closing balance	4,435,548	4,440,472
Total	**4,435,548**	**4,440,472**

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 2021 the Geoplin Group has no past due and unimpaired financial assets.

The table below shows maximum exposure of the Geoplin Group to credit risk, namely the worst case exposure of the Geoplin Group to credit risk as at 31 December 2021 and 31 December 2020.

in EUR

	31/12/2021	31/12/2020 – corrected
Companies' interests	1,817,600	1,817,600
Companies' shares	3,058,160	1,956,500
Bonds	0	402,133
Non-current loans	21,000,000	28,207,721
Trade receivables	136,360,727	68,413,709
Current financial investments	80,348,568	28,824,978
Cash and cash equivalents	7,755,170	6,649,120

Up by 111% compared with 2020, 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 structure of operating receivables and changes in allowance for receivables are described in note 2.8.3 Current operating receivables.

Trade receivables insurance

in EUR

	31/12/2021	31/12/2020
Gross trade receivables	140,796,275	72,854,181
Allowance	-4,435,548	-4,440,472
Net trade receivables	136,360,727	68,413,709
Past due trade receivables (gross)	8,886,038	5,770,085
Percentage of past due receivables in outstanding receivables	7%	8%
Insured trade receivables higher than EUR 100,000	94,555,080	47,074,300

Insurance includes all types of insurance and collaterals.

The receivable due from the largest customer as at 31 December 2021 totals EUR 17,012,754 (31 December 2020: EUR 11,302,476) and represents 12.5% of trade receivables in the Group (31 December 2020: 16.5%).

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 31/12/2021	As at 31/12/2020
Provisions for severance pay	76,744	48,106
Provisions for jubilee awards	32,240	22,091
Other provisions	10,820,030	12,348,348
Closing balance	**10,929,014**	**12,418,545**

Tables below show changes in provisions.

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			48,106
Provisions for jubilee awards	32,240	13,477		3,328	22,091
Other provisions	10,820,030		1,528,318		12,348,348
Total	**10,929,014**	**42,115**	**1,528,318**	**3,328**	**12,418,545**

in EUR

	As at 31/12/2020	Additions 2020	Reversals 2020	Uses 2020	As at 1/1/2020
Provisions for severance pay	48,106	0	0	0	48,106
Provisions for jubilee awards	22,091	0	0	1,779	23,870
Other provisions	12,348,348	0	3,411,051	0	15,759,399
Total	**12,418,545**	**0**	**3,411,051**	**1,779**	**15,831,375**

In 2021 the Group created new provisions for jubilee awards and severance pay based on the actuarial report as at 31 December 2021. The actuarial calculation is made every three years, and the last calculation was made in 2021. The actuary used the following assumptions in the actuarial report:

- Average salary increases in the Republic of Slovenia of 2.5% per year in 2022 and 2.5% per year in the following years, which represents the estimated long-term salary increase.
- The calculation takes into account increases in severance pay upon retirement and jubilee award as defined by the Decree on the tax treatment of reimbursement of costs and other income from employment in the amount reflecting the increase in average salary in the Republic of Slovenia in the preceding indent.
- Severance liabilities are calculated based on an employee's years of service.
- The selected discount rate is 1.17% per year, equal to the return on 15-year corporate bonds with high credit ratings in the euro zone at the end of December 2021.
- Employee turnover is assumed to be correlated with employees' age.
- Employee mortality is calculated based on life tables for the population of Slovenia in 2007.
- For reasons of regular retirement the calculation takes into account years of completed service and years of future service as well as requirements for full age retirement.
- It is assumed that the employees will exercise their right to full age retirement and the employer will not be liable to pay jubilee awards, which are projected to be paid subsequently.
- For fixed term employees the calculation takes into account only the rights exercised by the date of termination of the employment contract.

Sensitivity analysis for significant actuarial assumptions

in EUR

Assumption	Deviation	Description	Total	Severance pay	Jubilee awards
Central scenario	**0.00%**	**Balance**	**108,983.58**	**76,743.72**	**32,239.86**
Discount rate	-0.50%	Balance	116,033.83	82,061.39	33,972.44
		difference	*(7,050.25)*	*(5,317.67)*	*(1,732.58)*
	0.50%	Balance	102,563.05	71,925.96	30,637.09
		difference	*(-6,420.53)*	*(-4,817.76)*	*(-1,602.77)*
Salary increase	-0.50%	Balance	102,612.98	71,963.35	30,649.63
		difference	*(-6,370.60)*	*(-4,780.37)*	*(-1,590.23)*
	0.50%	balance	115,902.72	81,962.24	33,940.48
		difference	*(6,919.14)*	*(5,218.52)*	*(1,700.62)*
Duration (DBO)			12.5	13.4	10.5

No additional provisions were formed for onerous contracts for transport and storage capacity leases in 2021.

Reduction in provisions in 2021 relates to utilisation or reversal of provisions for onerous contracts in 2021 and to utilisation of provisions for jubilee awards paid.

The Geoplin Group has entered into long-term contracts for the lease of transport and storage capacities. The new EU rules in the single European natural gas market have given rise to short-term trading in gas hubs, and allow for the lease of transport capacities at the monthly and daily basis. In response to this trend different products have been developed for the market in the sales of natural gas and lease of transport and storage capacities.

The Geoplin Group is thus forced to offer comparable products to its domestic buyers, which will lead to negative differences with costs of contractual obligations exceeding the economic benefits expected from these contracts.

The company has therefore created provisions for onerous contracts for the lease of transport and storage capacities. The amount of these provisions was calculated based on estimated economic benefits and service costs from non-current contracts for the lease of capacities and with consideration of used cross-zonal capacities.

Provisions for non-current contracts for the lease of transport and storage capacities were created for the period of duration of these contracts.

2. 8. 6. CURRENT LIABILITIES

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

in EUR

	As at 31/12/2021	As at 31/12/2020 – corrected	As at 31/12/2019
Current financial liabilities	1,546	15,041,656	1,546
Current operating liabilities	131,177,739	55,081,494	58,259,149
Total	**131,179,285**	**70,123,150**	**58,260,695**

Current financial liabilities as at 31 December 2021 consist of the liability for the lease of hardware (2020: short-term loan from Petrol d.d, Ljubljana in the amount of EUR 15 million, which was fully repaid in January 2021). Current operating liabilities largely relate to liabilities for the purchase of natural gas, which were fully repaid in January 2022; the increase is due to high natural gas prices.

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

in EUR

	As at 1/1/2021	Increase	Repayments	As at 31/12/2021
Current financial liabilities	15,038,565	79,601,535	94,640,100	0
Current lease liabilities	3,091	18,549	20,094	1,546
Total	**15,041,656**	**79,620,084**	**94,660,194**	**1,546**

Current operating liabilities of the Geoplin Group consist of:

in EUR

	As at 31/12/2021	As at 31/12/2020 – corrected	As at 31/12/2019
Trade payables	118,460,227	40,748,261	46,165,536
Corporate income tax liabilities	103,230	2,429,622	1,607,061
Contract liabilities	177,303	4,321,891	464,220
Other current liabilities	12,436,980	7,581,720	10,022,331
Total	**131,177,739**	**55,081,494**	**58,259,149**

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

in EUR

	As at 31/12/2021	As at 31/12/2020
Liabilities for payments and deposits received in advance	177,303	4,321,891
Total	**177,303**	**4,321,891**

Payments and deposits received in advance comprise advance payments received for the supply of natural gas that will be closed when the gas is supplied.

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

in EUR

	As at 31/12/2021	As at 31/12/2020
Payables to employees	215,951	220,067
Payables to the state	11,864,774	6,722,607
Accrued costs and expenses	354,742	413,333
Other current liabilities	1,512	225,712
Total	**12,436,980**	**7,581,719**

Payables to employees consist in gross salaries and related contributions, supplementary pension insurance premiums and other labour costs for December 2021 paid in January 2022.

Payables to the state totalling EUR 11,864,774 (2020: EUR 6,722,607) 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 2021 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

At the end of the reporting period the Geoplin Group closely monitors the developments in Ukraine, as they could have an impact on natural gas supply from the Russian Federation to the EU. For the time being, the Russian Federation delivers uninterrupted supplies in accordance with contractual obligations, whereas the gas exchange prices respond to supply and demand. Recent events once again revealed EU's reliance on Russian gas and resumed appeals to reduce this dependence. The Geoplin Group will invest every effort in ensuring uninterrupted supply of natural gas for its customers.

The Geoplin Group does not have subsidiaries or representative offices in the Russian Federation, Ukraine or Belarus. In 2021, its sales revenues from these markets constituted 8.5%. The percentage of the Group's direct purchase in these markets in 2021 measured at cost of goods sold totalled 22.6%, but there is also significant indirect dependence on these countries via the international market.

When compiling the consolidated report we analysed the impact of the situation in Russia and Ukraine on our operations in view of the currently adopted measures and concluded that the situation as we know it does not have an impact on the performance of Geoplin Group's plan for 2022.

As at 31 December 2021 the Geoplin Group's statement of financial position reported the following exposure to companies in the Russian Federation, Ukraine and Belarus, or companies with Russian capital:

- Advance payments for inventories totalling EUR 11,958,949 (13 May 2022: EUR 11,958,949), or 3.96% of Geoplin company's assets as at 31 December 2021;
- trade payables totalling EUR 13,902,769 (13 May 2022: EUR 55,475,849), or 4.61% of Geoplin company's liabilities as at 31 December 2021.

Based on the currently available data and results achieved in 2021 the Geoplin Group does not expect events and circumstances to have a significant effect on the operations and existence of the Geoplin Group in 2022, or on the assets and liabilities reported in the statement of the financial position on the reporting date.

Vanja Lombar
General Manager

2. 10. INDEPENDENT AUDITOR'S REPORT FOR THE GEOPLIN GROUP

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Owners of Company Geoplin d.o.o. Ljubljana

Opinion

The summary consolidated financial statements, which comprise the summary of consolidated balance sheet as at 31 December 2021, the summary of consolidated income statement, the summary of consolidated statement of other comprehensive income, summary of consolidated statement of changes in equity and summary of consolidated cash flow statement for the year then ended, and related notes, are derived from the complete consolidated audited financial statements of Geoplin group for the year then ended.

In our opinion, the accompanying summary of consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 2.7.

Summary financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union. 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 25 May 2022. The audited consolidated financial statements and the summary consolidated financial statements do not reflect the effects of events that occurred subsequent to the date our report on the audited consolidated financial statements.

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 basis described in Note 2.7.

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 (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Ljubljana, 22. junij 2022

Janez Uranič
Direktor, pooblaščeni revizor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

Mateja Repušič
Pooblaščena revizorka

1/1

In the 2021/22 season, the Slovenian ski jumpers achieved exceptional results both in the World Cup competition and at the Beijing Olympics.

In the World Cup competition, they stood on the podium a total of 37 times. They took the first place at 4 team and 10 individual events, second place at 1 team and 16 individual events, and third place at 2 team and 15 individual events. Slovenian men's team also won the Ski Flying Championship in Vikersund, where Timi Zajc finished second among individuals. In the overall ranking the women's team had won the World Cup Nations Cup (for total world cup points), while Žiga Jelar was awarded the small crystal globe in ski flying.

At the Winter Olympics in Beijing Slovenian ski jumping team brough home 4 medals, including two gold awarded to the mixed ski jumping team and Urša Bogataj, men's team silver, whereas Nika Križnar brought home the bronze.

SUMMARY OF THE CONSOLIDATED ANNUAL REPORT OF THE GEOPLIN GROUP 2021

Geoplin d.o.o. Ljubljana
Cesta Ljubljanske brigade 11
1000 Ljubljana, Slovenia
Telephone: +386 1 582 08 00, Fax: +386 1 582 08 03
www.geoplin.si

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Ljubljana, June 2022

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