

ANNUAL REPORT 2022



DARS

Ljubljana, April 2023



I Business Report

II Financial Report

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Acronyms and abbreviations

MW	Motorway
MMC	Motorway maintenance centre
ARSO	Slovenian Environment Agency
ASECAP	L'Association Européenne des Concessionnaires d'Autoroutes et d'Ouvrages à Péage (European Association of Operators of Toll Road Infrastructures)
C-ITS	Cooperative Intelligent Transport System
TS	Toll station
DARS Slovenia)	Družba za avtoceste v Republiki Sloveniji d.d. (Motorway Company in the Republic of Slovenia)
VAT	Value-added tax
DGD	Design documents for obtaining opinions and a building permit
DIIP	Investment project identification document
NSP	National Spatial Plan
SIA	Slovenian Infrastructure Agency
SWA	Slovenian Water Agency
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EETS	European Electronic Toll Service
EFSI	European Fund for Strategic Investments
EME	Electro-mechanical equipment
BP	Building Permit
MCC	Main Control Centre
EW	Expressway
IBTTA	International Bridge, Tunnel and Turnpike Association
ITS	Intelligent Transportation System
PC	Public contract
MoC	Ministry of Culture
IBC	International Border Crossing
Co	City of
MESP	Ministry of the Environment and Spatial Planning
MoD	Ministry of Defence
MoI	Ministry of Infrastructure
MAM	Maximum authorised mass
NMCP	National Motorway Construction Programme in the Republic of Slovenia
SPA	Spatial Planning Authorities
ER	Environmental Report
MSP	Municipal Spatial Plan
DMSP	Detailed Municipal Spatial Plan
EP	Environmental permit
BD	Basic Design
NB	Noise barrier
PIARC	World Road Association
TIC	Traffic information centre for public roads
PIKA	Piran, Izola, Koper, Ankaran
PIS	Pre-Investment Study
AADT	Average Annual Daily Traffic
EIA	Environmental Impact Assessment
DD	Detailed Design
R2	Motor vehicles with two axles and a maximum authorised mass exceeding 3.5 tonnes
R3	Motor vehicles with two or three axles and a maximum authorised mass exceeding 3.5 tonnes, and groups of vehicles with two or three axles and the maximum authorised mass of the towing vehicle exceeding 3.5 tonnes
R4	Motor vehicles with more than three axles and a maximum authorised mass exceeding 3.5 tonnes, and groups of vehicles with more than three axles and the maximum authorised mass of the towing vehicle exceeding 3.5 tonnes

ReNPRP30	Resolution on the National Programme for the Development of Transport of the Republic of Slovenia until 2030
RCC	Regional Control Centre
RS	Republic of Slovenia
SSH	Slovenian Sovereign Holding
TCMS	Traffic Control and Management System
SAS	Slovenian Accounting Standards
VS	Variant Study
ZDARS	Motorway Company in the Republic of Slovenia Act (ZDARS-UPB1) (Official Gazette of the Republic of Slovenia, No. 20/2004)
ZDARS-1	Motorway Company in the Republic of Slovenia Act (Official Gazette of the Republic of Slovenia, No. 97/2010 – ZDARS-1)
ZGD-1	Companies Act (Official Gazette of the Republic of Slovenia, Nos. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – CC dec., 82/13, 55/15, 15/17, 22/19 – ZPosS, 158/20 – ZIntPK-C, 18/21)
IRSNC	Institute of the Republic of Slovenia for Nature Conservation
ZUJF	Fiscal Balance Act (Official Gazette of the Republic of Slovenia, No. 40/2012)



I Business Report

Statement on the Management's responsibility

The members of the Management Board of DARS, responsible for the compilation of the Annual Report of DARS for 2022, certify herewith that, to the best of their knowledge, this Annual Report, including the Corporate Governance Statement, has been compiled and published in compliance with the Companies Act, the Market in Financial Instruments Act and the Slovenian Accounting Standards.

The Annual Report of DARS for 2022, along with the financial statements and notes, provides a true

and fair presentation of the assets and liabilities, financial situation and profit or loss of DARS. Furthermore, the Management Board declares that the Company's financial statements have been prepared under the assumption of a going concern, that the selected accounting policies have been used consistently, and that any amendments to them have been disclosed.

The Management Board is also responsible for the appropriate accounting system and the adoption of measures to secure and preserve the value of the Company assets, as well as to prevent and detect fraud and other irregularities and/or illegal acts.



Valentin Hajdinjak, MSc

Chairman of the Board



Lidija Kegljevič Zagorc, PhD

Member of the Board



Andrej Ribič, MSc

Member of the Board



David Skornšek, MSc

Member of the Board



Rožle Podboršek

Member of the Board/
Labour Manager

Celje, 25 April 2023

I.1 Information about the Company and key business data

NAME	Družba za avtoceste v Republiki Sloveniji d.d. DARS d.d.
REGISTERED OFFICE	Ulica XIV. divizije 4, 3000 Celje Phone: +386 (0)3 426 40 71 Fax: +386 (0)3 544 20 01
BRANCH OFFICE	Dunajska 7, 1000 Ljubljana Phone: +386 (0)3 300 99 02 Fax: +386 (0)1 300 99 01
WEBSITES	www.dars.si www.promet.si www.darsgo.si evinjeta.dars.si
YEAR OF ESTABLISHMENT	1993
REG. ENTRY NO.	1/06158/00, District Court of Celje
COMPANY ORGANISATION	Public limited company
FOUNDER AND SHAREHOLDER	Republic of Slovenia
REGISTRATION NUMBER	5814251000
VAT ID NUMBER	SI92473717
SHARE CAPITAL	€2,086,559,144.07
SHARES ISSUED	55,650,231

DARS d.d. was established in 1993 based on the ZDARS act and started operating on 1 January 1994. Until 31 December 2003, it had the status of a public undertaking in the form of a public limited company and, since 1 January 2004, it has been a public limited company in the form of a company. The sole founder and shareholder of DARS d.d. is the Republic of Slovenia, which is represented by the Slovenian Sovereign Holding (SSH) pursuant to the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014; ZSDH-1). DARS operates in compliance with the Corporate Governance Code for State-Owned Enterprises as adopted by the SSH, the Slovenian Corporate Governance Code for Listed Companies, and SSH Recommendations and Expectations as the manager of State capital assets, which are aimed at improving the corporate governance system for the capital assets of the State, company organisation and, consequently, company performance.

The ZDARS-1 act entered into force at the end of 2010 and on its basis, DARS:

- performs individual tasks relating to spatial planning and the siting of motorways, and tasks relating to real estate acquisition for the purposes of motorway construction on behalf of the Republic of Slovenia and on its account;
- builds motorways on its own behalf and on its own account;
- manages and maintains motorway sections based on the granted construction concessions.

The State maintains strategic supervision over motorway development through development documents setting out new sections and deadlines for putting the newly built sections into service.

The ZDARS-1 act sets out the status, tasks and obligations of DARS and regulates the legal property relations in connection with motorways. Pursuant to the Act, DARS was transformed into a concessionaire that was awarded the right of superficies for the term of the concession relating to land where it will build, and has taken over all the financial obligations related to the construction of new motorway sections. The ZDARS-1 act also stipulates that DARS is to perform individual tasks relating to spatial planning and motorway siting, as well as tasks relating to real estate acquisition for the purposes of motorway construction on behalf of the Republic of Slovenia and for its account. The Act further stipulates that DARS must continue building motorways and expressways that commenced prior to the enforcement of the Act, and continue managing and maintaining the existing motorways and expressways in the Republic of Slovenia.

According to the Fiscal Balance Act (ZUJF), which entered into force in 2012, the right of superficies established for the benefit of DARS is payable.

Table 1: Key performance data by year

Key performance data by year	2018	2019	2020	2021	2022	2022/2021 index
Revenue	495,428,367	523,120,872	416,754,677	489,290,314	516,882,574	106
Expenses	308,286,955	350,751,597	344,149,420	350,817,714	350,690,060	100
Net sales revenues	465,605,859	480,750,876	398,581,556	469,535,406	494,473,636	105
Operating revenue	489,380,078	522,055,233	416,199,166	487,309,052	512,306,743	105
Operating expenses	266,985,138	311,065,228	307,244,219	318,141,965	319,413,231	100
Operating profit or loss	222,394,940	210,990,006	108,954,947	169,167,087	192,893,512	114
EBITDA	397,476,660	422,009,626	321,804,934	390,145,355	393,778,810	101
Net profit or loss for the accounting period	154,421,963	139,611,455	59,526,614	112,703,369	135,132,702	120
Share capital	2,322,284,140	2,086,559,144	2,086,559,144	2,086,559,144	2,086,559,144	100
Equity as at 31 December	2,963,264,000	2,863,136,410	2,922,963,531	3,041,652,197	3,199,015,617	105
Total assets as at 31 December	5,656,311,816	5,307,039,906	5,175,871,112	5,079,282,602	5,159,975,244	102
Debt as at 31 December	2,269,468,973	2,056,619,825	1,895,258,439	1,711,633,087	1,620,432,760	95
Debt repayment – principal	219,555,539	212,849,148	238,361,387	183,625,351	181,200,328	99
Payment of interest*	40,624,860	37,889,189	35,786,115	32,283,754	31,704,975	98
No. of employees	1,232	1,257	1,269	1,234	1,256	102
Operating margin	47.8%	44.1%	27.3%	36.0%	39.0%	108
EBITDA margin	85.4%	87.8%	80.7%	83.1%	79.6%	96
Net margin	33.2%	29.2%	14.9%	24.0%	27.3%	114
Return on equity (ROE)	5.3%	4.8%	2.1%	3.8%	4.3%	115

* The data refers to actual outflows for interest on received loans and bonds in an individual year.

Calculation of indicators:

Operating margin = operating profit or loss / net sales revenue

EBITDA margin = EBITDA / net sales revenue

Net margin = net profit or loss for the period / net sales revenue

ROE (return on equity): net profit for the period / average equity for the period

Figure 1: Total revenues, expenses and net profit or loss for 2018–2022

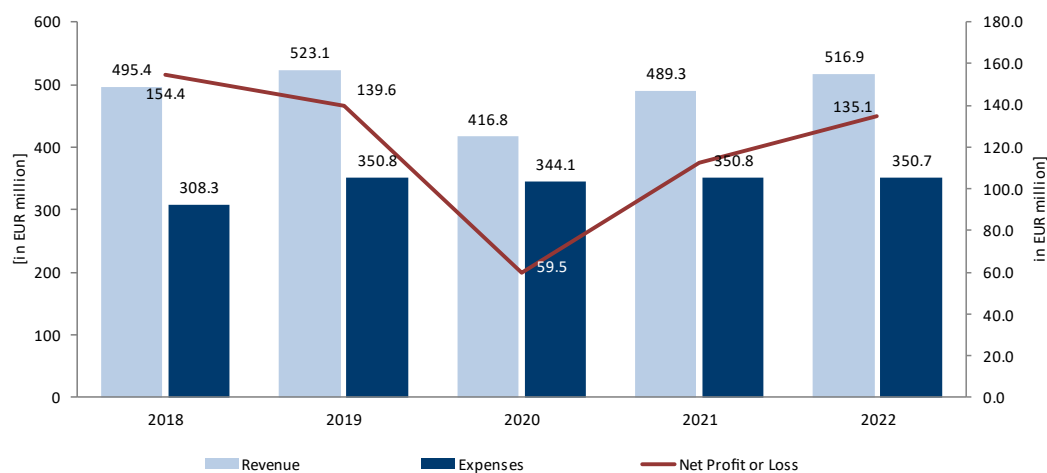


Figure 2: Net sales revenues and cash flow from operating activities (EBITDA) for 2018–2022

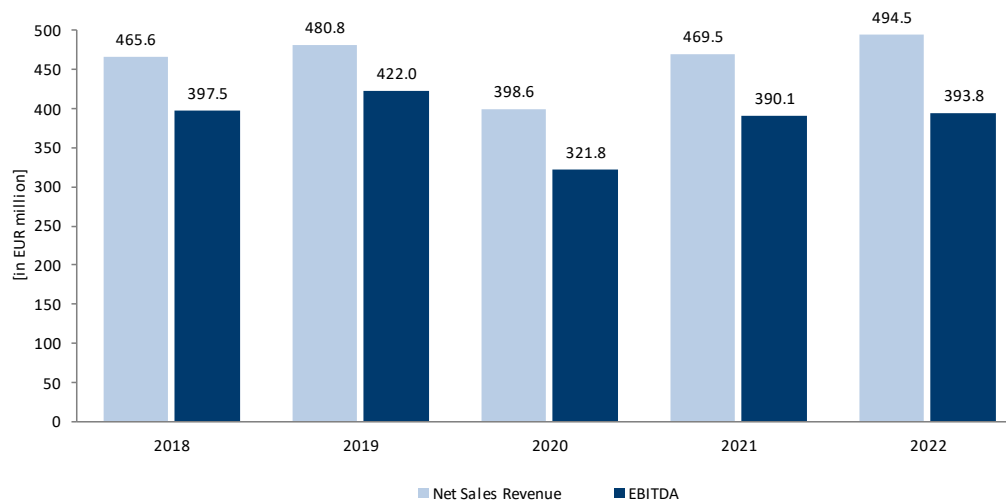


Figure 3: Debt as at 31 December, principal repayment and interest payments for 2018–2022

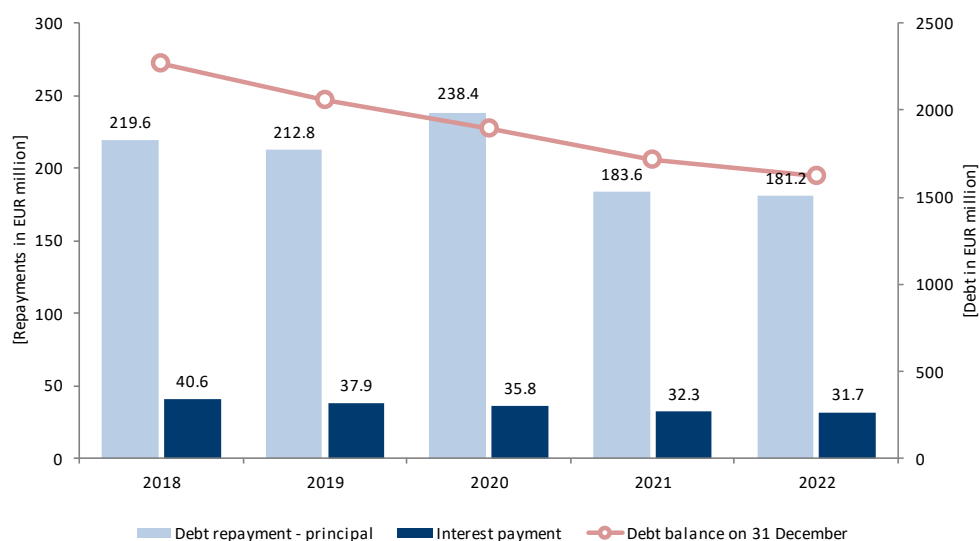


Figure 4: DARS revenues in 2021

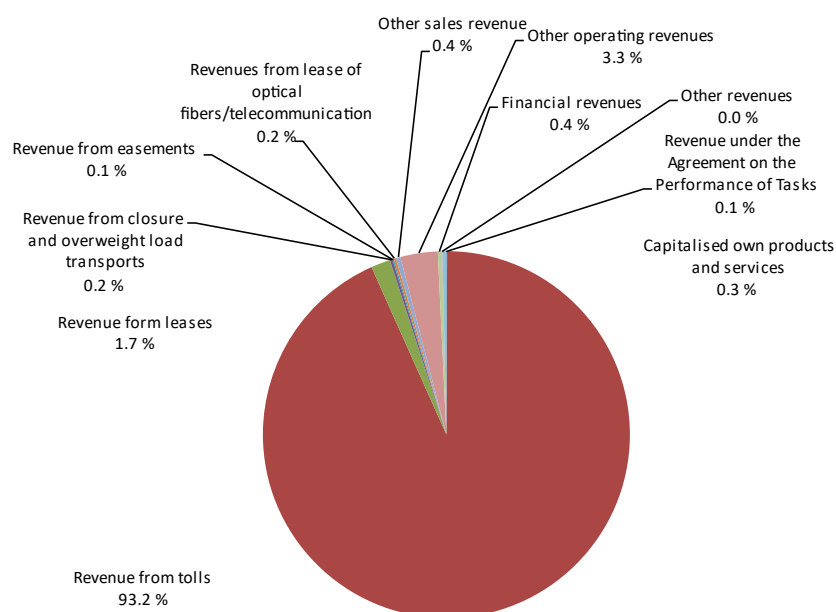


Figure 5: DARS revenues in 2022

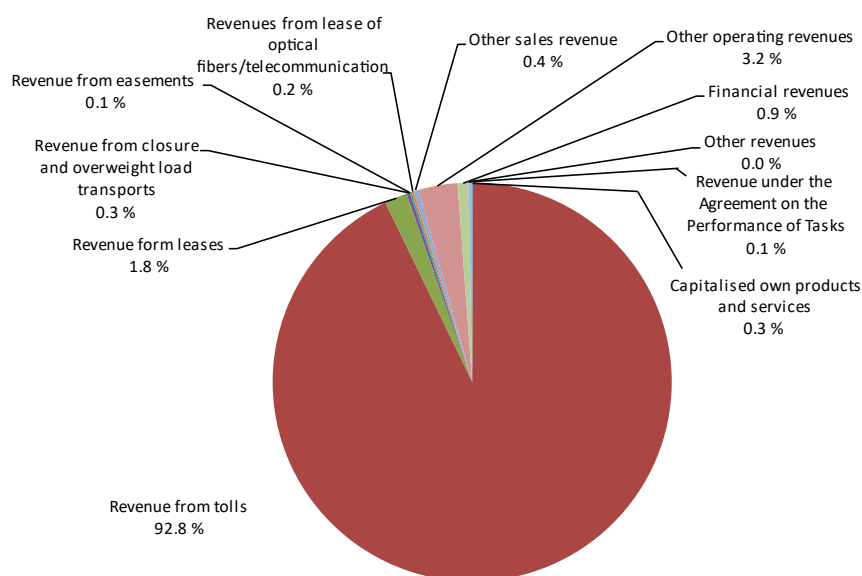


Figure 6: DARS revenues excluding tolls in 2022

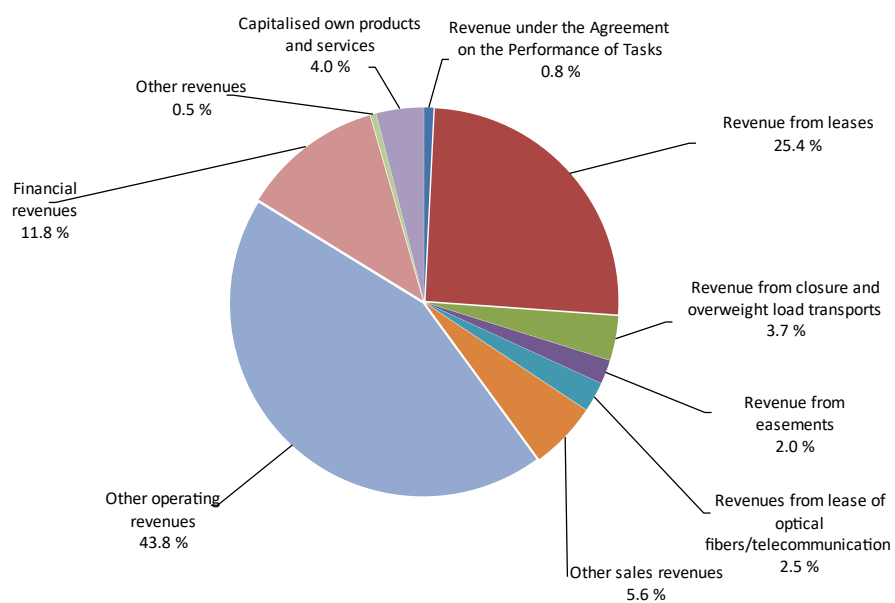


Figure 7: DARS expenses in 2021

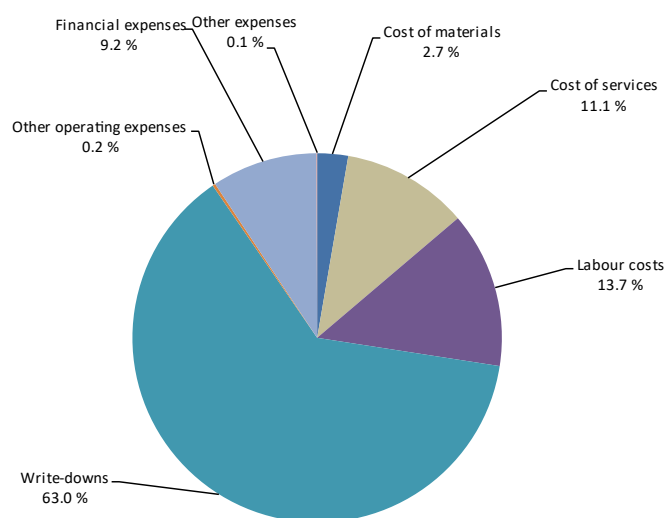
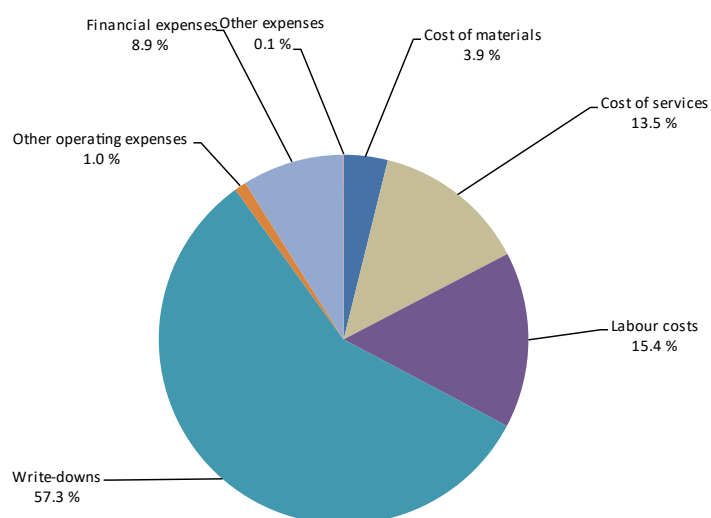


Figure 8: DARS expenses in 2022



I.2 Letter from the Chairman of the Board



To Whom It May Concern:

The impact of the Covid-19 pandemic, which severely affected the entire logistics and transport sector in 2020 and 2021, cleared up in 2022. Transport on motorways and expressways increased with respect to the year before and also grew compared to 2019, which was a record year until the epidemic.

The operations of DARS in 2022 were stable and the Company generated sound financial results.

By successfully realising the business plan, the Company improved all the key performance indicators in 2022. In the 2022 financial year, the revenues of DARS amounted to €516.9 million, which is 6% more than in the previous year. In 2022, the Company generated net sales revenues amounting to €494.5 million, EBITDA amounting to €393.8 million and a net profit of €135.1 million, which is 20% more than in 2021.

DARS is therefore in a sound financial position. The key factors affecting the success of any organisation include integration, collaboration and support among employees. These particularly prove to be important during outstanding or uncertain conditions like those we have faced in recent years.

The short-term risk due to the war in Ukraine resulted in a notable increase in the prices of building materials, products and energy, which we managed – like energy supply – to keep at bay. The mentioned price increase has affected the entire construction industry, consequently also reflecting in the projects pursued by DARS.

Sound business results nevertheless allow DARS to enjoy stable operations and the realisation of the goals set for new construction, reconstruction, routine motorway and expressway maintenance, and motorway operation and tolling.

The year 2022 was a landmark for DARS. As regards the tolling of vehicles with a maximum authorised mass not exceeding 3.5 tonnes, vignette stickers were entirely abolished on 1 February. Since then, the weekly and monthly use of toll roads may only be paid for by way of an electronic vignette, while yearly electronic vignettes have been in use since 1 December 2021. DARS finds the deployment successful and the system stable and reliable, in terms of both sales and supervision. The customer satisfaction measurement showed that 89% of motorway drivers were satisfied with the electronic vignettes.

DARS has relatively high liabilities for the repayment of loans taken out for motorway

construction and reconstruction. In addition to that, DARS has the obligation to provide an adequate service level to users while ensuring the development and safety of the motorway network. The debt is successfully managed and regular and full payments are made of liabilities deriving from the loans taken out and bonds issued. In 2022, the Company repaid €212.9 million in principals and interest.

Ensuring financial stability is particularly important during the planned extensive investment cycle. We are also facing projects imposed by the Government with the Resolution on the National Programme for the Development of Transport of the Republic of Slovenia until 2030. This contains a selection of the greatest challenges in transport while defining their solutions and funding for them, thus considering the 6-year period in detail.

Presently, the two largest pending investments of DARS are the construction of the second tube of the Karavanke tunnel and of the 3rd development axis, which will link the northern and south-eastern parts of Slovenia to the existing motorway network.

Works in the project to construct the second tube of the Karavanke tunnel went well in 2022 and according to the general time schedule.

In the project of the 3rd development axis (the section between Velenje and Slovenj Gradec), construction works on the Gaberke Lot, which were the first to commence on the alignment of the expressway to the Koroška region in 2020, were successfully completed last year. In the Jenina Lot, where works started a year later, construction works will be completed by the end of 2023. Public procurement procedures for the contractors of the next four lots (area around Škalsko jezero, a part of the Konovo connecting road, Škale and Velunja) were carried out. Otherwise, the Company continued to produce design documents and acquire the land needed for

construction in lots for which a building permit had not yet been obtained and no construction works had been done.

Activities also continued to reconstruct and upgrade a major part of the motorway network, thereby maintaining a high level of routine maintenance, along with traffic control and management activities to provide maximum safety and fluidity on the motorway network.

DARS supported the project to establish the Motorway Police, which was, however, abolished at the end of the year and included in the regular traffic police units. Despite its short term of operations, it yielded notable positive effects. We believe that the Motorway Police significantly contributed to traffic safety and, consequently, fluidity on the Slovenian motorway network. Its work made all motorway users safer and it also had a positive impact on the economy, since congestion times shortened, as did freight transport times along the Slovenian motorways, while controls of roadworthiness and overloaded goods vehicles eliminated unfair competition and reduced negative impacts on the carriageway.


In 2022, the Company started renovating minor rest areas along the motorway, which now provide an improved user experience and rest in a pleasant environment with a uniform appearance and extended range of services.

We are well aware that the high goals set can only be achieved through the active engagement of all employees. That is why a great deal of attention is paid to the continuous education, training and upskilling of the Company employees. The Company vision is at all times focused on the sustainable development and business operations of the Company and its overall environment.

Thank you for your trust.

Valentin Hajdinjak, MSc

Chairman of the Board



I.3 Mission, vision, values, strategic policies and integrated management system policy

Mission

We improve the traffic flow while providing traffic safety and reliable and timely services on the Slovenian motorway network by employing modern approaches and adopting a responsible attitude towards the environment and stakeholders.

Vision

Connected to the future

The guidance of sustainable and digital Company operations is the **integration** of all strategic guidelines.

The Company vision is focused on:

- **users**, safe mobility and reliable and timely services supported with smart solutions;
- **the environment** in which we operate in a sustainable manner, and satisfying the needs and expectations of all key stakeholders;
- **employees**, who are provided with a safe, creative and development-oriented work environment.

Core values

Safety

We ensure a safe environment in which we operate: a safe working environment for our employees, a feeling of safety for our business partners and users of the Slovenian motorway network (as their reliable partner on the road) and the preservation of the natural environment.

Responsibility

With a responsible attitude towards ourselves and society, we fulfil all our assumed work commitments and ensure the quality implementation of the assigned tasks, bearing in mind our users, our environment (the harmonisation of our activities with the capabilities and needs of the natural environment) and other stakeholders that we do business with (suppliers, contractors, other business partners, the owner, the local community – we are a reliable partner).

Sustainability

All three aspects of sustainable operations (economic, environmental and social) are pursued in Company operations. In addition to successful and efficient Company operations in the long term, special attention is paid to reducing negative environmental impacts and cooperation with stakeholders and their inclusion in sustainable Company operations.

Reliability

We are aware that at any given moment, we share responsibility for the successful and uninterrupted life, work and realisation of the goals of individuals, companies and society as a whole, which is why we abide by the agreements made in our day-to-day operations and processes. Cooperation with stakeholders is conducted in a manner promoting mutual respect and trust.

Cooperation

We favour open communication, integration, team spirit and the search for the best solutions for the common good, both among Company employees and with the active involvement of external stakeholders, thus successfully pursuing the Company mission.

Leadership by example

We are committed to integrity and bravely face our challenges. We realise our expectations of our associates and other stakeholders, being aware of the importance of leadership and operations by example. Through compliant and transparent operations, DARS builds its integrity, which is crucial for the preservation of the Company's goodwill and the attainment of sustainable business performance.

The strategic policies of DARS

Figure 9: Strategy map of DARS



The provision of safety, fluidity and reliable and timely services to motorway users

- Ensuring traffic safety.
- Ensuring traffic fluidity.
- The continued construction of new and the reconstruction of existing MW and EW sections.
- The provision of reliable and timely customer services.

Long-term business stability and sustainability

- Ensuring long-term stable operations.
- The digital transformation of the Company.
- The development of sustainable infrastructure and the circular economy.

Engaged and competent employees

- Continued enhancement of employee engagement and competence.
- Leadership development.
- The provision of occupational safety and the promotion of employees' health.

Integrated management system policy

Through the professional and responsible performance of tasks, the management and all Company employees will devote their best efforts to fulfilling the requirements and expectations of our stakeholders: users, the owner, employees, the environment and other interested public. Our business success is carefully planned, managed and supervised. We are committed to the continuous improvement of all business processes, with an emphasis on preventative action and risk management.

Our goal is to act in a quality, energy-efficient and socially responsible manner and to provide employees, outsourcers and users with a safe, uninterrupted and comprehensive service.

The management system policy is pursued in the following manner:

- by making responsible decisions based on specific information and facts,
- by ensuring good conditions and relations between all stakeholders within and beyond the Company,
- by promoting proactive activities with an emphasis on employee innovations,
- by managing the identified risks and implementing detected opportunities,
- by providing the desired level of confidentiality, integrity and availability of information and information resources,
- by ensuring the adequate availability of key information systems,
- by increasing the efficient use of all materials and energy throughout the service life cycle,
- through consistent compliance with the legislation, other mandatory requirements and development policies,
- through mutually beneficial cooperation with partners and other outsourcers,
- by supporting the development of the profession and acquiring new knowledge and skills,
- through active communication within the Company and with external audiences,
- through the commitment to prevent health risks and injuries of employees,
- by establishing and achieving measurable improvement targets for all areas of operation,
- by taking systematic account of all business aspects (the environment, energy, quality, business continuity, information protection, safety and economics) in the purchase of products and services and the design of new solutions.

The Management Board undertakes to lead by example and pursue the set objectives to the best of their abilities.

I.4 Corporate Governance Statement of DARS



In accordance with paragraph 5 of Article 70 of the Companies Act (Official Gazette of the Republic of Slovenia, No. 42/2006 and sub.), the Articles of Association of DARS adopted in June 2021 and the provisions of the Corporate Governance Code for Listed Companies and the Corporate Governance Code for State-Owned Enterprises, the Company hereby presents, as part of its Annual Report, the following

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is an integral part of the Annual Report for 2022 and is accessible for the period from 1 January 2022 to

the date of publication in 2023 in electronic form on the website of the Ljubljana Stock Exchange (SEOnet) and on the official website of DARS (www.dars.si).

1. Reference to the Corporate Governance Code and the Recommendations

In its work and business operations, DARS observes to the greatest possible extent the following codes and recommendations on business practices in governance and management:

- Corporate Governance Code for Joint Stock Companies, 9 December 2021, accessible at <http://www.ljse.si>;

- Corporate Governance Code for State-Owned Enterprises, June 2022, accessible on the website of the Slovenian Sovereign Holding (SSH) at <http://www.sdh.si>; and
- Recommendations and Expectations of the Slovenian Sovereign Holding, June 2022, accessible on the website of the Slovenian Sovereign Holding <http://www.sdh.si>.

After the Slovenian Sovereign Holding Act came into force, the Republic of Slovenia, as the sole shareholder, exercises its rights through the Slovenian Sovereign Holding, which in turn exercises its voting rights at the General Meeting, by appearing before courts and other authorities and by convening the General Meeting.

There were no major discrepancies in the implementation of the above codes and recommendations in 2022, while any deviations from specific recommendations are explained below. In its operations, DARS observes its internal acts and the DARS Code of Ethics and strives to improve its corporate governance practices.

2. In terms of management, DARS deviates from the following provisions:

Individual deviations from the above codes and recommendations are disclosed in the continuation of this Statement along with their causes.

a) Corporate Governance Code for Listed Companies

Corporate governance framework

Point 1: The Company's Articles of Association contains the principal goals and objectives that have been defined as strategic by the National Assembly of the Republic of Slovenia with the Ordinance on the state-owned assets management strategy (Official Gazette of the Republic of Slovenia, No. 53/15). Furthermore, the Company has defined objectives in the DARS Strategy and other Company documents.

Corporate governance statement and statement on compliance with the Code

Point 5.6: In assessing the adequacy of the Corporate Governance Statement, the Company does not employ other independent external institutions, because the statement is reviewed by multiple in-house expert services. Moreover, the Company has an internal auditing service that independently supervises the organisation and

economy of DARS operations in line with the regulations and internal acts.

Remuneration policy and remuneration report for members of management and supervisory bodies

Point 6: The Remuneration Policy was drawn up pursuant to the relevant legislation and good practice recommendations. In July 2022, it was put forth to the General Meeting, which, however, did not approve it due to legal formalities.

Sustainable operation

Point 7: In its Sustainability Reports, DARS reports on the identified positive and negative impacts it has on the economy, nature and the general society in respect of its operations, responsibility to suppliers/contractors and a responsible attitude towards motorway users and other relevant stakeholders.

Within the scope of the Sustainability Reports, the Company follows the Global Reporting Initiative Global Standards (GRI GS), core option. We have identified key Company stakeholders, which are defined in the document Needs and Expectations of Stakeholders, each with the identified impact on the Company, the needs and expectations of the stakeholder, the persons responsible for relations and collaboration, and the stakeholder perception monitoring method. All the major stakeholders were included in the materiality matrix and the contents crucial to DARS and the stakeholders were thereby laid down, whereby more attention is paid to such contents in the preparation of the sustainable strategy and, consequently, sustainability reports.

The DARS Strategy for 2021–2025 integrates the Company vision and its stakeholders with three key strategic guidelines. The Strategy highlights the major contribution of DARS to global development while taking into account Sustainable Development Goals. The motto of our sustainable activities, with an emphasis placed on digital transformation, is intertwined with the strategic and operational goals of the Company.

With the ultimate goal of decarbonising DARS by 2030 and with a view to 2050, the Company prepared the DARS Strategy for Energy and Resource Efficiency and Sustainable Development, the measures of which reflect in environment and energy goals and programmes, by way of which the Company will attain or surpass the strategic goals set, which are updated after annual strategic conferences.

In 2023, we will draw up a sustainable development policy that will integrate and include the approaches already taken and other aspects of sustainable development.

General meeting

Point 10.4: If the General Meeting is held with the use of electronic means without physical presence, the Company will publish the rules for participation and voting in the General Meeting on its official place of publication no later than at the time of convening the General Meeting.

Selection procedure for supervisory board members

Point 10: In companies in which the SSH exercises at least ⅓ of all voting rights, supervisory boards do not form special committees competent for the execution of procedures to search for and assess candidates for supervisory board members. In such companies, the recruitment channel used by the supervisory board of the company is a proposal for the appointment of candidates that is submitted to the supervisory board by SSH.

Education of supervisory board members

Point 15.1: The annual training plan for members of the Supervisory Board or committees is not defined once a year; instead, members of the Supervisory Board decide for themselves which training they need. Supervisory Board members train and ensure that the knowledge, experiences and skills of the Members comply with the needs of the Company. Indicative training costs are provided in the Company's annual business plan.

Supervisory board evaluation

Point 16.4: Due to the limited terms of office, an external assessment has not yet been performed.

The Company's corporate communication strategy

Point 30: The Company has drawn up and enforced a general Corporate Communication Strategy of DARS, Rules on professional secrecy, Corporate Communication Rulebook, and Instructions for replying to motorway users. The recommendation is partly taken into account as high-quality standards for the preparation of accounting, financial and non-financial information are not specifically defined.

Public announcement of important information

Point 32.1: The Company provides prompt information about its financial and legal situation through publications but does not report on

business performance assessments, since that makes no sense in the event of compliance with the applicable strategy and annual plan of work. In case of deviations, the Company would immediately inform the public about other business events, impacts and deviations through press releases.

Point 32.5: The financial statements of the Company, together with notes and disclosures for the most important categories, have been prepared pursuant to the accounting and reporting requirements of the Slovenian Accounting Standards (SAS), taking into account the provisions of the ZGD-1 and ZDARS-1.

Point 32.9: The Company does not publish the rules of procedure for its supervisory bodies on its website. These are documents that are continuously revised and are intended solely for the work of such bodies. Any external assessment of the adequacy of the documents by third parties would be out of place due to a lack of knowledge of the bodies' needs.

b) Corporate Governance Code for State-Owned Enterprises

Supervisory board

Point 6: One of the owners' key management levers is their right and duty to appoint to the supervisory bodies of companies independent and professional individuals who responsibly and professionally supervise the work of these companies' management boards and cooperate with them in their management activities. The Supervisory Board has a Remuneration Committee acting as a nomination committee. The Remuneration Committee comprises two members of the Supervisory Board representing shareholders and two members of the Supervisory Board representing workers. External experts are included as required.

Points 6.5.1, 6.8, 6.8.1 and 6.9: In companies in which the SSH exercises at least ⅓ of all voting rights, supervisory boards do not form special committees competent for the execution of procedures to search for and assess candidates for supervisory board members, except where provided otherwise by special legislation. In such companies, the recruitment channel used by the supervisory board of the company is a proposal for the appointment of candidates that is submitted to the supervisory board by SSH.

Transparency of operations and reporting

Point 8.4: The Annual Report does not disclose costs for the operation of the Supervisory Board, as indicated. The disclosure includes the remuneration received by Supervisory Board members, including travel expenses and perks provided.

Audit and internal control system

Point 9.2.7: This is partially taken into account considering that the set time periods for the recommendations given by internal auditors may exceptionally be extended for objective reasons. Responsible persons put forth justified reasons for period extension.

Adoption of the Code of Ethics

Point 10.1.1: The Code of Ethics is being revised.

c) Recommendations and Expectations of the SSH

Commissioning of goods and services, sponsorship and donations

Point 3.6: This is partly taken into account. We publish contracts from public procurement procedures within 30 days of signature, and any direct award contracts once a year, in accordance with the Public Procurement Act (ZJN-3).

Point 3.7: This is partly taken into account. Data from the public procurement portal is regularly published at <https://ejn.gov.si/statist>, where the value can be displayed in a structured manner according to the type of transaction. For below-threshold contracts, the total value of the services is published once per year on the public procurement portal, the list of contracts indicating the subject of the contract is published once per year on the DARS website in line with Article 106 of the Public Procurement Act (ZJN-3), but without showing the value in a structured manner according to the type of transaction.

Point 3.11: This is partly taken into account. Sponsorship funds were allocated to two professional events: the 15th Slovenian Congress on Transport and Transport Infrastructure, organised by the DRC (Association for Transport and Transport Infrastructure of Slovenia), and Slovenian Engineering Day, organised by the Slovenian Chamber of Engineers.

General meetings of companies

Point 6.1: The sole shareholder of DARS is the Republic of Slovenia, which is represented by the Slovenian Sovereign Holding (SSH) pursuant to Article 18 of the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No.

25/2014). Since the General Meeting is universal, the provisions of the ZGD-1 regarding the deadline for convening and publishing the agenda for the General Meeting need not be observed.

Point 6.3: This is partly taken into account. The agenda is published and the material with attachments is submitted to the sole shareholder.

Respect for human rights in business

Points 8, 8.1 and 8.2: Although no due diligence was performed at the Company in respect of human rights, the Company observes human rights based on the applicable legislation, internal codes and agreements relating primarily to non-discrimination at work, the protection of employee dignity and fundamental economic and social human rights.

DARS will continue to follow the recommendations of the Slovenian Corporate Governance Code for Listed Companies, the Corporate Governance Code for State-Owned Enterprises and the Recommendations and Expectations of the SSH, thereby realising its corporate governance system.

3. Compliance and integrity system

Compliance and Integrity has the following powers and responsibilities:

- examining the Company's operations in terms of compliance with legislation, other rules, recommendations and internal acts of the Company;
- advising the Management Board and the divisions on coordinating the Company's operations with the obligations set out in the legislation and other rules or recommendations applicable to the Company;
- managing the procedures for addressing reports of alleged irregularities related to compliance and integrity;
- correspondence with the Commission for the Prevention of Corruption;
- operating as the actor responsible for preparing the integrity plan and supervising the implementation of the measures envisaged in the plan;
- supervising the area of personal data protection and correspondence with the Information Commissioner as the supervisory body for personal data protection;
- supervising the implementation system for the tasks and procedures related to the prevention of money laundering and terrorist financing in the Company;

- supervising the system of internal controls to limit the risks of prohibited insider dealing;
- providing education and training to employees in their respective fields of work.

The Company has adopted the following internal acts in the area of compliance and integrity:

- Rules on conducting the procedure for dealing with alleged irregularities related to corporate integrity.
- Rules on the implementation of internal controls and internal investigations.
- Rules on professional secrecy.
- Rules on the implementation of tasks and procedures related to the Prevention of Money Laundering and Terrorist Financing Act at DARS.
- Rules on personal data protection.
- Rules on restrictions and duties relating to gift acceptance.

In 2022, a DARS Integrity Plan was also prepared, which entered into force on 1 January 2023.

4. The main characteristics of the internal control and risk management systems at the Company in relation to the financial reporting procedure

The Company Management Board is responsible for establishing and ensuring the operations of internal control and internal accounting controls, for selecting and applying accounting policies and for protecting Company assets.

The internal control system is a set of policies and guidelines that are put in place and adopted by the Management Board in order to manage risks related to financial reporting as effectively as possible. The purpose of the internal control system is to ensure the efficiency and effectiveness of operations, the reliability of financial reporting and compliance with the applicable laws and other external and internal regulations.

The Company has put in place a risk management system that is related to financial reporting.

The accuracy, completeness and truthfulness of the financial reporting is ensured through the implementation of the following types of internal control:

- control of the accuracy of accounting data, which is provided in different ways, e.g. by harmonising items with customers and suppliers;

- control of the completeness of data capture (e.g. sequence of documents and numbering of documents);
- control of the delineation of duties and responsibilities (e.g. separate record-keeping and payment);
- control of access restriction (the right to access accounting records is granted on a selective basis);
- control of supervision.

The accounting process is computerised, which is why all the types of internal control indicated above are also related to the control systems integrated into the IT framework and cover the control of the network, data and application access restrictions and the control of the accuracy and completeness of data capture and processing.

The Risk Management chapter in the Business Report presents in detail the risk management and control mechanisms in relation to the assessment of each type of risk. We believe that the current control system at DARS ensured the efficient and successful attainment of the business goals in 2022, actions compliant with the legal provisions, and fair and transparent reporting in every significant aspect.

5. The functioning of the General Meeting and its key competencies, description of shareholder rights and the manner of exercising such rights

The Company has the status of a public limited company functioning as a corporate entity under the ZGD-1.

The functioning of the General Meeting and its key competencies, as well as the rights of shareholders and the manner of exercising such rights, are defined in detail in the Articles of Association of DARS.

The sole founder and shareholder of DARS is the Republic of Slovenia (hereinafter "RS"). Following the entry into force of the Slovenian Sovereign Holding Act, it exercises its rights through the Slovenian Sovereign Holding. The Republic of Slovenia exercises its shareholder rights, as defined in the ZGD-1 and the Company's Articles of Association, at the General Meeting of Shareholders.

The General Meeting is convened by the Management Board of DARS on its own initiative, at the request of the Supervisory Board or of the Company shareholder.

The General Meeting must be convened in legally defined cases, but no less than once a year.

6. Composition and operations of the managing and supervisory bodies and their committees

Management Board

The composition and activities of the Management Board are defined in detail in the Articles of Association of DARS. Under the latter, the Management Board may have no more than five members. A Chairperson or Member of the Board may be a person who fulfils the conditions referred to in Article 255 of the ZGD-1 and point 7.2.2 of the Articles of Association of DARS. The Chairperson and all the Members of the Board are appointed by the Supervisory Board for a term of no more than five (5) years and are in an employment relationship with the Company.

In 2022, the Management Board of DARS comprised:

- Chairman of the Board Valentin Hajdinjak, MSc, took office on 10 July 2020,
- Member of the Board Romana Fišer, MSc, took office on 10 July 2020 and left office on 15 December 2022,
- Member of the Board Peter Gašperšič, PhD, took office on 10 July 2020 and left office on 1 December 2022,
- Member of the Board Boštjan Rigler, took office on 10 July 2020 and left office on 15 December 2022,
- Member of the Board/Labour Manager Rožle Podboršek, took office on 9 July 2019.

As at 1 January 2023, the Management Board comprised:

- Chairman of the Board Valentin Hajdinjak, MSc, took office on 10 July 2020,
- Member of the Board Lidija Kegljevič Zagorc, PhD, took office on 1 January 2023,
- Member of the Board Andrej Ribič, MSc, took office on 1 January 2023,
- Member of the Board David Skornšek, MSc, took office on 1 January 2023,
- Member of the Board/Labour Manager Rožle Podboršek, took office on 9 July 2019.

All the details referring to Members of the Board in 2022 are provided in the table Composition of the Management Board in 2022, which is a component part of this Corporate Governance Statement and was produced in line with Annex C.1 to the Slovenian Corporate Governance Code for Listed Companies.

The Management Board runs the Company for the benefit of the Company, independently and under its own responsibility, whereby acting with due care and diligence, thus protecting the Company's business secrets. While realising its tasks, the Management Board adopts measures and carries out procedures laid down by the law and the Company's Articles of Association.

If the Management Board has more than two members, the Company is jointly represented by the Chairman of the Board and a Member of the Board.

The Management Board makes decisions that fall within its competence with a majority vote cast by all Members of the Board. Each member of the Management Board is entitled to one vote. In the event of a tied vote, the vote of the Chairman of the Board is decisive.

The Management Board adopts rules of procedure for its work, which are approved by the Supervisory Board.

Supervisory Board

Pursuant to point 7.3.1 of the Articles of Association of DARS, the Supervisory Board comprises nine members, three of whom are employee representatives.

The Supervisory Board adopts the Rules of Procedure on its work in accordance with the Articles of Association of DARS. The Supervisory Board appoints the Chairperson and Vice-Chair.

The Supervisory Board must be convened at least once in every quarter. The Supervisory Board has a quorum if at least two-thirds of the Members are present at a meeting, including the Chairperson or Vice-Chair of the Supervisory Board.

In accordance with the Articles of Association of DARS, the Supervisory Board supervises the management of transactions; decides on the appointment and dismissal of the Management Board and their remuneration; convenes general meetings; reviews and examines the ledgers and documentation of the Company, its cash in hand, securities and inventory of goods and other items; grants the Management Board prior consent for the transactions referred to in point 7.2.12 of the Company's Articles of Association; is familiarised with the Management Board's decisions on the establishment and/or termination of subsidiaries; submits proposals to the General Meeting for the appointment of the auditor; appoints the Audit Committee of the Supervisory Board, as well as the other committees under the ZGD-1; is familiarised with the decisions of the Management Board on

the purchase and disposal of stakes or shares in other companies; grants consent to the Company's annual Business Plan and 3-year Business and Financial Plans, as well as to other planning documents; aligns the text of the Articles of Association with the valid resolutions of the General Meeting; notifies the Company bodies and shareholder about its positions and proposals; and discusses and makes decisions on all other matters within its competence under the law, other regulations and under the authority of the General Meeting and the Company's Articles of Association.

The Supervisory Board is required to examine the annual report, the auditor's report and the proposed distribution of available profit submitted by the Management Board. It must compile a written report on the results of its verification for the General Meeting.

Decisions related to the General Meeting, Management Board and Supervisory Board and Company securities are taken from the Articles of Association as adopted by the General Meeting held on 8 June 2021.

Diversity and equal opportunities

The Company's Supervisory Board adopted a Diversity Policy in 2018 and revised it in 2022. The Policy lays down the approach to diversity in the Management and Supervisory Boards (including the Supervisory Board Committees). The Policy is used to promote diversity in the Management and Supervisory Boards, while setting criteria that enable the Supervisory Board to substantiate its choices. It is necessary to take into account all the relevant aspects of diversity to ensure that the Management and Supervisory Boards have sufficiently diverse opinions, expertise and experiences as needed for an in-depth understanding of current developments, risk

management and the identification of opportunities related to Company operations.

The goal of the Policy is to promote the diversity of Management and Supervisory Board Members in terms of their knowledge, skills, experiences, professional qualifications, age, gender, method of work and other aspects. Such diverse Management and Supervisory Boards work to the benefit of the Company.

The purpose of the Policy is to maximise the efficiency of the Management and Supervisory Boards, thus improving operations and reputation of the Company. The advantage of a diverse composition in the managing and supervisory bodies is one of the essential elements in the preservation of jobs and the competitive edges of the Company. The realisation of the Diversity Policy is pursued at the Company by the shareholder in the appointment of members of the Supervisory Board, by the Supervisory Board in the appointment of members of the Supervisory Board Committees, by the Supervisory Board Remuneration Committee in the appointment of members of the Management Board, and by the Workers' Council in the appointment of the Labour Manager.

The Supervisory Board has several options for procedures to select candidates or recruitment channels enabling the attraction of a wide enough range of candidates, namely direct search, public vacancy notice or a combination of both.

The selected diversity aspects are:

- professional diversity of members,
- interdisciplinary knowledge,
- continuity of work and age structure,
- gender representation.

Table 2: Structure of the management bodies by gender (as at 31 December 2022)

Body	Men	Women	Total	Men in %
Supervisory Board	6	2	8	75
SB Remuneration Committee	2	2	4	50
SB Audit Committee	3	1	4	75
SB Investment Committee	4	0	4	100
Management Board	2	0	2	100
Division Directors	5	1	6	83
Workers' Council	12	3	15	80
Total	34	9	43	79

The composition of the Management and Supervisory Boards is made so as to pursue the goal of balanced representation of women and men in addition to their efficiency. The goal is to achieve 40% of the less represented gender for members of the Supervisory Board and a total of

33% for members of the Supervisory and Management Boards by the end of 2026.

The implementation of the Policy is monitored by the Supervisory Board Remuneration Committee.

Table 3: Composition of the Supervisory Board in the 2022 financial year

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Jože Oberstar	Member Chairman Member	12/9/2019 25/9/2019 from 6/7/2020	25/9/2019 6/7/2020 23/9/2022	Shareholder representative	13/22	Male	Slovenian	1973	Bachelor of Laws	Yes	No	No
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Audit Committee				Chairman				8/11			
Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Jožef Zimšek	Member	12/9/2019	23/9/2022	Shareholder representative	13/22	Male	Slovenian	1944	Bachelor of Science in Civil Engineering	Yes	No	AMZS d.d. (until 2/2/2022)
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Audit Committee, Investment Committee				Member, Chairman				8/11 8/13			
Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Martin Stožir	Member	9/5/2019 5/6/2020 new term	5/6/2024	Employee representative	22/22	Male	Slovenian	1983	Master of Logistics	Yes	No	No
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Remuneration Committee, Investment Committee				Member until 7/10/2022, Member as of 7/10/2022				2/7 5/13			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Nataša Ivančević	Member	4/7/2020	4/7/2024	Employee representative	22/22	Female	Slovenian	1974	Graduated economist	Yes	No	No
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Remuneration Committee				Member as of 7/10/2022				5/7			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Branko Švigelj	Member	4/7/2020	4/7/2024	Employee representative	21/22	Male	Slovenian	1964	Professional driver	Yes	No	No
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Remuneration Committee				Member as of 7/10/2022				5/7			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Pavle Hevka	Member Chairman Member	24/6/2020 6/7/2020 7/10/2022	6/7/2020 7/10/2022 23/12/2022	Shareholder representative	20/22	Male	Slovenian	1968	Civil Engineer, Master of Economics and Business Administration	Yes	No	Holding Kobilarna Lipica d.o.o. (until 3/9/2022)
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Remuneration Committee, Investment Committee				Member from 7/10/2022 to 23/12/2022 (both Committees)				4/7 5/13			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Robert Rožič, PhD	Member, Vice-Chair	24/6/2020 6/7/2020	6/7/2020 23/9/2022	Shareholder representative	13/22	Male	Slovenian	1968	Doctor of Philosophy	Yes	No	2TDK d.o.o. (until 22/9/2022)
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Remuneration Committee				Member				2/7			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Štefan Šumah, PhD	Member	24/6/2020	23/9/2022	Shareholder representative	13/22	Male	Slovenian	1965	Doctor of Philosophy	Yes	No	No
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Remuneration Committee				Chairman				2/7			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Anton Guzej	Member	24/6/2020	24/6/2024	Shareholder representative	22/22	Male	Slovenian	1952	Bachelor of Economics	Yes	No	Šmarje pri Jelšah Municipality, Terme Olimia d.d.
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Audit Committee, Investment Committee				Member, Member until 7/10/2022				11/11 8/13			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Andrej Šušteršič, MSc	Member Chairman	24/9/2022 7/10/2022	7/10/2022 24/9/2026	Shareholder representative	9/22	Male	Slovenian	1956	Master of Science	Yes	No	No
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Metod Dragonja	Member, Vice-Chair	24/9/2022 7/10/2022	7/10/2022 15/2/2023	Shareholder representative	9/22	Male	Slovenian	1954	Bachelor of Economics	Yes	No	No
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Audit Committee, Investment Committee				Chairman, Member				3/11 5/13			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Janko Kramžar	Member	24/9/2022	24/9/2026	Shareholder representative	9/22	Male	Slovenian	1957	Bachelor of Economics	Yes	No	No
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Audit Committee, Investment Committee, Remuneration Committee				Member, Chairman, Member as of 24 December				3/11 5/13 1/7			

Name and surname	Function	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings/total number of SB meetings	Gender	Nationality	Year of birth	Education	Independence according to Article 23 of the Corporate Governance Code for Listed Companies	Existence of conflicts of interest in the 2022 financial year	Membership in supervisory bodies of other companies
Nevenka Hrovatin, PhD	Member	24/9/2022	24/9/2026	Shareholder representative	9/22	Female	Slovenian	1960	Doctor of Philosophy	Yes	No	HSE d.o.o. (as of 2/9/2022)
	Membership in SB committees				Function in SB committees				Attendance at SB committee meetings / total number of SB committee meetings			
	Remuneration Committee				Chairwoman				5/7			

Table 4: External Committee Members

External Committee Member							
Name and surname	Committee	Attendance at meetings/total number of meetings	Gender	Nationality	Year of birth	Education	Membership in supervisory bodies of other companies
Mojca Lahajner	Audit Committee	10/11	Female	Slovenian	1972	Graduated economist	No

External Committee Member							
Name and surname	Committee	Attendance at meetings/total number of meetings	Gender	Nationality	Year of birth	Education	Membership in supervisory bodies of other companies
Iztok Černoša	Investment Committee	7/13	Male	Slovenian	1984	Bachelor of Science in Civil Engineering	No

External Committee Member							
Name and surname	Committee	Attendance at meetings/total number of meetings	Gender	Nationality	Year of birth	Education	Membership in supervisory bodies of other companies
Marko Žitnik	Investment Committee	5/13	Male	Slovenian	1956	Bachelor of Science in Civil Engineering	No

Table 5: Composition of the Management Board in the 2022 financial year

Name and surname	Function	Area of work in the Management Board	First appointment to the office	Termination of office/mandate	Gender	Nationality	Year of birth	Education	Professional profile	Membership in supervisory bodies of non-related companies
Rožle Podboršek	Member/Labour Manager	HR and social affairs, health and safety at work, the organisation of employee meetings	9/5/2019	8/5/2024	Male	Slovenian	1974	Bachelor of Laws	Organisation and management of the Company and issues related to its development	None
Valentin Hajdinjak, MSc	Chairman	Manages and directs the work of the Management Board and its services, the Operations division, consultants to the Management Board, and Division Directors	10/7/2020	9/7/2025	Male	Slovenian	1973	Master of Science	Organisation and management of the Company and issues related to its development	ELES d.o.o. (until 3/6/2022), Thermana d.d. (until 10/8/2022)
Peter Gašperšič, PhD	Member	Road Management, Maintenance, Tolling	10/7/2020	1/12/2022	Male	Slovenian	1965	Doctor of Philosophy	Organisation and management of the Company and issues related to its development	DRI upravljanje investicij d.o.o. (until 3/6/2022)
Boštjan Rigler	Member	Organisation of construction and reconstruction projects, real estate acquisition for investments	10/7/2020	15/12/2022	Male	Slovenian	1973	Bachelor of Science in Civil Engineering	Organisation and management of the Company and issues related to its development	JP KPV d.o.o. (until 7/3/2022), Farme Ihan d.d. (until 31/7/2022)
Romana Fišer, MSc	Member	Finance and Accounting, Controlling	10/7/2020	15/12/2022	Female	Slovenian	1957	Master of Science	Organisation and management of the Company and issues related to its development	SiDG d.o.o., Supervisory Board of RTV Slovenija

Ljubljana, 25 April 2023

Supervisory Board of DARS

Andrej Šušteršič, MSc
Chairman
of the Supervisory Board



Management Board of DARS

Valentin Hajdinjak, MSc
Chairman of the Management Board



Lidija Kegljjevič Zagorc, PhD
Member of the Board



Andrej Ribič, MSc
Member of the Board



David Skornšek, MSc
Member of the Board



Rožle Podboršek
Member of the Board/
Labour Manager



I.5 Non-financial reporting at DARS

The independent Sustainability Report of DARS for 2022 will contain the “Statement on Non-Financial Operations”, which we as a public company are required to publish on the basis of the Companies Act (Official Gazette of the Republic of Slovenia, No. 42/2006 as amended). In Sustainability Reports, the Company follows the Global Reporting Initiative Global Standards (GRI GS), core option.

The Business Report, which is an integral part of the Company’s Annual Report, also includes key non-financial information about business, environmental, human resources and social affairs that are necessary to understand the position, performance and development of DARS.

We are aware of the strong responsibility we have to people, the environment and society, and realise social responsibility in all projects and long-term plans and at all levels of our activities in a sustainable way. Ambitious and clearly defined goals ensure that the public will continue to identify DARS as a responsible and forward-looking company.

The Sustainability Report of the Company for 2022 will be published by 30 June 2023 on the website of DARS pursuant to the Companies Act.



I.6 Analysis of business performance

DARS revenue

Table 6: Overview of DARS revenues

Type of revenue	2021 (in €)	2022 (in €)	2022/2021 index	Structural shares for 2022
Revenue under the performance contract	321,312	288,164	90	0.1%
Toll revenue	456,235,915	479,557,025	105	92.8%
– vignettes	179,466,634	195,231,846	109	37.8%
– freight traffic	262,765,664	267,056,525	102	51.7%
– Karavanke tunnel	14,003,616	17,268,654	123	3.3%
Revenue from leases	8,347,355	9,463,637	113	1.8%
Revenue from closures and overweight road transport	1,130,221	1,384,680	123	0.3%
Revenue from easements	572,513	751,278	131	0.1%
Revenues from the lease of fibre optics	1,003,149	928,456	93	0.2%
Other sales revenues	1,924,942	2,100,396	109	0.4%
Other operating revenue	16,091,935	16,350,549	102	3.2%
Financial revenue	1,803,311	4,396,742	244	0.9%
Other revenue	177,951	179,089	101	0.0%
Capitalised own products and services	1,681,712	1,482,558	88	0.3%
Total revenues	489,290,314	516,882,574	106	100.0%

In the 2022 financial year, the revenues of DARS amounted to €516.9 million, which is 6% more than in 2021.

Toll revenue accounted for 92.8% of the total Company revenue and amounted to €479.6 million in 2022, which is 5% more than in 2021. Toll revenue from vehicles with a maximum authorised mass exceeding 3.5 tonnes (heavy vehicles) amounted to €267.1 million, revenue from the sale of vignettes amounted to €195.2 million and toll revenue from the Karavanke tunnel amounted to €17.3 million. In 2022, the value of the vignettes sold exceeded that of the previous year by 9%. Due to the introduction of electronic vignettes and consequently the different deferral of revenue than that applied to vignette stickers, the quantitative comparison with previous years is irrelevant. Revenues from electronic vignettes are recognised according to the electronic vignette validity period, in an individual monthly accounting period in proportion to the days of validity of the electronic vignette.

Financial revenue increased as a result of the revaluation of financial derivatives and investments of short-term surplus liquidity funds as bank deposits.

Other revenues account for minor shares of the total revenues.

DARS expenses

Table 7: Overview of DARS expenses

Type of expense	2021 (in €)	2022 (in €)	2022/2021 index	Structural shares for 2022
Cost of material	9,472,198	13,511,562	143	3.9%
Cost of services	38,878,394	47,296,117	122	13.5%
Labour costs	47,936,062	54,082,891	113	15.4%
Write-downs	220,978,268	200,885,298	91	57.3%
Other operating expenses	877,044	3,637,364	415	1.0%
Financial expenses	32,442,664	31,052,998	96	8.9%
Other expenses	233,086	223,831	96	0.1%
Total expenses	350,817,714	350,690,060	100	100.0%

The Company expenses in 2022 amounted to €350.7 million and remained at the level of expenses recorded for 2021.

The cost of materials, services, labour and other operating expenses increased in 2022.

The cost of material grew due to increased prices of energy products (cost of electricity and fuel).

The cost of services also grew compared to the previous year, primarily due to the higher volume of vignettes sold, which increased the costs of commission fees for vignettes sold, as well as the cost of payment transactions and bank fees. In 2022, maintenance costs included the cost of investment maintenance works on asphalt carriageways that does not meet conditions for recognition according to Slovenian Accounting Standard 1, which is why the cost needed to be recognised under periodic costs.

Labour costs increased by 13 percentage points compared to 2021 and were lower than planned.

Write-downs account for the largest, 57% share of expenses. Year-over-year depreciation/amortisation in 2022 increased primarily due to the accounted depreciation of property, plant and equipment – motorways, whereas operating expenses for the revaluation of intangible assets and property, plant and equipment decreased.

Other operating revenue increased due to the higher long-term accrued costs of contingent losses on claims for damages related to motorway construction and reconstruction.

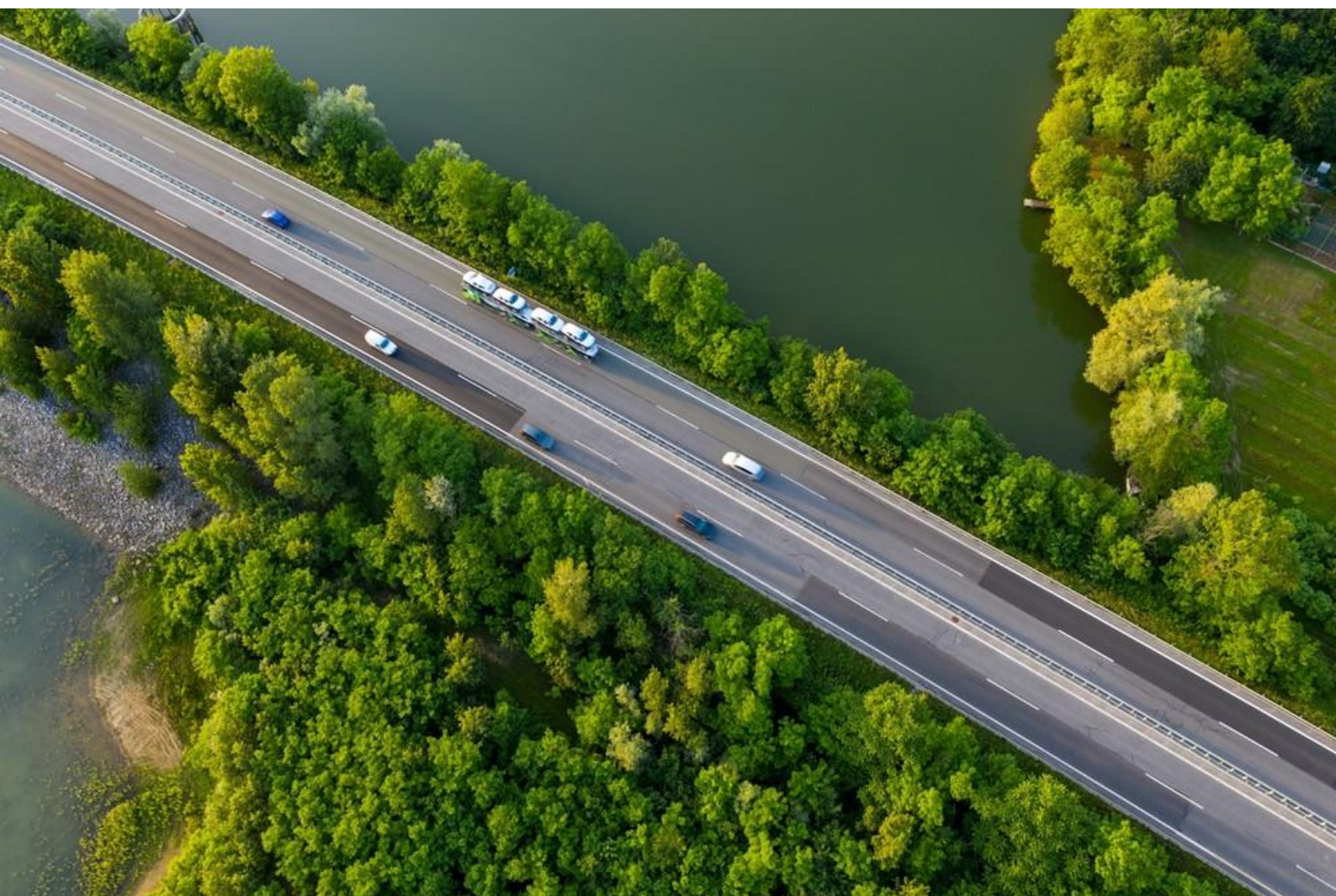
Profit or loss

The net profit of DARS for the period from 1 January to 31 December 2022 amounts to €135.1 million and increased by 20% compared to the net profit in 2021.

Table 8: Performance indicators

		31/12/ 2020	31/12/202 1	31/12/2 022
Financing ratios				
Equity financing ratio in %	$\frac{\text{Equity}}{\text{Liabilities}}$	56.47	59.88	62.00
Long-term financing ratio in %	$\frac{\text{Equity} + \text{provisions} + \text{long-term liabilities}}{\text{Liabilities}}$	93.94	94.48	94.49
Short-term financing ratio in %	$\frac{\text{Short-term liabilities (including short-term accrued costs and deferred revenue)}}{\text{Liabilities}}$	6.06	5.52	5.51
Investment ratios				
Fixed asset investment ratio in %	$\frac{\text{Fixed assets (at carrying amount)}}{\text{Assets}}$	91.50	90.95	88.32
Long-term investment ratio in %	$\frac{\text{Fixed assets} + \text{investment property} + \text{long-term inv.} + \text{long-term op. rec.}}{\text{Assets}}$	93.62	94.43	91.59
Horizontal financial structure ratios				
Quick ratio in % (taking into account accrued costs and deferred revenue)	$\frac{\text{Liquid assets} + \text{short-term receivables}}{\text{Short-term liabilities}}$	34.89	36.75	38.50
Current ratio in %	$\frac{\text{Short-term assets} + \text{short-term deferred costs and accrued revenue}}{\text{Short-term liabilities} + \text{short-term accrued costs and deferred revenue}}$	103.26	98.57	150.34
Operating efficiency ratios				
Operating efficiency ratio in %	$\frac{\text{Operating revenue}}{\text{Operating expenses}}$	135.46	153.17	160.39
Operating profit margin ratio in %	$\frac{\text{Operating profit}}{\text{Operating revenue}}$	26.18	34.71	37.65
Net profit margin in %	$\frac{\text{Net profit}}{\text{Revenues}}$	14.28	23.03	26.14
Profitability ratio				
Net return on equity	$\frac{\text{Net profit for the period}}{\text{Average equity (excluding net profit for the period)}}$	0.02	0.04	0.04

I.7 Significant business events in the 2022 financial year



January

The Management Board of DARS adopted a resolution under which the Company will, after obtaining consent from the other banks pursuant to the loan agreement provisions regulating the possibility of the early repayment of financial liabilities, fully and in advance repay its financial liabilities from individual loan agreements in the total amount of €31.58 million. The purpose of these early repayments is to effectively manage the Company's excess liquidity while also pursuing cost-effectiveness and reducing Company debt.

February

As of 1 February, monthly and weekly vignettes are available only in electronic form and no longer in the form of a sticker. Yearly (and half-yearly for motorbikes) vignettes in electronic form have been available since 1 December 2021.

Due to the war in Ukraine and the sanctions imposed on the Russian Federation, we expect a decrease in revenue from goods vehicle tolling and revenue from the sale of vignettes. We expect a direct decrease in the revenue from vehicles with Ukrainian and Russian registration plates, while the decline in (transit) traffic by heavy goods vehicles with Ukrainian registration plates will also have an indirect impact on revenue decrease.

March

Until further notice, residents of Ukraine arriving in or crossing Slovenia due to the war and for humanitarian reasons are exempt from tolls on Slovenian motorways and expressways. This refers to vehicles with a maximum authorised mass not exceeding 3.5 tonnes and carrying Ukrainian registration plates, for which the use of an e-vignette would otherwise be mandatory. Toll exemption also applies to vehicles with a maximum authorised mass exceeding 3.5 tonnes that transport humanitarian aid for those affected by the war in Ukraine.

April

The Company started renovating minor rest areas along the Slovenian motorway network, which will gain a uniform urban and modern outdoor arrangement after the renovation. At the start of April, works commenced on the first 7 of the 12 minor rest areas planned for renovation, namely Zima North, Polskava East, Dolinsko, Povodje East, Lipce South, Studenec North and Studenec South. The renovated rest areas are expected to be put into service at the end of September 2022, whereupon renovation works will commence at the remaining 5 rest areas: Zima South, Polskava West, Povodje West and Lipce North.

DARS filed a request to the Ministry of the Environment for the issue of a building permit for the 14-kilometre expressway section between Šentrupert and Velenje.

The Supervisory Board of DARS discussed and approved the audited DARS Annual Report for 2021.

Based on the provisions of the Ljubljana Stock Exchange Rules and applicable legislation, the Company published the audited Annual Report of DARS for 2021.

May

DARS reopened the info office for the northern section of the 3rd development axis in the Municipality of Šmartno ob Paki. Residents of Braslovče, Polzela, Šmartno ob Paki, Velenje, Šoštanj and Slovenj Gradec will be able to obtain all information relating to the project of the new road link in person.

June

The building permit for Lots B and H (area along the Škalsko jezero lake and part of the Konovo connecting road) became final. This was followed by stage 2 of the public procurement procedure (invitation to tender) for the selection of contractors. The contract with the contractor is planned to be signed at the end of this year. Works in the area of Gaberke pri Velenju are in the closing stage, while in the area of Jenina pri Slovenj Gradcu, the Jenina and Visočnik viaducts and the Jenina bridge are currently being constructed.

The construction of the second tube of the Karavanke tunnel is progressing well and the contractor is making daily progress in line with the general time schedule. Excavation works commenced at the end of August 2020 and the contractor has already excavated over 2000 metres of the Karavanke tunnel (of the total of 3446 metres, as planned for the underground construction of the Slovenian section of the second tube). The completion of tunnel excavation is planned for 2023, while the overall completion of the tunnel along with equipment tests and placement into service is planned for 2025. After that, the first tube of the tunnel will be refurbished and the completion of the refurbishment and placement of both tubes into service are planned for 2027.

The Administrative Court of the Republic of Slovenia, which examined the appeal made by the civil society initiative 3rd Development Axis – South against the building permit decision issued for section 1 of the expressway on the southern section of the third development axis, ruled that the vast majority of the objections made by the civil society initiative were unfounded, granting only a minor share of them and hence annulled the mentioned decision of the Ministry of the Environment and Spatial Planning, referring the matter back to the same body for a new procedure. Despite the repeated decision-making on the building permit, the commencement of construction works on that expressway section of the southern third development axis is planned for 2023.

In cooperation with DARS, the National Museum of Contemporary History celebrated the 50th anniversary of the first motorway section between Vrhnika and Postojna in Slovenia and former Yugoslavia with an ad hoc exhibition entitled "Slovenika, you're truly wonderful!" (Slovenika, zares si čudovita!).

Upon the 10th anniversary of the Rescue Lane (Reševalni pas) campaign, a joint awareness campaign was held at the Lom rest area on the Primorska motorway leg by DARS, the Slovenian Traffic Safety Agency, the Police, the Reševalni pas Institute and other stakeholders regarding the necessity to create an emergency rescue lane on

the motorway irrespective of the reason for congestion. The rescue lane provides faster access to the site of the accident or some other emergency.

Based on the provisions of the Ljubljana Stock Exchange Rules and applicable legislation, the Company published the Sustainability Report for 2021.

July

Firefighters who spent days fighting a huge fire in the Goriško section of the Karst received support from MMCs Kozina and Postojna, which placed at their disposal two water tank vehicles.

During a devastating storm, the ingress of water caused damage to parts of the carriageway on the northern Ljubljana Ring Road near the junction to Celovška cesta. The carriageway damaged during the storm was repaired by the end of August 2022.

August

The 21st General Meeting of DARS was held on 30 August 2022. The General Meeting of Shareholders took note of the Annual Report for the 2021 financial year, the Auditor's opinion, the Report of the Supervisory Board on the verification of the DARS Annual Report for the 2021 financial year, and the Remuneration Report for management and supervisory board members in the presented scope. The balance sheet total, which amounted to €40,143,773.55 for 2021, would not be disbursed as per the General Meeting resolution and would be allocated in full to other profit reserves. The General Meeting granted discharge to the Management and Supervisory Boards for the 2021 financial year. At the proposal of the Supervisory Board, the company BDO Revizija d.o.o., Ljubljana, was appointed the auditor of the DARS financial statements for the 2022-2026 financial years.

Pursuant to Articles 112 and 113 of the Market in Financial Instruments Act, the Company published an unaudited report on operations for the first six months of 2022.

Works commenced to resurface the carriageway on the section of the A2 Dolenjska motorway leg between Kronovo and Dobruška vas.

September

The 22nd General Meeting of DARS was held on 23 September 2022. The following Member of the Supervisory Board were dismissed that day: Robert Rožič, Štefan Šumah, Jože Oberstar and Jožef Zimšek. New Members of the Supervisory Board representing shareholders became: Andrej Šušteršič, Nevenka Hrovatin, Janko Kramžar and Metod Dragonja, i.e. for a 4-year term of office starting on 24 September 2022.

Reconstruction works commenced on the A1 Primorska motorway section between Divača and Kozina towards Koper.

At the International Trade Fair in Celje, DARS presented its activities by way of the Rescue Lane campaign to raise awareness among the public on the necessity to make a rescue lane for emergency vehicles in case of congestion on the motorway or expressway.

October

At the Supervisory Board meeting held on 7 October 2022, Andrej Šušteršič, MSc, was unanimously appointed as the Chairman of the Supervisory Board and Metod Dragonja was appointed Vice-Chair. The Supervisory Board of DARS also appointed members of three Supervisory Board Committees.

Works commenced to resurface the carriageway on the A2 Gorenjska motorway section between Lesce and Brezje.

Due to the energy crisis, DARS adopted targeted measures to mitigate the impact of the crisis. Hence, motorway and expressway sections, where permissible, would no longer be illuminated until further notice. That includes motorway and expressway junctions and the open motorway alignment. At sections where lighting is mandated by law (tunnels, motorway interchanges, channelled intersections and rest areas), lights would remain lit during the term of this measure.

In 2022, ten years have passed since the introduction of a preventive campaign that DARS, in collaboration with the Slovenian Traffic Safety Agency, Police, the Ministry of Infrastructure and the Automobile Association of Slovenia (AMZS), initiated to raise awareness among drivers regarding the importance of making a rescue lane

in case of emergencies. Upon that occasion, we thanked all of the partners contributing to the success of the campaign with a special event held at the Safe Driving Centre in Vransko. A summary of the 10-year-long campaign was presented at a media conference and then the proper arrangement of vehicles in case of a traffic accident on the motorway or expressway was shown at the test site.

Works commenced to resurface the carriageway on the section of the A1 Štajerska motorway leg between Maribor and Šentilj and on the section of the A5 Pomurje motorway leg between Dragučova and Pernica.

At the 15th Slovenian Congress on Transport and Transport Infrastructure in Portorož, DARS also presented projects concerning digital infrastructure for transmitting signs and other messages to drivers, which would enable the gradual introduction of autonomous vehicles on the Slovenian motorway network. The so-called cooperative intelligent transport systems (C-ITS) would allow autonomous vehicles to communicate in all weather conditions, including extreme winter conditions.

November

DARS put into service the first renewed minor rest area Studenec North on the Primorska motorway leg (in the direction of Koper). After the renovation, which will be completed in spring 2023, all 12 minor rest areas will have a modern and uniform appearance, quality offer and supply, and will – most of all – be more user-friendly.

Within the scope of the construction of the eastern tube of the Karavanke motorway tunnel, works to construct the interior arch in the new tunnel tube commenced at the same time as the excavation works.

At the DARS Digital Day Conference, DARS presented digital projects that serve as support for the construction works, tolling, maintenance and management of the motorway network. Special emphasis was placed on the most visionary projects, the so-called cooperative intelligent transport systems (C-ITS), which are developed by DARS within the scope of the European C-Roads platform. The Conference was also attended by representatives of national authorities and institutions dealing with the development of infrastructure and traffic safety, as well as representatives of motorway operators from the neighbouring countries.

Upon the official start of the winter road service, DARS, the Police and the Slovenian Infrastructure Agency called upon drivers at a special event not to go on the road during winter conditions and particularly during snowfall without the prescribed winter equipment and to adjust their driving to road conditions. Monitoring the weather forecast is essential in transport, particularly in the wintertime, as it allows drivers to prepare in time for the most demanding driving conditions.

December

A year has passed since the deployment of electronic vignettes. The deployment was successful and the system is stable and reliable.

The first motorway in Slovenia and the former Yugoslavia, i.e. between Vrhnika and Postojna, was built and put into service 50 years ago. Upon the anniversary, the National Museum of Contemporary History issued, in cooperation with DARS, a publication with a great deal of graphic material entitled *Slovenika, zares si čudovita! (Slovenika, you're truly wonderful!)*.

At its session held on 1 December 2022, the DARS Supervisory Board reached an agreement with three Management Board Members on the early termination of their term of office. Member of the Board Peter Gašperšič, PhD, remained an employee of DARS, while Board Members Romana Fišer, MSc, and Boštjan Rigler left DARS on 15 December 2022.

The Austrian motorway operator ASFINAG GmbH published a contract notice for electro-mechanical equipment for the entire Slovenian-Austrian Karavanke motorway tunnel, which is currently under construction.

The 23rd extraordinary General Meeting of DARS was held on 23 December 2022. Pavle Hevka, Member of the Supervisory Board, was dismissed that day.

At its session held on 29 December 2022, the Supervisory Board of DARS appointed three Members of the Management Board for a 5-year term of office starting on 1 January 2023, namely Andrej Ribič, MSc, David Skornšek, MSc, and Lidija Kegljevič Zagorc, PhD.

I.8 Key business events in the 2023 financial year

January

After examining numerous aspects related to motorway and expressway lighting (conditions on the electricity market, impact on safety and fluidity, appeals by partner organisations), the Management Board of DARS adopted a decision to lift the measure that had cut down motorway lighting, which had been adopted at the end of October 2022.

After the completion of the Crocodile 3 project, the representative of the European Climate, Infrastructure and Environment Executive Agency (CINEA) José María Díez visited Regional Control Centre Ljubljana. Along with representatives of the Crocodile 3 project coordinator, Kalojan Daskalow and Damaris Anna Gruber, they reviewed the activities implemented for the introduction of intelligent transport systems on the Slovenian motorway network that had been co-funded by the EU. These include a training simulator for traffic controllers, an application for international traffic management (Traffic Management Plan), a system for traffic control and management on the Ljubljana Ring Road, a system for monitoring the transport of dangerous goods along the motorway (ADR carriage) and the Promet+ mobile application.

Upon Croatia's accession to the Schengen area, control was abolished at the national boarder crossing points at Obrežje on the A2 Dolenjska motorway leg and Gruškovje on the A4 Podravska motorway leg.

February

The 24th extraordinary General Meeting of DARS was held on 15 February 2023. Metod Dragonja, Member of the Supervisory Board, was dismissed that day. Sašo Rink and Tomaž Kuntarič were elected as new Members of the Supervisory Board representing the shareholder, i.e. for a 4-year term of office starting on 16 February 2023.

Within the scope of the project for the northern part of the 3rd development axis, i.e. expressway section between Velenje and Slovenj Gradec, the selection of the contractor for two new lots for works – Škalsko jezero and Konovo – became final. Construction works would thus commence in spring 2023.

I.9 Risk management

The continuous and rapid adaptation of the social and business environment, technological progress and unexpected events for companies together bring opportunities, but also risks. DARS prudently monitors all changes and promptly tailors its responses. The timely identification of certain risks is crucial for successful adaptation, which is why a great deal of attention is placed on it.

Effective risk management neutralises threats to achieve the goals arising from the external and internal business environments. Our risk management system allows us to identify, assess and manage the key risks to the maximum extent possible and in time.

The risk management process at DARS is embedded in its operations. Risks are managed in three lines of defence, namely:

- 1) The first line of defence is the management, which is responsible for the establishment and successful functioning of internal controls and for the daily implementation of risk management procedures. The task of the management is to identify and assess risks, as well as to define an appropriate response to risks pursuant to the organisation's goals.
- 2) The second line of defence includes the functions carrying out supervision over business processes and risks (quality, accounting controls, physical protection and similar controls, etc.). Employees in these posts are in charge of the proper introduction of the risk management system. The Company promotes the definition of exposure to individual risks, the monitoring of procedures to manage risks and the development of a risk reporting system.
- 3) The third line of defence is internal auditing. The system is reviewed and supplemented on an ongoing basis, so that the risks the Company is exposed to are identified, evaluated and managed in due time.

Based on the recommendations given by the Supervisory Board and the Audit Committee for the change of the risk assessment process, the risk register was first thoroughly revised in 2022 in collaboration with the persons responsible for individual areas of operations, after which the risks were standardised at the Company level to change the demonstration of individual risks.

Risks are thus broken down into four major groups, namely:

- business risks,
- corporate integrity and compliance risks,
- occupational safety risks,
- information security and business continuity risks.

Risk assessments or other documents recording the risks identified have been prepared for all four risk groups and, if necessary, measures are laid down to mitigate the risks. In 2023, we will gradually digitalise risk management by individual groups.



I.9.1 Business risks

The register of business risks was completely revised in 2022. That way, we made quality improvements to individual risks, redefining them, whereby the number of risks consequently fell to 74. Within that number, 22 are corporate risks and 52 are operational risks.

Corporate risks are those that can have a material impact on Company operations, while operational risks are those risks that may cause certain anomalies at the Company or have a negative impact on revenues or imply unnecessary Company expenditure while having no material impact on Company operations. Risks evaluated at a level exceeding €14 million¹ are considered strategic risks.

All business risks are laid down in the risk register with the risk assessment and level calculated for each business risk, while the Action Plan for Risk Management also lays down measures to mitigate each individual risk.

The coordination of activities to promote and implement the risk management system falls within the competence of the Risk Management Board, which is run by the person responsible for Corporate Security while its members are the risk owners. The Risk Management Board reports to the Management Board on a quarterly basis and to the Supervisory Board on a yearly basis or as required.

Risk assessments and analyses are conducted according to the following methodology, under which risks are evaluated:

- the probability of occurrence / frequency expected in the specified period of time. The frequency of occurrence is assessed primarily, otherwise the frequency within 30 years is applied pursuant to the theory;
- the impact implying the expected damage or loss upon the realisation of the risk, which is why it is expressed in euro (€) million. The impact is calculated on the basis of the assessment of all factors influencing the value of expected damage or loss (loss of revenue, increased costs, mitigation by way of insurance);
- the criticality of the risk, which is assessed with respect to its impact on the environment. Scores are ranked with respect to the impact within the Company, the local environment, on the national level or on the international level;
- a risk assessment (in €) that depends on the probability of occurrence and impact;
- a risk level (in €) that depends on the risk assessment and criticality (environment affected by the implications of the risk).

The risks to which the Company dedicated the most attention in 2022 are:

- increased prices of services and consequently the risk of contract cancellation,
- increased prices of building materials,
- fluctuating prices of energy products,
- lack of human resources due to the epidemic, pandemic, natural or other disasters,
- installation of malware.

The pandemic

We entered 2022 with a continued Covid-19 pandemic situation, which subsided in the summer months. To manage risks upon the emergence of Covid-19, we set up a special coordination team that met regularly, was updated with the number of infected persons at the Company level and, if necessary, proposed the adoption of

¹ The threshold of €14 million has been set with respect to the profit generated in the 2019 financial year and will change every year. The years 2020 and 2021 are not an appropriate baseline for threshold determination due the impact on business operations caused by the pandemic.

new measures to contain the spread of Covid-19. At the Company level, individual areas and services reported weekly about the number of persons infected with Covid-19.

While infections grew, employees who were able to work from home arrived at work only in emergency cases that could not be handled from home. Maintenance and Tolling staff performed work in standing teams (bubbles). Most meetings and training courses took place remotely via electronic media.

Employees were promptly informed about the situation in Slovenia, changes in the regulations and the number of persons infected at the Company, and were continuously reminded to comply with preventive measures.

In September, we reintroduced additional measures to prevent the spread of Covid-19 according to the criteria from the revised Action Plan due to an increased number of infected persons.

War in Ukraine

Upon the increasing tensions between Ukraine and the Russian Federation in the days preceding 24 February 2022 and the invasion of the Russian military forces in Ukraine on 24 February 2022, DARS immediately checked the impact on and any implications for the Company operations, as well as for the provision of undisturbed and safe traffic on the motorways and expressways. A team was appointed to monitor the situation of the war in Ukraine. The situation in Ukraine and, consequently, its impacts on the Company operations were reported weekly at Management Board meetings. On 28 February 2022, a targeted risk assessment was completed which was subsequently adjusted to the situation at hand. The assessment contains the method for monitoring the situation of the war in Ukraine, the definition of all six identified risks, activities to mitigate or reduce them, and the persons responsible for monitoring and reporting.

Fluctuating prices of energy products

Due to the war in Ukraine and the announced increased prices of energy products, we took an active approach to the implementation of measures to mitigate the risk of fluctuating prices of energy products.

In terms of reduced electricity consumption, we continued activities to gradually switch to LED lighting both on the roads and in business facilities. We took an active approach to optimising electricity metering points, excessive reactive energy in tunnels, the operation of electrical motors for tunnel ventilation, and the operation of air conditioning devices.

We prepared all the groundwork for a public procurement procedure to install five solar power stations on DARS facilities.

The supply of fuel was executed on the basis of a framework agreement and fuel was complemented with an additive to reduce fuel consumption. An optimal stock was maintained throughout that time. In 2022, a contract was signed for the supply of 58 fuel-efficient goods vehicles (EURO 6), most of which are expected to be delivered this year.

Furthermore, the DARS energy information system (EIS) was upgraded with additional functionalities to monitor all types of energy products, and with the function of automatic notifications and reports to the persons responsible for the facilities.

Increased prices of services, goods and works and the risk of contract cancellation

The war in Ukraine led to increased prices of services and goods, which is why the Company regularly monitored announced price increases for services and materials, as well as the price increase indices published by the Chamber of Commerce and Industry of Slovenia, whereby tender requirements relating to indexation were modified, where necessary. Contracts include the relevant clauses and contract performance is secured to the maximum extent by way of performance and warranty bonds in the maximum amount permitted to further prevent unjustified contract cancellations. For the contracts deemed relevant, we proposed the conclusion of a framework agreement, which ordinarily implies more contractors for the same subject of the contract. Supplies of materials from suppliers are monitored regularly.

Information security risks

A failure of key information systems is managed through the ongoing monitoring of the information systems and immediate responses to incidents. A system ensuring the uninterrupted operation of the information system has

been established (duplication of the most vital parts of the IT equipment) and safety measures have been introduced to protect and safeguard information systems from unauthorised interference and loss of data. Such risks are also managed within the scope of information security and business continuity.

Limited funds available for investments in development

To provide and properly allocate funds for the reconstruction of motorway infrastructure, devices and equipment, the Road Management Department in cooperation with the Department for Reconstructions prepared an Action Plan for a 3-year period (2023–2025) based on the results obtained through infrastructure, device and equipment monitoring, analyses of the expert system and expert groups, and through the expert assessments of proposed actions, thus providing bases for the proper planning of investment reconstruction works. The document lists the indicative values for works, primarily to inform the relevant services in advance about the foreseen needs for the provision of funds for investments in the existing infrastructure. The competent services must adjust the planning of the funds required for investments in existing infrastructure to meet the needs expressed in the relevant document.

Every year, there are unforeseen events (pandemic, earthquake, glaze ice, the bora in combination with snow, floods, etc.) that can weaken our operations and endanger the traffic safety of employees and users. This is why we need to introduce modern systems that allow us to ensure the best possible monitoring of the condition of the infrastructure and the traffic safety of users, as this is the only way to pursue the Company's strategy.

Special emphasis is placed on the development of road digitalisation. Motorway digitalisation is a challenging transformation that includes mobility, technological and infrastructural changes. With this, motorways are becoming a part of the digital transformation of society. To achieve this goal, we will need to digitalise the infrastructural, systemic and management levels, which in turn requires having available the full range of data generated by sensor networks. In this sense, it is necessary to introduce new traffic detection and infrastructural systems, provide sufficient capacities for the transmission and exchange of information, to manage huge amounts of data and to prepare appropriate software environments for such implementation.

Investments in development are also necessary in the field of maintenance, where we face increasing requirements for motorway fluidity, meaning minimal disruptions to traffic during regular maintenance. This is why it is necessary to invest in the development of new technologies related to the summer and winter maintenance of MWs/EWs, where investments in the machinery and equipment or motorway maintenance centres and branches are vital.

The underlying mission of DARS, including during the pandemic, was to keep the motorways passable without restrictions, which can only be provided by way of the regular delivery, maintenance and upgrades of machinery and equipment.

An increasing number of accidents and a decreasing level of safety

To prevent an increase in the number of traffic accidents or, rather, to improve traffic safety, the Company, as the entity operating and maintaining the motorway network, is required to act with due expertise and to take appropriate and effective action with indirect or direct effects. In terms of traffic safety, we are required to observe the requirements of domestic legislation and the obligations imposed by European regulations. Based on the good practice examples and studies conducted, we carry out various projects relating to traffic safety, the use of advanced IT and the introduction of smart infrastructure. Projects within the scope of which efforts are mostly devoted to:

- design solutions improving road throughput and reducing the number of conflict points;
- the good condition of the road infrastructure, which is required for safe driving (optimum carriageways, the visibility of road markings and traffic signs);
- the use of road furniture mitigating the consequences in the event of a driver error, thus reducing the number of fatalities or injuries;
- the preparation of motions for amendments and supplements to the statutory and implementing regulations providing the introduction of modern technical traffic solutions and the use of more efficient road furniture.

While keeping track of new developments abroad and efficiently utilising in-house knowledge, everything indicated provides conditions for improved traffic safety. In the overall concept of designing and building new

sections, reconstructions, maintenance, new ITS technologies and traffic management, safety has improved in relation to increased traffic. Positive results have been shown in the areas of information provision to users, coordination (carried out from control centres, primarily in case of actions by operative teams on-site and in incidents) and the provision of measures tailored to traffic and weather conditions. Furthermore, efforts have been made to implement safety campaigns on an ongoing basis and to cooperate actively with stakeholders to promote traffic safety. Crisis communication during incidents is very important.

Traffic safety deteriorated in 2022. Most notable were traffic accidents resulting from driving in the wrong direction. Traffic volume has exceeded the values from 2019, which consequently increases the likelihood of traffic accidents.

Failure of key information and communication systems

Data transmission and the operation of ICT (information communication technology) systems are crucial for business operations, tolling, traffic safety, and traffic control and management. DARS has recognised the risk of information transmission failure and consequently set up a Telecommunications Department that manages and maintains over 1,300km of fibre optic cables with 12, 24, 48, 96 or 288 fibres and over 700 pieces of network equipment. In 2022, we established MPLS functionality at 37 communication hubs, which allows us to better manage and operate the telecommunication network. Furthermore, we increased the capacities of the busiest telecommunication links on the DARS communication network from Ljubljana to Murska Sobota, Novo mesto, Hrušica and Koper to 10Gbit/s. In 2022, we continued activities to set up fibre-optic telecommunication infrastructure at the Blagovica-Tepanje section, i.e. with a fibre-optic cable with a capacity of 192 or 96 fibres at a distance of 70km. To ensure uninterrupted business operations, we also provide standby duty at home in order to achieve the target availability of the telecommunication network.

Economic viability of investments in assets

The risk of the economic viability of investments in assets is managed by DARS using various control mechanisms. To examine the economic viability of measures on road infrastructure, the Company has used the expert PMS DARS system for several years and has also conducted expert economic assessments for minor investments with the help of external experts. In stage 1, the Company primarily examines the functionality of individual infrastructural elements and safety for motorway users, and then goes on to examine the durability and level of damage. Since 2021, we have used the BMS DARS expert management system to plan measures for bridging structures.

For projects related to the energy efficiency of the Company, we prepare cost-benefit analyses, which provide the basis for decision-making on the implementation of a particular measure. For ITS systems, the Company primarily examines viability in terms of safety for motorway users, and for reconstructions and investments in electrical and mechanical equipment in tunnels, the Company takes into account several different aspects, which are included in the long-term planning programme for the refurbishment of electrical and mechanical equipment in tunnels.

For the purposes of managing the risk of the eligibility of investments in mechanical equipment, a comprehensive analysis of all machinery and equipment was performed in 2017 and a medium-term plan of investments in their refurbishment was prepared for the 2018–2022 period. Investments in new MW and EW sections are designed in all stages with the production of a detailed design or conceptual design and, during the production of the building permit and detailed design documents, with the produced investment programme, which is discussed by a committee within DARS, approved by the Company Management Board, and later sent to the Committee for the consideration and approval of investment documents, which is established within the scope of the Ministry of Infrastructure.

Environmental protection

In accordance with its role as a motorway and expressway management and maintenance company, DARS implemented an environmental management system in previous years and an energy management system in 2017 that are used to consistently implement its environmental protection and energy management policy at all levels of its operations.

The DARS Strategy for 2021–2025 includes operational goals relating to environmental and energy aspects and, consequently, also measures to mitigate environmental risks. In 2022, the management system was further

improved through the realisation of measures to mitigate environmental impacts and, therefore, environmental aspects, supplementing new and optimising existing environmental and energy objectives and programmes, while their realisation was monitored within the scope of the Company management review. The central theme of the environmental management system includes the assessment and analysis of environmental impacts and aspects, taking into account the stages of the service life cycle that are defined in the register of environmental aspects. To reduce environmental impacts, the Company laid down indicative and operational environmental and energy targets and programmes that will be used to achieve such targets.

The risks referring to the timely monitoring and enforcement of legislative requirements are in practice mitigated through measures taken by the appointed responsible persons who cover the area of work to which the legislative amendment refers. Environmental risks, which include the risk of inappropriate waste management with a special emphasis placed on hazardous waste, the risk of environmental pollution and the risk associated with the protection of areas of influence, have become increasingly important. The Company continued the activities already initiated for environmental protection. The systematic management of environmental risks reflects the environmental awareness of employees. Accidents on motorways can have a negative impact on the environment; this is why it is important to reduce the risks of accidents and to react quickly and effectively when they do occur to minimise the negative consequences for the environment. All employees in such workplaces are informed and trained to act quickly and effectively in terms of environmental protection should such a situation arise.

The likelihood of incidents is also reduced through preventive measures. Training aimed at learning to react quickly, properly and efficiently ensures that the impacts of any incidents on the environment are kept to a minimum. By implementing appropriate activities within the scope of motorway maintenance, such as the cleaning and regular maintenance of retention basins to ensure their flawless functioning, implementing the Annual Programme of the Operational Monitoring of rainwater (APOM), etc., the collecting, sorting and controlled disposal of waste, implementing measures to reduce light pollution and constantly controlling carbon monoxide concentrations and visibility in tunnels, we have significantly contributed to reducing the negative impacts on the environment and controlling the risk of environmental accidents. It is assumed that the existing municipal infrastructure provides sufficient capacities to collect municipal waste, which is why no need has been expressed for additional containers for separate waste collection.

DARS plans to carry out anti-noise measures based on the results of the operational noise monitoring. The measures are designed to cover areas with a large number of overly affected buildings or inhabitants and areas of individual overly affected facilities along the motorway and expressway alignment.

The Company has also implemented all the measures imposed by the governmental Noise Action Programme for the 2012-2017 period and the Noise Action Programme for the 2013-2018 period. The measures were implemented on five motorway sections from 2013 to 2015, and the protection of the most affected individual buildings with noise-protected rooms at 11 locations on the Slovenian motorway network was implemented in 2019.

In 2018 and 2019, DARS conducted operational noise monitoring for the motorway network under its management and prepared expert bases for the Noise Action Programme in affected areas. With a view to planning anti-noise measures, the document sets out the priority areas that were included in the Action Plan for Road Infrastructure and Equipment Managed by DARS for 2022–2024. Pursuant to this document, DARS ordered noise studies containing proposals for anti-noise measures for individual areas on the motorway network.

In autumn 2022, a new Noise Action Programme was adopted that, in order to reduce noise pollution and improve the quality of life for the people settled along the roads operated by DARS, as a priority includes 26 motorway sections with a length of 149km and, in the extended priority proposal, another 13 motorway sections in the length of 66km. Of the other sections identified to be subject to excessive limit values, priority No. 2 includes another 26 motorway sections with a total length of 205km.

In 2023, DARS plans to conduct new operational noise monitoring. The results obtained will provide the basis for the future design of noise protection measures.

Loss of competent or key staff (undesired fluctuation) and an increased share of actively non-engaged employees

The risk of the loss of competent or key staff at DARS and of an increasing share of actively non-engaged employees is managed with the provision of a creative, safe and stimulating work environment, which is one of the Company's strategic goals.

Employee turnover and engagement are regularly monitored and checked, whereby activities are mostly focused on eliminating any factors triggering an undesired situation as regards employee engagement and increasing the risk of key staff loss. In 2022, DARS faced higher employee expectations, principally as regards rewards, due to newly arisen conditions in the Slovenian and global economy. The conditions reflected in diminished employee engagement; however, the Company took an active approach to the search for suitable solutions in a constructive dialogue with social partners.

We have identified key positions and key staff and prepared the foundation for the implementation of a succession policy for them. In addition to the timely provision of expert and competent successors for key positions, this also represents an important element of career development for employees and the strengthening of employee engagement, thus reducing the risk of undesired fluctuation. Individual development plans are prepared for key staff, allowing them to systematically develop the necessary skills and competencies.

Employees are able to attend various in-house and external training and upskilling courses to build on and enhance their expertise, skills and personal growth. In 2022, we recorded 33% more training hours and 121% more participants than in the previous year. A large scope of training was also intended for upskilling work with digital tools, followed by training for the development of personal and professional skills and competencies, and concern for one's own health. In 2022, brief educational meetings were introduced for managers, allowing them to obtain managerial skills and knowledge for responsible employee management.

Employees can choose in-service training with the co-funding of their tuition fees and are granted paid leave of absence for study obligations. Employees who can work remotely due to the nature of their work may work from home in a hybrid manner based on the relevant employment contracts. Different measures are also available to help employees reconcile their work and family responsibilities, to demonstrate respect for their personal lives and to help them in times of need.

Leadership has a major impact on undesirable employee fluctuation and engagement, which is why DARS managers attend various workshops, training and coaching sessions to improve their leadership competencies. In 2022, the Company measured managerial and social competencies; additionally, DARS managers regularly attend brief education meetings dealing with current topics and presenting novelties in approaches to employee management.

I.9.2 Corporate integrity and compliance

The Company deals with integrity risks, so that it would not be required to eliminate the results of unmanaged risks later on. The integrity plan enables the timely identification of risks, the realisation of which could prevent the attainment of the set Company goals. The purpose and goal of the integrity plan is to enhance integrity and transparency, and to prevent and eliminate corruption, conflicts of interest, and unlawful and other unethical conduct.

The Compliance and Integrity Service performs tasks for the preparation of the integrity plan and supervision over the implementation of the measures envisaged in the plan. Within that scope, it has been assessed that the DARS integrity plan enforced in May 2012 needs to be revised.

In light of the above, a new DARS integrity plan was enforced as of 1 January 2023 detailing mostly risks and measures pertaining to compliance (with legislation, other rules and by-laws, anti-money laundering, professional secrecy, protection of insider information), ethics and integrity, conflicts of interest, gift acceptance, influences and requirements, and procurement.

The detected potential risks identified during the preparation of the mentioned plan will be regularly revised and the effects of the measures will be critically assessed. In light of the above, the plan will be regularly updated in cooperation with the persons responsible for all areas of Company operations.

I.9.3 Occupational safety

As regards safety at work, the Company manages risk assessments that are related to a particular job position. Occupational safety risks are not financially evaluated.

DARS is aware of the risks of accidents at work and loss of working ability. That is why measures are implemented to reduce such risks to the minimum possible level. The Company monitors the development of new work procedures and procures work equipment that provides increased safety to employees during work. We train employees on safe work, raise awareness about the importance of safe work, and warn about any identified deficiencies. Occupational safety has also been included in the DARS Strategy for 2021–2025. One major operative strategic goal is thus to reduce the number of persons injured at work by 10% by 2025 with respect to the baseline year, and the same goes for reducing sick leave.

At the start of 2022, a great deal of attention was still paid to the containment of Covid-19. In quarter 2, things slowly returned to normal and we again placed more attention on the provision of occupational safety. We reintroduced safe work training for employees in tolling, conducted several internal on-site inspections of maintenance employees, and in autumn organised training for the operation of special machinery and first aid after several years.

Employees who are able to work remotely may work from home no more than 2 days in a week despite the end of the epidemic. Employees who grew accustomed to such work during the epidemic and find it convenient because they can better organise their family life, save time or have better conditions for work (peace and quiet, etc.) may continue to do so. Their satisfaction and engagement at work at higher, while the risk of accidents and sick leave (accident en route, childcare) is lower.

I.9.4 Information security and business continuity

Based on the Information Security Act (Official Gazette of the Republic of Slovenia, No. 30/18 and 95/21), the Company is, as an operator of essential services, obliged to follow all provisions laid down by the Act. Information security and business continuity risks are managed pursuant to the requirements imposed by the ISO/IEC 27001 (information security system) and ISO 22301 (business continuity system) standards. The risks identified are defined in the Register of IT and business continuity risks.

I.9.5 Financial operations and the management of financial risks

DARS actively monitors the uncertainty and variability of the financial environment, as it poses different types of financial risks. Financial risks may have a negative impact on the ability to generate revenue, manage expenses, preserve the value of assets and settle liabilities. Therefore, the Company devotes special attention to such risk categories.

The main goal of financial risk management is to achieve stable operations, increase financial revenue, decrease financial expenses, increase the value of the Company's capital and reduce the effect of unforeseen loss events. To hedge against such risks, activities are carried out in business, investments and finance.

The Company sees interest rate, credit and liquidity risks as the crucial types of financial risks. By managing such financial risks, the Company strives to achieve the optimal stability of operations and to reduce the exposure to individual types of risks to an acceptable level. The Company's goal is to achieve a stable cash flow that enables the settlement of liabilities deriving from loans for motorway construction in due time.

Table 9: Risk assessment

Seq. No.	Description of risk	Risk assessment			Risk management (control)
		Probability of risk occurrence	Implications of risk occurrence	Level of risk	
1	2	3	4	5 = 3 x 4	6
1	Foreign exchange risk	1	1	1	Use of natural protection to match cash flows, the regular monitoring of foreign exchange markets, hedging with appropriate financial instruments
2	Interest rate risk	2	3	6	Monitoring interest rate changes, negotiations with credit institutions, hedging with appropriate financial instruments
3	Credit risk	2	2	4	Monitoring the exposure to an individual partner and its credit and financial rating
4	Liquidity risk	2	2	4	Control of cash flows, planning needs for liquid funds, previously agreed loan facilities and overdrafts, the regular monitoring and analyses of the sustainability of the Company credit portfolio, monitoring of financial commitments

Probability of risk occurrence: 1 – low, 2 – medium, 3 – high

Foreign exchange risk

There is practically no foreign exchange risk, since purchasing and sales, receivables and liabilities, and revenue and expenses are mostly executed in the euro (€) currency. Therefore, exposure to foreign exchange risk is estimated as low, which is why there is no need to use such hedging instruments. DarsGo services provide payment in a foreign currency, which is immediately converted to the euro currency, but such payments have been scarce since the deployment of the electronic tolling system. Despite this, the Company regularly monitors developments on foreign exchange markets.

Interest rate risk

In recent years, a great deal of attention has been paid to interest rate risk, which results in reduced economic benefits for the Company due to changed interest rates on the market. DARS continuously monitors the exposure to interest rate risk. The goal of interest rate risk management is to achieve a stable cash flow in terms of fulfilling Company obligations.

The ECB interest rate for the main refinancing operations amounted to 2.50% as at 31 December 2022, the interest rate on the marginal lending facility amounted to 2.75%, and the interest rate on the deposit facility amounted to 2.00%. As at 31 December 2021, the 6-month EURIBOR amounted to -0.546%, after which it jumped and as at 31 December 2022 amounted to 2.732%. The total interest rate at which DARS borrows funds (average pondered interest rate) amounted to 2.11% as at 31 December 2022.

Interest rate risk is unpredictable and has a significant impact on the Company's profit or loss with respect to the size of its debt. A share of variable interest rates on long-term loans is hedged with the use of appropriate financial instruments with which a variable interest rate was changed into a fixed interest rate. When deciding on additional hedging, the Company takes into account interest rate forecasts and decides when to provide additional hedging according to conditions on the financial market. Interest rates within the economic and monetary union (EMU) were at historically low levels for quite some time and started rising at the end of 2021. Despite that, there was no need to conclude new interest rate risk hedging transactions in 2022 due to the natural maturity of loans at a variable interest rate and the early repayment of certain loans at a variable interest rate in order to manage the excessive liquidity of the Company.

The Company also decreased its exposure to interest rate risk in the period of low interest rates through new borrowing at a fixed interest rate and the maturity of debt principals with variable interest rates. In the past five

years, the Company increased the share of loans with a fixed interest rate or insured them with financial derivatives. As at 31 December 2022, their share accounted for 86.3% of the Company's credit portfolio, while the remaining 13.1% share is exposed to a variable interest rate and 0.6% constitutes an interest-free debt. Taking into account the interest-free debt, the Company has secured 86.9% of its credit portfolio against interest rate risks.

The simulation of the effect of interest rate variability on financial expenses, considering the balance of the Company debt and the interest rate structure as at 31 December 2022, shows that an increase in the EURIBOR by one percentage point would cause an increase in financial expenses of around €2.1 million annually. Changes to the EURIBOR, therefore, have a significant impact on the Company's net profit or loss.

Credit risk

Special attention was paid to credit risk, which includes all risks reducing the economic benefits of the Company due to unsettled contractual obligations by business partners. The main source of loss pertaining to this risk is the inability of business partners to settle their liabilities to DARS, which is reflected in various events (e.g. late payment, compulsory composition, bankruptcy). DARS regularly monitors outstanding receivables due from individual business partners and, if necessary, takes appropriate action. The main risk has been identified in the payment of tolls in the DarsGo system for vehicles with a maximum permissible weight exceeding 3.5 tonnes where payment is made for the previous month on the basis of a consolidated monthly invoice issued to contractual post-payers or payment card issuers. Furthermore, the Company has identified a risk in the sale of vignettes through sales representatives. Financial security instruments are required for a certain segment of business partners. Precisely defined procedures have been put in place to monitor the credit ratings of business partners (upon each contract extension; regular monitoring of published bankruptcies, liquidations and insolvency proceedings). In the event of unacceptable credit risks, the Company employs contractually agreed mechanisms (e.g. the discontinuation of service provision (tolling) and the supply of goods (vignettes), contract termination) and, in case of late payment, activates debt recovery procedures.

The deployment of the DarsGo system and the abolition of the option of paying tolls at toll stations resulted in a risk of default in the sense that goods vehicle drivers use motorways without a DarsGo unit or without proper financial coverage in the driver's account. To reduce this risk, toll inspection is organised accordingly. An additional measure to manage the risk of default is to promote the post-payment of tolls using petrol cards, where most of the risk is assumed by the petrol card issuer. The risk of default in the post-payment of tolls by business partners who conclude post-payment contracts directly with DARS is managed by monitoring their credit ratings and, if below average, requesting adequate bank guarantees. In case of late payment, a redemption procedure is activated and the DarsGo units for all the vehicles of such a client are ranked into the pre-payment of tolls. All new contractual post-payers have to submit a bank guarantee for the first two years of cooperation irrespective of their credit rating.

An additional risk relating to toll payments for vehicles with a maximum permissible weight exceeding 3.5 tonnes may also be the failure of roadside equipment (toll and control gantries). In case of the failure of a large number of gantries, tolls cannot be collected even if all the vehicles are equipped with DarsGo units and have sufficient financial coverage. In the event of a failure of one or two consecutive toll gantries, tolls are charged through so-called gap bridging. DARS, however, has mechanisms in place to monitor the functioning of roadside equipment on a daily basis, verify the quality of service provision (SLA assessment) by a dedicated department, and also has a contract with an independent quality supervisor. In accordance with the contractual requirements, the DarsGo system provider has established 24-hour monitoring of the system operation and set up mechanisms to eliminate any possible incidents.

The risk of users of vehicles with a maximum authorised mass not exceeding 3500 kilograms using toll roads without paying the toll, which would result in a direct loss of revenue, is managed through toll inspection. Along with the introduction of the electronic vignette, toll inspection was upgraded with additional stationary equipment (cameras installed on gantries and poles), portable or mobile cameras (on toll inspection vehicles) and hand-held devices (for inspection at rest areas). Surveillance cameras are reliable, have high capacity and the system is stable. The second part of toll inspection (minor offence proceedings) will continue to be carried out mostly in the field for the purposes of the effective sanctioning of foreign offenders. After the deployment of the electronic vignette, Slovenian offenders may also be sanctioned remotely based on images captured by surveillance equipment, whereby a payment order and an invoice for the e-vignette is sent by post. Nevertheless,

due to additional options for remote supervision over e-vignette use, the share of domestic offenders increased compared to the period before e-vignette deployment, yet most offenders are still foreign nationals.

Liquidity risk

Solvency risk includes risks related to insufficient available financial sources and, consequently, the Company's inability to settle its liabilities in due time. Due to successful operations, effective asset management and the ongoing capacity to generate cash flows from operating activities, the risk is estimated to be moderate. Exposure to liquidity risk is managed with the amount of investments in the form of deposits and prudent cash flow planning and monitoring. To cover additional needs for liquidity, the Company has taken credit lines from banks in advance. The basic principle of borrowing and credit portfolio management is to align the goal to achieve minimum borrowing costs with a maturity structure that provides minimum exposure to liquidity risk. In 2020 and 2021, the consequences of the measures adopted due to the COVID-19 epidemic, which affected practically the entire world and could not have been foreseen, were deeply felt. Due to a sound liquidity position, Company operations under these distressing circumstances have been uninterrupted and, as a result, the Company has settled its liabilities on time.

The annual liabilities for debt repayment use up a significant share of the cash flow from operating activities. For the purposes of refinancing, an umbrella act was adopted in 2015 for debt restructuring (Act Regulating the Guarantee of the Republic of Slovenia for Obligations of DARS d.d. for Loans and Debt Securities Raised or Issued for Refinancing Existing Debts of DARS d.d.; Official Gazette of the Republic of Slovenia, No. 30/15). The Act enables DARS to actively manage the existing debt, restructure its loan portfolio and provide all necessary sources of funds for settling due liabilities arising from the existing debt in due time. For the purposes of refinancing the existing debt, the Company can borrow with a 100% government guarantee. In 2022, the Company reduced its debt by €181.2 million. Since there was no need for additional liquidity funds in 2022, the planned refinancing of loan principals that fell due in 2022 up to the amount of €105 million was not executed.

Due to postponed major investments and limited abilities to place excess liquidity funds, certain loans with a final maturity of up to 3 years, variable interest rate and no cost of early repayment in the total amount of €31.58 million were repaid early in 2022. Early loan repayment was conducted gradually and followed the goal of excess liquidity management. That way, the Company reduced the cost of fees and freed up cash flow in the next two years, when the need for resources will exceed that of 2022 due to the planned investments.

One of the major projects is the construction of the 2nd tube of the Karavanke tunnel, which is an international project. To finance the construction works, a long-term loan has been obtained from EIB in the amount of up to 50% of the estimated investment value (under a guarantee within the EFSI or InvestEU-risk sharing mechanism). The Company drew a €90 million loan tranche in full in October 2022.

Due to the implementation of future investment plans under the Resolution on the National Programme for the Development of Transport in the Republic of Slovenia (ReNPRP30), the Slovenian National Assembly adopted a guarantee act on 18 December 2019 governing the award of a state guarantee to DARS to finance the construction of two sections, namely one in the northern part of the third development axis (Velenje–Slovenj Gradec) and the other in the southern part (Novo mesto East–Osrednek) in the total value of €360 million, which will ensure the acquisition of funds for the foreseen schedule of execution. The total estimated value of the mentioned sections at current prices (excluding VAT and financing costs) amounts to €720.03 million. Due to Eurostat rules, the State cannot provide a guarantee for more than 50% of the value.

On 21 April 2022, the Act Regulating the Guarantee of the Republic of Slovenia for the Obligations of DARS d.d. for Loans and Debt Securities Raised or Issued for Refinancing Existing Debts of DARS d.d. in the Maximum Amount of €392.44 Million (ZPKFAP) was adopted. Based on this Act, DARS obtained the Government guarantee in the amount of 50% of investment value for investment projects on the third development axis (south, stages 3 and 4, and the Šentrupert–Velenje South section), Markovci–Gorišnica, Gorišnica–Ormož and Koseze–Kozarje sections (expansion into a 6-lane road). The total estimated value of the investments at current prices (excluding VAT and financing costs) amounts to €784.89 million.

A great deal of attention is paid to cash flow monitoring, including the planning of inflows from tolls, which is the fundamental source for the settlement of liabilities deriving from borrowing. Figures relating to vehicle passages and monthly vignette sales are monitored on a daily basis (the amount is beyond the Company's control, as it

depends solely on traffic) and based on that information, forecasts of Company revenues can be adjusted accordingly and, as a result, actions may be taken to manage other Company risks. The Covid-19 epidemic was a new element that has forced all companies to be better prepared for the management of future liquidity risks. DARS was suitably prepared for such an event with its conservative approach to cash flow management and, consequently, a sound liquidity position.

By keeping a liquidity reserve in the form of deposits and obtained long-term credit lines, we have provided a high level of liquidity, thus enabling the Company to settle all due liabilities at any moment. To achieve sustainable Company operations in the long term, it will be required, in addition to refinancing the existing loan, to adjust toll rates every year in a manner allowing the maintenance of an adequate volume of revenue for the coverage of total infrastructural costs and debt servicing.

I.10 Business activities of the Company



I.10.1 Business performance and the attainment of plans

The key principle we pursue today and will pursue in the future is business effectiveness in all possible forms and in relation to all possible stakeholders. This was the purpose of formulating the Strategy of DARS for 2021–2025, the key document for the strategic planning of the long-term successful development of DARS.

Besides ensuring the mobility of people and goods, our business environment is increasingly characterised by the focus on sustainable development, according to which our future activities are targeted at:

- planning and realising investments and other activities by taking into account the economic and social aspects;
- environmental acceptance and the significant reduction of adverse effects on the environment resulting from various forms of traffic;
- the active continuation of activities pertaining to traffic digitalisation, infrastructure monitoring and Company operations;
- prolonging the useful life of infrastructure through optimum maintenance and renovation, as well as by upgrading the existing system in accordance with the increased standards;
- long-term stable operations with a responsible attitude to the environment and society.

On the basis of the adopted management system policy and the related strategic objectives and KPIs that are identified in the Company's Business Plan, we determine measurable operative objectives. The system is

developed in a manner ensuring the continuous improvements and innovation of all employees at all organisational levels.

The main goals of DARS in 2023 are:

- Introduction of at least two EETS service providers in the DarsGo system.
- Upgrade of the DarsGo system to implement the requirements laid down in amended Directive 1999/62/EC (the so-called Eurovignette Directive).
- The Terms of Reference for the second-generation free-flow electronic tolling system for vehicles with a maximum authorised mass exceeding 3.5 tonnes (harmonisation of requirements regarding technology and future toll roads with stakeholders).
- The construction of the second tube of the Karavanke tunnel in line with the time schedule.
- Continuation of activities pertaining to the 3rd development axis – north and south.
- Efforts by DARS to continue the NSP preparation procedure for the expansion of the Ljubljana Ring Road in limited scope for the Štajerska and Primorska radial roads and the area of the Kozarje interchange.
- The continued implementation of measures to ensure safety and comfort, and to optimise traffic fluidity.
- Establishment of the first section speed control system.
- The set-up of new variable message signs on all radial roads to Ljubljana, including the Ljubljana Ring Road.
- Investments in the modernisation of the existing network, the improved quality of carriageways and structures, and of traffic management and control systems.
- Financially sustainable motorway and expressway construction within the scope of the fulfilled requirements laid down in the ReNPRP30 (DARS investments are limited exclusively to investments in toll roads, the adoption of guarantee acts and the implementation of a toll indexation mechanism that will provide uninterrupted debt servicing).
- Acquisition of the Government's approval to conduct toll indexation pursuant to the provisions of the Road Tolling Act.
- Further implementation of measures to optimise operating costs and ensure systemically effective asset management.

As defined in the medium-term strategic plan, we will optimise traffic fluidity and ensure safety and comfort on the Slovenian motorway network by way of modern and environmentally responsible approaches.

I.10.2 Tolling

Toll revenue accounted for 92.8% of the total Company revenue and amounted to €479.56 million in 2022, which is 5% more than in 2021. Toll revenue from vehicles with a maximum authorised mass exceeding 3.5 tonnes (heavy vehicles) amounted to €267.06 million, revenue from the sale of vignettes amounted to €195.23 million and toll revenue from the Karavanke tunnel amounted to €17.27 million. In 2022, the value of the vignettes sold exceeded that of the previous year by 9%. Due to the introduction of electronic vignettes and consequently the different deferral of revenue than that applied to vignette stickers, the quantitative comparison with previous years is irrelevant.

Vignette prices and infrastructure charges for heavy vehicles in 2022 remained the same as in 2021, as did tolls for the use of the Karavanke road tunnel. Users who pay tolls in relation to petrol cards generated 67% of the revenue, followed by users who have concluded contracts on deferred toll payment with DARS (20%), while the rest pay tolls using a pre-payment plan.

In 2022, 1,100,809,022 toll kilometres were travelled on toll roads (excluding the Karavanke tunnel), which is 2.9% more than in 2021, while the value of toll point passages reached €266,366,703 and exceeded that of 2021 by 1.3%. The growth in the value of passages is lagging behind the growth of toll kilometres due to the decreasing number of toll kilometres travelled by vehicles in lower EURO emission classes. The average value of a passage has decreased in all toll-rate categories. In 2022, the charge in the R4 category was 0.9% lower year-over-year, and 1.3% lower in the R3 category, while the average annual infrastructure charge for two-axle vehicles decreased by 2%. This means that the average infrastructure charge continues to inch towards the lowest toll

set for the EURO VI emission class, considering that the price of the infrastructure charge for the R4 and R3 categories was last harmonised on 1 April 2018.

Following its successful introduction in 2018, the DarsGo system continued to operate in a stable and efficient manner in 2022. On the basis of experience obtained from the first three years of operation, the system was regularly optimised in terms of user-friendliness. Among other things, the system helped reduce greenhouse gas and particulate emissions on motorways. According to the 2022 evaluation of the Slovenian motorway users' satisfaction, the DarsGo system received the highest average satisfaction rating of all the services. At the end of 2022, the DarsGo system had 147,777 registered customers from 91 countries and 498,106 heavy vehicles. We have issued 546,564 DarsGo units since the system became operational. The majority of the registered vehicles are from Poland, followed by Romanian, German, Slovenian and Hungarian vehicles.

By the end of January 2022, the sale of all types of vignette stickers was finally discontinued. Sales were modest in the beginning but they rose sharply once the yearly vignette stickers expired on 31 January 2022. A total of 7,799,630 e-vignettes were sold by 31 December 2022. The optimisation of the e-vignette system will be conducted in the continuation of the year.

In 2022, toll inspectors issued 59,943 penalty notices (51,852 of which were due to a failure to pay the toll for vignette vehicles, 5,819 due to a failure to pay a toll for goods vehicles, and 2,272 were issued under the Road Traffic Rules Act). The number of penalty notices issued was 12.1% lower than in 2021. The small number of issued penalty notices derives from the absence of control during e-vignette deployment at the start of 2022.

In 2022, toll inspection conducted the entire public procurement procedure for a minor offence application that will largely enable the automation and digitalisation of the procedures run by them as the minor offence authority.

I.10.3 Maintenance of motorways and expressways

The Maintenance Division maintains 625 kilometres of motorways and expressways with the associated facilities (tunnels, bridging structures, sanitary facilities at minor rest areas, MMC facilities, etc.), junctions, interchanges and other service roads. The fundamental legal basis for the implementation of maintenance activities includes the Roads Act and the Rules on the regular maintenance of public roads.

In 2022, the Maintenance Department again faced the issue resulting from the so-called coronavirus crisis and the war in Ukraine, the impact of which was shown in increased supplier costs and consequently requests for price harmonisation, which we nevertheless managed to overcome without interrupting the supplies.

Motorway maintenance is carried out according to two annual plans:

- the implementation plan for motorway and expressway maintenance, which applies from 1 January to 31 December of the current year and includes annual and winter maintenance works;
- the implementation programme for winter service, which applies from 15 November to 15 March of the following year and sets out winter maintenance duties in detail.

Maintenance works on MWs/EWs include 89 types of routine maintenance tasks, 43 types of machinery and equipment maintenance tasks and 62 types of electrical and mechanical maintenance tasks.

We are responsible for the maintenance of over 1,400 machines and equipment used in MW/EW maintenance and 157 goods vehicles, 40 all-purpose work vehicles and 30 special work vehicles.

The Department also carries out electrical and mechanical maintenance, which includes the maintenance of lighting, traffic control and management systems, cameras and video devices, telecommunication devices and ventilation, alarm and fire systems.

In 2022, DARS performed over 830,000 maintenance man-hours and over 491,000 hours of machinery work. Road maintenance tasks encompassed 89% of man-hours, the maintenance of electro-mechanical equipment

accounted for 5.5% of all hours and so did the maintenance of own machinery. Most work was carried out during daylight, i.e. 84% of all the hours performed, while 16% of all hours were performed during the night.

Monitoring the situation on the motorways and expressways at all times is essential to be able to ensure traffic fluidity and passability, which is why we have organised permanent on-call services whose job is an immediate response to events. Standby duty allows us to ensure minimum response times and the fastest possible arrival at the scene, which is important to provide the fastest possible intervention services, eliminate the consequences of the event and to reestablish MW/EW passability and traffic fluidity as soon as possible.

Annual maintenance

Annual MW/EW maintenance includes the following tasks:

- maintenance of transport surfaces (sweeping, picking up litter);
- maintenance of asphalt and concrete surfaces (patching and repair);
- maintenance of drainage facilities;
- maintenance of traffic signs (vertical and horizontal);
- maintenance of steel and other safety barriers;
- maintenance of vegetation;
- maintenance works in tunnels, etc.

In 2022, we continued intensive mowing during the night to ensure traffic fluidity. Hence, slightly more than 67,000 man-hours and over 82,000 machinery hours were performed for mowing, while the share of night-time mowing has reached almost 7%.

All maintenance works that could cause prolonged congestion are planned carefully in cooperation with other DARS divisions and services, while routine maintenance works are tailored to traffic flows and rush hours, making the effects of our works on traffic fluidity on motorways and expressways minimal, whereas such works are also suspended, if necessary, in the event of unexpected excessive traffic congestion. Some of the more demanding annual maintenance tasks are carried out with the help of subcontractors (asphalt works, special works on the expansion joints and supports of bridging structures, cutting vegetation in hard-to-reach areas, vehicle renovation, major machinery repairs, maintenance of the surveillance control system (SCS), maintenance of automatic traffic detection (ATD) and other).

The volume of maintenance works performed by outsourcers in 2022 with respect to the type of carriageway works and structures was as follows:

- investment maintenance works covering 53,267 square metres under two contracts in 36 working days and in the total amount of €1,864,340.41, whereby the works included repairs to damaged (major damage: potholes, alligator cracks, subsidence, rutting) and depreciated (resurfaced) asphalt carriageways;
- major maintenance works covering 54,386 square metres under two contracts in 32 working days and in the total amount of €2,788,323.21, whereby the works included repairs to damaged carriageways (potholes, alligator cracks, subsidence, rutting) and depreciated (resurfaced) asphalt carriageways;
- the patching and reconstruction of 4,237 square metres of roads following incidents under four contracts in 8 working days and in the total amount of €160,638.33, whereby the works included the reconstruction of damaged carriageways (following fire, carriageway damage caused by storms);
- reconstruction of concrete carriageways in tunnels in the total amount of €310,757.69, whereby the works included the reconstruction of damaged concrete surfaces and the levelling of differential subsidence between individual slabs);
- restoration of carriageway grooving covering 7,023 metres and in the total amount of €56,182.40, whereby the works included the restoration of existing grooved areas at alignment level gradations in order to provide for proper drainage and prevent aquaplaning;
- routine maintenance of drainage structures and equipment in the total amount of €380,840.45, whereby the works included maintenance works and the replacement of worn-out drainage elements and systems on alignments (shafts and grilles, cast iron covers, sewage pipes and channels, shaft repairs, etc.) and structures (gullies, sewage pipes, etc.);
- routine maintenance and reconstruction of the concrete surfaces of motorway structures in the total amount of €268,418.25, whereby the works included damage repair (delamination, cracks, degradation,

etc.) on all visible concrete surfaces of bridging structures, supporting and retaining structures, tunnels and other reinforced concrete road furniture;

- routine and intervention maintenance of the expansion joints and supports of bridging structures in the total amount of €181,009.23, whereby the works included routine maintenance and servicing of expansion joints and supports, as well as the replacement of individual worn-out or damaged elements;
- sealing cracks and crevices over 82,110 metres and in the total amount of €118,239.15, whereby the works included the sealing of carriageway crevices and cracks with a bitumen sealant to prevent the ingress of stormwater in the lower asphalt layers and hence faster carriageway deterioration;
- improving the friction characteristics of carriageways over 144,900m² and in the amount of €502,517.00, whereby the works included carriageway roughening to enhance the friction characteristics of carriageways and hence ensure traffic safety.

Winter maintenance

Winter maintenance primarily includes the following tasks:

- Winter service: preparatory work and work at the end of the winter season.
- Winter service – spreading and removing snow.

In 2022, within the scope of preparations for the 2022/2023 winter season, we held several operational meetings with stakeholders related to winter service provision (Control Centres, Toll Inspection, Police), meetings with representatives of the Chamber of Craft and Small Business and the Slovenian Chamber of Commerce and Industry, and we appointed a Motorway Maintenance Base Management Support representative to the Main Control Centre to coordinate activities throughout Slovenia. It was agreed with all stakeholders that in the event of heavy snowfall, we would exclude goods vehicles from traffic preventively, in order to manage traffic in a controlled manner. With a view to improving the response of winter service, we coordinated assistance among the motorway maintenance centres.

We signed contracts with gritting material suppliers before the winter season. Due to the enormous price hike on the energy products market, a great deal of effort was put into the uninterrupted supply of strategic resources.

The Company continued the project to optimise the preventive wet salting of roads and set up another automatic mixing device for saline preparation in 2022 at the Drnovo branch.

In 2022, we used 14,604 tonnes of salt and 295,633 litres of CaCl₂ (calcium chloride) for gritting.

I.10.4 Traffic safety management and provision

Road infrastructure

Using the DARS Pavement Management System (PMS), the DARS Bridging Management System (BMS) and based on expert analyses, the Company prepared an Action Plan as the basis for identifying necessary infrastructure, device and equipment overhaul works in the coming 3-year period. Input data in the expert system was updated and the system itself was upgraded from version 8 to version 9.5 and moved to the baseline year of 2022.

In 2022, the Company continued regular coordination for the ongoing monitoring of the realisation of expert tasks based on a contract concluded with DRI for expert services in the management of road infrastructure, devices and traffic safety. Based on the contract, DRI prepared expert bases for the amendment of the Action Plan for motorway infrastructure and equipment in the 2023-2025 period. The draft plan was later actively harmonised with the Reconstruction Department until it was aligned and approved by the Management Board.

In planning the measures for bridging structures in 2021, the Company worked with DRI and, for the first time, used the expert management system for bridging structures on the motorways and expressways, which was completed in 2020. We also drew up methodologies to monitor the condition of tunnels and geotechnical structures and continued inspecting the retention basins in collaboration with DRI experts.

Based on a contract concluded in 2015 for geotechnical monitoring that will last eight years and covers the entire motorway network (other than the Rebrnice area, where monitoring is already underway), all the necessary

measurements on geotechnical structures and the monitoring of conditions on complex structures were carried out in 2022. Special attention was paid to monitoring the condition of carriageways in tunnels, where additional measures were implemented to improve the condition.

The Maintenance Division relied on the received methodology to comprehensively inspect the road infrastructure, paying particular attention to road furniture. The required measures were added to the revised Action Plan.

Several agreements have been concluded with municipalities to cooperate in the restoration of some bridging structures that are in poor condition. Based on reports, several non-routine inspections of bridging structures (e.g. the bridge across Sava in Hrušica) were performed. At the Blagovica viaduct, we completed the continuous monitoring of the damaged exterior cabling and carried out additional inspections ordered by the expert group for damage analysis.

The amended Action Plan includes the first priority of necessary noise barrier refurbishments taking into account the requirement to keep the barriers within the current clearances without making any extensions and additions. It also includes road sections with missing noise protection that needs to be constructed in accordance with the expert bases.

Measures to reduce electricity consumption

In the Vipavski Križ cut-and-cover, a project is underway to replace the existing lighting with LED lamps.

Documents and an agreement were drawn up for the distribution/arrangement of take-off points along the old expressway through Maribor to be signed by the City of Maribor and DARS. A public procurement procedure was conducted for the works, though unsuccessfully.

Detailed Design (PZI) documents were prepared for setting up solar power stations on certain DARS facilities. A public procurement procedure is being prepared for the installation of solar power stations at MMC Kozina, Ptuj branch, Vipavski križ cut-and-cover, and TSs Log and Dob.

Rest areas

At the start of April 2022, based on the contracts signed for the reconstruction of minor rest areas on the motorway network operated by DARS concluded with JV HIDROTEHNIK d.o.o. + KPL d.o.o. + PRENOVA – GRADBENIK d.o.o., the contractor underwent onboarding for the first seven rest areas, namely Zima North, Polskava East, Dolinsko, Povodje East, Lipce South, Studenec North and Studenec South. One main contractor and two partners were thus obtained under all three contracts. Works have been conducted very differently from one rest area to another.

On 3 November 2022, the Studenec North minor rest area was put into service as the first of the seven rest areas subject to reconstruction in stage 1. This was followed by the rest areas Povodje East and Studenec south, which were put into service in November, and Zima North and Polskava East at the end of December. The Dolinsko rest area was put into service in January. The management and maintenance of all rest areas were assumed under the lease agreement by the company Fistin d.o.o. The lessee provided sanitary installations, cleaning, security and vending machines for hot and cold drinks. The overall functionality and equipment of catering establishments and the provision of e-charging stations, however, depends on the set-up of a proper electricity supply at a particular rest area and will in most cases be provided upon the set-up of transformer substations.

Onboarding for the Risnik rest area was conducted on 3 October 2022 and this is also the only rest area that will not be closed to users during works, which is feasible solely because of the size of the rest area. Onboarding for the last four rest areas was conducted on 17 October 2022. All rest areas are expected to be completed in May 2023.

Real estate management

In 2022, we continued to process the received applications or enquiries for the sale of excess real estate managed or owned by DARS, to notify interested parties, to identify excess land and other real estate, and to define possible ways to dispose of real estate located outside the motorway alignment.

We confirmed 91 programmes for the sale of excess real estate owned by DARS, 34 of which involve agricultural land and 57 involve building plots. We published three public notices for the sale of excess real estate owned by DARS.

In 2022, a total of 25 sale and purchase contracts were concluded for the sale of excess real estate owned by DARS with a combined value of €1,357,671.80. Based on the sales procedures started in 2022, a further 29 sales contracts are in the process of being concluded or finalised, with a total value of €1,758,853.42.

In 2021, in line with the resolution adopted by the Management Board and the instructions to carry out the sale and rent or lease of real estate owned by DARS, the Company sold two residential units owned by DARS in Hrušica na Gorenjskem. The total sales value or the proceeds generated from the sale amounted to €185,000.00.

A conceptual design was prepared for the new holiday facility in Rogla, followed by the Building Permit (DGD) design documents, the acquisition of consents and the conclusion of a purchase-and-sale agreement for a part of a land plot from Zreče Municipality, after which a request for a building permit was filed.

Easements

In 2022, additional locations were assigned for the erection and operation of cellular base stations to Telemach at 7 locations along the motorway.

Revenue related to the award of easement or to setting up infrastructure for the needs of mobile telecommunications base stations increased by some 25% compared to 2021. Most of the increase is the result of increased electricity prices and consequently increased charges for the use of power connections.

Telecommunication marketing

In 2022, the Company signed six new contracts with ELES, Stelkom and Softnet, and three with Rune Enia. Three new annexes were signed with Telemach, A1 and Peter's Teleurh. Due to the merger of operators, contracts with OT-Optima and Vahta were cancelled, while the contract with Stelkom expired.

A total of 46 offers were submitted for telecommunication services. To interested parties and customers, the Company offered the services of fibre optics lease, Internet access, equipment collocation options and Wi-Fi access at rest areas. DARS applied for a dynamic purchasing system on the public procurement portal posted by ARNES as the contracting authority, where it will participate as a provider within the scope of fibre optic lease until 2026.

Revenue from telecommunications remained at roughly the same level compared to 2021.

Traffic safety

The basis for monitoring traffic safety includes activities that have been identified in previous years by DARS as indicators for the efficient and economically favourable selection of measures to improve traffic safety. The activities include the EuroRAP programme and those laid down in Directive 2008/96/EC on road infrastructure safety management and the new EU Directive 2019/1936, which introduces a new feature regarding "targeted road safety inspections".

In 2022, traffic safety activities were focused mostly on traffic arrangements at motorway and expressway junctions in order to provide vertical and horizontal traffic signs in a manner allowing drivers to see them on time and grasp their meaning. At the same time, the measures are implemented to prevent driving in the wrong direction. Vertical and horizontal signs were provided at all junctions in the area of MMCs Ljubljana, Hrušica, Novo mesto, Postojna and Kozina.

To prevent driving in the wrong direction, we also successfully completed a pilot project involving 3D horizontal traffic signs at junctions where wrong-way driving had already taken place.

Within the scope of the project for the 3rd development axis – north (section 2), a traffic simulation of design solutions was conducted with a simulator in realistically replicated virtual environment. Therefore, the suitability of design solutions was already checked in the design stage, i.e. in relation to wrong-way driving, making a rescue lane in case of congestion or an accident, diverting the attention of drivers by communication technology devices,

detecting and monitoring traffic signs at various times of the day and in different weather conditions, and the suitability of erected traffic signs and the course of the carriageway. All the previously mentioned activities were simulated in realistically replicated environments and different weather conditions (rain, snow and fog).

In 2022, the Company started replacing worn-out vertical traffic signs that no longer comply with the Rules on traffic signs and equipment on roads and which must be compliant by 2026.

Traffic equipment to secure dangerous sites (crash barriers, end terminals and crash cushions) was set up in 2022 within the scope of major investments in carriageway reconstruction and rehabilitation throughout the MW/EW network.

In 2022, a total of 1,915 traffic accidents occurred on motorways and expressways. There were 26 fatalities, the same as in 2016. The number 26 was last exceeded in 2007, i.e. 15 years ago. In the accidents, 56 people were severely injured, which is 65% more than in 2021 (34) and 8% more than in 2019 (52). Light injuries were suffered by 559 people, which is 25% more than in 2021 and 7% less than in 2019.

Traffic safety and the observance of traffic rules diminished in 2022 due to the abolition of the Motorway Police and consequently reduced control on the roads operated by DARS.

Having well-trained employees is vital for achieving better traffic safety and fluidity, which is why DARS also trains traffic controllers with a simulator for traffic control and management systems (TCMS) and tunnel simulator. That way, we wish to achieve better response times in emergencies and to ensure that Control Centre employees know how to react. In 2022, all traffic controllers successfully passed training on both simulators.

I.10.5 Investments

In accordance with its business plan, DARS organised and managed projects involving the construction and reconstruction of motorway sections in 2022.

Siting activities were carried out in 11 projects in 2022 in the field of **spatial planning and the siting of motorways and expressways**. Key projects in 2022 were:

Slovenj Gradec-Dravograd EW

- The Preliminary Design and all the required expert bases for NSP were amended.
- The environmental report and annex to the environmental impact assessment were being produced.
- Optimisations to the alignment at the Bukovska vas water protection area were made.
- Solutions were coordinated with the Slovenian Water Agency's projects in order to reduce flood risks (Pameč, Mislinja and Meža areas).
- The hydrogeology study was revised as per the data obtained from groundwater level monitoring.
- A hydrology and hydraulics study was produced.
- The surveying plan was supplemented.
- The Preliminary Design and expert bases were audited.
- A study was produced for a provisional measure to protect spatial planning within the NSP area.
- A demolition study was being produced.

Otiški vrh-Holmec EW

- A public contract was published for the producer of the land surveying plan.
- Another contract notice was published for the producer of expert bases for NSP.
- A public contract was published for the producer of the environmental report.
- A public contract was published for the producer of the national spatial plan (NSP).
- A surveying plan was being produced.
- Expert bases for NSP were produced:
 - to check the relocation of a chapel near Votla peč, harmonisation with MoC;
 - to check the proposal for the Dobja vas junction as put forth by the Municipality of Ravne na Koroškem;

- to produce a study of optimisation and check the practicality of a 4-lane road on section 1 of the national road (Otiški vrh–Ravne).

Ptuj-Markovci section

- As part of the production of a VS/PIZ and ER:
 - a study of potential variant solutions was supplemented with the optimised variant S5 for consideration by the inter-ministerial working group,
 - a study was produced comparing variant S5 solutions along with a proposal for the most suitable variant S5 solution,
 - detailed examinations of variant S5 were produced within the scope of the selection of variants for evaluation in the VS/PIZ,
 - a surveying snapshot was produced,
 - expert bases for VS/PIZ began to be produced.
- The Company actively participated in the inter-ministerial working group in respect of the selection of variants for evaluation within the VS/PIZ. At its 10th meeting held on 8 April 2022, the inter-ministerial working group adopted a decision to consider one variant (S5 optimised) in the VS/PIZ.
- A contract notice was published for the production of surveying bases.
- A contract notice was published for the production of hydrogeology research.
- A contract notice was published for the production of a hydrology and hydraulics study.
- Comments were prepared on Appendix 5 to the general guidelines pertaining to water, followed by harmonisation with the Slovenian Water Agency.

Podgora-Letuš connecting road

- Complementary guidelines for variant 3 (proposal by inhabitants) were analysed.
- Expert bases for the VS/PIZ were created:
 - urban development and planning study,
 - structural engineering study,
 - environmental report and protected areas annex,
 - traffic study,
 - geological and geotechnical study,
 - hydrology and hydraulics study,
 - noise and noise protection study,
 - traffic safety impact assessment, and
 - a study for deposits of excess excavation materials.
- A variant study (VS) and a pre-investment study (PIZ) were produced and sent to the DARS Commission for examination.

Postojna/Divača-Jelšane MW

- All the necessary expert bases, VS/PIZ and ER (new round of evaluation) were being produced:
 - an analysis of guidelines and harmonisation with SPA (MoC, IRSNC, MoD),
 - a traffic study was produced,
 - a structural engineering study, ER and spatial development study were being produced,
 - research of environmental DNA (presence of olms at the Replje spring) was conducted,
 - a study for optimisations was being produced.
- The Company cooperated with municipalities and presented the observance of guidelines provided by municipalities.
- An additional “violet variant” was planned:
 - guidelines were obtained for the additional “violet” variant,
 - solutions were aligned on the basis of guidelines obtained from the Municipalities of Postojna and Pivka,
 - additional guidelines were obtained (from MoD, MoC) for the “optimised violet variant” based on the guidelines provided by the Municipality of Pivka.
- Comments were prepared on Appendix 5 to the general guidelines pertaining to water, followed by harmonisation with the Slovenian Water Agency.

Koper-Dragonja EW

- Positions on remarks and proposals obtained during the public unveiling were completed and additional explanations were prepared for approval by the MoI and MESP.
- A public contract was published for the producers of expert bases for NSP.
- Another public contract was published for the producers of the national spatial plan (NSP), the production of which also commenced (preliminary activities).
- The Company cooperated with the MoI in communication with the civil society initiative and non-governmental organisation ROVO, and prepared reminders and information.

IBC Dragonja–national border with the Republic of Croatia

No activities were carried out in 2022.

Vrhnika MW junction

No activities were carried out in 2022.

Ecoduct at the Unec-Postojna MW section

- The SPA guidelines and proposals put forth by the public were analysed.
- On 5 May 2022, the Government of the Republic of Slovenia adopted a decision on national spatial planning.
- A public contract was published for the “Production of a variant study/pre-investment study and NSP for an ecoduct at the Unec-Postojna MW section”.

Expansion of the Ljubljana Ring Road and radial motorways

- Harmonisations were conducted between the Ministry of Infrastructure and DARS regarding the continuation of the project.
- In November 2022, a meeting was held at the MoI, Sustainable Mobility and Transport Policy Service, in relation to the preparation of a harmonised motion for a national spatial plan of measures that will contribute to the solutions of the Ljubljana traffic hub. It was decided that the Service is to prepare a proposal of the vision and goals for the solution of transport issues in that area.

Karavanke platform

- Expert bases for the VS/PIZ were created:
 - urban development and planning study,
 - structural engineering study,
 - traffic study,
 - geological and geotechnical study,
 - hydrology and hydraulics study,
 - noise and noise protection study,
 - traffic safety impact assessment.
- A variant study/pre-investment study was being produced.

Šentrupert–Velenje

- Activities relating to the production of rehabilitation plans for the affected agricultural holdings.
- Activities relating to the acquisition of an environmental permit, definition of the position on ARSO's invitation to clarify in the procedure to issue the environmental permit.
- The acquisition of the environmental permit was suspended because a request for the building permit was submitted to the MSPE under an integrated procedure.

Kranj North MW junction

- The initiative/DIIP was confirmed by the Management Board at the start of 2022 and submitted to the initiator MoI.
- The Land Transport Directorate within the scope of the Ministry of Infrastructure submitted a national spatial planning initiative to the Spatial Planning, Construction and Housing Directorate at the Ministry of the Environment and Spatial Planning on 24 March 2022.
- The public presentation of the initiative/DIIP took place from 10 May 2022 to 10 June 2022 on the MESP website.

- An analysis of guidelines was produced on 13 September 2022 and submitted to the Spatial Planning, Construction and Housing Directorate at the Ministry of the Environment and Spatial Planning and to the Land Transport Directorate at the Ministry of Infrastructure on 13 September 2022.
- On 24 November 2022, the Government of the Republic of Slovenia adopted a decision on the national spatial plan.
- Activities were conducted for the public contract to select the provider of expert bases for VS/PIZ, for VS/PIZ, expert bases for NSP and NSP.

Many other tasks related to spatial planning and siting were carried out, e.g. the preparation of guidelines and opinions in cases where the Ministry of Infrastructure is the spatial planning authority, and participation in the preparation and adoption of spatial planning and siting regulations and related regulations. Among other things, harmonisations were made in relation to the proposed Resolution on the Spatial Development Strategy of Slovenia 2050, the Governmental decree on the settlement of public interest conflicts, the Rules on the planning information, Waste Treatment Programme, the Rules laying down the content of a decision in preliminary proceedings and the content of the environmental permit, the amendment to the Decree on the Ljubljansko barje Landscape Park, the amendment to Appendix 5 to the general guidelines of DRSV and the Rules on the MSP and DMSP.

In addition to spatial planning and siting tasks on behalf of and for the account of the Republic of Slovenia, we carried out other tasks on behalf of and for the account of DARS:

- preparation of expert bases for the Ministry of Infrastructure, for the guidelines and opinions to the municipal spatial planning documents, where the MoI acts as a spatial planning authority (SPA), and Terms of Reference and consents, where DARS acts as the consent authority;
- the production of a traffic analysis study and the spatial and environmental reviews for the new Jagodje-Lucija road connection according to the PIKA proposal (Jagodje–Lucija/Padna);
- activities related to a public contract and the production of conceptual designs for the arrangement of safe and secure parking spaces at the Lom, Barje and Maribor rest areas and at the Razdrto junction (production of stage 1 – conceptual solutions (in variants));
- activities related to the environmental impact assessment procedure for the project to establish a third lane on the Štajerska radial road and on the Primorska radial road.

In terms of design documents, the following main activities were carried out in 2022:

Jagodje-Lucija section

The Basic Design (PGD)/Detailed Design (PZI) documents have mostly been produced and partially reviewed. The lengthy design engineering has resulted in the partial misalignment of the design documents with the DARS instructions adopted in the meantime. No environmental permit has been obtained for the design documents or the consent of the Municipality of Piran, which is why no request for a building permit could be submitted. Due to changes in construction legislation, we will need to submit a new application for a building permit according to the integrated procedure, and amend the design documents before that. Procedures are pending to accept the produced documents and annul the existing contracts for design engineering.

In 2022, an agreement was signed with the producer JV Projektivni atelje – nizke gradnje d.o.o. + Ljubljanski urbanistični zavod d.d. + Promico d.o.o. on the amicable annulment of the contract to produce Basic Design (PDG) and Detailed Design (PZI) documents for the Jagodje-Lucija H6 expressway and the section 0478 connecting road for Piran, Lot 1: EW alignment for Jagodje–Lucija and the connecting road for Piran, including bridging and other structures. The physical takeover of the documents produced was conducted. The Company has acquired 92% of the land needed for construction. Subsequent real estate purchase procedures were suspended pursuant to the instructions provided by the Ministry of Infrastructure.

Markovci-Gorišnica section

Activities were underway to complete the Building Permit (DGD)/Detailed Design (PZI) design – acquisition of missing opinions for the purposes of obtaining a building permit. The MESP invited DARS to clarify its position regarding the negative opinion issued by IRSNC. Activities were then conducted to reconcile the positions with the IRSNC and check for possibilities to obtain a positive opinion. Pursuant to the agreement reached at the meeting with the IRSNC on 30 March 2022, a supplementation to EIA was prepared considering only the Markovci-Gorišnica main road section without connection to other sections. The opinion issued by IRSNC on 13 May 2022 was again negative, which is why a new supplementation to EIA was required. The EIA

supplementation according to the recommendations issued by the IRSNC was produced and again sent to MESP, which again requested the IRSNC on 20 June 2022 to issue an opinion on the acceptability of construction works. The IRSNC again provided a negative opinion to the supplemented EIA and requested that DARS align and supplement the EIA and the Annex. The EIA supplementation was sent to the MESP on 2 September 2022. IRSNC finally gave a positive opinion on 3 October 2022. The Company has acquired 99% of the land needed for construction.

Koseze-Kozarje section (expansion into a 6-lane road)

The acquisition of a building permit under an integrated procedure is pending. On 30 November 2021, the City of Ljubljana received a request for the supplementation of the building permit request. The relevant Basic Design and EIA documents were supplemented. The supplemented request was submitted to the MESP on 18 May 2022. In October, the MESP again initiated the procedure to obtain opinions, which was not completed by the time this report was drawn up. Due to the unrealised arrangements foreseen in the NSP for the Brdo West secured parking lot and to facilitate land acquisition in the area of the Brdo East petrol station, the design documents will have to be revised. The first public procurement procedure for the revised Basic Design and the EIA was conducted in 2022. The procedure was unsuccessful due to the excessive tender value, which is why it will have to be repeated. The Company has acquired 98% of the land needed for construction.

Dragomer junction

The investment programme for the construction of the junction was approved on 15 April 2022 by the Ministry of Infrastructure. A partial building permit was obtained, which became final in July. The Detailed Design documents were amended according to the results obtained from additional hydrology and hydraulics studies and the auditor's comments. The supplemented documents were audited and accepted. The Company has acquired 99% of the land needed for construction.

Third development axis – north, the Velenje-Slovenj Gradec section

The design is broken down into eight lots. The production of design documents and obtaining opinions from the competent opinion authorities and of the building permits are being carried out in line with the division and the priorities. Final audits of the Detailed Design were underway. The investment programme was produced and approved in 2019. The Company has acquired 97% of the land needed for construction.

In respect of lot A, a notification of a changed encroachment on the environment was sent to MESP on 11 November 2022 pursuant to Article 101 of the Environmental Protection Act. The request for a building permit will be submitted to the MESP in July 2023.

A building permit was issued on 29 April 2022 for Lot B and Lot H for subsection 1 between the Škale junction and the Konovo tunnel, which became final on 9 June 2022. The building permit for subsection 2 is still being acquired.

A request for a building permit for lot C – Škale was submitted on 11 February 2022 to MESP. On 26 April 2022, MESP asked the ARSO to confirm the compliance of the Basic Design (PGD) documents with the issued environmental permit. Detailed Design documents were prepared and audited.

Construction works were carried out on Lot D.

A building permit request for Lot E – Velunja was submitted in December 2021. Detailed Design documents were prepared and audited. In June 2022, Detailed Design documents began to be produced for the arrangement of a transport road to the construction site along the valley of the Velunja stream.

Construction works were carried out on Lot F.

A building permit request for Lot G was submitted to MESP on 22 December 2022. All opinions other than from the Slovenian Water Agency and the Ministry of Defence have been obtained. A hydrology and hydraulics study was being produced that would check the suitability of solutions in flood- and erosion-prone areas.

Third development axis – north, the Šentrupert-Velenje section

The production of Building Permit (DGD) and Detailed Design (PZI) documents and EIA revision continued. In April 2022, DGD and EIA documents were produced and handed over for the purposes of a request for a building

permit under an integrated procedure, which was submitted to MESP on 22 April 2022. On 3 June 2022, the Environmental Assessments Division at the MESP issued a decision on the building permit request submitted staying the procedure to issue the environmental permit, which was run separately as the continuation of the siting procedure. On 8 June 2022, the info office at the registered office of the Municipality of Šmartno ob Paki started operating every other Wednesday in the month. In June, the request for a building permit was presented to the MESP representatives and, in October, the alignment was physically inspected. PZI documents are being prepared and submitted for interim review. On 22 December 2022, MESP sent a request for the supplementation of the building permit request. The Company has acquired 78% of the land needed for construction.

Stages 1 and 2 of the 3rd development axis – south (from the Novo mesto East junction to the Osredok junction)

All Basic Design (PGD) and Detailed Design (PZI) documents have been produced and submitted. The building permit for the alignment and both bridges was already issued in 2021; however, four lawsuits were brought against it before the Administrative Court. On 8 June 2022, the Administrative Court held the main hearing in lawsuit CI 3RO. In July 2022, the Administrative Court issued a judgement annulling the building permit and referring the matter back to the MESP for reconsideration. On 21 October 2022, the MESP sent a request for the supplementation of design documents according to the judgement issued by the Administrative Court. The request for the issue of a building permit was supplemented on 9 November 2022. On 24 November 2022, the MESP sent a request to the ARSO and the Institute for the Protection of Cultural Heritage of Slovenia (ZVKDS) for the re-issue of an opinion in a repeated building permit issue procedure. The new building permit is expected to be issued at the start of 2023. The Agreement with the City of Novo mesto regarding the arrangement of a transport road was harmonised.

Stages 3 and 4 of the 3rd development axis – south (from the Osredok junction to Maline)

A full land allotment was made as per the data for the NSP border or, rather, as per the perimeter of construction works. Decisions were issued for all the cadastral municipalities other than for c.m. Stopiče, which is expected to be issued in 2023.

It is planned to purchase 724,328m² of the land needed for construction in stage 3. Around 31% (225,328m²) has been acquired, all of which is in c. m. Stopiče, c. m. Gotna vas, c. m. Težka voda and c. m. Stranska vas.

It is planned to purchase 944,237m² of the land needed for construction in stage 4. Furthermore, 190,021m² of land has been acquired for the construction of stage 4 (c. m. Vinja vas, c. m. Dole, c. m. Štrekljevec and c. m. Lakovnice). The Company has acquired 25% of the land needed for construction.

A total of 7 buildings in stages 3 and 4 have been purchased, while inheritance proceedings are pending for 2 buildings (hayracks) of the same owner. Five buildings have already been handed over.

In 2022, activities to produce DGD, EIA and PZI documents continued. A request for the building permit will be filed to the MESP at the start of 2023. Positions were reconciled with the opinion-giving authorities. A supplementation of the geological and geomechanical report for overpass 4-1 with respect to design changes is being prepared. The geological, geotechnical and hydrogeological study is ready to be submitted for auditing. Design engineers have all the geological and geotechnical bases and conditions for the production of DGD documents. It will be further necessary to produce the geological, geotechnical and hydrogeological report for the use of excess material.

The contractor for preliminary archaeological research underwent onboarding on 4 March 2022. Research will be conducted after the land is acquired. The provider of preliminary archaeological research put forth a proposal for the extension of the period on 4 August 2022. The contracting authority granted the proposal for an extended contractual period (letter No. 7.0.1/2022-MN-100 of 18 August 2022). The annex for the extended period was signed on 21 November 2022.

The contract for the audit of demanding structures was signed on 23 November 2022.

An interim audit of design documents for the extension of the Novo mesto Motorway Maintenance Centre was performed.

Third development axis – south, section 2 from the Maline junction to IBC Metlika and the Črnomelj South junction

The contract for the provision of expert consultancy services for the production of the DGD/PZI documents, land acquisition and the acquisition of all permits for construction for the national road of section 2 of the 3rd development axis from the Maline junction to IBC Metlika and Črnomelj south junction was signed on 30 March 2022.

The provider of the project implementation study and pre-investment study produced the traffic study, structural engineering study, a study of the wider economic impact and environmental verification, based on which a synthesis project implementation study was produced in April 2022. In May 2022, the latter was audited and the pre-investment study was submitted to the DARS Commission for review. In July, the supplemented project implementation study was sent, following the audit, to the Ministry of Infrastructure for the confirmation of baselines. The pre-investment study was approved by the Management Board of DARS on 17 August 2022. The Public Road and Railway Infrastructure, Aviation and Maritime Investment Document Review and Assessment Board (KIOP) rejected the application for the review and approval of the pre-investment study at its meeting held on 23 November 2022 stating that the expressway variant subject to the pre-investment study had already been approved with the adoption of the national spatial plan.

In parallel, tender documents were prepared in the second half of 2022 for the production of DGD documents and Detailed Design (PZI) documents, i.e. separately for the construction of subsection B from the Metlika North junction to IBC Metlika, and for the construction of subsection A from the Maline junction to the Metlika North junction. Tender documents for subsections A and B were published on the public procurement portal on 13 October 2022. The decisions on the selection of the contractors were approved at the DARS Management Board meeting held on 12 December 2022 and at the DARS Supervisory Board meeting held on 19 December 2022.

In the letter dated 15 December 2022, the Ministry of Infrastructure confirmed the bases of the produced project implementation study referring to subsections A and B. In parallel, tender documents were prepared for a public contract for the selection of the surveyor who would conduct land allotment. The contract notice was published on 19 December 2022.

Real estate purchase has not yet commenced.

Execution of investment works at Šmarska cesta in Koper at G1-11/1062 from the junction leading to the H5 to the relevant connection to the existing situation within the scope of which the Slavček junction is being designed

In 2017, an arrangement and agreement were signed between the Ministry of Infrastructure, DARS, SIA and the City of Koper laying down the activities and funding of co-signatories. Pursuant to the agreement, all necessary activities for the realisation of the project up to the acquisition of the relevant building permits are managed by the City of Koper. In November 2019, a decision was adopted by all the co-funders to publish a contract notice for sections 2 and 3 separately from section 1, the tender documents for which will be prepared by DARS. DARS is not a co-funder for sections 2 and 3. There are currently no activities on section 1.

Expansion of the Bertoki radial road into a 4-lane road

An agreement on the expansion of the Bertoki radial road into a 4-lane road was reached between the Ministry of Infrastructure, DARS, SIA and the City of Koper on 25 July 2016. Pursuant to the agreement, all activities leading to the construction are managed by the City of Koper, while the design documents are to be reviewed by DARS. Works for the expansion of the Bertoki radial road will be executed as maintenance works in the public interest. Pursuant to the signed agreement, DARS will later refund the cost of the design documents. The City of Koper handed over the design documents on 18 December 2020 and the latter were submitted to the auditor for review on 7 January 2021.

In 2022, procedures continued to obtain consents to documents and to audit the design documents. Based on the requirements put forth by consent authorities, it was necessary to produce additional designs, i.e. the design of the railway overpass and the design of overpass construction technology for the issuance of a certificate of audit by Slovenske železnice, as well as additional designs of the faecal sewage system based on the requirements set by the public utility Marjetica Koper. Based on the comments provided by auditors, design documents were amended and submitted for final audit in October 2022, whereby the final common inventories were submitted for audit in December 2022. Due to the non-compliance of design documents, which are broken down to three

lots and produced by three design engineers, supplements and amendments were required frequently. A draft co-funding agreement was drawn up, which is currently reviewed by the Slovenian Infrastructure Agency. The producer of the investment programme received data for the preparation of a draft document, whereby the latter can be finalised on the basis of the audited final inventories. In respect of the provision of the right to build, it was found that the City of Koper had not yet obtained all the documents supporting the right to build.

Based on the agreement concluded, the acquisition of the missing real estate falls within the competence of the City of Koper. The Company has already acquired 95% of the land needed for the construction of the connecting road to the Port of Koper, stage 1.

Srmin radial road

The Basic Design/Detailed Design documents have been produced in previous years and a partial acceptance of the documents was carried out in 2014. For various reasons (the rules on design documents have been amended twice, the on-site situation has changed, the co-ordinate system has changed, etc.), the existing documents could no longer be used to obtain a building permit, which is why the design documents had to be amended. A new contract for the amendment and supplementation of the DGD/PZI projects was signed with the contractor on 24 August 2021 and the design engineer underwent onboarding on 27 September 2021. In 2022, DGD/PZI documents were produced and are now ready to be audited. The contractor has obtained all opinions other than from the Slovenian Infrastructure Agency and DARS, which are to be issued after the audit. Activities are currently pending to sign a contract for the revision of investment documents, which will be performed in the first half of next year. Negotiations commenced to harmonise co-funding agreements with Rižanski vodovod, Elektro Primorska and Petrol.

All activities have been completed within the scope of stage 1 of archaeological excavations in the area of future construction works. In December 2021, procedures were initiated to obtain CEF-2 funding, which DARS intends to obtain together with the Port of Koper. A decision on the award of EU funds was signed in December 2022, whereby 50% of all the funds necessary for construction were obtained, which amounts to slightly more than €4 million.

The Company has acquired 75% of the land needed for construction.

The following activities related to construction were carried out:

Koseze-Kozarje MW section and the Dragomer junction

The contract notice was published on the public procurement portal on 14 October 2022. The tender submission deadline was on 20 December 2022. Four tenderers participated in the procedure, whereby only one of them submitted a tender below the estimated value. The tender review will be completed at the start of 2023.

A contract notice was published for preliminary archaeological research in December.

Tender documents were also prepared for external quality control.

At the Koseze-Kozarje MW section, no activities were conducted in relation to expansion into a 6-lane road, since no building permit has been obtained yet.

Karavanke project

By 31 December 2022, work on the Karavanke tunnel excavation and the support elements progressed as follows:

- up to 2,357m in the top heading (699m in 2022);
- up to 2,320m in the bench (699m in 2022);
- up to 2,290m in the inverted arch (made of shotcrete) (of which 710m from 1,580 to 2,290m in 2022);
- in the GQ-26 cross passage (in the length of around 55m up to the western tunnel tube).

In addition, the following works have been completed in the tunnel:

- base of the inner lining – west and east side, up to 2,000 m (twice 583.7m of which in 2022);
- up to 1,832m in the inverted arch (cast concrete) (979m of which in 2022);
- up to 1,820m of lean concrete (980m of which in 2022);
- up to 304m of tunnel waterproofing (all in 2022);
- up to 300m of inner lining (all in 2022).

Outside the tunnel, a part of the existing portal structure was demolished (for the purposes of extending the new structure) along with shaft H-1 and the floor duct for the installation of the hydrant pipeline.

The material excavated from the tunnel was transported from the site and was built in as 50cm thick layers at the excess material deposit sites designated "4", "C" and "G".

An operating permit was obtained for bridge M-2 and deviation 1-3 with connecting roads (Hrušica).

At the M-1 bridge construction site and near the PK-1 and PK-2 supporting walls, all the works have been completed other than waterproofing and asphalt cover, which will be made during the construction of the missing MW section from the tunnel portal to TS Hrušica.

In the area of the C deposit site, utility lines and water management regulations were relocated and the slip road to MMC Hrušica was paved with asphalt.

The hydrant pipeline from shaft H2 above the tunnel portal to the Presušnik water reservoir was refurbished in the length of around 1,300 metres.

In line with the course of the construction site activities, the design engineers, providers of geological, hydrological and geotechnical accompanying services, external quality control and a health and safety at work coordinator were also involved in the work in addition to the engineer.

The construction site's impact on the environment (noise, dust, vibrations, monitoring water – surface water and groundwater, roads, cultural heritage, etc.) was regularly monitored.

Third development axis – north, the Šentrupert-Velenje section

Considering the progress of design engineering and EIA acquisition and the consequently yet to be acquired building permits, no construction activities commenced in 2022.

Third development axis – north, the Velenje-Slovenj Gradec section

Public procurement activities were carried out to obtain contractors to construct the Velenje-Slovenj Gradec section by individual lots. Construction works continued in individual lots. Public procurement activities for stage 1 of the procedure (qualification) continued for Lots B (Škalsko jezero) and H (Konovo). In February 2022, the contracting authority published its decision on qualitative selection. This was followed by activities for stage 2 of the public procurement procedure (invitation to tender). The opening of tenders was conducted in December 2022. Public procurement activities were also conducted for Lots B and H to obtain the provider of external quality control and the provider of geological and geomechanical monitoring during the construction of the Konovo tunnel. Public procurement activities for qualitative selection (stage 1) were also carried out for Lot E (Velunja) and Lot C (Škale). Activities in this stage have been completed and the contracting authority's decision on qualitative selection has become final.

Construction works continued in lot F (Janina). Construction works were performed on the foundations, supporting structure and beam structure for the Visočnik and Velunja viaducts and the Jenina bridge across the Jenina stream. Construction works were also conducted on retaining structures 10-OK-40, 10-OK-5 and 10-OK-5a. In May 2022, the relocation and reconnection of the gas transmission pipeline was completed, whereas the relocation of the high-voltage overhead power line was completed in September. Earthworks were conducted on the expressway alignment section between the Visočnik and Jenina viaducts. Usable excess excavated material was temporarily deposited at Lot G (Podgorje). Construction works on Lot D (Gaberke) were completed in May 2022. In December 2022, a technical inspection prior to the acquisition of an operating permit was made for the works completed on the overpass at the regional road deviation over the expressway at the Gaberke junction, the pile wall along with the regional road deviation and other arrangements of municipal infrastructure.

Stages 1 and 2 of the 3rd development axis – south, the section from the Novo mesto East MW junction to the Osredok junction

A contract notice for the selection of a construction contractor was published (stage 2) after the building permit was obtained in October 2021. A procurement procedure was also prepared for a provider of external quality

control. Stage 2 of the contract award procedure has been suspended until the building permit becomes final. The procedure for a provider of external quality control was suspended as well.

The elimination of defects within the warranty period

In 2022, activities to eliminate defects within the warranty period were conducted at the following MW and EW sections: Pluska–Ponikve, Ponikve–Hrastje, Lešnica–Kronovo, Fram–Slivnica, Slivnica–Pesnica, Zrkovska cesta–Pesnica, Šentilj–Pesnica, Beltinci–Lendava, Draženci–Gruškovje, Koper–Izola, Peračica–Podtabor and Šentjakob–Blagovica.

Razdrto-Vipava-Ajdovščina EW

In 2022, activities continued to launch a public procurement procedure to obtain the provider of wind barriers for the remaining locations on the H4 Razdrto-Vipava-Ajdovščina expressway. The public procurement procedure is being run together with other projects at this expressway section. In 2022, stage 1 of the public procurement procedure (qualitative selection) was published. A request for review was filed against the contracting authority's decision on qualitative selection adopted in November 2022. The review procedure run by the National Review Commission was not completed by the end of 2022.

Markovci-Gorišnica section

The DGD (lead file) design, EIA and land cadastre were supplemented and harmonised, and will be sent to MESP in January 2023 for public unveiling and the hearing of parties.

Activities were carried out for a public contract for the construction of the main road section along with the Gorišnica-Ormož section. The stage 1 procedure for qualitative selection was completed in 2021 and was followed by preparations for the stage 2 procedure for the selection of the contractor. Due to notable price increases throughout the world, the estimated value of tendered works was reassessed and the need for the revision of investment documents was checked.

Gorišnica-Ormož section

The contractor completed all activities in the construction of stage 1 of the Sejanec viaduct in 2021. Detailed Design (PZI) documents have been completed. All building permits have been obtained. Activities were carried out for a public contract for the construction of the main road section along with the Markovci-Gorišnica section. The stage 1 procedure for qualitative selection was completed in 2021 and was followed by preparations for the stage 2 procedure for the selection of the contractor. Due to notable price increases throughout the world, the estimated value of tendered works was reassessed and the need for the revision of investment documents was checked.

Draženci-IBC Gruškovje MW

Construction works throughout the MW section from km 0.00 to km 13.03 were fully completed and the motorway was put into service. Monitoring activities within the scope of the warranty period are now underway. Certain operational monitoring is still underway pursuant to the monitoring programme during MW use.

The construction of additional parking spaces for the purposes of vignette sales at IBC Gruškovje is underway. The contract with the contractor was signed on 20 April 2022 and the contractor underwent onboarding on 30 August 2022. Design documents for the implementation plan (IZN) for stage II of the construction of additional parking spaces are being produced.

Archaeological sites

The post-excavation treatment of site archives continued in 2022 on the basis of a multi-annual contract concluded on 12 August 2016 regarding archaeological rescue excavations on motorway sections and individual excavation sites, where the post-excavation treatment has not yet been carried out, along with the treatment of pottery obtained through extensive and intensive archaeological field surveys. The following sites were treated: Rogoza, Dragomelj, Podgorica, Valmarin, Šušec, Gradišče nad Hraščami, Medvedjek, Zagorica, Bela cerkev, Draga pri Beli cerkvi, Draga 3, Grofove njive, Pečina Skopice, Veliki Dol, Čatež Sredno Polje, Mokrice Na Špici, Obrežje, Ribnica, Zadruga, Lavše, Dolge njive pri Stražgojncu, Trojane, Bohova 2.

The following activities and projects related to reconstruction were carried out:

In 2022, 37.74 kilometres of section and junction carriageways were reconstructed, which includes the resurfacing of part of the Kronovo-Dobruška vas-Drnovo, Šentilj-Pesnica-Dragučova-Lenart and Lipce-Lesce-Podtabor sections, the reconstruction of parts of the driving surface at one part of the Divača-Kozina section, the reconstruction on a part of the Vogrsko-Šempeter-Vrtojba section, and the completion of reconstruction works at the Sv. Jurij ob Ščavnici-Vučja vas-Murska Sobota sections.

A total of 24 bridging structures were reconstructed, of which 20 smaller bridging structures were partially reconstructed in the scope of the reconstruction works. The overpass at Ljubečna, Dramlje-Celje section, and at Podutik, Koseze-LJ (Celovška cesta) section have been restored independently, and the dilatations on the overpass Meljska cesta and the bridge over the river Sava at Hrušica were replaced.

Contracts were signed for the additional measures at the OZ5 retaining construction near the Dragučova interchange, works began in autumn 2022 and will continue to be carried out in 2023. The landslide-affected cut slope Ljubečna at the Dramlje-Celje section was redeveloped. Additionally, the geotechnical anchors on the retaining wall Selo at the Malence-Šmarje Sap section was reconstructed, as was the control point at Hrušice.

Activities to complete past projects are carried out throughout the year along with activities pertaining to the preparation of design and other necessary documents for restoration works in future years. Major projects that were in the design stage in 2022 include:

- DD for the reconstruction of the road and facilities at MW sections A1/0036 and 0636 Fram-Slovenska Bistrica and 0461 Slovenska Bistrica north junction;
- DD for the reconstruction of the Slovenske Konjice-Dramlje section from km 7.000 to km 7.600, incl. the reconstruction of the Slatina-D VA0407 viaduct and the replacement of the Slatina-L VA0093 viaduct;
- DD for the reconstruction of the road and facilities at MW A1 0039 and 0639 Dramlje-Celje, 0138 Celje Centre junction, 0040 and 0640 Celje-Arja vas, 0191 Celje West junction and Most čez Hudinjo;
- DD for the reconstruction of the road and facilities at MW A1 0043/0643 Vransko-Trojane, 0067/0667 Trojane-Blagovica, of the 0105 Trojane junction and for the renovation of the Ločica and Jasovnik tunnels;
- DD for the reconstruction of the roadway and facilities at MW sections A1/0046 and 0646 Domžale-Šentjakob, A1/0047 and 0647 Šentjakob-LJ (Zadobrova), 0145 LJ-Šentjakob junction and 0189 L-Sneberje junction in order to create the third lane;
- DD for the reconstruction of a part of the A1 MW section incl. the replacement of the Dolgi most VA0045 viaduct at km 0.295 and VA0046 at km 0.280;
- DD for the reconstruction of the roadway and facilities at parts of MW sections Ljubljana (Kozarje)-Brezovica-Vrhnika-Logatec and at the Brezovica and Vrhnika junctions in order to create the third lane;
- DD for the reconstruction of the roadway at MW A1 0055 and 0655 Unec-Postojna, A1 0056 and 0656 Postojna-Razdrto and the 0153 Postojna junction;
- Creation of the DD for the reconstruction of the roadway at MW A1 0058 and 0658 Senožeče-Gabrk, 0156 Gabrk interchange, A1 0059 and 0659 Gabrk-Divača and A3 0068 Gabrk-Sežana V;
- DD for the reconstruction of the carriageway at MW A1/0061 Kozina-Črni Kal, A1/0661 Kozina-Črni Kal and 1640 Ravne rest area;
- DD for the reconstruction of parts of the MW sections A2 0022 and 0622 Grosuplje-Ivančna Gorica, junctions 0410 Ivančna Gorica, 0023 and 0623 Ivančna Gorica-Bič, and junctions 0411 Bič and 0072 and 0672 Bič-Trebnje east;
- DD documents for the renovation of the carriageway and facilities on parts of the expressway sections H4/0374 and 0774 Razdrto-Vipava, 0375 and 0775 Vipava-Ajdovščina and at the 0451 Vipava junction;
- DD for the reconstruction of the two-storey bridge over the river Drava in Maribor VA0125 and the reconstruction of the Maribor-Tezno cut-and-cover VA0126 and VA0127.

Contracts were concluded for the reconstruction of existing NBs Works only began at the Fram-Sl. Bistrica section, whereas works at the remaining locations (Blagovica-Krtina, Ajdovščina-Selo-Vogrsko, Pesnica-Maribor, Hrušica-Lipce, LJ Zadobrova-Zaloška-Litijska-Malence) will commence in 2023. Noise pollution studies with proposed anti-noise measures were completed for the further five sets included in the next Noise Action Programme, which was adopted in the autumn of 2022. Activities were initiated for the order of the DD project documentation at specific locations.

Already in 2021, within the Demolition of toll stations and the re-arrangement of toll platforms project, the last part of the motorway at the former Dragotinci toll station was reconstructed, completing the entire project of toll station demolition and re-arrangement following the introduction of the DarsGo system. In 2022, activities were in motion to eliminate certain identified deficiencies during the implementation of works and the conclusion of the remaining contractual works.

The reconstruction of the Leskoškova junction continued in the framework of reconstructing junctions at the BTC area. The southern roundabout was constructed, through which access is provided to the motorway in the direction of Zadobrova. A connection has also been made through the roundabout between Leskoškova cesta west and south, which is managed by the Municipality of Ljubljana. Reconstruction works will continue in 2023. At the same time, activities involving the conclusion of the reconstruction contract for the Letališka connection and land acquisition were carried out.

Electrical and mechanical works and ITS

In 2022, DD project documents were prepared for projects:

- optimisation of fire algorithms concerning the operation of the mechanical ventilation in the Šentvid tunnel,
- reconstruction of EME equipment in the Debeli hrib, Mali vrh, Ločica, Jasovnik, Kastelec, Dekani, Cenkova, pokritih vkopov Močna, Vodole and Malečnik tunnels.

DD project documents were prepared for projects:

- rearrangement of the Ljubljana Traffic Management Centre (RCC Dragomelj),
- construction and installation works and digital video surveillance on the MW in the Republic of Slovenia - IPK4
- implementation of digital video surveillance at DARS facilities,
- restoration of the emergency call system (KVS) at MW Vrba Vodice,
- construction and installation works and digital video surveillance on the MW in the Republic of Slovenia - IPK4, and
- digital video surveillance at DARS facilities.

The following public contracts have been published:

- implementation of the project Reconstruction of the road and facilities in the section MW A1 0038/0638 Slovenske Konjice-Dramlje from 0.071km to 9.000km and the renewal of EME in the Pletovarje and Golo Rebro tunnels. The project also includes a comprehensive renewal of the EME equipment in the Pletovarje and Golo Rebro tunnels and the replacement of the SCS,
- for the replacement of uninterruptible power supply (UPS) devices and systems, which allow for the undisturbed operation of critical tunnel security devices and systems in the event of a power outage from the electricity distribution network,
- a PC is being drafted for upgrading the existing traffic control and management system (TCMS) on the MW Vransko-Blagovica.

The following projects were carried out in 2022:

- the project concerning the establishment of the ADR system in the following tunnels: Kastelec, Dekani, Markovec, Barnica, Podnanos, Šentvid, Debeli hrib, Mali vrh, Podmilj, Trojane, Jasovnik, Ločica, Pletovarje, Golo Rebro and Cenkova,
- the traffic management project involving the radial roads to Ljubljana that envisages using automatic speed limitation in this area to slow down traffic,
- the project concerning program upgrades and the unification of the existing TCMS system,
- the project concerning the placement of LED indicators for visual traffic management in the event of fog at the Višnja gora slope,
- the project of restoring 15 road weather stations (RWS). Project documentation was issued for the procurement and placement of 16 new road weather systems.

The following projects were completed in 2022:

- restoration of ventilator anchor bolts at the Jasovnik, Trojane, Kastelec and Dekani tunnels,
- procurement and replacement of the diesel generator for powering the Močna tunnel,
- establishment of the Hrušica control point,
- restoration of the emergency call system (KVS) at the MW Golovec - Trebnje west junction,

- fibre-optic communication lines between Blagovica and Slovenske Konjice,
- replacement of the video detection equipment (VDE) in the tunnels of Pletovarje and Golo Rebro,
- upgrade of the Genetec video surveillance system.

Based on the DARS-Asfinag agreement, a tender for EME-Package 1 was issued for the Karavanke Tunnel (ventilation of the tunnel, MV power supply, hydrant network, equipment in the central power station). Based on the Agreement, Asfinag is authorised to implement the common public contract process.

Sustainable mobility and alternative fuels

DARS follows the trends for the development of electrical mobility in its own vehicle fleet and the related supply of energy to electric vehicles. For this purpose, DARS equipped additional three-phase AC electric charging stations at its operating locations with a rated power of 22 kW, thus increasing the total number of charging stations to 29 at 24 locations at the end of 2022. The total rated power of the stations is 616 kW.

I.10.6 Debt repayment

DARS is in a period of high annual liabilities arising from debt repayment. €837 million of loan principals shall fall due between 2023 up to and including 2027. In that period, annual debt repayment liabilities will consume the majority of the Company's cash flow from operating activities, which is why a share of the debt will have to be refinanced upon the implementation of investment plans. Debt management is defined as one of the Company's chief activities to achieve its objective of being able to independently repay or settle all of its financial liabilities. A decision on refinancing based on the umbrella Act Regulating the Guarantee of the Republic of Slovenia for the Obligations of DARS d.d. for Loans and Debt Securities Raised or Issued for Refinancing Existing Debts of DARS d.d. (ZPKROD) depends on the generated liquidity reserves (deposits) and future liabilities deriving from the so-called 6-year operational plan for investments. The balance of funds in the form of deposits in 2022 did not reflect a need for refinancing. The Company therefore repaid principals amounting to €181.2 million and interest amounting to €31.7 million. The €90 million loan taken out in 2020 from the European Investment Bank (EIB) to finance the construction of the second tube of the Karavanke tunnel was drawn in full in October 2022. The total Company debt decreased to €1,620 million (balance as at 31 December 2022). In the last five years, the total Company debt reduced by €844 million. One of the reasons for this was the positive development of toll revenue. Due to extensive new investment projects, the Company expects a further increase in the total debt in the coming years.

I.11 Motorways and Expressways in the Republic of Slovenia and Traffic Loads



In 1994, under a special agreement, the Republic of Slovenia transferred to DARS the operation and maintenance of all constructed motorways, as well as infrastructural facilities and devices on them. DARS thus received the 198.8 kilometres of 2-lane and 4-lane motorways and expressways and 67.5 kilometres of junctions constructed so far.

Through the implementation of the NMCP, the motorway network managed and maintained by DARS gradually expanded. At the end of 2022, DARS was responsible for the operation of 624.9 kilometres of motorways, 143.4 kilometres of junctions, 22.3 kilometres of interchanges and 40.8 kilometres of other roads.

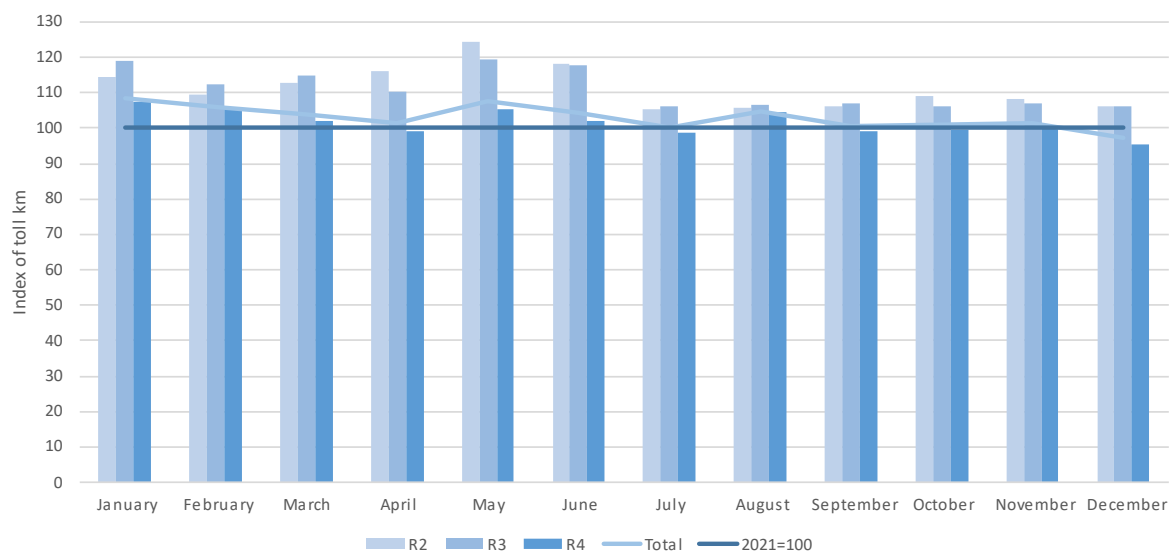
Table 10: Length of the network operated and maintained by DARS as at 31 December 2022

	Balance as of 31 December 2022 (in km)	MW and EW length (A)	Length of turn-offs	Length of link roads	Length of other roads
A1	Šentilj–Dragučova–Maribor–Slivnica–Celje–Trojane–Ljubljana (Zadobrova–Malence–Kozarje)–Postojna–Razdrto–Divča–Črni Kal–Srmin	245.266	11.782	57.842	14.920
A2	Karavanke tunnel–Lesce–Podtabor–Kranj–Ljubljana (Kozarje)–on A1–Malence–Ivančna Gorica–Bič–Pluska–Trebnje–Hrastje–Novo mesto–Kronovo–Drnovo–Obrežje	175.472	4.929	41.030	11.700
A3	Divča (Gabrak)–Sežana East–Fernetiči	12.246	0.000	3.779	4.383
A4	Slivnica–Draženci–Gruškovje–R Croatia	34.609	4.450	7.482	3.552
A5	Maribor (Dragučova)–Lenart–Senarska–Vučja vas–Murska Sobota–Dolga vas–Lendava–Pince	79.574	1.099	13.005	3.466
430	Pesnica–Maribor (Tezno)	8.792	0.000	3.590	0.000
H3	Ljubljana (Zadobrova–Tomačevo–Koseze)	10.222	0.000	6.849	0.000
H4	Razdrto (Nanos)–Vipava–Ajdovščina–Selo–Šempeter–Vrtojba	42.127	0.000	3.871	2.636
H5	Škofije–Koper (Škocjan)–[Dragonja*]	7.833	0.000	2.756	0.162
H6	Koper (Škocjan)–Izola–[Lucija*]	5.236	0.000	2.257	0.000
H7	MW A5–Dolga vas	3.526	0.000	0.955	0.000
Total of MW and EW		624.903	22.260	143.416	40.819

NOTE: The A4 motorway has not yet been fully categorised.

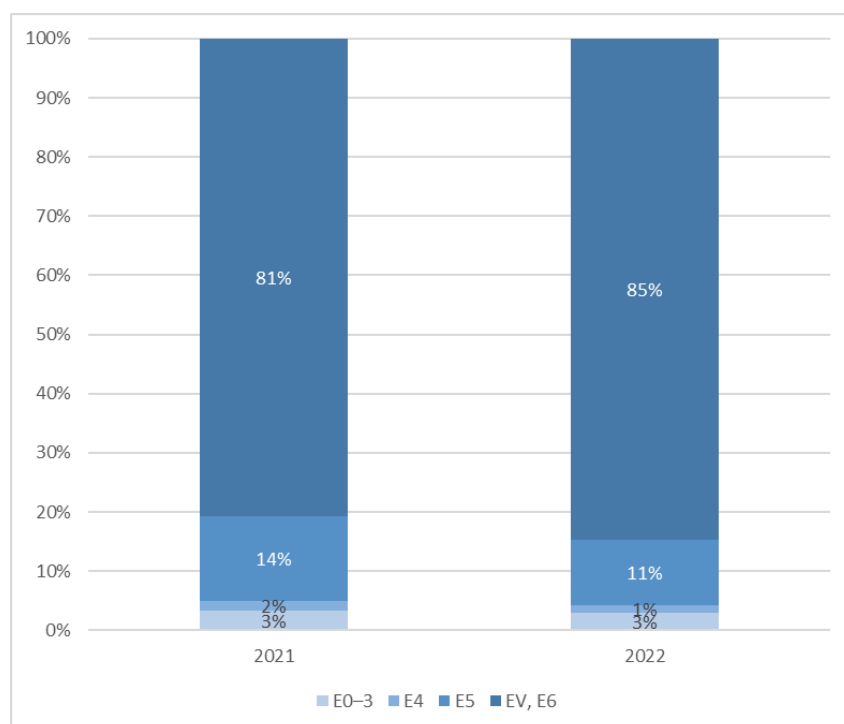
In 2022, the total number of toll kilometres driven by goods vehicles on the network of toll roads (excluding the Karavanke tunnel) increased by 2.9% compared to 2021.

Figure 10: Monthly index of toll km driven by R2, R3 and R4 vehicles in 2020/2021 throughout the MW network (w/o the Karavanke tunnel)



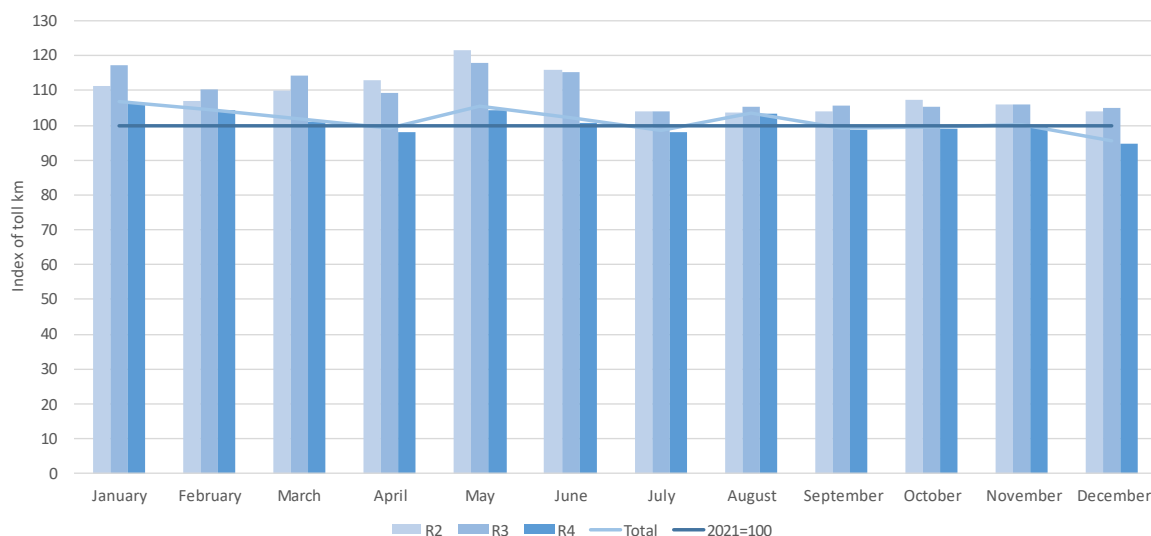
The number of goods vehicles in the low emission classes (EURO 0–III) has been decreasing on account of the increased number of cleaner goods vehicles, mainly in the EEV and EVI classes, which pay the lowest toll rate.

Figure 11: Share of toll km by EURO emission class in 2021 and 2022



In 2022, the value of goods vehicle passages increased by 1.3%, which is 1.61 percentage points less than the increase in the number of toll kilometres driven.

Figure 12: Monthly index of the value of passages of R2, R3 and R4 vehicles in 2022/2021 throughout the MW network (w/o the Karavanke tunnel)



The structure of payment methods in 2022 is similar to 2021. The largest share (67%) is attributed to the post-payment of tolls using payment cards, while 20% are users who have concluded contracts on the deferred payment of tolls with DARS. Prepayments account for 13% of the value of passages.

Figure 13: Share of the value of passages by payment method in 2022

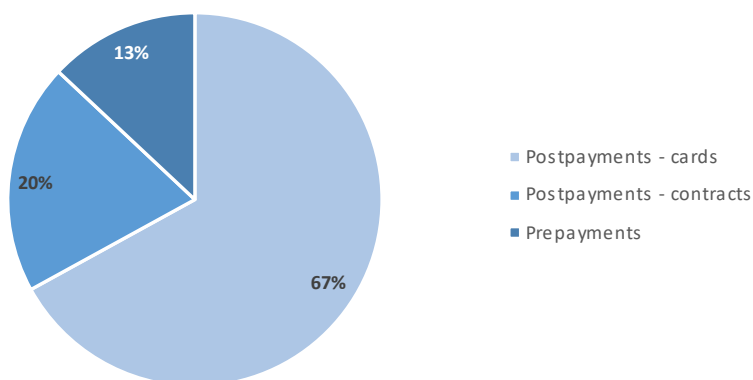
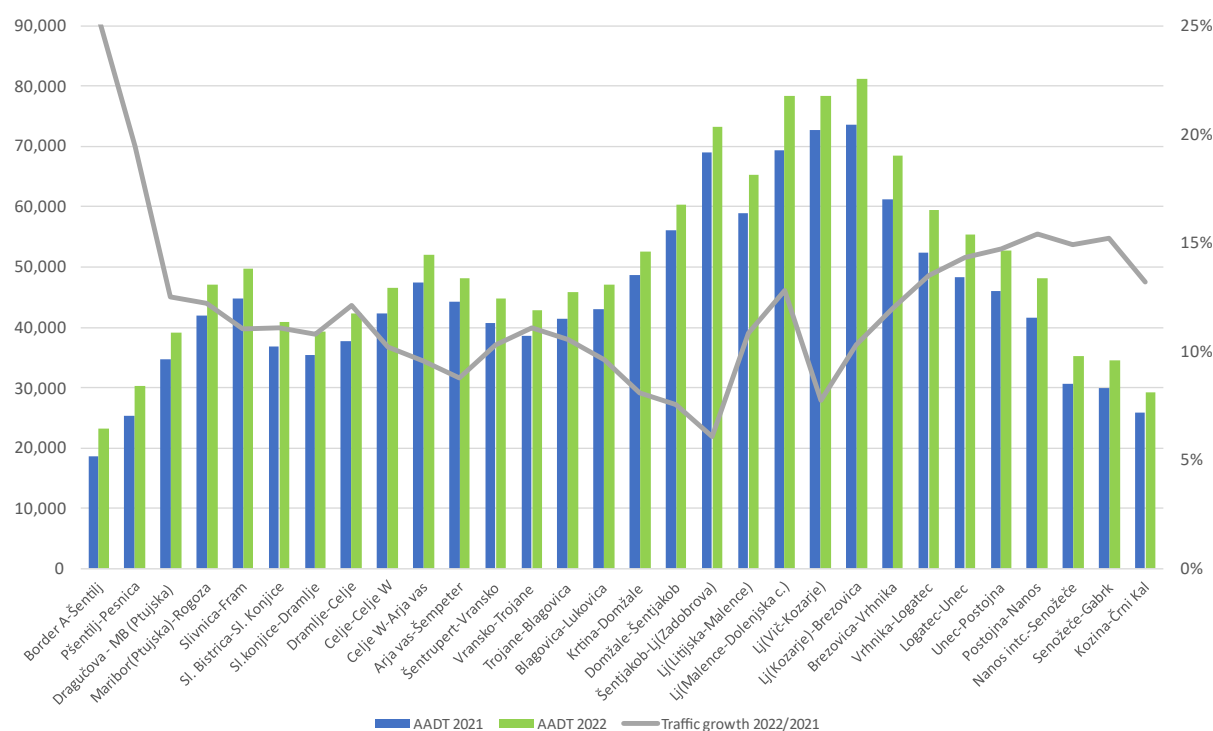
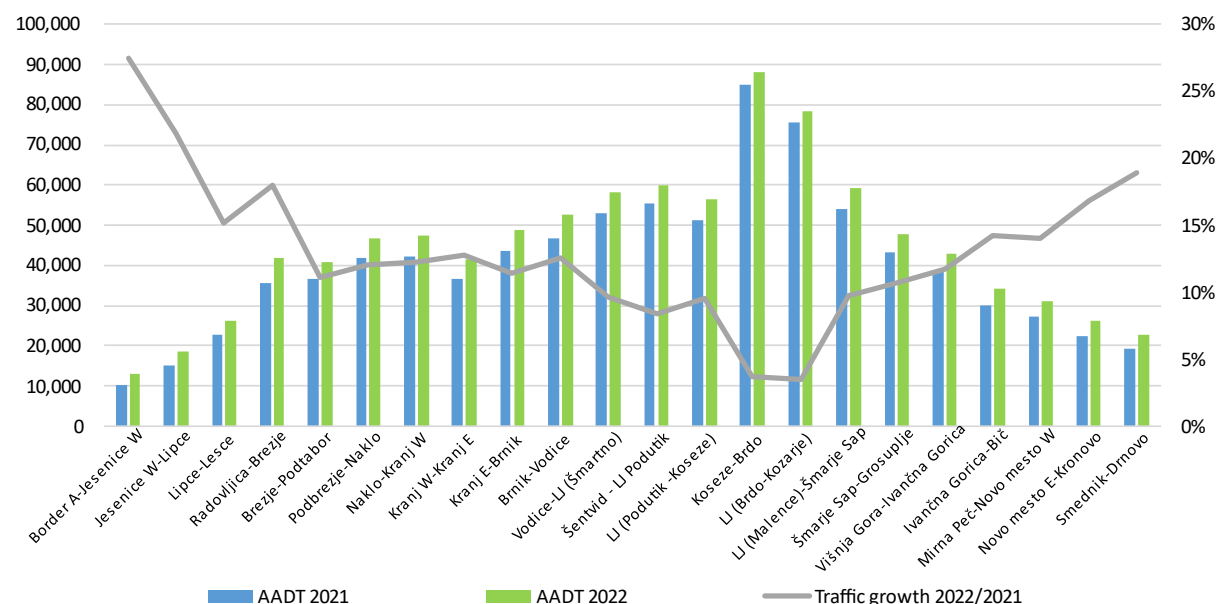


Figure 14: AADT comparison in 2021 and 2022 at selected A1 MW sections



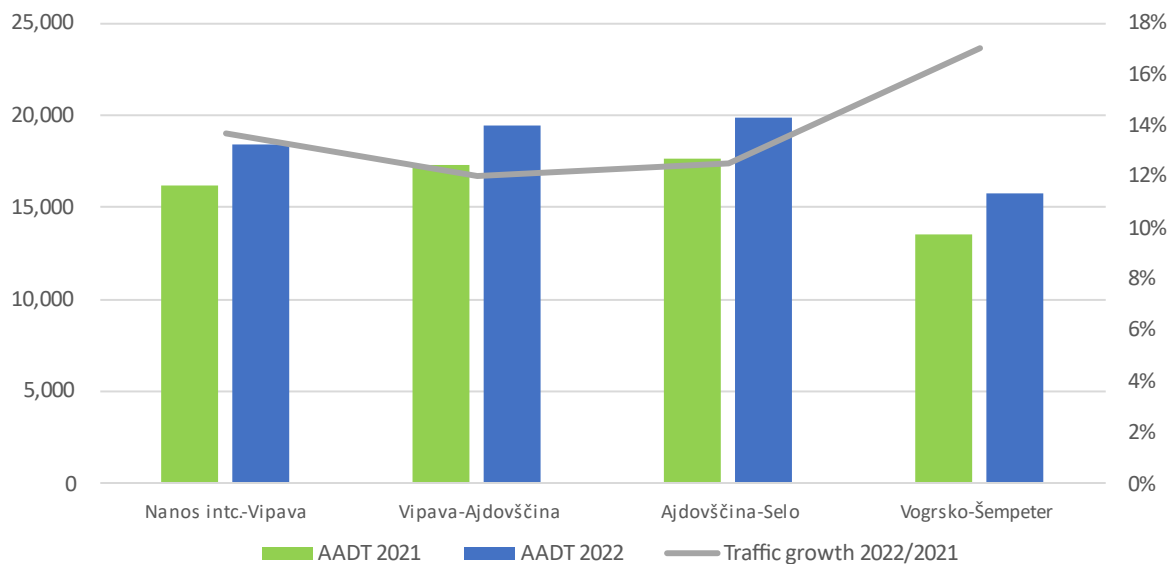
Traffic on the A1 increased in all sections. On average, the AADT in 2022 increased by about 11.5% compared to 2021. However, traffic was on average 2% higher than in 2019.

Figure 15: AADT comparison in 2021 and 2022 at selected A2 MW sections



On the A2, traffic increased by approximately 11%, which is somewhat less than on the A1. However, compared to 2019, traffic was about the same. Compared to 2019, there was more traffic on the Upper Carniolan part of the A2, less traffic on the Lower Carniolan part, and about the same in the vicinity of Ljubljana.

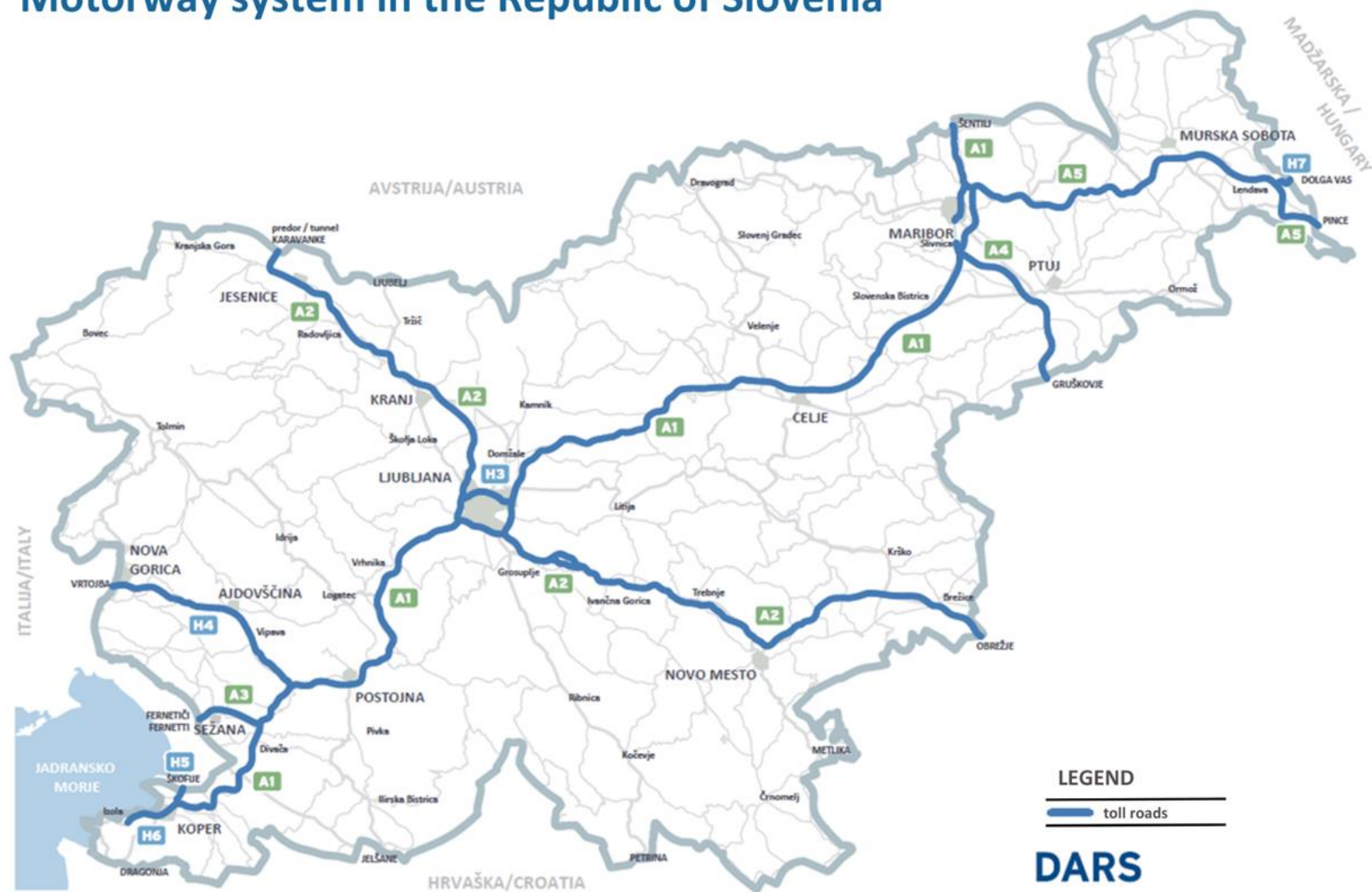
Figure 16: AADT comparison in 2021 and 2022 at selected H4 EW sections



On the H4 expressway, traffic increased by 14% on average compared to 2021. There is no data available for the Šempeter-Vrtojba section due to the road reconstruction works.

Figure 17: Motorway system in the Republic of Slovenia, December 2022

Motorway system in the Republic of Slovenia



I.12 Investments in motorway development and reconstruction

I.12.1 Investments on behalf of and for the account of the RS

Spatial planning documents and real estate acquisition for motorway construction were implemented by DARS pursuant to Article 4 of the ZDARS-1 in the name and on behalf of the Republic of Slovenia. These tasks were realised in the amount of €20.3 million. In 2022, more than 800 contracts were concluded in real estate acquisition, as well as other documents that led to the acquisition of real estates by the Republic of Slovenia. A total of 48 expropriation claims were submitted, 55 of them were completed.

Table 11: Realised value of tasks performed on behalf of and for the account of the RS (in EUR)

Spatial documents and real estate acquisition	Turnover*
Spatial planning	1,292,586
Real estate acquisition	19,033,514
Total spatial planning documents and real estate acquisition	20,326,101

* Since these are tasks performed by DARS on behalf of and for the account of the Republic of Slovenia, the values are shown in gross amounts.

I.12.2 Investments on behalf of and for the account of DARS

In 2022, investment activities were performed in accordance with the ability to secure financial sources. The value of motorway section construction and reconstruction in 2022 amounted to €138.0 million.

Table 12: Realised value of investments on behalf of and for the account of DARS (in EUR)

Motorway development	Realisation
Design documents	7,179,898
Commencement of construction	123,473
Construction of sections for which design documents were prepared in 2022	424,315
Continuation of construction	46,306,430
Finishing works on motorways opened for traffic up to and including 2021	879,369
Other items	5,888,755
Motorway reconstruction works	44,428,674
Electrical and mechanical works and ITS	6,479,005
Traffic safety improvement	379,269
Rearrangement of minor rest areas on the Slovenian MW network	6,432,183
Investments in road management and maintenance	18,848,626
Motorway Police – equipment, facilities and motorway infrastructure	655,595
Total development and reconstruction of motorways	138,025,591

I.13 International Cooperation and the Acquisition of European Grants

DARS has been systematically building ever-better international connections for a number of years in line with its commitment to the Company vision, which is focused on integration in various areas. After almost two years of online events due to the covid-19 pandemic, we started attending live events in 2022, which reinforced our cooperation in international associations and platforms. DARS representatives participated in several international events and thus contributed to the greater recognisability of the Company while also gaining information in a wide variety of areas. Some events were still organised online at the start of 2022 (PIARC international congress for winter services, ASECAP marketing and communications workshop), while there were a couple of live events throughout the year, including: Intertraffic Amsterdam, ASECAP conference on traffic safety at Madonna di Campiglio, and an event at which we are present every year - the ASECAP days, which was organised in Brussels this year.

Through our cooperation in the ASECAP international association, where we are active in various committees and working groups for tolling, sustainable business, traffic safety and smart mobility, we co-develop the Association's plans of work and help prepare European legislation related to our field. We have an important role in the collection and analysis of statistical data concerning the ASECAP association members, where we are tasked with the management of the statistics board. We are also included in the preparation of the Sustainability Report within ASECAP. In the World Road Association (PIARC), we participate in the Winter Service and the Finance and Procurement technical committees and we are also a part of the EETS Facilitation Platform (EFP).

DARS received a total of €4,814,489.24 of European grants in 2022 for works that were carried out in 2021 and 2022. We received funds under the Connecting Europe Facility (CEF) for the cross-border Karavanke road tunnel construction project, i.e. we received €2,069,111.36, which represents 10% of the eligible costs. In cross-border cooperation and the harmonisation of ITS applications, the Company received €229,962.23 for the Crocodile 3 project, which is co-funded in the amount of 20% of the eligible costs. For the C-Roads Slovenia pilot project, which was co-funded in the amount of 50% and was completed in 2021, the Company received €33,335.32, as well as €257,380.95 for the C-Roads Slovenia 2 project, which is the continuation of the original project.

In the scope of the European Cohesion Policy for the 2014-2020 period, we received European grants from the Regional Development Fund in the amount of €1,975,005.49 for the preparation of the documentation for the construction of the expressway for the 2nd section of the third development axis north (from the Velenje South junction to the Slovenj Gradec South junction), as well as €249,693.89 for the preparation of the documentation for the 2nd section of the third development axis south (from the Maline junction to the international border crossing of Metlika and the Črnomelj South junction). The projects are co-funded in the amount of 80% of the eligible costs.

In 2022, we also received €1,035,500 of European grants in advance. In line with the Connecting Europe Facility (CEF 2), we received €1,014,500 for the construction of the connection radial roads Port of Koper - Srimin The project is co-funded in the amount of 50% of the eligible costs and will be implemented between 2022 and 2026. We also received €21,000 for the ATLANTIS project from the HORIZON Europe research and development mechanism. The project will contribute to the improved vulnerability assessment and establishment of the appropriate know-how and awareness on the resilience of the European critical infrastructure to systemic risks.

I.14 Self-assessment using the EFQM Excellence Model



In compliance with the Recommendations and Expectations of the SSH, DARS carries out self-assessments according to the EFQM Excellence Model.

In light of SSH guidelines, a self-assessment under EFQM requirements is conducted every two years; DARS conducted the third self-assessment in 2021 and prepared a report containing the findings, an action plan with 12 measures, as well as short-term and medium-term goals for Company operations in relation to quality and excellence.

The Management Board places great significance on the Recommendations and Expectations of the SSH and has set "To achieve 550 points by 2025 with respect to the requirements of the EFQM model" as a key indicator in the "DARS Strategy for 2021–2025".

The Supervisory Board discusses the report on the realisation of self-assessment measures under the EFQM Excellence Model every 12 months and confirms the adequacy of the introduced measures. The next self-assessment will be conducted in 2023.

I.15 Integrated Management System



The integrated management system includes the quality aspect according to the requirements of the ISO 9001 standard, the energy management aspect according to the ISO 50001 standard, and the information security aspect according to the ISO/IEC 27001 standard. Together, these aspects form a unified management system as described in the Rules of Procedure for the Management System and related documents.

Continuous improvements using the PDCA approach (plan-do-check-act) form the basis for the integrated management system and the requirements of the standards. This approach is the driving force for the progress and optimisation of business processes in all areas of Company operations.

In 2021, the Company started establishing a business continuity system as per the requirements of the ISO 22301 standard, which will be certified through an external accreditation institution in 2023.

To ensure the credibility of the quality management system, energy management system and information security system according to the requirements of the ISO 9001, ISO/IEC 27001, and ISO 50001 standards, these are successfully approved every year by an external accredited institution.

I.16 Internal Audit

Internal auditing is conducted independently and autonomously, and the service reports to the Management Board in terms of organisation and to the SB Audit Committee in terms of function. Internal auditing activities at DARS are carried out on the basis of the Basic Charter on the Operations of Internal Audit. Assurance and management activities were conducted pursuant to the hierarchy of internal auditing rules.

The work was performed in compliance with the Internal Audit Strategic Plan and Annual Plan. The annual plan of work had to be adapted during the year to account for the new risks. Both plans are based on the risks and include all identified and assessed types of risks, key Company documents and the inputs provided by the management and Audit Committee. The Internal Audit Strategic Plan and annual plans of work have been adopted by the Management Board, reviewed by the SB Audit Committee and confirmed by the Supervisory Board of DARS.

Our work was aimed at increasing added value and improving the efficiency and effectiveness of operations. By providing objective assurances to the Management Board and the Audit Committee, along with consultancy services, we strengthened and protected the value of the organisation. Based on a risk assessment, objective assurances were provided along with advice to the management in order to realise the set goals and to encourage and enable continuous improvement.

The development of Internal Audit is realised with a quality assurance and improvement programme. Pursuant to the International Standards for the Professional Practice of Internal Auditing, an external quality assessment was made of the operations of Internal Audit in 2021. The external auditor's opinion was that Internal Audit operates in accordance with the standards. The quality and improvements in Internal Audit's performance are also ensured through internal audits and by monitoring and measuring Internal Audit performance.

Internal Audit assisted the Company in accomplishing its goals by encouraging it to manage different types of risks prudently. While carrying out its work, Internal Audit assessed the existence, operation and efficiency of the internal control system, risk management and corporate governance, and put forth recommendations for proper risk management. Internal Audit reported to the management of the audited process, the Management Board and the Audit Committee of the Supervisory Board on its findings and recommendations for improving the effectiveness of the internal controls for managing risk and corporate governance.

In 2022, we carried out internal audits and consultancy services in line with the confirmed annual plan of work. During the year, we adjusted the annual plan of work to the new risks and carried out the auditing in accordance with the renewed plan of work. Assurances were provided for the areas audited stating that the internal control system was in place, operative and efficient. Individual shortcomings or possibilities for improvement were found during auditing, which were highlighted and for which recommendations were given to establish or improve controls. The Management Board and Audit Committee were kept informed of the realisation of recommendations on a quarterly basis. We also provided advice on the realisation of recommendations. A great deal of time was also dedicated to consultancy, active cooperation in the renewal of system documents and the development of Internal Audit. The internal auditors upgraded their knowledge and supplemented the methodology, thus ensuring the professional and quality performance of internal auditing.



I.17 Sustainable Development

The Sustainability Report of DARS for 2022, which will be published as a separate document, will provide information on the economic, environmental, social and governance effects and the results of Company operations. The Strategy of DARS pursues long-term goals focused on sustainable development and steers the Company towards socially responsible future operations. With reports on its sustainable development, on the one hand, the Company provides quality information on its socially responsible actions to its stakeholders and, on the other, makes decisions on future socially responsible actions based on cooperation and the identification of stakeholders' needs and interests. Our key motto is the connectivity of our business operations with all stakeholders.

I.17.1 Strategic management of sustainable development at DARS

DARS is well aware of its responsibility to people, the environment and society. Therefore, it exercises social responsibility in a sustainable manner in all projects and long-term plans at all levels. Ambitious and clearly defined goals ensure that the public will continue to identify DARS as a responsible and forward-looking company.

The DARS Strategy for 2021–2025, which integrates the Company vision and its stakeholders with three key strategic guidelines of DARS, is shown in detail in the image “DARS Strategy Map” in chapter I.3 Mission, vision, values and strategic guidelines policy, where the central focus is on long-term stable operations and sustainability (with an emphasis on the environment), which also significantly relates in terms of content and strategic goals to the realisation of strategic guideline 1 (Provision of safety, fluidity and reliable and timely services to motorway users) with users as the target stakeholders, and strategic guideline 3 (Engaged and competent employees) with employees as the target stakeholders.

It is also worth noting the role or contribution of DARS to global development, i.e. by observing Sustainable Development Goals (SDG), as adopted by UN members, which are aimed at devoting efforts to developing the whole of society, the economy, science and civil society – which will play an important role in attaining the important goals of the whole society until 2030.

With its activities, DARS strives to contribute to eight sustainable development goals; the connectivity of the vision and strategic goals of DARS is evident from the figure below.

Figure 18: The connectivity of the DARS vision and strategic goals with eight sustainable development goals



I.17.1.1 DARS and its stakeholders

The Company cooperates with its stakeholder groups in a correct and balanced way, engaging in two-way communication. While realising its mission, the Company identifies and monitors the needs and interests of stakeholders through a web of mutual relations at the strategic and operative levels. This strengthens the understanding between individual groups of stakeholders and the Company and enhances mutual trust.

The stakeholders of DARS are identified and defined in the document “Needs and expectations of stakeholders”, which indicates a stakeholder’s influence on the Company, the needs and expectations of a stakeholder, the persons responsible for relations with a stakeholder, the persons cooperating with individual stakeholders, and the method of monitoring the perception of a stakeholder, i.e. for all relevant stakeholders. The inclusion and management of stakeholders are conducted in various ways with respect to the influence of a particular stakeholder on the Company and the influence of the Company on a particular group of stakeholders.

Figure 19: DARS's relationship with stakeholders



I.17.2 Research and development activities

Based on the adopted management system policy and deriving strategic goals based on the performance indicators laid down in the Company's business plan, the Company monitors the performance of project and improvement implementation and, in case of deviations, takes action. The system is developed in a manner ensuring the continuous improvements and innovation of all employees at all organisational levels.

The Company keeps track of new developments in good practices through projects, improvements and innovations, introducing them systematically in its management system and work processes.

In 2022, DARS continued implementing the road management project for the roads it operates. The PMS DARS expert system (PMS: Pavement Management System), which operates using the dTIMS_CT software tool (Deighton's Total Infrastructure Management System with Concurrent Transformation) was used in its new version 9.5 in 2022 and now offers the easier addition of new sections, an improved graphic display and the option to manage archival pavement data. In 2022, we successfully applied the results of the new BMS DARS system (BMS: Bridge Management System) to plan measures for bridging structures.

In 2022, we completed the development project entailing the satellite monitoring of road structure movements, with which we verified the possibility of determining road structure movements using satellite data, and the development project entailing the digitalisation of monitoring the condition of bridging structures, with which we verified the possibility of using drones and modern data capture technologies to monitor the condition of bridging structures.

In the 2016–2022 period, DARS was part of the international C-Roads project, which is aimed at improving traffic and transport conditions through the implementation of internationally coordinated applied ITS solutions on the corridor road network. In 2022, achievements were presented of the successfully completed first part of the implementation of the pilot projects of C-ITS cooperative systems with mobile connections between vehicles and infrastructure with LTE networks and with a microwave connection (ITS G5) for information transmission between the infrastructure and vehicles. We will continue the C-Roads 2 project involving the integration of existing traffic management and information systems into the C-ITS and the expansion of the scope of C-ITS technology. Cross-border tests with neighbouring countries in terms of C-ITS interoperability were conducted.

Within the scope of the European Crocodile project, the Kažipot application was further developed in terms of the exchange of traffic data with neighbouring countries. That especially includes the introduction of the DATEX II standard and its inclusion in GeoRSS. Furthermore, tools for tasks at DARS control centres were developed with the implementation of additional international standards, and improvements and upgrades to the DarsPromet+ application deriving from the use of such tools. Within the scope of the preparation of plans for international traffic management, plans for emergency traffic management were drawn up that were harmonised with the neighbouring countries.

We launched pilot projects that will be the basis for the digitalisation of roads and autonomous driving in the future. Projects are being carried out that include the digitalisation of the infrastructure (lidar and laser images of infrastructure, the input of fixed and variable message signs in digital applications), digitalisation of the traffic data via traffic detectors (thermographic cameras, traffic counters, detection via fibre optics), weather detections with weather stations, and the transmission of this data from the infrastructure to the user (C-ITS with the microwave ITS-G5 technology and 3G/4G/LTE/5G mobile technologies, IoT).

I.17.3 Corporate integrity

The internal system for dealing with reports of alleged corporate integrity irregularities

On 1 April 2021, the Company enforced the Rules of procedure for handling alleged irregularities in corporate integrity, a mandate for the execution of such tasks was awarded to the corporate integrity officer and a committee was appointed for the consideration of reports of alleged irregularities in corporate integrity. The Committee discussed four reports in 2022.

The system for dealing with reports of alleged corporate integrity irregularities was supplemented with regulations in the Rules on the implementation of internal controls and internal investigations. Reports are referred to the internal investigation officer for consideration, provided they deem it necessary to conduct an internal investigation. In 2022, one report was submitted to the internal investigation officer.

Inspections and minor offence proceedings

Four decisions were issued in 2022 as a result of inspections for compliance with environmental laws and other regulations. Due to a violation relating to the use of plant protection products, minor offence proceedings were initiated and closed with a warning.

During the inspection for compliance with the laws and other regulations concerning roads and their maintenance, no decisions were issued in 2022 against DARS, though one decision was issued with which a responsible person of DARS was found guilty in a minor offence procedure. A request for judicial protection against the aforementioned decision has been submitted.

The information commissioner did not introduce any new inspections against DARS in 2022. Two previously initiated proceedings were suspended, and one minor offence decision was issued based on the findings in one of the proceedings, whereby a warning had been issued for the minor offence, both to the responsible person and to DARS as the legal entity.

Review procedures at DKOM

Legal protection against violations in public procurement procedures is ensured in a pre-review procedure before the contracting authority and in a review procedure before the National Review Commission for Reviewing Public Procurement Procedures (hereinafter "DKOM").

The table "Published and awarded public contracts" shows that, in 2022, DARS published 124 and awarded 146 public contracts. Based on the Legal Protection in Public Procurement Procedures Act (Official Gazette of the Republic of Slovenia, No. 43/11, 60/11 – ZTP-D, 63/13, 90/14 – ZDU-1I, 60/17 and 72/19), 10 review requests were considered in 2022 and 9 decisions were issued by DKOM (Table 14: Review procedures at DKOM). DKOM has yet to decide in one proceeding.

Table 13: Published and awarded public contracts on the eNaročanje portal (data for DARS)*

	2018	2019	2020	2021	2022
No. of published public contracts	176	162	189	137	124
No. of awarded public contracts	281	313	194	168	146

* Data source: <https://ejn.gov.si/statist>, <https://www.enarocanje.si/>

Table 14: Review procedures at DKOM (data for DARS)*

	2018	2019	2020	2021	2022
No. of partially granted review requests	-	-	2	-	1
No. of granted review requests	1	5	5	7	4
No. of annulled procedures	-	1	-	-	-
No. of dismissed review requests	-	1	1	-	-
No. of rejected review requests	6	8	10	10	3
No. of stayed procedures	2	1	1	-	1

* Data source: www.dkom.si

Compliance with the provisions of the codes and recommendations that apply to DARS

Deviations from the individual provisions of codes and recommendations that apply to DARS are explained in the Corporate Governance Statement, which forms a part of the DARS Annual Report for 2022 pursuant to paragraph 5 of Article 70 of ZGD-1.

Conflicts of interest

Members of the Management Board, other associates and members of the Supervisory Board may not use their job or position and the information they obtain in the course of their work to pursue an undue private interest for themselves or for anyone else. The misuse of inside information and business secrets is unacceptable, harmful and prohibited by DARS. DARS associates are required to notify their superiors about any and all circumstances (business, family or other relations outside the Company) that could affect decision-making. In such a case, it is best practice that the associate be excluded from the relevant work process.

I.17.4 A responsible attitude to customers and user satisfaction

DARS products and pricing

The main “product” of DARS is the use of motorways and expressways in RS, while payments for the use of toll roads account for the majority of DARS revenues.

An optimum level of toll revenue provides a safe, fluid and quality network of motorways and expressways, which is why DARS considers it a responsibility to pursue a corresponding pricing policy and the maximum safety and mobility of users.

DARS strives to cover all or the largest possible share of toll road costs with toll revenue. Along with financing costs, the cost of infrastructure investments accounts for the largest share of annual toll road costs, followed by the current costs related to management, routine and investment maintenance, and tolling. Toll and vignette prices are set out by the Slovenian Government, while DARS, as the operator, is allowed to put forth and substantiate its proposals.

Charging for the use of infrastructure and sustainable development

The normative regulation of tolling is not only a tool in the EU for achieving a single market and the non-discriminatory movement of goods, services and people, but it is also decisively aimed at sustainability. The European Union promotes the application of the “polluter pays” and “user pays” principles, thus promoting “financially and environmentally sustainable and socially just road traffic.” On 24 March 2022, Directive (EU) 2022/362 entered into force, which amends and supplements the Eurovignette directive (1999/96/EC). The Road Tolling Act will need to accommodate these provisions by 25 March 2024. In the future, tolling heavy vehicles will need to take into consideration the distinction between toll prices with respect to CO₂ emissions or alternative charges for external CO₂ emission costs, and the mandatory introduction of a fee for external air and noise pollution costs.

Toll prices for heavy goods vehicles (with a maximum permissible weight exceeding 3.5 t) and vignette prices in Slovenia are based on the distance travelled and the costs caused by vehicles, while the prices for light vehicles (with a maximum permissible weight of up to including 3.5 t) are based on the term of infrastructure use.

The “**user pays**” principle is implemented by DARS when setting DARS toll prices, since it takes into account a calculation methodology based on the principle of consideration for infrastructure costs pursuant to the applicable EU Directive 1999/62/EC and the Decree on the methodology for the calculation of costs of toll roads (Official Gazette of the Republic of Slovenia, No. 46/19). By pursuing the optimum (i.e. maximum admissible) amount of tolls, DARS keeps the road infrastructure safe and at the same time ensures that users do not pay unreasonably high costs for MW and EW use.

The “**polluter pays**” principle is enforced by DARS with its toll pricing policy for heavy vehicles that differentiates the infrastructure charge with respect to the impact caused by vehicles on the environment (the social costs of air pollution), thus having a positive impact on the environment and air quality, since users are encouraged to use cleaner vehicles when travelling through Slovenia. In 2022, almost 96% of the kilometres travelled were by vehicles with a maximum permissible weight exceeding 3.5 t in the cleanest emission classes (EURO V, EEV and EURO VI). This share was at 98% for vehicles with 4+ axles (R4).

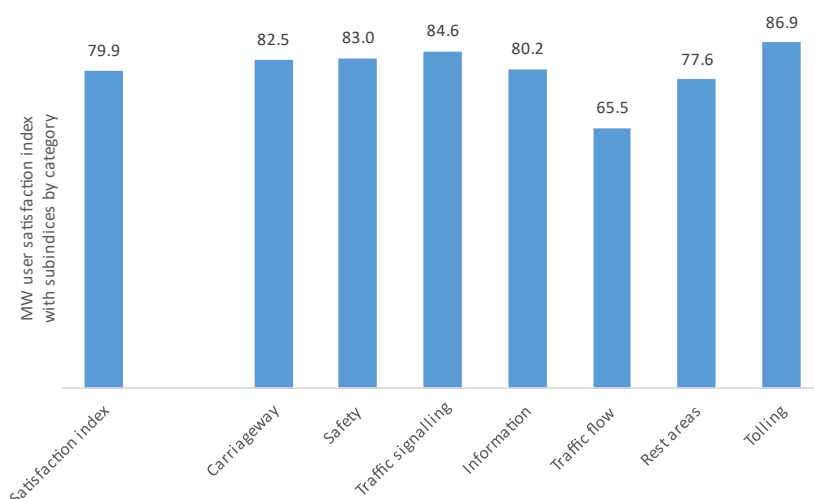
Customers and their satisfaction with Company services

DARS pays particular attention to the opinions of drivers (motorway users) and we have been measuring the satisfaction of our clients since 2008. Based on feedback received throughout the years, we have implemented various measures with the aim of improving areas with low satisfaction ratings. We have less influence in some areas and these are linked to major investments into the infrastructure, which also depend on the strategies on the state level. The traffic flow area is especially sensitive because traffic is increasing year-on-year. In general, we have noticed a positive index growth trend throughout the years.

Data is usually collected in spring and in autumn. The motorway user satisfaction survey of 2022 included 1,518 drivers, 80% of whom were passenger car drivers and 20% were goods vehicle drivers. Domestic passenger car drivers provided their answers in an online survey, while domestic goods vehicle drivers and foreign passenger car drivers were surveyed at chosen motorway rest areas.

In the survey, drivers ranked their satisfaction with 23 factors that were combined into these categories: carriageway, safety, signalling, information provision, fluidity, rest areas and electronic tolling (the last category included the e-vignette in 2022). The total satisfaction index for 2022 was calculated from the ratings of all factors and amounted to 79.9, which is a high level of user satisfaction.

Figure 20: Satisfaction by category



The autumn results showed a somewhat lower satisfaction compared to the spring one, though it was still high. We have noted better results in all of the assessed categories in 2022.

The category in which we only measured the DarsGo system until now was renamed to Tolling, and this category also included e-vignette satisfaction in 2022. Due to the somewhat lower satisfaction of users with the e-vignette system compared to the DarsGo system, this sub-index is the only one rated lower in 2022. Despite all of the above, satisfaction with the e-vignette remains high because 89 percent of respondents are satisfied with it in general. Foreign drivers remain more satisfied than domestic drivers. Foreign passenger car drivers are the most satisfied, while domestic passenger car drivers are the least satisfied. The satisfaction of domestic passenger car drivers has been improving over the years. Traffic flow remains a weak point, with a sub-index of 65.5. Domestic passenger car drivers are the most critical in this field. Passenger car drivers, especially domestic ones, are also more sensitive in general. Domestic passenger car drivers are least satisfied in terms of motorway fluidity or passability during maintenance and reconstruction works. This group of drivers also poorly rated the toilet facilities, with domestic passenger car drivers giving them a score of just 3.2. Tolling satisfaction remains at the highest level. Satisfaction with traffic signs and safety is also high.

79 percent of respondents are satisfied with the selection of payment methods for e-vignettes, 85 percent are satisfied with the accessibility and comprehensibility of e-vignette information, whereby 91 percent of foreigners are satisfied with the latter category.

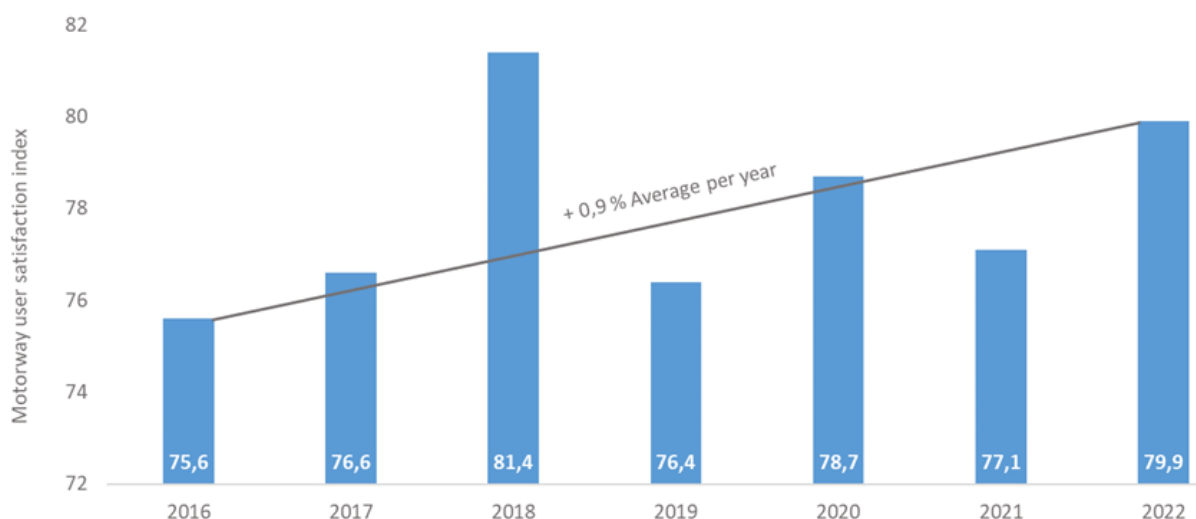
The main identified advantage of e-vignettes among passenger car drivers is the absence of sticking and removing vignettes (64 percent). This is followed by the quick and simple purchase, which foreign drivers see as the main advantage (66 percent). Among domestic drivers, the most cited advantage is also the fact that the validity of the vignette is one year from the day of purchase and no longer depends on each calendar year, which is seen as an advantage by 37 percent of respondents. 51 percent of surveyed passenger car drivers would purchase the e-vignette through a mobile application (the average score is 3.4). The potential of purchasing through the application is also higher among foreign drivers (69 percent).

Based on the positive feedback regarding displayed texts on toll gantries that we received in the Communications Department, we have decided to obtain feedback from motorway users as well in the scope of a survey. Feedback has shown that the texts are well-received because more than two-thirds of respondents thought that they have a positive impact, that they contribute to safety, that they are well made, that they make a person think... Most respondents do not agree that they pose a disturbance for the driver.

Among the domestic goods vehicle drivers, familiarity with the European Interoperability System EETS increased by 18 percentage points.

The average rating of DARS remains high and has been growing steadily since 2014.

Figure 21: Motorway user satisfaction index



In order to better know the habits of users and obtain insights into their experiences with motorway uses and acquire quality information that is important for assessing various opportunities for DARS, we will continue to upgrade the survey in the scope of the digital transformation in line with the modern survey trends that focus more on user experience.

I.17.5 Traffic and concern for safety

In the desire to improve traffic safety every year, the Company continued to pursue all actions – existing and new – and made intense efforts to offer users a safe journey along MWs/EWs. Safety campaigns and cooperation with stakeholders in that area have a positive effect on traffic safety, which is why activities in that area are very broad and continued. Below are a comparison of incidents by year and the consequences of traffic accidents on MWs and EWs by year, whereby the growth of incidents and certain consequences of traffic accidents have been recorded due to increasing traffic from year to year.

Compared to 2021, the number of incidents increased by 22%. Traffic is similar to 2019, though the number of incidents is increasing. There are two reasons for this increase. The first reason lies in the number of goods vehicles, which are a major indicator in the generation of incidents. The second reason is due to the better

detection of events due to the constant upgrades and updates in line with the technological development in the traffic and traffic services area, including information provision.

Figure 22: Comparison of incidents by year

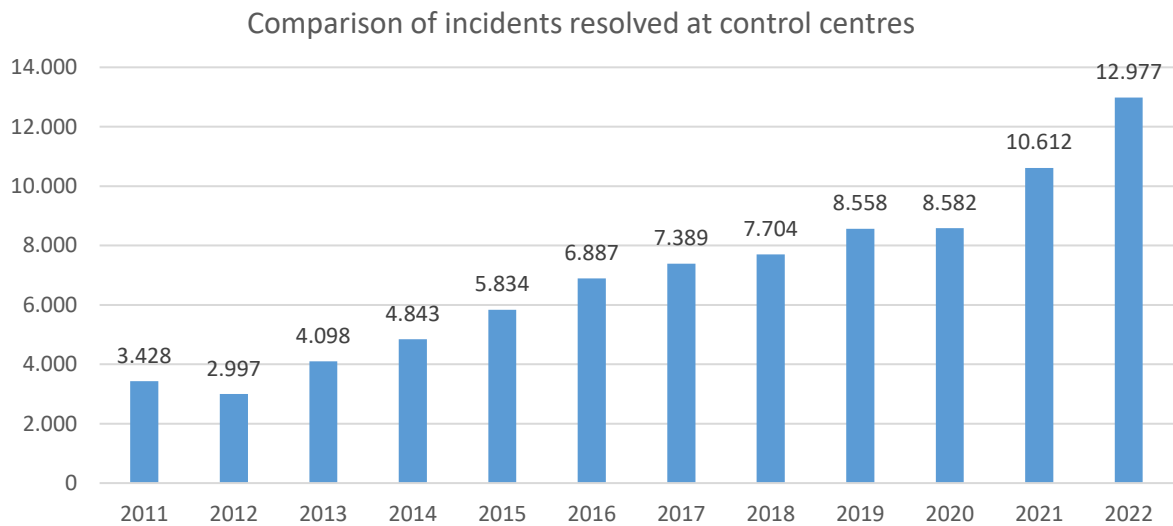
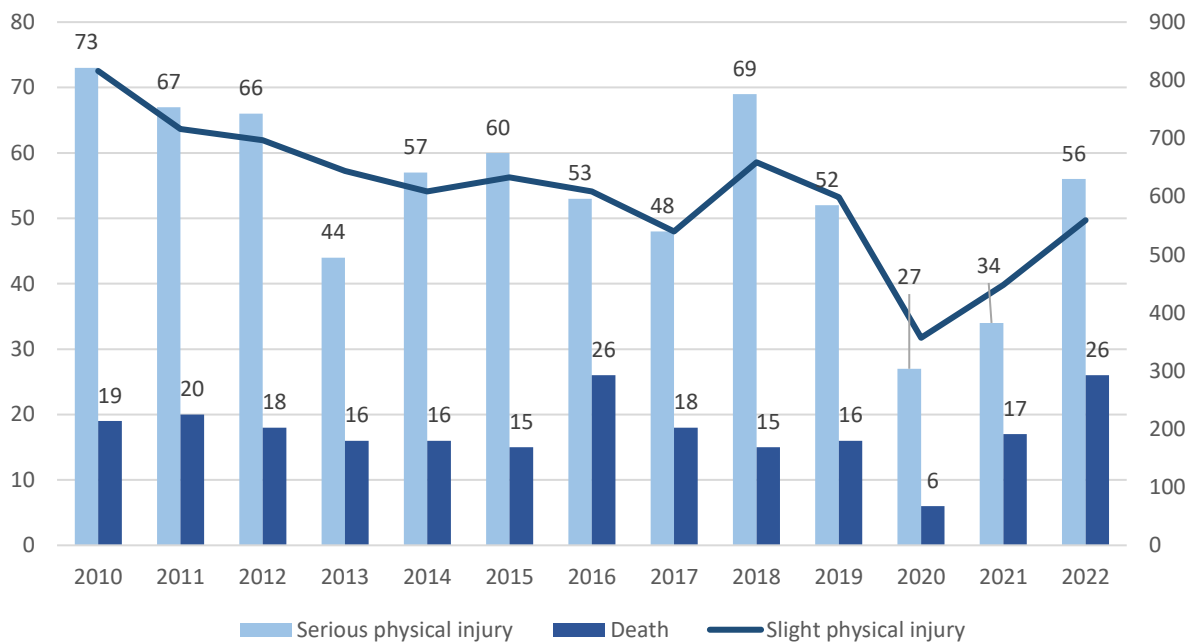


Figure 23: Consequences of traffic accidents on MWs and EWs by year



I.17.6 Safety in tunnels

Incidents

There were a total of 59 accidents and incidents in tunnels longer than 500 metres in 2022, where emergency services were needed along with the temporary closure of the whole tunnel or a part of it. These were mostly due to vehicle breakdowns (31%) and uncategorised events (31%), which mostly involved overheight vehicles. Category I or II vehicle accidents followed (19%), as well as driving in the opposite direction (10%). Among the major accidents were two fire events due to the self-ignition of a mobile home or goods vehicle, as well as one Category III or Category IV traffic accident and accident involving a hazardous substance. Tunnel traffic had to be temporarily closed, partially or fully, for a total of over 46 hours. Passenger cars were involved in less than half of the events (49%), while goods vehicles were involved in 31% of the events. One person suffered serious injuries during the event (the fall of a motorcyclist in the Markovec tunnel).

The weight of events and the efficiency of the response of DARS competent services, external rescue services and the police can be assessed based on the data on the time of the temporary closure for each event. This has been falling in the last ten years, and was at approx. 47 minutes in 2022 on average. Closures during fire events with a relatively high fire potential, which is a major threat for users and tunnels with integrated equipment, lasted only approx. 2.5 hours on average, thanks to the active response of participants and the quick response of firefighters. The harmonised actions of the Slovenian and Austrian rescue services, especially the firefighting units, deserve all the praise for intervening in the fire incident of the motorhome in the Karavanke tunnel.

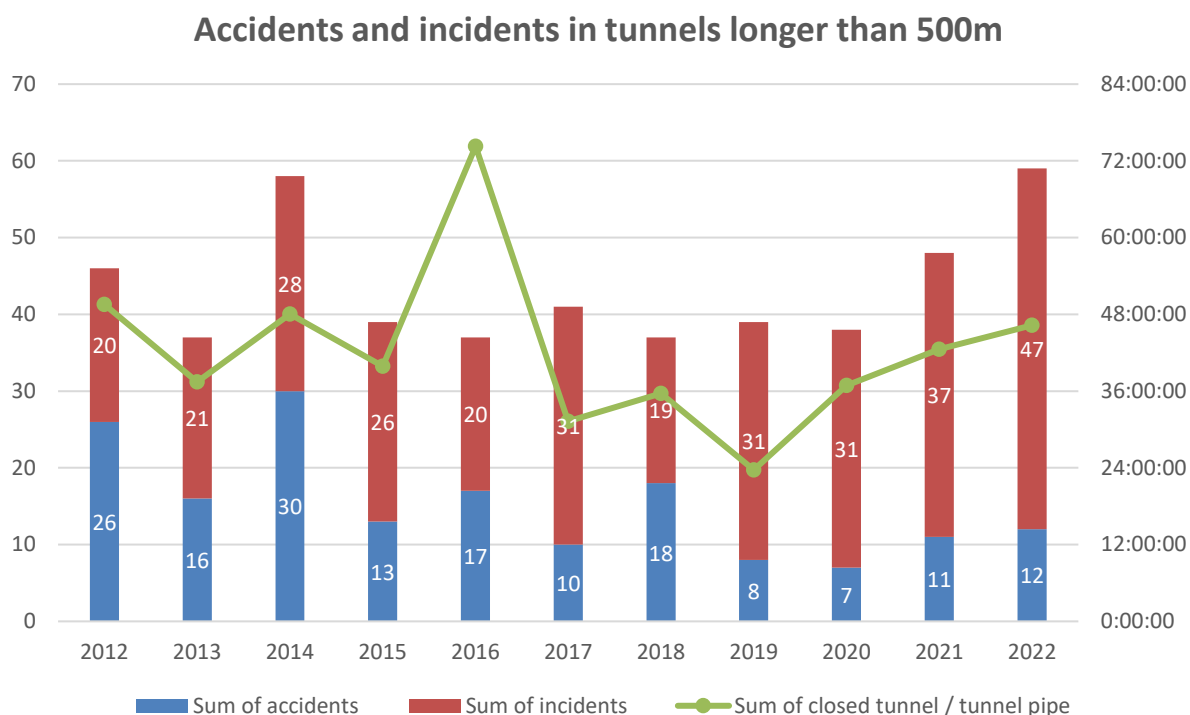
The September technical failure in the Karavanke tunnel also needs to be mentioned when there was a power outage in the portal fans on the Slovenian side due to the construction of the 2nd tube. Due to the efficient actions of the management and several DARS services in resolving the failure, normal traffic without restriction was restored in just 14 hours, which is significantly shorter than the expected time of a couple of days.

In addition to the above events, the left tube of the Kastelec tunnel had to be preventively closed six times in the first three months and in November for a total of 48 hours due to the bora wind.

We find that:

- the number of events has been increasing steadily for the second year in a row, though it is still relatively small,
- that the events were mostly caused by the actions of users, which is something that is practically beyond the control of DARS, while the ventilation system power supply failure at the Karavanke tunnel was caused by the construction of the 2nd tunnel tube,
- that one participant was seriously injured in these events, and direct damage was also recorded for tunnels with installed equipment,
- that no concentration of events was identified, though an increased number of vehicle failures were recorded in the Karavanke and Šentvid tunnels,
- the operation of tunnel safety systems and the response of the competent services to incidents was efficient.

Figure 24: Accidents and incidents in tunnels longer than 500m from 2012 to 2022



Rescue drills and employee training for incidents in tunnels

DARS unit drills and training and joint training for the heads of rescue services for tunnels longer than 500 m are set out in the operating plans for protection and rescue.

Seven rescue drills were planned and executed for 2022, four of them central and three practical. Practical drills included the regional exercise in the Golo Rebro tunnel and the international exercise in the Karavanke tunnel. Practical drills included traffic accident scenarios with fires, and central drills were carried out to verify the responsiveness of services in the event of a fire on a bus or electric vehicle.

Most of the planned training for DARS units and joint training for heads of rescue services was carried out. All unperformed activities are carried over to 2023.

The following will be carried out in 2023:

- training of DARS employees and common training sessions of heads of rescue services that were not performed in 2022,
- regular drills (two practical regional, five central).

The activities will be carried out in the spring and autumn sets according to the tunnel systems where the same rescue services intervene. Drills will be conducted according to individual drill plans that are coordinated with the drill participants in advance.

I.17.7 Projects in traffic management and concern for user safety

DARS carries out many different measures every year that are directly related to safety, the comfort of motorway users and traffic fluidity. A prerequisite for good throughput is that the motorway system is furnished with state-of-the-art equipment. Modern equipment for traffic control, management and safety ensures fewer traffic accidents, faster detection and, consequently, reduced congestion. Greater safety for maintenance crews and other on-site interventions is ensured using modern equipment and an ever-faster flow of information.

I.17.7.1 Traffic control and management

24/7 traffic control and management

The Kozina, Ljubljana, Vransko, Slovenske Konjice and Hrušica Control Centres and the Main Control Centre (MCC) with their teams of traffic supervisors see to uninterrupted traffic control and ensure optimum safety and fluidity on the Slovenian motorways and expressways. The Main Control Centre covers the entire MW/EW area in the Republic of Slovenia, while linking regional control centres and coordinating actions between them. Among other things, it provides traffic control and management at the national and international levels, ensuring that international traffic management plans are implemented without interruptions (Traffic Management Plans - TMP). In addition to RCC coordination, the MCC is responsible for coordination activities at major events, such as when excluding goods vehicles during the winter season. During major extraordinary events when these have an impact on the neighbouring RCC, it assumes the coordinator role even among the other areas of DARS and external intervention services.

Figure 25: Traffic Control and Management Centres



Accidents involving fires in tunnels and major changing weather conditions, such as sleet, reduced visibility, snow blizzards and heavy winds that could lead to mass traffic accidents, call for the maximum expertise and proper actions by the traffic supervisors.

Lately, a great deal of attention has been paid to traffic safety and fluidity, which is why measures are adjusted to the current conditions on the motorway, while traffic condition detection systems are upgraded. This allows the Company to react faster to events and thus reduce dangerous situations and unnecessary congestion.

In 2022, the Traffic Department successfully adapted the work processes in the control centres in response to the COVID-19 epidemic. The working hours of control centre employees were adjusted as necessary and the traffic control and management actions were coordinated with all the stakeholders (Police, Administration of the Republic of Slovenia for Civil Protection and Disaster Relief, Toll Enforcement, etc.).

In 2022, the MCC successfully ran and coordinated all the major activities for ensuring traffic safety and fluidity at the motorways and expressways. We should also mention the successful operations of the winter service

during the tourist season. With the help of employees in the Traffic Department, we implemented traffic closures with services that are tasked with maintenance or major restoration works on MWs/EW.

Motorway traffic is controlled by qualified certified traffic supervisors

In 2022, we trained traffic supervisors in all the control centres with the help of the simulator for traffic control and management systems (TCMS). Periodic training on the TCMS and tunnel simulators is scheduled every year in order to achieve better response times in emergencies and to ensure that control centre employees know how to react. Based on the Protection and Rescue Plans (NZiR), we tested the traffic knowledge of supervisors. Employees displayed very good knowledge in the area, for which they received certificates of competency. Traffic supervisors at RCC Ljubljana successfully completed training using the Šentvid tunnel simulator.

With the aim of improving cohesion, commitment and teamwork, a team-building exercise was organised in the Traffic Department in December 2022, which had a very positive impact on the working processes concerning traffic supervision and control on MW/EW.

In addition to the training, we plan other education courses in 2023 on the topic of traffic and traffic safety. For this purpose, we intend to organise a set of training sessions for all traffic supervisors on the topic of tunnel safety, tunnel ventilation management, traffic legislation, and novelties in traffic equipment and signalisation.

Awareness-raising on the importance of safe driving and the provision of information on traffic fluidity

DARS strives to provide conditions for safe driving and the maximum possible traffic fluidity. The provision of traffic safety is also at the focus of efforts made by other institutions that have an important effect on awareness-raising among users and DARS actively cooperates with such institutions or carries out certain activities (primarily those relating to traffic on the MWs/EWs) on its own.

The following activities and preventive campaigns (available at https://www.dars.si/Sporocila_zajavnost/5/prometna_varnost, www.promet.si and on social networks) were carried out to provide the maximum traffic safety:

- Common efforts to improve safety with the start of the motorcycle season – safe driving training for motorcyclists.
- Cooperation with the VOZIM Institute in the form of innovative interactive workshops called “I still drive - but I cannot walk” where the personal experiences of those injured in traffic accidents are presented.
- **“Save a life”** – Observe proper positioning in case of congestion on the motorway, thus allowing emergency teams to arrive at the scene of the traffic accident as soon as possible. This preventive notice may be displayed on the gantries when there are no other active events.
- **“Observe the safety distance”** is an important preventive notice primarily due to the proven fact that there would be fewer traffic accidents on all roads had distances between vehicles been correct (more appropriate). This preventive notice is still shown at locations where additional traffic signalling, the so-called “caps”, had been established.
- **“Drive on the right, overtake on the left”** is a preventive notice that the Company started displaying in 2019. This may be displayed on the gantries when there are no other active events and when traffic in the driving lane falls below 1,200 vehicles per hour. In heavy traffic, such content is no longer appropriate, since driving conditions change.
- Other important content, such as the provision of traffic information concerning waiting times (congestion) at border crossings, indicating alternatives (better routes) and information related to the epidemic that affect traffic and traffic events.

In addition to the above campaigns, we also participated in the preventive campaigns “Alcohol”, “Speed” and “Telephone” by the Slovenian Traffic Safety Agency. Their primary aim was to appeal to drivers to not drink and drive and to reduce/adjust their speed on the road.

Measures in traffic management and concern for user safety

- Curbing speed and increasing fluidity
- Replacement of safety barriers and traffic signs
- Erection of safety barriers on structures to prevent vehicles from skidding off the structures
- Replacement of signposts at motorway exit points
- Replacement of end terminals and the erection of additional safety barriers and crash cushions

The management of intelligent transport systems (ITS) or smart motorways

- The traffic management project is being implemented, which involves the radial roads to Ljubljana.
- The project concerning the automatic transfer of events from tunnel surveillance and control systems to the Kažipot and C-ITS system (2nd part) is in its implementation stage.

I.17.7.2 The provision of traffic information

At the European level, traffic information in Slovenia is processed in the most optimal way and sent to users. Receiving quality traffic information faster is a condition for optimum traffic fluidity and safety. Traffic events in Slovenia are detected very quickly. The speed and reliability are improved due to modern systems, through which users are given information in seconds. The last such system is the system for detecting drivers driving in the opposite direction, which is immediately accessible to users via modern systems, the so-called C-ITS. Even the media or the channels through which information flows multiply every year, since different users (with respect to the age and type of transport means) use different communication channels.

DARS follows the development of information channels and the detection of events by regularly introducing new technologies, pilot systems and by participating in international working groups in that area.

Traffic Information Centre: a source of credible and updated traffic information

Content on the website www.promet.si, that is monitored the most by users:

- events and traffic conditions on a map,
- road cameras,
- fuel prices,
- wind measuring locations of the Burja system,
- the virtual assistant Stane.

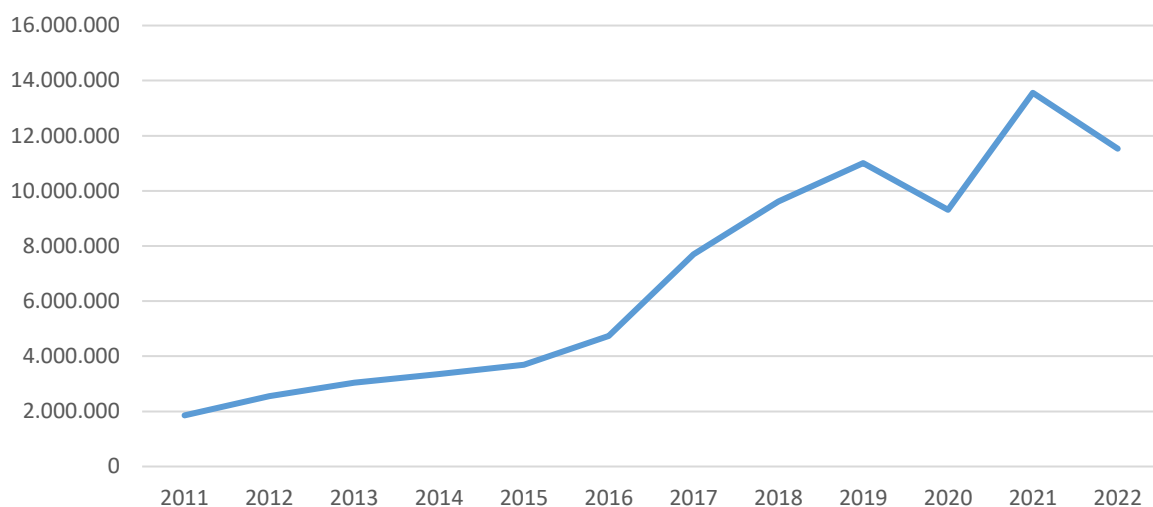
It is now possible to create your own user account (My Profile/Login), through which the user may subscribe to information by email, e.g. weekly traffic forecasts, special warnings for trucks, etc.

In the past 15 years, the Traffic Information Centre:

- sent over 530,000 pieces of information on events occurring on the national road network: on average, 35,515 a year, 2,959 a month and 98 a day,
- received over 1,000,000 calls in the last eight years alone, while the website was visited by over 11,000,000 different users in that period.

The growth of traffic and events is reflected in the difference between events in the first year of TIC operations (2006) and those that occurred in 2022. In 2006, the TIC reported about 11,545 events and, in 2022, about 50,093 events. Due to the covid-19 crisis, the number of events was reduced in 2020, in 2021 it came close to the number in 2019, and in 2022 the number was exceeded. This means that the need for traffic information is increasing again. Despite the lower number of events, the information channels were used to a greater extent already in 2021 than in 2019. The activities of the Traffic Information Centre and the PR department of DARS are a major factor in the promotion of traffic information.

Figure 26: Active use of traffic information



A demonstration of the active use of traffic information shows the use of several channels through which users access traffic information (Internet, Twitter, Facebook, mobile phone app and calls made to the TIC).

Due to the COVID-19 epidemic situation, the active use of traffic information provided by the TIC in 2020 decreased to the level from 2018. This was significantly decreased in the traditional media, and the jump in 2021 was extreme, partly due to the quiescence the year before. In 2022, the trend was back to pre-2020 levels and we expect moderate growth in the future.

International traffic management (TMP)

DARS has cooperated with neighbouring countries in international traffic management for several years.

In 2022, motorway operators in Slovenia (DARS MCC) and the neighbouring countries used the TMP system several times to notify each other and coordinate actions. It has proven to be a good tool that improves and speeds up mutual communication. However, advancements in digitalisation dictate the continuous adaptation and upgrading of the system.

This is the first fully digitalised system for international traffic management in Europe. It is a major step forward towards faster and internationally harmonised information provision and traffic management on the main road connections in that part of Europe. Furthermore, it enables a much-improved response to major unforeseen emergencies requiring immediate operative international coordination.

Motorway network traffic management (Slovenian TMP)

In 2022, we successfully activated the national traffic management plans designed to improve actions and traffic redirection operations in the event of motorway closure. They were harmonised with the SIA and the police, and the experience gained in drafting international plans has been a great help in their production. The national plans serve as a basic guide for road operators in cases where traffic is redirected to a parallel road network due to emergencies.

I.17.8 Human resources management

Engaged and competent employees are one of the three strategic guidelines of DARS deriving from the DARS Strategy for 2021–2025. The key strategic goals within the scope of that strategic guideline are:

- continued enhancement of employee engagement and competence,
- leadership development and
- the provision of occupational safety and the promotion of employees' health.

DARS is well aware that highly motivated, engaged and properly trained employees are the key to success and crucial for achieving and surpassing the set strategic goals. It is the employees who create the key added value for our organisation with their knowledge, engagement and commitment, which is why:

- the Company enables employees to strengthen their competencies on an ongoing basis within the scope of in-house and external training, thus promoting their professional and personal development;
- the Company provides for the development of managers and their competencies, encouraging them on their path to leadership;
- we ensure the safety and health of employees;
- employees are given the option to coordinate their family life and job duties more easily within the scope of measures deriving from the full Family-Friendly Company certificate;
- proposals for improvements and sound ideas of employees are considered and awarded;
- recognitions and commendations of employees are awarded for their achievements and efforts at work;
- the Company sees to sound intergenerational cooperation;
- upon difficult life challenges, employees are provided with a high level of social security, solidarity aid and psychosocial support and counselling;
- the Company protects the employees' dignity at work using the relevant internal rules and acts that are implemented consistently, and has zero tolerance towards any form of violation of human rights and dignity.

Employees at DARS

Table 15: Key data on DARS employees for 2021 and 2022

	2021	2022
Status of employees at DARS		
Number of employees at DARS - incl. replacements	1,234	1,256
Number of employees at DARS - excl. replacements	1,233	1,252
Demographic data on employees		
Average age of employees	46.9 years	47.2 years
Percentage of women employed	25.2%	25.5%
Number of men employed	923	936
Number of women employed	311	320
Employee educational structure		
Percentage of employees with up to level 4 education	35.3%	34.8%
Percentage of employees with level 5 education	31.8%	31.4%
Percentage of employees with level 6 education	18.9%	19.7%
Percentage of employees with level 7 or higher education	14.0%	14.1%
Social security of DARS employees		
Number of solidarity benefits granted	58	51
Number of employees with disability status	48	55
Number of procedures introduced for disability recognition	27	30
Number registered in voluntary pension insurance	23	66

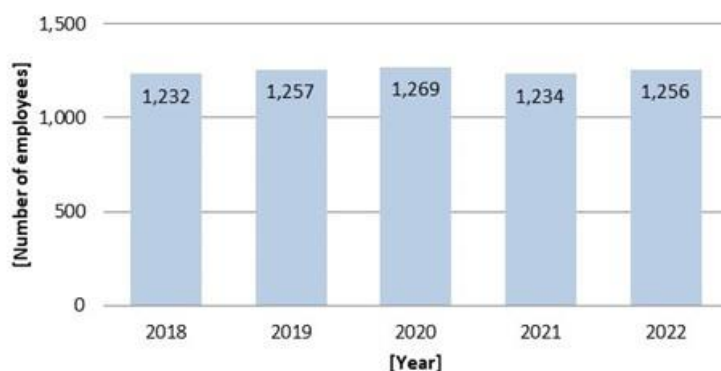
Sick leave rate	6.76%	7.55%
Employee development – education and training	2021	2022
Scope of education in hours per employee ²	9	12.50
Value of education per employee	111	134
Number of participants in education	1,781	3,938

Recruitment

In order to achieve the set business objectives for 2022 and uninterrupted operations, the Company recruited new people pursuant to the adopted Operative implementation section of the HR plan for 2022. A total of 90 external and 20 in-house vacancy notices were published in 2022, i.e. a total of 110 vacancies. In 2022, 45 employees left DARS, while 67 persons were recruited.

At the end of 2022, DARS employed 1,256 workers, which is twenty-two more than the previous year.

Figure 27: Number of employees at DARS from 2018 to 2022



Concern for employee social security

Taking into account the numerous specific factors of the working environment, the impact of external and internal changes on the labour market and the employee as an individual, concern for the social security of DARS employees plays an important role in the development of human resources. Following the coronavirus period, an increased number of sick leaves and the lack of certain parts of the workforce on the labour market had an impact on the work organisation in 2022.

In accordance with the applicable legislation and the internal acts of the employer, DARS continues to implement the established good practices that considerably contribute to improving the social security of employees and future retired persons. In 2022, fifty-one solidarity benefits were paid to employees. One hundred and ten employees were eligible for jubilee benefits. All the employees who entered into an employment relationship with the Company were given a chance to choose a collective supplementary pension insurance scheme offered by three pension fund managers, which is an important element in ensuring their social security after retirement. Thirty disability procedures were pending in 2022. This year, twelve workers obtained a disability category. All of them were transferred to a suitable job position. Five disabled workers were retired in 2022 due to age or disability. The number of employees with a disability category has also increased in 2022. This year, the Company employed on average 49 employees with a recognised disability category, which is an average of 12 disabled persons over the statutory quota, which is why we could seek a reward for exceeding the disability quota and an

² GRI GS 404-1.

exemption from the payment of the pension and disability insurance contributions from the Public Guarantee, Maintenance and Disability Fund of the Republic of Slovenia.

Eighteen workers retired in 2022, twelve less than in 2021. Thirty-six employees continued to work after meeting the conditions for retirement. There were 25 contracts prepared for temporary or occasional work by retired persons for eligible persons who performed work pursuant to the provisions of the Labour Market Regulation Act.

The share of justified absence from work, mostly due to health reasons, amounted to 7.55% with respect to regular work in 2022, which is 0.79 percentage points more compared to the previous year when this was at 6.76%. The average number of days lost due to justified absence from work was 19.90 working days per employee (17.75 in 2021).

Considering the increasing difficulty and complexity of the working processes, the high share of justified absences from work, the high number of employees with a changed capacity for work, the rising average age and the extended working life, as well as the lack of workers on the labour market, special attention must be paid to the planning of human resources.

HR development

HR development in 2022 was focused on developing key staff. Key staff are above-average workers with vast professional know-how and skills, as well as managers. The latter were subjected to the assessment of managerial and social competencies in 2022, with the aim of preparing an individual development plan for each manager. The results are also used to analyse the management situation in the company and to prepare programs for the further systematic development of managerial competencies.

Training and education sessions in 2022 were a continuation of the trend in computer literacy. The covid-19 epidemic in previous years increased the awareness of the importance of the digitalisation of operations and intensified the efforts that our company should develop appropriate business processes and computer literacy of all employees in order to have undisturbed operations. All of this was also used to have most of the education and training sessions in digital and electronic form through various educational portals and platforms. With the goal of giving employees the necessary and desired additional knowledge and skills to make them more successful and independent in their use of digital technology, we began measuring their digital competencies in 2021 and, based on that, provided systematic and targeted training in computer knowledge that was tailored to the employees, which mostly marked the year 2022. In 2022, we also started using our own e-portal for independent learning and training purposes, where employees are able to obtain knowledge in various contents to develop their professional and personal competencies.

By organising in-house training through live, online or e-training courses, we want to give as many employees as possible the opportunity to gain knowledge and skills for both professional and personal development. To our experts and employees who need to keep up with developments in the profession and regulatory and technological changes for their work, we provide opportunities to acquire highly technical and specialist skills outside our Company and abroad.

Figure 28: Overview of training hours for 2018–2022

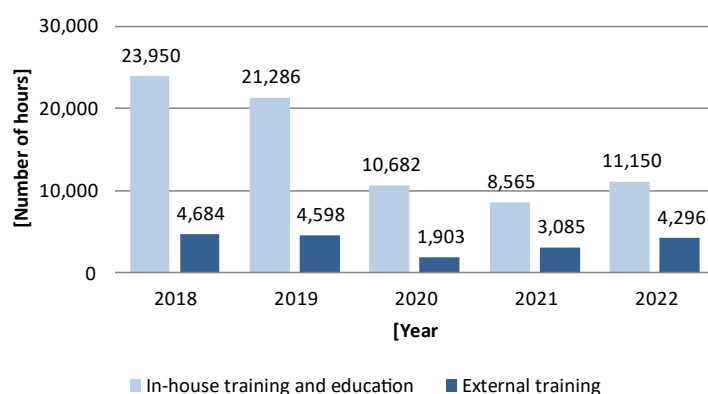
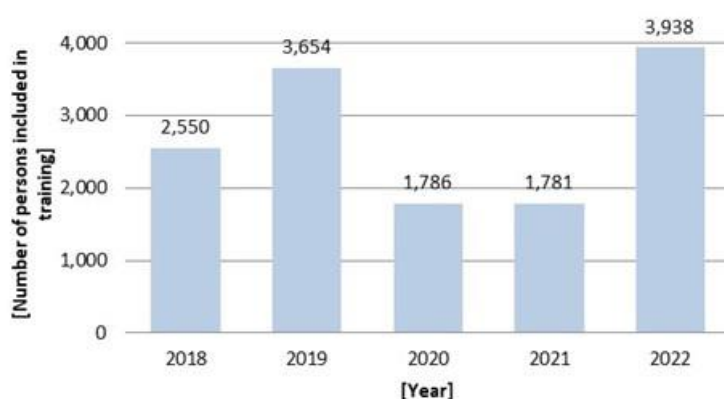


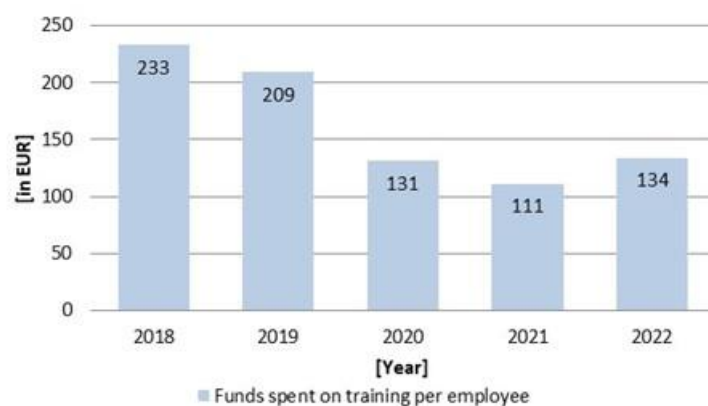
Figure 29: Number of persons included in training in the 2018–2022 period



Education and training sessions for employees were organised in various forms, which enabled reaching the highest number of participants and an efficient transfer of new know-how. Live internal education sessions still hold the highest share in the scope of the number of training hours (42%), followed by external education sessions (24%) and education sessions through digital connections (34%). E-education plays an important role in this, which was introduced at the start of the year and has a 15-percent share in the total number of training hours.

In 2022, the value of the external training per employee amounted to €63, while the value of in-house training per employee amounted to €71.

Figure 30: Value of funds spent on training per employee in the 2018–2022 period



HRM projects

Activities were carried out at DARS in 2022, with which the existing HR management service was upgraded, thus allowing better results in educating, motivating and the commitment of employees.

HR information system: The new HR information system was established, which provides up-to-date and quickly accessible information for HR, as well as for every employee, manager and member of the management. In 2022, the system was upgraded in several modules, resulting in the faster processing of received job applications, a more transparent system for rewarding work performance, the preparation of various reports, etc.

Preparation of development plans: One of the strategic goals is the preparation of development plans for key staff at DARS. In 2022, managerial and social competencies of the key staff, which contribute significantly to the realisation of company goals, were assessed. A total of 80 employees were included in the preparation of the development plans on the basis of the results. Activities continue to be carried out in 2023.

Establishment of our own e-education portal: DARS established the e-education implementation portal at the start of 2022. This enables employees to participate in diverse education sessions during hours and at locations that suit them the most. A total of 1,799 employees were included in e-education sessions, and a total of 2,376 training hours were realised, which is 15% of the total number of training hours.

Co-funding of tuition fees for work-study programmes: Every year, DARS publishes an internal call for co-funding tuition fees for work-study programmes and for securing salary compensations for work absences due to study obligations. In 2022, 15 employees were granted the co-funding of tuition fees based on their application to the internal call, and 23 employees were granted salary compensations for their absences from work due to study obligations.

Measurement of the organisational climate and employee satisfaction: The measurement of the digital competencies of employees, which started in 2021, continued in 2022. Based on the assessment results, targeted computer training sessions were organised to fill the identified gaps in digital skills. These training sessions included courses aimed at editing tables, creating documents and presentations, project management, etc. A total of 296 employees took part in these training sessions.

Leadership development: Leadership is a responsible function in employee management; therefore, the development of leaders and their competencies is one of the strategic goals of DARS. In 2022, short online education meetings were organised for managers, which were carried out up to twice per month and dealt with current topics and challenges in the leadership area. In addition, managers can also acquire knowledge in the form of e-education sessions, coaching and training. They are also the recipients of the "Vodja DARS" newsletter, which provides professional support and guidance.

Scholarships of high school and university students: In 2022, we began issuing scholarships for high school and university students for those job positions in the company for which staff will be required in the next couple of years, which is hard to obtain on the labour market. With the purpose of its own presentation, the company also participated in various fairs and professional meetings, where it was able to present the employment advantages at DARS.

Measurement of the organisational climate and employee satisfaction: Satisfaction and commitment assessment of employees was also performed in 2022. Compared to previous years, the results show a decline in the work commitment and satisfaction of employees due to the higher expectations of employees based on the current economic situation, especially in terms of rewards.

POLNI CERTIFIKAT



DARS is a family-friendly company: Based on the adopted measures deriving from the acquired full Family-Friendly Company certificate, activities continued in 2022 that make it easier for employees to coordinate their job duties and family life.

I.17.8.1 The creation of a safe working environment

The work environment of DARS employees are roads with facilities necessary for their operation, the traffic that runs on those roads, service and administrative premises, and the equipment required for work (vehicles, machines, tools and other work accessories). The basis for determining safety at work is correct planning, i.e. planning that considers the safety of all participants in construction and operation stages. Roads and facilities must ensure the safety of traffic participants and of workers during traffic supervision and maintenance. We are very much aware of this at DARS and we are constantly reviewing, supplementing and improving the established solutions. During road reconstruction works, we are expanding emergency lanes, switching safety barriers with barriers with a higher level of containment, installing additional traffic signals that we protect against vehicle collisions, and establishing safe access to facilities. The same solutions are also being installed in new road sections.

We consider the “safety for all” principle during the procurement of work equipment as well. We are purchasing machines and vehicles that are technologically advanced, safe and have a lesser impact on the environment. Locations of motorway bases and branches were equipped with electric vehicle charging stations, we started introducing electric vehicles, and we are replacing petrol-powered tools with battery ones. Occupational health and safety is an integral part of all the processes in our company. All employees think about it, and professional services of the Occupational Health and Safety Service offer them support in their decisions. In order to keep up with progress, employees are being educated regularly and are taking part in professional counsels and fairs.

Accidents at work

26 workplace accidents were reported to the Occupational Health and Safety Service in 2022, which is 5 less than the year before (31). 22 maintenance workers, 3 toll supervisors and 1 student (Head Office help) were injured. The injuries did not result in workers' disability, 6 workers took prolonged sick leave of over 30 days, and in 2 cases the workers only sustained minor injuries and did not need sick leave.



The 499 working days lost due to injuries in 2022 are the fewest in the last 11 years. Because there were fewer workplace injuries last year compared to the years before, the total sick leave due to workplace injuries (considering the continuation of treatment of three persons injured in 2021) was also the lowest since 2017. All employees who were injured in 2021 completed their treatment last year, 6 workers that were injured in the last months of 2022 are still undergoing treatment.

I.17.9 Responsibility to the natural environment

In light of its mission, the Company has built and operated a motorway network that is closely linked to the natural environment in the stages of siting, operation and the future development of the motorway network. The Company is committed to environmentally friendly actions in all stages of operations and the continuous reduction of adverse environmental impacts.

DARS systematically manages the energy area, as confirmed by the acquired international ISO 50001 standard.

DARS ranks among the large energy consumers in Slovenia with an annual energy consumption of 41.77 GWh (in 2022). With respect to the Company processes, which are characterised by the need for tunnel management and lighting, as well as road operation and maintenance, electricity accounts for the largest share of the total energy consumption (51.8%), followed by fuel (38.1%). A minor share of energy is used for heating facilities, which is an important element of energy management due to the high potential for optimisation.

The Company's 2021–2025 Strategy places great importance on energy efficiency and environmental protection, which is why one of the ten strategic goals includes **the development of sustainable infrastructure and the circular economy** with the following key indicators:

- To reduce the share of energy use by 5% per MW and EW km managed by 2025 with respect to 2019.
- To reduce the share of CO₂ emissions per MW and EW km managed by 15% by 2025 compared to 2019.

We will achieve the key indicators with the following operational objectives:

- The electricity consumed will be reduced by 15% by 2025 with respect to the existing electricity users for 2015.
- To reduce the consumption of energy products for heating by 30% by 2025 and emissions of CO₂ from products for heating by 30% by 2025 with respect to the baseline year of 2015.
- To reduce the average fuel consumption for work vehicles and machinery and light-duty vehicles by 2% by 2025 with respect to 2019.
- To increase the share of energy from renewable sources by 2025 in the total consumption for:
 - o heating by 15% with respect to 2019,
 - o electricity by 1% with respect to 2019.
- To establish at least one energy community that will be based on renewable energy sources by 2025.
- To provide 20% of the passenger vehicle fleet for business travel powered by alternative fuels (electric or CNG or hybrids) and 10% of light-duty vehicles powered by compressed natural gas (CNG) by 2025.

Total energy consumption

The table below shows the energy consumption and trends in energy consumption by energy product. A comprehensive approach to managing energy and pertaining measures have allowed the Company to reduce energy consumption, specifically electricity and heating, where a substantial part of the planned measures were executed on the basis of energy inspections.

Table 16: Energy consumption

		2015	2016	2017	2018	2019	2020	2021	2022
Electricity	MWh	25,735	25,181	24,526	23,598	22,584	21,670	22,190	21,653
Fuel	MWh	16,384	17,538	16,369	18,662	18,081	16,752	17,646	15,911
Natural gas	MWh	1,866	1,524	1,676	1,443	1,386	1,564	1,812	1,642
LPG propane	MWh	2,018	2,253	2,123	1,964	1,857	1,736	1,994	1,681
LPG propane-butane	MWh	1,171	1,225	1,105	852	475	428	403	408
Heating oil	MWh	238	344	291	238	97	58	82	74
District heating	MWh	586	810	778	638	550	0	0	400
Biomass	MWh	0	0	0	0	0	452	482	0
Total	MWh	47,998	48,875	46,868	47,395	45,030	42,660	44,609	41,769

Other detailed data and demonstrations of responsible actions in respect of the environment will be indicated in the Sustainability Report for 2022, which is an independent document.

I.17.10 Inclusion of the wider society

The local community is involved in all stages of motorway siting and its proposals and initiatives are taken into account properly.

Recognitions and awards

In recent years, DARS has received the following recognitions and awards:

- recognition by the Ministry of Labour, Family, Social Affairs and Equal Opportunities for a good practice example in workplace health promotion for 2012;
- award from the European Network for Workplace Health Promotion (ENWHP) for a good practice example for 2013;
- DARS, respected employer in 2013;
- DARS, respected employer in 2015;
- together with the Republic of Slovenia, DARS received a special Max Fabiani jubilee award in 2015;
- DARS, respected employer in 2016;
- DARS, respected employer in 2018;
- recognition for environmentally friendly service to DARS in 2019;
- recognition by the Faculty of Electrical Engineering of the University of Ljubljana in 2020;
- DARS, respected employer in 2022.

Commitments to external initiatives

DARS voluntarily participates in incentives promoting ethical conduct and environmental, social and economically sustainable operations.

Membership in international associations

The Company actively cooperates with related companies abroad and is also a member of several international organisations. The most important is the European Association of Operators of Toll Road Infrastructures (ASECAP), where it holds some important functions and allows it to indirectly cooperate with the International Bridge, Tunnel and Turnpike Association (IBTTA). DARS is also included in the PIARC (World Road Association) via the National PIARC Slovenia Committee, which is a non-political and non-profit global road association established with the purpose of exchanging knowledge on roads and traffic. DARS is also a member of the EETS Facilitation Platform (EFP) and an associate member of the EasyGo service. In addition to formal membership, we are present at events organised by other professional institutions. A detailed presentation of the Company's international cooperation is given in chapter I.13 International cooperation and the acquisition of European grants.

Corporate social responsibility

The Company is well aware of the responsibility it has to people and the environment in which it operates. Through awareness and preventive campaigns in the areas of traffic, traffic safety and environmental protection, it plays an active part in current social events, positively co-developing them to the best of its abilities.

In corporate social responsibility, special attention is dedicated to content relating to traffic safety, education and preventive actions on the motorways and expressways operated and maintained by the Company.

Sponsorships and donations

The Company is well aware of the responsibility it has to people and the environment in which it operates. Through awareness and preventive campaigns in the areas of traffic, traffic safety and environmental protection, it plays an active part in current social events, positively co-developing them to the best of its abilities.

In corporate social responsibility, special attention is dedicated to content relating to traffic safety, education and preventive actions on the roads operated by the Company. The funds are intended for projects involving preventive actions in traffic and for expert meetings related to traffic, safety and road construction, maintenance and operation. Support is also provided to fire brigades and others intervening in the event of emergencies on the motorway system operated by the Company.

Personal data protection

DARS is paying particular attention to being compliant with the applicable regulations governing the area of personal data processing. The data protection officer at the Company has been appointed.

We treat the personal data of our employees, business partners and other stakeholders in our business processes with care, and respect their privacy. We collect, process and store personal data only for specified, clear and legally permissible purposes and to the extent strictly necessary.

Hardware and software are protected in line with the internal acts and principles for managing access to information solutions.

Different forms of employee training and awareness are carried out, since well-informed employees can contribute significantly to the compliance of personal data processing.

I.17.11 Responsibility to suppliers/contractors

In 2022, DARS successfully cooperated with many suppliers/contractors (154) at home and abroad, although most business cooperation focused on suppliers/contractors from Slovenia (99% in terms of value) providing construction works (26%), services (59%) and goods (15%) due to the specific nature of operations; detailed data on the amount, structure and location of suppliers/contractors is evident below.

Complex public procurement procedures at DARS, which is one of the largest contracting entities in the Republic of Slovenia, are carried out by competent employees with the acquired additional qualification "public procurement expert in the Republic of Slovenia".

Criteria for the awarding of a public contract

When procuring goods, services and construction works, DARS is bound to observe the Public Procurement Act. The criteria for awarding a public contract are set out in detail in Article 84 of the Public Procurement Act and require a contracting authority or entity to award a public contract based on the most economically advantageous tender.

The most economically advantageous tender is identified based on the price or cost using the cost-efficiency approach, e.g. the calculation of life cycle costs as set out by the law, and may also include the best price-to-quality ratio assessed based on the criteria referring to quality and environmental or social aspects related to the subject of the public contract. Such criteria may, for example, include:

- quality, including technical advantages, aesthetic and functional characteristics, availability, design for all users, social, environmental and innovative characteristics and therewith related trading and terms;

- the organisation, qualification and experience of the staff conducting the public contract if the quality of the staff can have a major effect on the level of public contract performance;
- after-sales services, technical assistance and delivery terms, such as the delivery date or the completion of works, the delivery or implementation procedure and the duration of supplies or works.

The contracting authority or entity is not allowed to use the price as the sole criterion for awarding a public contract for the services of software development, architectural and engineering services, and translation and consulting services.

The criteria for awarding a public contract must be non-discriminatory, proportional and related to the subject of the public contract. It is deemed that criteria are related to the subject of a public contract if they refer to construction works, goods or services to be provided in line with the public contract, i.e. in any respect and at any level of their service life, including factors that are related to a special procedure for the production, provision or marketing of such construction works, goods or services or with a special procedure for the second level of their service life, even if such factors are not part of them in content.

In the documents related to awarding a public contract, the contracting authority or entity identifies a relative weighting awarded to each criterion selected for the determination of the most economically advantageous tender, unless the latter is determined solely on the basis of the price. The mentioned weightings may be defined as a range with a suitable maximum difference. When a weighting cannot be indicated for objective reasons, the contracting authority or entity indicates the criteria in a descending order of relevance.

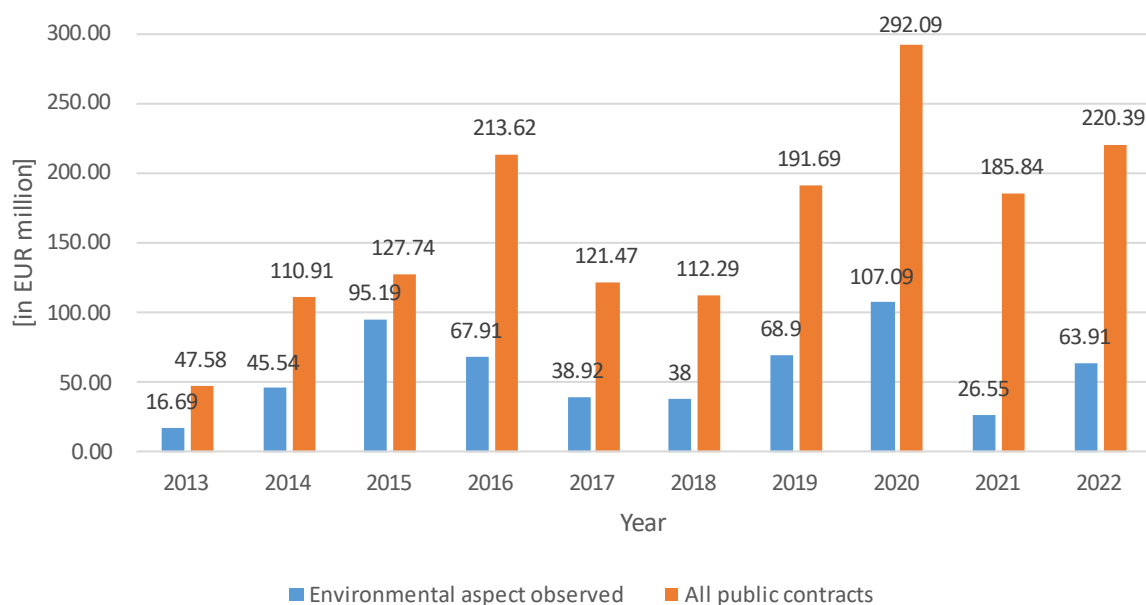
Suppliers of products and services (local, foreign)

The Public Procurement Portal eJN³, which is managed by the Ministry of Public Administration, has the STATIST module, where it is possible to obtain statistical data relating to public procurement in the Republic of Slovenia. The data for 2022 shows that 960 contracting authorities/entities awarded public contracts in the total amount of €5,404,901,893.39 (excluding VAT). The total number of public contracts awarded in the Republic of Slovenia in 2022 was 8,472. The environmental aspect was taken into account in 1624 or 19.20% of the contracts awarded.

Changes in the total public contracts awarded by DARS and the growth in public contract value in which the environmental aspect was observed from 2013 to 2022 (in € million) are shown below.

³ Source: <https://ejn.gov.si/statist>

Figure 31: All public contracts and environmental public contracts from 2013 to 2022



The data for 2022 shows that DARS awarded public contracts in the total amount of €220,388,666.01 (excluding VAT). The total number of published invitations to tender was 124, while 151 public contracts were awarded. The environmental aspect was taken into account in 36 or 29% of the contracts awarded, which in terms of value means €63.91 million or 23.84%.

I.17.12 Communication

Communication strategy

DARS has a communication strategy that follows the Company's business strategy. The overarching communication strategy nurtures relations with all key stakeholders or audiences in the long term, i.e. motorway users, the media, employees, decision-makers, business partners, experts and non-governmental organisations and the wider social environment.

While carrying out communication activities, the Company follows guidelines that will ensure the fulfilment of communication goals: proactive, up-to-date, clear and transparent, tangible and creating partnerships.

Compliance with the internal rules (Rules on the method of provision of information to the media by DARS d.d.) and national regulations (Mass Media Act, Public Information Access Act), proper organisation, a professional approach along with the active and constructive cooperation of all those involved ensure that information is provided in due time, is credible and, most of all, is in the best possible interest of DARS; based on that, the Company builds an open relationship with the public. In particular, the sound internal cooperation of all stakeholders involved ensures that public appearances (especially in the media) can be efficient, while reducing the risk of misinterpretation in media publications and misunderstandings.

Press releases are also published on the Company website and social networks. The Company prepares press releases for the media, organises press conferences, makes press statements and invites the media to important business events.

We know how vitally important having a social media presence is for a company. The active use of Facebook and Twitter gives us effective access to a wide range of motorway users. We offer them interesting news about the activities of DARS related to the construction, maintenance and management of motorways and raise their awareness about safe behaviour in road traffic and the consequences of risky behaviour. Our social media channels, from where we also redirect visitors to our website, again saw an increase in the number of followers in 2022, their number exceeding 60,000.

DARS uses rules laying down the protection of business secrets and information for members of the management and supervisory bodies and other persons with access to inside information during the term of office and after its expiry.

Publication of business reports and statements

The Company observes the highest publication standards for business reports, as laid down in the Market in Financial Instruments Act and Ljubljana Stock Exchange Recommendations. It publishes a financial calendar indicating all the major business publications and events on its website and SEOnet every year.



I.18 Report of the Supervisory Board for 2022

In 2022, the Supervisory Board Members acting as owner's representatives were:

- Pavle Hevka (Chair) until 7.10. and then member until 23.12.
- Robert Rožič, PhD (Vice-Chair) until 23.9.
- Jože Oberstar (Member) until 23.9.
- Jožef Zimšek (Member) until 23.9.
- Štefan Šumah, PhD (Member) until 23.9.
- Anton Guzej (Member)
- Andrej Šušteršič, MSc (Member) from 24.9. to 7.10. and Chair as of 7.10.
- Metod Dragonja (Member) from 24.9. to 7.10. and Vice-Chair as of 7.10.
- Nevenka Hrovatin, PhD (Member) since 24.9.
- Janko Kramžar (Member) since 24.9.

The Supervisory Board Members acting as employee representatives were Martin Stožir, Nataša Ivančević and Branko Švigelj.

The Supervisory Board consists of a balanced group of various experts who complement one another and focus on the efficient performance of their primary functions. The Supervisory Board carried out work according to the law, the recommendations of the Slovenian Directors' Association and other good practice recommendations. The Supervisory Board also followed the Corporate Governance Code for Listed Companies and the Corporate Governance Code for State-Owned Enterprises, as well as the Code of Professional Ethics of the Slovenian Directors' Association, whereby consistently observing their principles.

The members are active at the sessions and participate in discussions in order to clarify any differing opinions and to reconcile them to an extent where they are professionally, legally and strategically harmonised. The Supervisory Board adopted 216 resolutions in 2022, of which 12 were such that were not unanimously adopted. The discussions that are summaries in session minutes of the Supervisory Board show that the members of the Supervisory Board thoroughly prepared themselves for the sessions to facilitate active and professional participation in discussions on individual items of the agenda. Constructive proposals were put forth and competent decisions

were taken based on professionally prepared written and oral information received from the Management Board pursuant to the rules of procedure, Company acts and statutory powers. In 2022, all of the members attended all the sessions, with the exception of one whose one-off absence was justified.

Throughout the year, the Supervisory Board kept a balanced professional relationship with the Management Board and received timely data-backed information from the latter. The Chairman of the Supervisory Board and of the Management Board worked together, including outside the official sessions.

The work performed by Supervisory Board Members, including work in Committees, was professional and directed towards the efficient performance of a function. The work performed by the Supervisory Board was effectively backed in content by proposals put forth by Supervisory Board Committees. Members are upgrading their knowledge by participating in various professional seminars and training sessions organised by the Slovenian Sovereign Holding and other professional organisations. The Supervisory Board regularly informed the interested public.

Pursuant to the Corporate Governance Code for Companies with Capital Assets of the State, the Supervisory Board indicates in this report that all the costs of its operation are disclosed in the Annual Report.

In 2022, the Supervisory Board of DARS met at 13 regular sessions, 2 extraordinary sessions and 7 correspondence sessions, at which it discussed the regular reports on Company operations and other current matters and important issues.

At the Supervisory Board sessions, it also discussed and decided on other matters for which it is responsible under the law, other regulations and the Articles of Association. The Supervisory Board regularly monitored the realisation of its own resolutions.

Among other things, the Supervisory Board of DARS:

- appointed the new Chair and Vice-Chair of the Supervisory Board,
- appointed new members in all three Supervisory Board Committees,
- recalled 3 Management Board members,
- appointed 3 new Management Board members,
- gave consent to the amended Business Plan for 2022,
- gave consent to the Business Plan for 2023,
- issued consents for transactions in excess of €1 million (excluding VAT) as per the resolution dated 27 August 2020 and in excess of €2.5 million (excluding VAT) on the basis of the company Articles of Association,
- regularly kept track of the status of the following projects: Karavanke, third development axis, expansion of the third lane, Grič office building, small rest areas and the establishment of the European tolling system,
- regularly kept track of the status of public procurement procedures,
- took note of the Supervisory Board Self-Assessment Report,
- took note of the Report on the implementation of the national programme, which regulates motorway construction for 2021,
- confirmed the Sustainability Report of the Company for 2021,
- monitored the realisation of self-assessment measures using the EFQM excellence model,
- gave consent to the Annual Plan of Internal Auditing for 2022 and 2023, the Basic Charter on the Operations of Internal Audit, and familiarised with the Report on the Work of Internal Auditing for 2021,
- discussed and approved the DARS Annual Report for 2021,
- adopted a report on its activities for the previous year,
- discussed and confirmed propositions for adopting resolutions at the General Meeting,
- made decisions on remuneration for the Management Board,
- proposed that the General Meeting grant discharge to the Management and Supervisory Boards for the 2021 financial year and agreed with the proposal for the distribution of the available profit

- according to the balance as at 31 December 2021,
- proposed to the General Meeting the appointment of the company for performing audit services in the period of five years,
- acquainted itself with the non-audited semi-annual report,
- discussed the Risk Management Report,
- took regular note of company exposure due to the war in Ukraine,
- discussed the report made by the Workers' Council for 2021,
- regularly kept track of reports of Supervisory Board committees,
- adopted the Supervisory Board's annual plan of work,
- adopted the revised Rules of Procedure for the Supervisory Board and its Committees,
- adopted the revised Diversity Policy,
- adopted the revised Management Policy,
- adopted the Remuneration Policy for members of management and supervisory bodies,
- was kept informed about other information (including the issue of the motorway police and land at Semedela).

The Supervisory Board noted the Report on the Self-Assessment of the Supervisory Board for 2021 in February. The Supervisory Board self-assessment as per the methodology of the Slovenian Directors' Association has shown that the Supervisory Board and its Committees are achieving high standards, although there is room for improvement in certain areas. The self-assessment procedures increase the level of operations, which is also reflected in the higher quality of operational control.

In making decisions, the Supervisory Board members observed the general rules on corporate governance in relation to conflict of interest.

Committees of the Supervisory Board of DARS

The Supervisory Board has the following Committees in place: Audit Committee, Remuneration Committee and Investment Committee, which provided professional support to the Supervisory Board. They regularly reported and gave advice to the Supervisory Board, which had full decision-making power.

The Audit Committee met at 9 regular meetings and 2 correspondence meetings. It prepared bases for the confirmation of the Annual Report by the Supervisory Board. On several occasions, it also

discussed it with auditors from KPMG d.o.o., participated in the process of selecting an external auditor and gave a proposal for the selection of the auditor to the Supervisory Board.

The Committee discussed the non-audited semi-annual report and the audited annual report and put forth a proposal to the Supervisory Board for its confirmation. It also discussed the report on the work performed by Internal Auditing in 2021, the semi-annual report of the work performed by Internal Auditing for 2022, the Basic Charter on the Operations of Internal Audit, the plan of work for Internal Auditing for 2022 and 2023, and put forth a proposal to the Supervisory Board to issue consent to the plan of work for the basic charter. Furthermore, it regularly monitored and discussed the reports and recommendations given by Internal Audit. The Committee was also regularly informed about the reports of the regular internal audits carried out. The Committee was also regularly informed of reports on Company operations and the realisation of Committee resolutions, discussed the Sustainability Report, the Amended Business Plan, the Business Plan Proposal 2023, it discussed the Risk Management Reports, including the exposure of the company due to war in Ukraine, and adopted the plan of work of the Committee for 2022. It also acquainted itself with the plan of work and regular activities in corporate compliance and integrity. It regularly discussed reports on the possible reports of irregularities in the area of corporate integrity. The Committee also discussed other questions and issues falling within the competence of the Audit Committee, including assessing the work performed by the auditor KPMG d.o.o. based on "indicators for monitoring external audit by the Audit Committee upon the completion of the annual financial statements audit".

The Remuneration Committee of the Supervisory Board met at 7 sessions. It discussed the proposal for variable remunerations of the Management Board for 2021, the Remuneration Policy for members of management and supervisory bodies, and the revised Diversity Policy. It also initiated the procedure for determining the method for establishing criteria to determine the variable remunerations of the Management Board from the Remuneration Policy, and to establish goals in order to create the internal act of the SB to determine the variable remunerations for the

Management Board. The Committee also carried out procedures for the appointment of new Management Board members and discussed other issues and topics falling within its competencies.

The Investment Committee met at twelve regular sessions and one correspondence session, where it discussed investment projects and other public contracts exceeding €1 million (excl. VAT) and gave its opinion to the Supervisory Board prior to deciding.

Pursuant to paragraph 2 of Article 282 of the Companies Act, the Supervisory Board prepared a written report on the findings of the review of the Company's Annual Report for 2022 and the submitted proposal of the Management Board on the use of distributable profit for the General Meeting.

Review and confirmation of the Annual Report for 2022

The Supervisory Board discussed the Annual Report of DARS for 2022 within the legally prescribed period. It took note of the Auditor's Report and the submitted opinion of the certified auditor on the examination of the financial statements for the 2022 financial year and established that the certified auditor had not discovered any misstatements or irregularities that could have an impact on the financial statements of the Company. The Auditor's Report did not contain any remarks or reservations addressed to the Management Board or the Supervisory Board of the Company. The Supervisory Board issued no remarks regarding the report of the auditing firm BDO Revizija d.o.o.

Pursuant to point 7.3.7 of the Company's Articles of Association, the Supervisory Board examined the submitted audited annual report and proposal of the Management Board on the use of the distributable profit, which the Supervisory Board confirmed without comments.

Upon the adoption of the Annual Report, the Supervisory Board took a position on the Corporate Governance Statement included in the business report within the scope of the Company's Annual Report for 2022 and assessed that it reflected the actual state in Company governance in 2022.

Andrej Šušteršič, MSc
Chairman of the Supervisory Board





II Financial Report

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II.1 Financial statements of DARS

Balance Sheet as at 31 December 2022

In € (excl. cents)	Notes	31.12.2022	31.12.2021*
ASSETS		5,159,975,244	5,079,282,602
A. LONG-TERM ASSETS		4,732,894,173	4,802,890,381
I. Intangible assets and long-term deferred costs and accrued revenue	II.5.1.1	27,585,032	30,411,543
1. Long-term property rights		27,572,062	30,395,690
5. Other long-term deferred costs and accrued revenue		12,970	15,853
II. Property, plant and equipment	II.5.1.2*	4,529,611,852	4,589,307,102
1. Land and buildings		4,295,572,096	4,434,001,775
a) Land		157,711,006	161,698,478
b) Buildings		4,137,861,090	4,272,303,297
3. Other plant and equipment		39,189,548	44,406,585
4. Property, plant and equipment being acquired		194,850,209	110,898,741
a) Property, plant and equipment under construction and manufacture		194,850,209	110,898,741
III. Investment property	II.5.1.3*	24,429,000	23,744,530
IV. Long-term investments	II.5.1.5	144,000,000	153,000,964
1. Long-term investments other than loans		0	964
c) Other shares and interests		0	964
2. Long-term loans		144,000,000	153,000,000
b) Long-term loans to others		144,000,000	153,000,000
V. Long-term operating receivables	II.5.1.6*	529,437	56,088
3. Long-term operating receivables from others		529,437	56,088
VI. Deferred tax assets	II.5.1.7	6,738,852	6,370,154
B. CURRENT ASSETS		426,249,353	275,676,159
I. Assets (of the disposal group) held for sale	II.5.1.8	1,727,729	416,605
II. Inventories	II.5.1.9	4,877,973	4,215,695
1. Material		4,311,833	3,706,196
3. Products and merchandise		566,141	509,498
III. Short-term investments	II.5.1.10	310,272,407	168,000,000
1. Short-term investments other than loans		17,272,407	0
c) Other short-term investments		17,272,407	0
2. Current loans		293,000,000	168,000,000
b) Short-term loans to others		293,000,000	168,000,000
IV. Short-term operating receivables	II.5.1.11*	61,030,895	50,466,537
1. Short-term operating receivables from Group companies		0	0
2. Short-term trade receivables		31,468,473	31,186,958
3. Short-term operating receivables from others		29,562,422	19,279,579
V. Cash and cash equivalents	II.5.1.12	48,340,349	52,577,322
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	II.5.1.13	831,718	716,063

In € (excl. cents)	Notes	31.12.2022	31.12.2021*
LIABILITIES		5,159,975,244	5,079,282,602
A. EQUITY	II.5.1.14	3,199,015,617	3,041,652,197
I. Called-up capital		2,086,559,144	2,086,559,144
1. Share capital		2,086,559,144	2,086,559,144
II. Capital surplus		31,429,279	28,868,850
III. Profit reserves		1,020,588,748	893,457,395
1. Legal reserves		55,083,966	48,327,649
4. Statutory reserves		231,732,145	199,639,640
5. Other profit reserves		733,772,637	645,490,106
V. Fair value reserves		12,299,688	-7,376,966
VI. Retained net profit or loss		0	0
VII. Net profit or loss for the financial year		48,138,758	40,143,774
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	II.5.1.15	157,228,217	155,279,738
1. Provisions for pensions and similar liabilities		4,646,298	4,442,008
2. Other provisions		3,796,287	785,662
3. Long-term accrued costs and deferred revenue		148,785,632	150,052,068
C. LONG-TERM LIABILITIES		1,519,648,469	1,601,941,502
I. Long-term financial liabilities	II.5.1.16	1,483,208,031	1,557,868,963
2. Long-term financial liabilities to banks	II.5.1.17	1,219,848,684	1,290,983,980
3. Long-term financial liabilities for bonds	II.5.1.18	117,800,967	117,800,967
4. Other long-term financial liabilities	II.5.1.19	145,558,380	149,084,016
II. Long-term operating liabilities	II.5.1.20	33,158,681	44,072,538
2. Long-term trade liabilities		52,983	0
5. Other long-term operating liabilities	II.5.1.21*	33,105,698	44,072,538
III. Deferred tax liabilities	II.5.1.7	3,281,757	0
D. SHORT-TERM LIABILITIES		248,396,148	263,816,512
II. Short-term financial liabilities	II.5.1.22	150,682,339	177,942,384
2. Short-term financial liabilities to banks		141,672,376	157,793,581
3. Short-term financial liabilities for bonds		3,117,571	3,117,571
4. Other short-term financial liabilities		5,892,392	17,031,232
III. Short-term operating liabilities	II.5.1.23*	97,713,809	85,874,128
2. Short-term trade liabilities		57,746,111	37,531,572
4. Short-term operating liabilities for advances		364,309	30,114
5. Other short-term operating liabilities		39,603,388	48,312,442
E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	II.5.1.24	35,686,793	16,592,653
OFF-BALANCE SHEET ITEMS	II.5.1.25*	194,655,273	282,777,904

* In comparative amounts as at 31 December 2021, errors were corrected, which is explained in item II.3 Correction of errors in comparative figures as at 31 December 2021.

The accounting policies and the notes are a constituent part of the financial statements and should be read in conjunction with them.

Income Statement for the period from 1 January to 31 December 2022 (version I)

In € (excl. cents)	Notes	1.1. to 31.12.2022	01/01–31/12/2021
1. Net sales revenue	II.5.2.1	494,473,636	469,535,406
Toll revenue		479,557,025	456,235,915
Revenue from rest area leases		9,463,637	8,347,355
Revenue from closures and overweight road transport		1,384,680	1,130,221
Revenue from easements for base stations and other		751,278	572,513
Revenue under the performance contract		288,164	321,312
Revenues from the lease of fibre optics		928,456	1,003,149
Other sales revenues		2,100,396	1,924,942
3RD Capitalised own products and services	II.5.2.2	1,482,558	1,681,712
4. Other operating revenue	II.5.2.3	16,350,549	16,091,935
5. Costs of goods, materials and services	II.5.2.4	-60,807,678	-48,350,592
a) Cost of goods and material sold and costs of material used		-13,511,562	-9,472,198
b) Cost of services		-47,296,117	-38,878,394
6. Labour costs	II.5.2.5	-54,082,891	-47,936,062
a) Salaries and wages		-39,499,916	-35,188,562
b) Social security costs		-7,688,767	-6,907,359
c) Other labour costs		-6,894,208	-5,840,140
7. Write-downs	II.5.2.6	-200,885,298	-220,978,268
a) Depreciation/amortisation		-194,501,316	-189,378,633
b) Operating expenses for the revaluation of intangible assets and property, plant and equipment		-6,054,385	-31,481,217
c) Operating expenses from the revaluation of current assets		-329,597	-118,418
8. Other operating expenses	II.5.2.7	-3,637,364	-877,044
10. Financial revenue from loans given	II.5.2.8	4,392,185	1,748,859
b) Financial revenue from loans to others		4,392,185	1,748,859
11. Financial revenue from operating receivables	II.5.2.9	4,557	54,451
b) Financial revenue from operating receivables due from others		4,557	54,451
12. Financial expenses for investment impairment and write-down		-964	0
13. Financial expenses for financial liabilities		-31,038,108	-32,403,784
b) Financial expenses for loans received from banks	II.5.2.10	-18,567,142	-18,536,250
c) Financial expenses for bonds issued	II.5.2.11	-5,637,344	-5,633,924
d) Financial expenses for other financial liabilities	II.5.2.12	-6,833,622	-8,233,609
14. Financial expenses for operating liabilities	II.5.2.13	-13,926	-38,880
b) Financial expenses for trade liabilities and bills payable		-3,871	-5,370
c) Financial expenses for other operating liabilities		-10,055	-33,511
15. Other revenues	II.5.2.14	179,089	177,951
16. Other expenses	II.5.2.15	-223,831	-233,086
17. Corporate income tax	II.5.2.16	-33,111,658	-27,237,468
18. Deferred tax		2,051,847	1,468,237
19. Net profit or loss for the accounting period		135,132,702	112,703,369

The accounting policies and the notes are a constituent part of the financial statements and should be read in conjunction with them.

Statement of Other Comprehensive Income for the period from 1 January to 31 December 2022

In EUR (excl. cents)	Note	2022	2021
19. Net profit or loss for the financial year		135,132,702	112,703,369
20. Changes in fair value reserves	II.5.3.	19,465,330	5,579,212
21. Other elements of comprehensive income	II.5.3.	204,958	28,403
22. Total comprehensive income for the accounting period		154,802,991	118,310,984

The accounting policies and the notes are a constituent part of the financial statements and should be read in conjunction with them.

Cash Flow Statement for the period from 1 January to 31 December 2022

In € (excl. cents)	2022	2021
A. Cash flows from operating activities		
a) Income statement items		
Operating revenues (except for revaluation) and financial revenue from operating receivables	509,661,024	485,237,576
Operating expenses excluding amortisation/depreciation (except for revaluation) and financial expenses for operating liabilities	-117,612,729	-95,872,369
Corporate income tax and other taxes not included in operating expenses	-29,178,262	-26,151,242
	362,870,033	363,213,965
b) Changes in the net current assets (and deferred and accrued items, provisions and deferred tax assets and liabilities) of balance sheet operating items		
Opening less closing operating receivables	-10,255,138	-4,511,693
Opening less closing deferred costs and accrued revenues	-115,656	64,581
Opening less closing deferred tax assets	-368,698	-159,533
Opening less closing assets (of the disposal group) held for sale	-1,311,124	56,052
Opening less closing inventories	-662,279	1,019,962
Closing less opening operating liabilities	863,486	-5,682,732
Closing less opening accrued costs and deferred revenue and provisions	21,042,619	-3,185,865
Closing less opening deferred tax liabilities	3,281,757	0
	12,474,969	-12,399,227
c) Positive or negative cash flow from operating activities (a + b)	375,345,002	350,814,738
B. Cash flow from investing activities		
a) Receipts from investing activities		
Inflows from interest received and shares in profit received relating to investing activities	266,980	264,903
Receipts from the disposal of intangible assets	0	0
Receipts from the disposal of property, plant and equipment	1,497,488	603,900
Receipts from the disposal of investment property	0	322,765
Receipts from the disposal of investments	178,000,000	92,000,000
	179,764,468	93,191,568
b) Cash disbursements for investing activities		
Disbursements for the acquisition of intangible assets	-3,235,257	-6,138,883
Disbursements for the acquisition of property, plant and equipment	-134,790,334	-117,786,065
Disbursements for the acquisition of investment property	-2,560,429	-371,945
Cash disbursements for the acquisition of investments	-294,000,000	-112,000,000
	-434,586,020	-236,296,892
c) Positive or negative cash flow from investing activities (a + b)	-254,821,552	-143,105,325
C. Cash flows from financing activities		
a) Receipts from financing activities		
Receipts from paid-in capital	0	0
Receipts from the increase of financial liabilities	90,916,042	0
	90,916,042	0
b) Disbursements for financing activities		
Interest paid on financing activities	-30,975,770	-32,657,081
Disbursements for repayment of capital	0	0
Disbursements for repayment of financial liabilities	-184,700,696	-184,782,569
Disbursements for the payment of dividends and other shares in profit	0	0
	-215,676,466	-217,439,650
c) Positive or negative cash flow from financing activities (a + b)	-124,760,423	-217,439,650
D. Closing balance of cash and cash equivalents	48,340,349	52,577,322
x) Net cash flow in the period (sum of net Ac, Bc and Cc)	-4,236,973	-9,730,237
y) Opening balance of cash and cash equivalents	52,577,322	62,307,559

The accounting policies and the notes are a constituent part of the financial statements and should be read in conjunction with them.

Statement of Changes in Equity for the period from 1 January to 31 December 2022

	I. Called-up capital	II. Capital surplus	III. Profit reserves			V. Fair value reserves	VI. Retained earnings	VII. Net profit or loss for the financial year	Total equity
	1. Share capital		1. Legal reserves	4. Statutory reserves	5. Other revenue reserves		1. Retained earnings/losses	1. Net profit for the fin. year	
A1. Balance as at 31/12/2021	2,086,559,144	28,868,850	48,327,649	199,639,640	645,490,106	-7,376,966	0	40,143,774	3,041,652,197
B.1. Changes in equity – transactions with owners	0	0	0	0	0	0	0	0	0
a) Subscription of called-up share capital									0
f) Repayment of capital									0
B.2. Total comprehensive income for the reporting period	0	0	0	0	0	19,670,289	0	135,132,702	154,802,991
a) Entry of the net profit or loss for the reporting period								135,132,702	135,132,702
c) Changes in fair value reserves resulting from fair value measurement						19,465,330			19,465,330
d) Other elements of comprehensive income for the reporting period						204,958			204,958
B.3. Changes in equity	0	2,560,429	6,756,317	32,092,505	88,282,531	6,365	0	-127,137,718	2,560,429
a) Allocation of the remainder of the net profit of the comparable reporting period to other equity components					40,143,774			-40,143,774	0
b) Allocation of part of the net profit of the reporting period to other equity components under a decision of the management and supervisory bodies			6,756,317	32,092,505	48,138,758		6,365	-86,993,945	0
f) Other changes in capital		2,560,429				6,365	-6,365		2,560,429
D. Balance as at 31.12.2022	2,086,559,144	31,429,279	55,083,966	231,732,145	733,772,637	12,299,688	0	48,138,758	3,199,015,617
AVAILABLE PROFIT as at 31.12.2022							0	48,138,758	48,138,758

Statement of Changes in Equity for the period from 1 January to 31 December 2021

	I. Called-up capital	II. Capital surplus	III. Profit reserves			V. Fair value reserves	VI. Retained earnings	VII. Net profit or loss for the financial year	Total equity
	1. Share capital		1. Legal reserves	4. Statutory reserves	5. Other revenue reserves		1. Retained earnings/losses	1. Net profit for the fin. year	
A1. Balance as at 31/12/2020	2,086,559,144	28,491,168	42,693,436	172,877,124	584,144,280	-13,003,673	0	21,202,052	2,922,963,531
B.1. Changes in equity – transactions with owners	0	0	0	0	0	0	0	0	0
a) Subscription of called-up share capital									0
f) Repayment of capital									0
B.2. Total comprehensive income for the reporting period	0	0	0	0	0	5,607,614	0	112,703,369	118,310,984
a) Entry of the net profit or loss for the reporting period								112,703,369	112,703,369
c) Changes in fair value reserves resulting from fair value measurement						5,579,212			5,579,212
d) Other elements of comprehensive income for the reporting period						28,403			28,403
B.3. Changes in equity	0	377,682	5,634,214	26,762,516	61,345,825	19,093	0	-93,761,648	377,682
a) Allocation of the remainder of the net profit of the comparable reporting period to other equity components					21,202,052			-21,202,052	0
b) Allocation of part of the net profit of the reporting period to other equity components under a decision of the management and supervisory bodies			5,634,214	26,762,516	40,143,774		19,093	-72,559,596	0
f) Other changes in capital		377,682				19,093	-19,093		377,682
D. Balance as at 31/12/2021	2,086,559,144	28,868,850	48,327,649	199,639,640	645,490,106	-7,376,966	0	40,143,774	3,041,652,197
AVAILABLE PROFIT as at 31/12/2021							0	40,143,774	40,143,774

The accounting policies and the notes are a constituent part of the financial statements and should be read in conjunction with them.

Statement of available profit for 2022

In € (excl. cents)	31/12/2022	31/12/2021
A. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	135,132,702	112,703,369
B. RETAINED EARNINGS/LOSSES	-6,365	-19,093
C. INCREASE IN PROFIT RESERVES UNDER THE DECISION OF THE MANAGEMENT BOARD		
– Legal reserves	6,756,317	5,634,214
– Statutory reserves	32,092,505	26,762,516
– Other profit reserves	48,138,758	40,143,774
AVAILABLE PROFIT as at 31/12	48,138,758	40,143,774

The net profit or loss for 2022 amounted to €135,132,702. Upon the compilation of the Company's Annual Report, legal reserves amounting to €6,756,317, statutory reserves amounting to €32,092,505 and other profit reserves amounting to €48,138,758 were formed pursuant to the Company's Articles of Association and Articles 64 and 230 of the Companies Act.

The available profit of DARS as at 31 December 2022 amounted to €48,138,758. The General Meeting of DARS will decide on the distribution of the available profit pursuant to the Companies Act.

In line with Article 69 of the Companies Act, the Management and Supervisory Board of the Company propose that the available profit for 2022 amounting to €48,138,758 should be distributed to other profit reserves.

II.2 Reporting Company

DARS is a registered legal entity with its registered office in Slovenia. The address of the registered office of the Company is Ulica XIV. divizije 4, 3000 Celje.

DARS pursues the construction of motorways and expressways and operates and maintains the existing motorways and expressways in the Republic of Slovenia. DARS performs tasks relating to spatial planning and the siting of motorways in the physical space, as well as tasks relating to real property acquisition for the purposes of motorway construction on behalf of the Republic of Slovenia and for its account.

The Company compiles the financial statements and reports defined in paragraph 1 of Article 60 of the Companies Act in accordance with the Slovenian Accounting Standards (SAS). The Management Board of the Company approved the financial statements for publication on 31 March 2023.

II.3 Correction of errors in comparative figures as at 31 December 2021

The company corrected the data of the following items in its balance sheet as at 31.12.2021:

- investment properties,
- land,
- long-term and short-term operating receivables,
- long-term and short-term operating liabilities, and
- off-balance sheet items.

The data of individual items as at 31.12.2021 prior to and after corrections is shown in the table below.

In € (excl. cents)	31.12.2021 Corrected	31.12.2021 Prior to correction
II. Property, plant and equipment		
1. Land and buildings		
a) Land	161,698,478	180,304,799
III. Investment property	23,744,530	5,138,209
V. Long-term operating receivables		
3. Long-term operating receivables from others	56,088	9,749,182
IV. Short-term operating receivables		
3. Short-term operating receivables from others	19,279,579	23,063,787
II. Long-term operating liabilities		
5. Other long-term operating liabilities	44,072,538	53,765,633
III. Short-term operating liabilities		
5. Other short-term operating liabilities	48,312,442	52,096,651
OFF-BALANCE SHEET ITEMS	282,777,904	269,300,601

The company managed land that it received from the government in 2010 and for which future use was not determined, among land. Because the future use of such land is not determined or the land is meant for sale, the company needs to display those among investment properties.

As at 31.12.2021, the company's receivables included input value-added tax deriving from the charge for the establishment of the right of superficies (shown in long-term and short-term operating receivables). It showed liabilities for value-added tax deriving from the charge for the establishment of the right of superficies among its long-term and short-term operating liabilities. The short-term part of the liabilities is being transferred from long-term liabilities on the basis of the annual performance contract (as per Article 4 of the ZDARS-1 for each financial year). All value-added tax items were transferred to the off-balance sheet as at 31.12.2021.

Errors and their corrections had no impact on the profit or loss and capital of the company.

II.4 Important Accounting Policies

Basis for the preparation of the financial statements

The financial statements of DARS, together with the notes and disclosures relating to the most important categories, have been prepared in accordance with the accounting and reporting requirements of the Slovenian Accounting Standards (SAS) and in accordance with the provisions of the ZGD-1 and ZDARS-1.

The financial statements are compiled as separate financial statements of the Company intended for general requirements. The financial statements were compiled for the reporting period that started on 1 January 2022 and ended on 31 December 2022, i.e. in accordance with the Slovenian Accounting Standards 2016. The Company consistently applies the accounting policies set out below for all the periods presented in the accompanying financial statements. In selecting accounting policies, i.e. the rules and procedures to be followed and applied in the compilation of financial statements and all accounting, the Company took into account the principle of prudence, content over form and event importance.

When preparing the financial statements, we took into account two essential accounting assumptions: the accrual basis and going concern.

The financial statements are compiled in the euro currency, excluding cents. Transactions denominated in a foreign currency are translated into euros at the reference exchange rate of the ECB at the date of the transaction. Cash and liabilities denominated in a foreign currency as at the balance sheet date have been converted into the euro currency using the reference exchange rate of the European Central Bank applicable on the last day of the accounting period. Foreign exchange gains and losses are recognised in the Income Statement.

When compiling financial statements, the management must provide estimates, judgements and assumptions affecting the use of accounting policies and the disclosed values of assets, liabilities, revenues and expenses. The actual values may differ from those assessed. Estimates, judgements and assumptions are subject to regular review. The effect of a change of the accounting estimate, judgement and assumption is used prospectively and only affects the period in which the accounting estimate was changed and subsequent periods.

Intangible assets and long-term deferred costs and accrued revenue

Intangible assets are investments in the acquired industrial property rights (licences, software) and intangible fixed assets being acquired.

Intangible assets are initially recognised at cost. The cost comprises all expenses necessary for their purchase and the cost required to put them into service. Valued as per the cost model, intangible assets are disclosed at cost less the amortisation allowance.

The Company independently determines the annual amortisation rates based on the useful life of an individual long-term intangible asset with a finite useful life.

Impairments of assets or cash-generating units are recognised whenever their book values exceed their recoverable value. Impairments are disclosed in the Income Statement. If the Company operates with an adequate profit and within the scope of the business plans, there is no need for impairment.

Property, plant and equipment

Property, plant and equipment include land plots, buildings, equipment and property, plant and equipment under construction and production, as well as property, plant and equipment leased as the right of use. Property, plant and equipment that can no longer be used because they are defective, obsolete or similar are permanently withdrawn from use.

An item of property, plant and equipment is measured at cost upon initial recognition. The cost comprises its purchase price, import duties and non-refundable purchase taxes, as well as any directly attributable costs of bringing them into a working condition.

Property, plant and equipment are valued as per the cost model.

Subsequent expenses associated with property, plant and equipment increase their cost if they increase the future economic benefits generated by such assets in excess of the originally assessed ones or result in an extension of the useful lives of such assets. A motorway section is activated on the day it is opened to traffic and the costs that arise after that date and that are connected to the construction of the motorway section increase its purchase value once a year, i.e. with the balance as at 31 December of the current year.

The cost of property, plant and equipment also comprises the borrowing costs related to the acquisition of property, plant and equipment until it is purposed for use. Borrowing costs include:

- interest,
- other Company costs connected to borrowing funds.

Borrowing costs that can be directly ascribed to the purchase, construction or manufacture of a fixed asset in preparation can be capitalised as part of the purchase value of that asset. Other borrowing costs are recognised as an expense in the period when they emerge. Costs directly connected to borrowing and intended for financing motorway construction increase the purchase value of motorways as long as the motorway sections for which the loans were taken are under construction (until they can be used). The Company ceases to capitalise borrowing costs when motorway sections are opened to traffic.

The cost of an item of property, plant and equipment that is built or made by the Company includes direct costs incurred in its construction or production and any indirect costs of its construction or production that can be attributed to it.

Repairs or maintenance of property, plant and equipment are intended for restoring or maintaining the future economic benefits expected from the originally estimated level of asset performance. Expenses are recognised as expenses when incurred.

If the cost of an item of property, plant and equipment is relevant, it is broken down into its components. If such components have different useful lives and/or usage patterns that are relevant in relation to the entire cost of the item, each part is considered separately.

Property, plant and equipment are derecognised upon disposal or if future economic benefits are no longer expected from their use or disposal.

The difference between the net proceeds on disposal and the carrying amount of a company-owned item of property, plant and equipment disposed of is recognised as operating revenue from revaluation if the former exceeds the latter, or as operating expenses from revaluation if the latter exceeds the former.

The Company annually verifies the book value of property, plant and equipment in order to ascertain whether there are any signs of impairment. Should such signs exist, the recoverable amount of the asset is assessed. The recoverable value of an asset is considered to be the net sales value or value in use, whichever is higher. The impairment of an asset is recognised when its book value exceeds the recoverable amount. Impairments are

disclosed in the Income Statement. If the Company operates with an adequate profit and within the scope of the business plans, there is no need for impairment. On the basis of the calculated required rate of return on assets, we find that an asset impairment is not necessary.

The Company keeps track of progress in projects and investments on a monthly basis through project and investment administrators. If it is found that a project would not be completed, a write-down is made.

If the Company reasonably assumes that an item of property, plant and equipment will be sold in the next 12 months, it is reallocated to non-current assets held for sale.

Pursuant to the ZGD-1 and SAS 2016, the Company keeps its right of superficies under the item Land.

Pursuant to the ZDARS-1, the right of superficies was established to the benefit of DARS on the land owned by the Republic of Slovenia over which the motorways run as structures that had been built or started to be built prior to the enforcement of the ZDARS-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. The Fiscal Balance Act made the right of superficies payable; therefore, annual compensation is paid for it in accordance with the annual performance contract pursuant to Article 4 of the ZDARS-1.

The right of superficies, as one of the rights to real estate, is initially recognised at cost. The right of superficies has a definite useful life and is amortised during that period, i.e. the period for which it had been established. The useful life of the right of superficies is the period during which the Company has a legal right to utilise it. The Company applies the straight-line depreciation method.

Investment property

The Company owns investment property for lease purposes. Pursuant to the SAS 6.2., which stipulates that investment property also includes land for which the Company did not determine future use, land acquired under indent 3 of Article 14 of the ZDARS-1 has also been recorded under investment property. This is real estate acquired for motorway construction, which was partially or not entirely used for the construction of motorways or for the management or maintenance of motorways.

Investment property is initially recognised at cost. The cost of investment property comprises the purchase price and all directly attributable costs. After initial recognition, investment property is valued at cost decreased by the accumulated amortisation allowance and impairment loss.

The useful life of investment property is the same as for property, plant and equipment of the same kind. The Company checks for signs of impairments in the same manner as for property, plant and equipment.

Depreciation/amortisation

The cost of property, plant and equipment and intangible assets is decreased by depreciation or amortisation, respectively. The basis for the assessment of the depreciation of property, plant and equipment and the amortisation of intangible assets is the total cost of an asset. Following activation, all subsequent investments that increase the future benefits of the fixed asset or enable a longer fixed asset service period (e.g. the reconstruction of roads and facilities) are included in the basis.

The Company independently determines the annual depreciation/amortisation rates with regard to the estimated useful life of an item of property, plant and equipment and intangible fixed asset. The useful life depends on:

- expected physical use,
- expected technical obsolescence,
- expected economic obsolescence,
- expected legal or other restrictions of use.

The useful life of an individual asset is deemed to be the shortest useful life with respect to each of the mentioned factors.

The Company checks the adequacy of the defined estimated useful lives of motorway infrastructure every five years and the depreciation/amortisation rates are then recalculated for current and future periods if the expectations substantially differ from the estimated. As at 31 December 2019, the Company assessed the adequacy of the defined estimated useful life of the motorway infrastructure superstructure and assessed that the estimated useful life was appropriate. In 2022, there were no factors on the basis of which the Company would assess that the estimated useful life is not adequate.

Depreciation of property, plant and equipment and the amortisation of intangible fixed assets are calculated for each asset separately using the straight-line depreciation method. An item of property, plant and equipment starts to depreciate on the first day of the month after it is put into service. Property, plant and equipment – motorways – start to be used on the day they are opened for traffic, though it is not necessary that the investment is completed and that all deficiencies have been eliminated. The amortisation/depreciation of leased assets is adjusted to the amortisation/depreciation of similar assets owned by the Company or, if it is shorter, to the lease term.

Depreciation/amortisation rates for property, plant and equipment and intangible assets

Groups of fixed assets	Amortisation/depreciation rates in 2022
Motorway superstructure with the associated road infrastructure (barriers, drainage devices)	2.96% - 16.53%
Traffic signalisation and traffic equipment (vertical and horizontal signalisation, road lighting, emergency call system, RWS, cable ducts, gantries, etc.)	3.40% - 20.00%
Motorway structures (viaducts, bridges, tunnels, overpasses, underpasses, retaining walls, etc.)	1.92% - 33.09%
Buildings	1.21% - 18.44%
Right of superficies	2.06%
Transport means	0.30% - 20.00%
Other equipment and devices	0.29% - 50.03%
Computers and computer equipment	0.99% - 50.06%
Software, licences	1.56% - 50.00%
Easement right	3.34% - 10.00%
Land – leases	10%
Buildings – leases	10.00% - 32.43%
Equipment – leases	10.00% - 30.77%

Amortisation allowance does not appear in relation to:

- land,
- property, plant and equipment under construction or in production,
- property, plant and equipment of cultural, historical or artistic significance,
- motorway substructure including construction works (preparatory works, earthworks), landscaping costs, archaeological excavation costs, demolition costs, etc.

Amortisation/depreciation is accounted even if an asset is no longer in use or has been removed from use until it is fully amortised/depreciated.

The costs of the amortisation of assets acquired through government grants or donations are offset to the benefit of operating revenue and an appropriate decrease in long-term deferred revenue.

Leases

As at 31 December 2022, the Company only discloses leased assets as right-of-use assets under property, plant and equipment.

Pursuant to the SAS 1.27, the Company recognised a right-of-use item of property, plant and equipment and lease obligations as at the start date of the lease. An item of property, plant and equipment obtained on the

basis of a lease is, therefore, an integral part of the Company's property, plant and equipment, and its cost includes (SAS 1.27):

- a) the amount of the initial measurement of lease obligations;
- b) payments of rent made on the start date of the lease or earlier decreased by the received lease incentives;
- c) initial direct costs;
- d) an estimate of costs that will be incurred by the lessee in the dismantling or removal of an asset that is the subject of the lease, the renovation of the place where it is located or the restoration of an asset that is the subject of the lease to the condition prescribed by the terms of lease, unless such costs were incurred in the production of inventories.

As at the start date of the lease, the Company measured the lease obligation at the present value of rents that have not been settled by that day. When calculating the present value of the minimum sum of rents, the discount rate is a lease-related discount rate if it can be determined, otherwise the interest rate is the presumed borrowing rate that must be paid by the lessee. The Company selected the presumed borrowing rate as the discount rate.

The rents covered as at the initial date when measuring outstanding lease liabilities include the following payments for the right to use an asset that is the subject of the lease as at the start date of the lease in the period of lease:

- a) fixed rents reduced by receivables for lease incentives;
- b) variable rents that depend on the index or rate and are initially measured using the index or rate applicable as at the start date of the lease;
- c) amounts that are expected to be paid by the lessee based on guarantees for residual value;
- d) completion price for the option of purchase if it is fairly likely that the lessee would use that option, and
- e) payments of penalties for the cancellation of the lease if the term of the lease shows that the lessee would use the option of lease cancellation.

Pursuant to the SAS 1.27, the Company assesses upon the conclusion of a lease contract whether it is a lease contract or whether the contract includes a lease. A contract is a lease contract or includes a lease if it is used to transfer the right to manage the use of the identified asset for the specified period in exchange for consideration. In doing so, the Company accounts all lease components as a single lease component. When assessing whether a contract transfers the right to the use of an identified asset for the specified period, the Company assesses whether it has simultaneously throughout the term of use:

- a) the right to obtain all relevant economic benefits from the use of the identified asset and
- b) the right to direct the use of the identified asset.

If the Company has the right to manage the use of an identified asset for only part of the term of the contract, the contract includes a lease for that part of the term of the contract.

An asset is ordinarily deemed to be identified if it is expressly specified in a contract. It may also be identified by way of implicit specification when the Company receives it in use. The Company has no right to use an identified asset if the lessor has the material right to replace the asset throughout the term of use, meaning that it has the actual option to replace alternative assets throughout the term of use and would also have economic benefits.

The Company only has the right to direct the use of an identified asset throughout the term if:

- a) it has the right to direct the method and purpose of the use of the asset throughout the term of use or
- b) important decisions on the method and intended use of the asset are specified in advance and:
 - the Company has the right to use the asset throughout the term of use, whereby the lessor has no right to change instructions for operation, or
 - the Company designed the asset in a manner specifying in advance the method and intended use of the asset throughout the term of use.
 - assets throughout the period of use.

The Company specifies the term of the lease as a period in which the lease cannot be cancelled along with:

- a) the period in which it is possible to extend the lease if it is fairly likely that the lessee would use that option, and
- b) the period in which it is possible to cancel the lease if it is fairly likely that the lessee would not use that option.

Upon initial recognition, the Company measures the right to use an asset at the present value of future rents. That right is amortised and the amortisation cost is recognised along with the cost of interest due to the time value of money under expenses for financing. The Company therefore separates the amount constituting the payment of principal from the amount constituting the payment of interest in the cash flow statement. Both are classified under cash flows from financing activities.

A lease obligation is disclosed under liabilities for financing, which is broken down into the long-term share, which falls due in a period longer than a year after the balance sheet date, and the short-term share, which falls due within 12 months following the balance sheet date.

For short-term leases (the lease period is less than 12 months) and low-value leases (the value of a leased asset, if it were new, falls under €10,000; e.g. laptops, tablets and phones), the Company applies an exception and does not recognise the right to use the asset. Costs related to the lease of such assets are, therefore, recognised under expenses evenly throughout the term of the lease. They are recognised under the cost of services, specifically the item rent. The Company has not concluded any lease contracts with variable rents.

A leased fixed asset is disclosed separately from other such assets. The amortisation of leased fixed assets must be aligned with the amortisation of other similar assets. If there is no justified assurance that the lessee will assume ownership by the end of the lease, such assets are fully amortised either during the term of the lease or during its useful life, whichever is earlier. Depreciation costs for property, plant and equipment acquired through lease are accounted separately.

The essential assumptions used to calculate the right to use the assets are:

- the assumed discount rate of 2.187% applied to leases concluded by 30 June 2020. Having assessed the adequacy of the discount rate in light of the changed financial market situation, the assumed discount rate for leases concluded from 1 July 2020 to 31 December 2021 was reduced to 1.759%, for the ones concluded after 1 January 2022, this amounts to 0.487% for leases from one to five years and 0.897% for leases from five to ten years,
- the assumed lease term.

Financial investments

Financial investments are financial assets held by the Company to earn returns and thus increase its financial revenue. Upon initial recognition, financial investments are classified under financial assets measured at fair value through the income statement, financial assets held until maturity, financial investments in loans or financial assets available for sale. They are disclosed in the balance sheet as short-term and long-term investments.

Under financial investments, the Company discloses long-term and short-term bank deposits that are recorded upon initial recognition at cost (equalling the paid amount of money), which complies with the fair value of the deposit upon initial recognition. No major costs were incurred upon the conclusion of a deposit that would derive directly from the purchase or issue of a financial asset.

Financial derivatives can be one of the short-term investments held by the Company to hedge against risks.

Deferred tax assets

Deferred tax assets are recognised for the amounts of corporate income tax that will be returned in future periods. The amount of deferred tax is identified with the use of the expected tax rate in the following years.

Deferred tax assets are only recognised if it is likely that taxable profit will be available for the debit of which deferred tax assets can be used.

Insignificant amounts of deferred tax assets are not recognised.

Deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity in the same or some other period.

Assets held for sale

Long-term assets that are expected to be settled primarily through sales rather than through further use are classified under assets held for sale. They comprise property, plant and equipment (land and buildings) that meet the conditions for reallocation to assets held for sale:

- a) an asset is available for immediate sale in the current condition,
- b) a sale is very likely (the management adopted a plan to sell it and a buyer is being sought),
- c) the sale of an asset is being actively marketed,
- d) it is expected that the sale will be completed within a year of the reallocation.

The depreciation of an asset is terminated when it is defined as a non-current asset held for sale. Such a non-current asset held for sale is assessed at book value or at fair value, decreased by the cost of sale, whichever is lower.

A sale is very likely if the Company's Management Board adopted a resolution on the sales plan. The Company checks on an annual basis whether assets still meet the criteria for disclosure as assets held for sale. If an asset fails to meet such criteria, the Company reallocates it back to property, plant and equipment or investment property.

Inventories

Inventories include inventories of material, spare parts, small tools, packaging and merchandise.

A unit of material inventories is valued at cost upon initial recognition, which comprises the purchase price including all discounts granted, import duties and direct purchase costs. The purchase price is reduced by any discounts received.

Inventories are valued using the first-in, first-out (FIFO) method.

The Company writes off inventories if their sale has been completely terminated or if they are obsolete.

If the book value exceeds the net realisable or historical cost of inventories, the inventories are revalued at year-end.

Operating receivables

All types of operating receivables are recognised at the amounts indicated in the relevant documents assuming that they will be paid. Depending on their date of maturity, they are either short-term or long-term.

Long-term operating receivables include trade receivables and a long-term receivable for input VAT for the right of superficies. Based on the annual performance contract on the execution of the contract based on Article 4 of the ZDARS-1, the short-term share of the long-term input VAT receivable is transferred to short-term receivables.

Short-term operating receivables comprise short-term trade receivables due from domestic and foreign customers, short-term operating receivables from operations for a third party account, short-term interest receivables on demand deposits and investments, advances receivable, input VAT receivables, short-term receivables related to European funds and other receivables.

Foreign currency-denominated receivables are converted into the domestic currency using the reference exchange rate of the European Central Bank.

The adequacy of the disclosed amount of individual receivables is reassessed by the Company at the end of the accounting period within the scope of the annual inventory and based on objective evidence of doubt as to their recoverability. Allowances for receivables are disclosed to the benefit of special corrective receivable accounts and to the debit of operating expenses for revaluation based on the following rules:

- an allowance is made for a particular receivable that has a historic cost (including VAT) exceeding €3,000 and
 - no allowance for receivables is made for receivables past due for up to 90 days,
 - an allowance for receivables past due from 91 to 180 days is made in the amount of 30% of their value,

- an allowance for receivables past due from 181 to 365 days is made in the amount of 60% of their value,
- an allowance for receivables past due more than 365 days is made in the amount of 100% of their value,
- if there is an assumption for certain receivables that there will be no settlements or that they will not be settled in full, they need to be considered doubtful, and disputed when a court procedure is initiated because of them. The allowance for these receivables is established on the basis of the resolution of the Management Board in 100% of the receivable's amount, regardless of maturity.

Based on the relevant documents, the Company performs a complete write-off of receivables where bankruptcy or compulsory composition proceedings have been completed or for which all actions were taken with due diligence to achieve the repayment of receivables or for which it has established that further legal procedures are not economically justified.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank, cash in transit, deposits redeemable at notice and overnight bank deposits. Cash in transit is cash transferred from the register to an adequate bank account and not entered as a credit on the same day.

Domestic and foreign-currency-denominated cash is presented separately. Cash and cash equivalents expressed in the domestic currency are disclosed at their nominal values. Cash denominated in a foreign currency is converted into the national currency using the reference exchange rate of the European Central Bank applicable on the date of receipt. The balance of cash denominated in a foreign currency is converted into the national currency on the last day of the financial year using the reference exchange rate of the European Central Bank. Exchange rate differences arising due to the conversion increase either the financial revenue or financial expenses.

Equity

Equity is the Company's liability to its owners that falls due if the Company ceases operating, whereby the size of equity is adjusted to the then achievable price of net assets. It is determined by both the amounts invested by owners and by the amounts generated during operation that belong to the owners. It is decreased by operating losses, repurchases of own shares and own business interests and withdrawals (distribution of profits).

The Company's capital comprises called-up capital, capital surplus, profit reserves (legal reserves, statutory reserves and other profit reserves), fair value reserves and still available net profit for the financial year.

Equity is a form of financing of the Company by its owners and represents – from the Company's point of view – an obligation to the owners. It is determined by both the amounts invested in the Company by owners and by the amounts generated during Company operation.

The Company's capital surplus comprises the value of the real property transferred to the Company in 2004 by the RS upon its reorganisation for the purposes of motorway operation and maintenance, and a general equity revaluation adjustment that was transferred to capital surplus on 1 January 2006 (upon transfer to the SAS 2006), surplus assets representing the difference between the in-kind contribution of the RS and the value of newly issued Company shares in 2010, the difference in the merger of the subsidiary DELKOM d.o.o. in 2015, and surplus assets representing the difference between the in-kind contribution made by the RS and the value of newly issued shares in 2017, and the amounts of subsequent contributions in the Company capital by the RS based on Government decisions issued on the basis of Article 16 of the ZDARS-1, thus identifying and specifying real estate that was owned by the RS and that is to be obtained by DARS pursuant to Article 14 of the ZDARS-1 (subsequent contributions are identified by the Management Board with a resolution).

Legal reserves are set aside pursuant to the Companies Act. The Company must form legal reserves in such an amount that the sum total of the legal reserves and the capital surplus from points 1 to 3 of paragraph 1 of Article 64 of the ZGD-1 accounts for at least 10% of the Company's share capital. If the total of the legal reserves and capital surplus referred to in points 1 to 3 of paragraph 1 of Article 64 of the Companies Act fail to achieve a 10% share of the Company's share capital and the Company discloses a net profit for the financial year, 5% of the net

profit decreased by the amount used for covering losses from previous periods must be allocated to the legal reserves during the compilation of the balance sheet.

The Company sets aside statutory reserves of up to 25% of its share capital. Statutory reserves are formed using 25% of the net profit remaining after settling any losses brought forward and setting aside legal reserves and reserves for own business interests to form statutory reserves until these reach 25% of the share capital. These reserves are not distributable.

Pursuant to paragraph 3 of Article 230 of the ZGD-1, managing and supervisory bodies may, at the adoption of the annual report, form other reserves from profit from the amount of the net profit remaining after the utilisation of the net profit for the purposes defined in paragraph 1 of Article 230 of the ZGD-1; however, they may not utilise for this purpose more than one half of the net profit amount that remains after the utilisation of the profit for the purposes defined in paragraph 1 of the indicated Article.

Other revenue reserves comprise non-nominal capital and are increased annually through the appropriation of net profit.

Fair value reserves comprise:

- actuarial gains and losses related to provisions for severance pay upon retirement as per the actuarial calculation, and
- the successful portion of changes to the fair value of a financial derivative.

Equity components and changes in equity are disclosed in the Statement of Changes in Equity.

Provisions and long-term accrued costs and deferred revenue

Provisions are created for obligations that arise from binding past events and are expected to be settled in a period that cannot be determined with certainty, but a reliable estimate can be made of the amount of obligations. Long-term provisions are formed as accrued costs or expenses and are decreased due to utilisation for the purposes for which they were formed.

In compliance with the law, the collective agreement and the internal rules, the Company is obligated to pay jubilee benefits and retirement severance to employees for which it forms long-term provisions equalling the amount of the estimated future payments for jubilee benefits and severances, discounted at the date of the balance sheet. Provisions are formed on the basis of an actuarial calculation prepared by a certified actuary. The calculation is made for each employee taking into account the cost of severance pay upon retirement and the cost of all the expected jubilee benefits until retirement. Upon the closure of each financial year, the amount of such provisions is checked and increased or decreased as required. Payments for severance pay upon retirement and jubilee benefits decrease by the provisions set aside. Labour costs and interest costs are recognised in the income statement, while the recalculation of post-employment benefits or non-realised actuarial gains or losses deriving from severance pay are recognised in other comprehensive income.

The Company discloses long-term provisions for long-term accrued costs deriving from expected losses incurred due to tort claims for lawsuits related to motorway construction, reconstruction, management and maintenance, and for employee lawsuits deriving from employment relationships. Provisions for lawsuits are formed on the basis of an estimate as to the likely outcome of disputes at the time when the likelihood of a negative outcome for the Company exceeds 50 percent.

Long-term accrued costs and deferred revenue comprise deferred revenue expected to cover the estimated expenses in a period of more than one year. Deferred revenue is translated into charged revenue when the relevant services have been performed or when they are eligible to be included in the income statement and when the relevant costs need to be settled.

Long-term deferred revenue also includes received EU grants and co-funding for the acquisition of fixed assets. They are earmarked to cover amortisation charges for fixed assets thus acquired and are utilised by transferring to operating revenue. Deferred revenues deriving from EU grants and co-funding are recognised once they are received or when acceptable assurance exists that the Company will receive the deferred revenue and meet the requirements related to them. Deferred revenue deriving from the EU grants and co-funding received for the acquisition of fixed assets is utilised through transfer to operating revenue pursuant to the amortisation

/depreciation accounted. Deferred revenue deriving from the EU grants and co-funding received to cover other costs is utilised through transfer to operating revenue pursuant to the emergence of costs for which the grants were received.

Long-term deferred revenue is formed for assets received from the drawn warranty bonds, performance bonds and tender bonds. The bond amounts drawn are used to cover the cost of the intention to draw bonds or, in case of drawing performance bonds.

Long-term financial liabilities to banks

Long-term financial liabilities to banks include long-term loans taken out for financing the company's investment plans.

Long-term financial liabilities that will mature within a year of the balance sheet date are shown as short-term financial liabilities.

Long-term financial liabilities are initially recognised at the amounts indicated in relevant documents evidencing the receipt of cash. Foreign currency-denominated debts are converted into the national currency on the date they are incurred using the reference exchange rate of the European Central Bank.

On the basis of foreign loans granted, long-term financial liabilities denominated in a foreign currency are restated on the last day of the financial year using the reference exchange rate of the European Central Bank.

The payments of interest on long-term loans taken out for financing investment plans of the company increase the cost of a fixed asset until the fixed asset for which the loan was taken out is acquired. Following the fixed asset being commissioned, the payment of interest on loans represents a financial expense.

The Company incurs debt on its own behalf and for its own account.

The Company uses financial derivatives to protect its cash flow against exposure to changes in cash flows.

Since it implemented hedging against risk, the company keeps official documents on the relationship of hedging against risk, the purpose of the company's risk management, the strategy underpinning the project of hedging against risk and on the methods used in assessing the effectiveness of the relationship of hedging against risk. The Company assesses hedging in the established manner and upon its introduction, whenever highly successful hedging is expected in the attainment of offset changes to fair value or cash flows that are attributed to a hedged risk. In cash flow hedging, the foreseen transaction subject to hedging must be very likely and exposed to cash flow variability that may have a decisive impact on profit or loss.

Financial derivatives are initially recognised at fair value, while the costs related to a transaction are recognised in the profit or loss upon their occurrence. Following initial recognition, financial derivatives are measured at fair value, while the associated changes are considered as described below.

Cash flow hedging

When a financial derivative is set to hedge in case of exposure to cash flow variability that is attributable to a particular risk associated with a recognised asset or liability or very likely forecast transactions that may affect profit or loss, the successful portion of the changes to the fair value of the financial derivative is recognised in other comprehensive income for the period and disclosed under hedging reserves or the equity item. The unsuccessful portion of changes to the fair value of a financial derivative is recognised directly in profit or loss.

The amount recognised in equity is transferred to profit or loss for the same period where the hedged item has no effect on profit or loss. The Company typically terminates hedge accounting if a hedging instrument no longer meets the criteria for hedge accounting, if a hedging instrument is sold, cancelled or realised or if the Company revokes the designation. If the forecast transaction is no longer expected, the amount in other comprehensive income must be recognised directly in profit or loss.

If the economic ratio changes to a large extent in the future or balances out and the protected ratio becomes effective, then the conditions are met for the accounting of hedging. The accounting treatment is therefore

changed in the month when the conditions are met and the derivative is charged in line with the provisions for hedging charges.

Long-term liabilities for bonds

Upon initial recognition, long-term liabilities for bonds issued are valued at the amounts indicated in the relevant documents proving the receipt of cash and cash equivalents.

Payments of coupons deriving from the bonds issued increase the cost of a fixed asset until the fixed asset for which the bonds were issued is acquired. Following the fixed asset being commissioned, the payment of coupons from issued bonds represents a financial expense.

The Company incurs debt on its own behalf and for its own account.

Other long-term financial liabilities

Other long-term financial liabilities include:

- long-term loans received from other foreign organisations and issued registered notes for financing the investment plans of the company received from other foreign organisations (see guidelines for long-term financial liabilities to banks) and
- long-term lease liabilities (see guidelines for leases).

Operating liabilities

Operating liabilities include supplier credits for purchased goods or services, liabilities to employees for work performed, liabilities to funders relating to interest and similar items, liabilities to the state arising from public charges, which are prescribed and mandatory and include taxes, contributions and other public charges. A subtype of operating liabilities is liabilities to buyers for the advances and securities received.

Upon initial recognition, operating liabilities are valued at the amounts indicated in the relevant documents proving the receipt of goods, services and constructions. The liabilities are subsequently measured at amortised cost. Liabilities denominated in a foreign currency are converted to national currency on the date they are incurred using the reference exchange rate of the European Central Bank.

Long-term operating liabilities include the liability for the right of superficies compensation. Based on the annual performance contract based on Article 4 of the ZDARS-1, the short-term part of a long-term liability is transferred to short-term liabilities.

Short-term financial liabilities

Short-term financial liabilities include:

- the short-term share of long-term liabilities that fall due in the following year,
- accrued and charged interest as at 31 December 2022 for loans taken out and bonds issued for financing investment plans of the company, and accrued interest for financial derivatives taken to secure bank loans against interest rate risks, and
- short-term lease liabilities.

Short-term accrued and deferred items

Accruals and prepaid expenditure include short-term accrued revenue and short-term deferred costs that are not debited to the Company's activities upon their occurrence and have no effect on profit or loss. Deferred costs and accrued revenue also comprise the deferred costs of commission for vignette sales agents and deferred costs of vignette printing, which are recognised in the relevant share of each recognised revenue amount from the vignettes sold.

Accrued and deferred liability items comprise accrued costs and short-term deferred revenue.

Accrued costs are costs that are debited to the profit or loss for the period. The obligation for payment is envisaged in the next accounting period. Accrued costs also include costs associated with business performance bonuses for the Management Board and executive officers.

Short-term deferred revenue arises when the services charged or even paid for have not yet been rendered. Short-term deferred revenue was formed for:

- revenue from the sale of tolls in the form of a credit balance on DarsGo units. DarsGo units apply to vehicles with a maximum permissible weight exceeding 3.5 tonnes as of 1 April 2018, when electronic tolling in free traffic flow entered into force. Revenues will be deferred until service users make toll crossings.
- for electronic vignettes that are valid for the use of motorways partly or entirely in 2022. Revenues from electronic vignettes are recognised according to the days of validity of each electronic vignette in an accounting period in proportion to the days of validity of the electronic vignette.

Revenues

Pursuant to the SAS 15, the Company applies a 5-step model to determine when to recognise revenue and in what amount.

The procedure for recognising revenue is carried out in the sequence of five steps:

Step 1: definition of a contract,

Step 2: definition of performance obligations,

Step 3: determination of the transaction price,

Step 4: distribution of the transaction price to performance obligations and

Step 5: fulfilment of performance obligations or the recognition of revenue when the performance obligation has been met.

In a contract concluded in writing, verbally or pursuant to customary practice, the Company agrees with the buyer on the main components of the sales transactions and the parties undertake an agreement to fulfil the obligations agreed upon.

A contractual obligation is a performance obligation of the Company to supply or render the contractually agreed (promised) goods or services to the buyer.

Revenue is recognised when it is reasonably expected that the Company will receive compensation for them. The transaction price is the amount of compensation expected by the Company to be received in return for the transfer of goods or services to the buyer, except for amounts collected on behalf of third parties.

The model defines that revenue is recognised when the Company transfers a service or goods to the customer in an amount that the Company believes it is entitled to. With respect to the criteria met, revenue is recognised:

- at a certain moment or
- over a period.

Revenue is recognised at the moment the performance obligation is met, e.g. when the buyer is given control over the service or goods. Control means that the buyer may direct the use of an asset and receive all essential benefits from the asset and may also prevent others from using or receiving benefits from the asset.

In contracts where the Company renders a service over a prolonged period of time, revenue is recognised in a distributed manner throughout the period of service rendering.

The Company consistently follows the policy of the simultaneous recognition of revenue and expenses in the period of a service rendered or the sale of goods irrespective of when payment is effected.

Revenue is broken down into operating, financial and other revenue.

Operating revenue comprises:

- toll revenue,
- rentals paid by various service providers to use motorway service areas,
- revenue from motorway closures and extraordinary freight transports,
- revenue from easements for the installation of facilities and devices of public importance alongside motorways,
- revenue from telecommunications,
- revenue under the performance contract,
- other operating revenue,
- capitalised own products and services.

Toll revenue accounts for the majority of operating revenue, i.e. 97% of the total sales revenues in the 2022 financial year. A toll is paid for each use of a toll road or toll section and toll road structure, except by vehicles exempted from toll payment under the Road Tolling Act.

Tolls for the use of toll roads are charged for vehicles with over 3.5 tonnes of maximum permissible weight based on the distance travelled along the toll road (distance-based toll – DarsGo system) and for vehicles with up to 3.5 tonnes of maximum permissible weight based on the duration of the use of the toll road (time-based toll – vignette system). The toll rate is prescribed by the Government, taking into account:

a) for distance-based tolls:

- the type of vehicle or toll-rate category of the vehicle used for transport on the toll road, EURO emission class.

The payment of tolls based on the distance travelled is conducted using the electronic tolling system in free traffic flow (DarsGo). To pay tolls, a customer obtains a DarsGo unit and installs it in the vehicle before entering a toll road.

Before the initial use of the DarsGo system, it is necessary to provide adequate financial coverage for toll payment. Tolls may be paid by way of credit in the vehicle account (prepayment mode) or subsequent payment based on an issued invoice (postpayment mode).

In prepayment mode, it is necessary to top up credit to the vehicle account before the use of the DarsGo unit. During the use of toll roads, the credit in the vehicle account is reduced with respect to the distance travelled and revenue from the spent credit is recognised.

In postpayment mode through the conclusion of a contract on deferred toll payment, a customer is issued a monthly invoice for tolls and revenue is recognised based on the distance travelled in the relevant monthly period.

On 13 December 2018, the Government adopted a decision introducing a toll mark-up on certain sections of the motorway network, which is paid by toll payers within the scope of the DarsGo system. DARS, as the operator of toll roads, charges the mark-up on certain toll road sections as of 1 January 2019. The funds collected are intended to provide funds for financing the construction of the second track of the Divača–Koper railway section. The charged toll mark-up is not disclosed as part of Company revenue, but as a liability to the Republic of Slovenia.

b) for time-based tolls:

- the type or toll-rate category of the vehicle;
- the period of toll road use (weekly, monthly, half-year and yearly vignette).

As of 1 December 2021, yearly and half-year vignette stickers were replaced with yearly and half-year electronic vignettes and the sale of monthly and weekly sticker vignettes was suspended on 31.1.2022. The sale of monthly and weekly electronic vignettes began on 1 January 2022.

Yearly electronic vignettes are valid from the date of purchase or from and including the date set by the toll user upon purchase until the end of the day with the same number twelve months after the date of purchase or the set validity start date, or if there is no such date in the twelfth month, until the end of the last day of the twelfth month.

Half-year electronic vignettes are valid from the date of purchase or from and including the date set by the toll user upon purchase until the end of the day with the same number six months after the date of purchase or the set validity start date, or if there is no such date in the sixth month, until the end of the last day of the sixth month.

The monthly electronic vignette is valid from the date of purchase or from and including the date set by the toll user upon purchase until the end of the day with the same number one month after the date of purchase or the set validity start date, or if there is no such date in the next month, until the end of the last day of the month;

The weekly electronic vignette is valid seven consecutive days from and including the date set by the toll user upon the purchase of the electronic vignette.

Electronic vignettes can be purchased in advance, i.e. with a validity start date other than the date of purchase. The validity start date for individual vignettes can be set up to 30 days from the date of purchase (a maximum of 30 days before they become valid).

If, upon the purchase of the electronic vignette, the toll user sets a validity start date other than the date of purchase, the toll user may withdraw from the sales agreement and request a refund of the purchase price before the purchased electronic vignette becomes valid. In accordance with the provisions of the Road Tolling Act, the toll user has the right to a refund of the proportional electronic vignette value under certain conditions.

Revenues from electronic vignettes are recognised according to the electronic vignette validity period, in an individual monthly accounting period in proportion to the days of validity of the electronic vignette. Pursuant to the requirements of the SAS 15 and in compliance with the provisions of the Road Tolling Act, the electronic vignette validity start date is the event when revenues from the sale of electronic vignettes begin to be recognised.

Capitalised own products and services apply to capitalised own services rendered on motorways (various investments and investments in increasing motorway traffic safety). The purchase value of an asset produced by the Company includes the costs of materials, the direct labour costs and other costs that can be directly attributed to the goal of preparing the asset for use.

Other operating revenue related to business effects are subsidies, government grants, recourse, offsets, premiums and similar revenues. Government grants received for the acquisition of fixed assets or for covering certain costs are provisionally kept under deferred revenue and are transferred to operating revenue pursuant to the depreciation of the fixed assets acquired or the occurrence of the costs they are intended to cover.

Revenue from charged default interest and therewith related receivables is recognised when incurred if it is likely that economic benefits related to the transaction will flow into the Company.

The amounts collected to the benefit of third parties, such as the calculated value-added tax and other duties, are not part of the sales revenues.

Financial revenue comprises interest revenue and foreign exchange gains. Financial revenue is recognised unless there is justified doubt as to its amount and collectability. Interest is recognised on a time proportion basis, taking into account the outstanding principal amount and the applicable interest rate.

Other revenue comprises unusual items increasing profit or loss for the period (damages received, remuneration for the employment of disabled persons above the quota, etc.).

Expenses

Expenses are recognised if the decrease in economic benefits in the accounting period is connected with a decrease in assets or an increase in debt and if this decrease can be reliably measured. Expenses are broken down into operating, financial and other expenses.

Operating expenses are recognised when material is consumed or a service is rendered, i.e. for the period to which they refer. The Company's operating expenses include expenses associated with motorway construction, reconstruction, management and maintenance and consist of the following:

- cost of materials and cost of goods sold,
- cost of services,
- labour costs,
- write-downs (disclosures related to accounted amortisation/depreciation are shown within the scope of disclosures of intangible assets and property, plant and equipment),
- other operating expenses.

The cost of material and services is recognised on the basis of documents proving that they are typically related to the generated economic benefits. A decrease in the value of inventories of material to their net realisable value does not increase the disclosed cost of material, but increases operating expenses for the revaluation of inventories. The cost of the material kept in inventories before use is disclosed in the amount that formed the value of inventories before the quantity of material was consumed. Inventories are valued using the first-in, first-out (FIFO) method. The cost of the material and services kept in inventories before use is disclosed in the actual amount upon the purchase of such material. The estimated amount of the accrued costs of material and services is disclosed in items under which such actual costs of material and services would otherwise be disclosed. If any surplus or shortage of material is found upon the annual material inventory listing for which no one is personally responsible, the surplus decreases the costs recognised until that point, while a shortage increases them.

Labour costs include all forms of earnings that are provided to employees by the Company in return for their service. Labour costs included salaries and wages, salary compensations, benefits in kind, gifts and bonuses for employees, severance pay for employees who leave the Company, and other income that belongs to employees under the law, collective bargaining agreement or employment contract along with duties that are charged additionally to the debit of the Company. Provisions for jubilee benefits and severance pay upon retirement are considered to be labour costs. Salary compensations that are debited to the Company include compensation for a specific number of days of sick leave, annual leave, national holidays and special leave, as well as other compensations pursuant to the regulations, collective bargaining agreement or employment contract. Reimbursements to employees that are considered labour costs and are in direct relation with the performance of work include, for instance, amounts for transport to or from work, amounts for the reimbursement of meal costs during work and others. Job-related travel costs, the cost of fieldwork, tuition fees and scholarships directly related to Company operations are considered to be labour costs. In 2022, wages and salaries were paid in line with the Corporate Collective Agreement of DARS, while the salaries of the Management Board of DARS were also paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, No. 21/2010, "ZPPOGD"). The Company had no service costs related to recruitment agencies in 2022. Legal actions have been filed by employees for their requests for disbursement based on the provisions of the law, collective agreement, general by-laws or employment contract that are contested by the Company. Provisions for lawsuits are formed on the basis of an estimate as to the likely outcome of disputes at the time when the likelihood of a negative outcome for the Company exceeds 50%.

Financial expenses are expenses related to interest on loans received and bonds issued, expenses related to financial derivatives used for hedging against financial risks, foreign exchange losses, default interest and impairment of investments. Financial expenses are recognised as accounted notwithstanding the payments related to them.

Other expenses comprise unusual items that decrease profit or loss in the relevant financial year. Other operating expenses comprise:

- payment of court-ordered indemnifications,
- reimbursement of auditing costs,
- other fines.

Corporate income tax and deferred tax

Corporate income tax is calculated in accordance with the Corporate Income Tax Act. Corporate income tax for 2022 is accounted at the 19% rate on the taxable profit generated by the Company in a tax year.

Deferred tax is intended to cover temporary differences arising between the tax base of an asset and liability and its carrying amount using the balance sheet liability method in accordance with the valid tax rates at the time.

A deferred tax asset is recognised in an amount that is likely to be covered by future taxable income, to the debit of which a deferred tax asset may be used in future.

Cash Flow Statement

The Cash Flow Statement was prepared using the indirect method (Version II) on the basis of data from the Balance Sheets as at 31 December 2022 and 31 December 2021, the Income Statement for 2022 and additional information required for the adjustment of inflows and outflows.

The Cash Flow Statement comprises cash flow from operating, investing and financing activities.

II.5 Notes on the financial statements

II.5.1 Notes on the Balance Sheet

II.5.1.1 Intangible Assets and Long-Term Deferred Costs and Accrued Revenues

The Company's intangible assets comprise computer software.

Intangible assets in 2022

In € (excl. cents)	Computer software	Intangible fixed assets under construction	Total
Cost			
Balance as at 31/12/2021	52,156,572	92,880	52,249,452
Acquisitions	0	3,235,257	3,235,257
Movements between items	70,980	0	70,980
Activation	2,864,156	-2,864,156	0
Eliminations (disposals, write-offs)	-116,554	0	-116,554
Balance as at 31/12/2022	54,975,154	463,980	55,439,134
Allowance			
Balance as at 31/12/2021	21,853,761	0	21,853,761
Depreciation/amortisation	6,093,393	0	6,093,393
Movements between items	36,472	0	36,472
Eliminations (disposals, write-offs)	-116,554	0	-116,554
Balance as at 31/12/2022	27,867,073	0	27,867,073
Present value			
Balance as at 31/12/2021	30,302,811	92,880	30,395,691
Balance as at 31/12/2022	27,108,082	463,980	27,572,062

Intangible assets in 2021

In € (excl. cents)	Computer software	Intangible assets under construction	Total
Cost			
Balance as at 31/12/2020	44,051,232	1,732,722	45,783,954
Acquisitions	0	6,138,883	6,138,883
Movements between items	375,753	0	375,753
Activation	7,778,725	-7,778,725	0
Eliminations (disposals, write-offs)	-49,138	0	-49,138
Balance as at 31/12/2021	52,156,572	92,880	52,249,452
Allowance			
Balance as at 31/12/2020	17,057,591	0	17,057,591
Depreciation/amortisation	4,698,339	0	4,698,339
Movements between items	146,969	0	146,969
Eliminations (disposals, write-offs)	-49,138	0	-49,138
Balance as at 31/12/2021	21,853,761	0	21,853,761
Present value			
Balance as at 31/12/2020	26,993,641	1,732,722	28,726,363
Balance as at 31/12/2021	30,302,811	92,880	30,395,691

The following major intangible fixed assets were upgraded and activated in 2022:

- licences for the video surveillance system software in the amount of €187,550,
- software for the C-ITS mobile communication tool in the amount of €72,745,
- upgrade of software for the electronic vignette project: the e-VIN central, sales and control system in the amount of €853,590,
- upgrade of the documentary system in the M-Files solution in the amount of €125,503,
- upgrade of the application for international traffic management in the amount of €255,200,
- upgrade of the DarsGo software in the amount of €205,490, and
- upgrade of the KAŽIPOT II software in the amount of €331,094.

Intangible fixed assets under construction comprise software tied to the establishment of intelligent transport systems on motorways and expressways.

As at 31 December 2022, no intangible assets were pledged as security for liabilities and no signs of impairment were observed for intangible assets predominantly comprising newly acquired intangible assets.

Contractual liabilities for intangible assets amount to €515,616 as at 31 December 2022 and predominantly refer to the purchase of software and licences.

Long-term deferred costs and accrued revenue amounting to €12,970 refer to the remaining cost of the development and registration of the DarsGo brand. For the purposes of identifying the electronic tolling system in free traffic flow and the units that will be installed in heavy vehicle cabins, DARS developed and registered its own DarsGo brand at the Intellectual Property Office with a validity term until June 2027. Since the created brand cannot be recognised by the organisation as an intangible asset, the total cost of development and registration has been entered under long-term deferred costs and accrued revenue and will be transferred to costs on a proportionate monthly basis throughout its validity.

II.5.1.2 Property, plant and equipment

Property, plant and equipment comprise land, buildings, equipment and property, plant and equipment that is being constructed or manufactured.

Land applies to the land used for motorway maintenance centres, business and residential buildings, holiday facilities, rest areas and surplus land alongside motorways, as well as real estate rights.

Pursuant to the ZDARS-1, the right of superficies was established to the benefit of DARS on the land owned by the Republic of Slovenia over which motorways run as structures that had been built or started to be built prior to the enforcement of the ZDARS-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. The Fiscal Balance Act made the right of superficies payable, which is why annual compensation is paid for it in accordance with the annual performance contract pursuant to Article 4 of the ZDARS-1.

The right of superficies has a definite useful life and is amortised during the period for which it had been established. The useful life of the right of superficies is the period during which the Company has a legal right to utilise it.

On 29 February 2016, at the request of the Ministry of Infrastructure, a certified real estate valuer supplemented the Report on the appraisal of a charge for the establishment of the right of superficies as at 31 May 2012, which now amounts to €190,760,000, excluding VAT. DARS adjusted the value of the right of superficies to the newly assessed value, which is now €50,787 lower than originally assessed. On 31 December 2022, the carrying amount of the right of superficies equalled €149,201,513.

Buildings comprise motorways (substructure, superstructure, buildings and road infrastructure) and other facilities (motorway centres, toll stations, business premises in Celje, vacation accommodation units and apartments).

The Slovenian Accounting Standards do not specifically determine which costs represent the purchase value of the motorway substructure, therefore the Company adopted this determination itself. The categorisation of

costs representing the purchase value of the motorway substructure and superstructure is presented in the chapter dealing with accounting policies.

Equipment refers to movable equipment intended for management, maintenance and toll collection activities.

Property, plant and equipment include DarsGo units, which are used to collect tolls in the DarsGo system. Toll collection in free traffic flow is only executed using the prescribed functional DarsGo unit installed in a vehicle liable to pay tolls. Pursuant to Article 25 of the Road Tolling Act, DarsGo units are owned by the operator of the toll roads. DARS may request the return and replacement of a DarsGo unit at any time.

As at 31 December 2022, the cost of DarsGo units stood at €6,049,302 and the book value amounted to €2,418,658. A DarsGo unit is transferred from the inventory of goods to fixed assets upon its first handover to a toll payer.

If the cost of an item of property, plant and equipment is significant, the Company breaks it down into the significant components of such an item of property, plant and equipment pursuant to SAS. If such components have different useful lives and/or usage patterns that are relevant in relation to the total cost of an item of property, plant and equipment, each part is considered separately.

The following major property, plant and equipment were activated in 2022:

- investments in motorways and other buildings in the amount of €43,786,430,
- investments in other equipment for the pursuit of Company activities (computer equipment, office furniture, machinery, devices, tools, trailer vehicles, heavy goods vehicles, vans and passenger car rental) in the amount of €4,179,487,
- investments in the equipment of the e-vignette system in the amount of €696,136,
- DarsGo units in the amount of €1,087,614.

The following major property, plant and equipment were eliminated in 2022:

- reconstructions of motorway sections at a cost amounting to €7,355,003,
- reconstructions and renovations of buildings at a cost amounting to €992,968,
- permanent exclusions of fixed assets from use by removal to public waste disposal sites due to dilapidation, damage and obsolescence at a cost amounting to €2,648,168,
- exclusion of leased assets returned on the expiry of the lease contracts at a cost amounting to €298,611 and
- exclusion of DarsGo units due to loss and dilapidation at a cost amounting to €184,013.

In 2022, we carried out movements between individual property, plant and equipment items, specifically:

- movements within the item Buildings, which mainly refer to the division of toll stations TS Log, TS Dane and TS Drnovo into integral parts in the total value of €3,137,535. We carried out movements from the Motorways and Buildings items to the Equipment and small tools and the Intangible fixed assets items totalling €72,040.

Property, plant and equipment under construction comprise projects for the construction and reconstruction of motorway and expressway sections. Investments in progress include the expansion into a 6-lane road at Koseze–Kozarje, the 3rd development axis – north at Velenje–Slovenj Gradec, the 3rd development axis – north at Šentrupert–Velenje, the 3rd development axis – south at Novo mesto–Maline (stage I – stages 3 and 4), the additional construction in the Karavanke tunnel, the Dragomer junction, the Bertoki radial road – expansion into a 4-lane road, the Ptuj–Markovci–Gorišnica–Ormož road connection, the reconstruction of junctions on the motorway ring (Leskoškova) and others for which documents are being acquired or construction is underway or is expected to start in the coming years and preparatory procedures are being carried out.

No property, plant or equipment of DARS was pledged as security for liabilities as at 31 December 2022.

No borrowing costs were attributed to property, plant and equipment activated in 2022. Borrowing costs attributed to property, plant and equipment being acquired amounted to €743,871 in 2022, while the total borrowing costs for property, plant and equipment being acquired amounted to €5,428,787 as at 31 December 2022.

The Company annually verifies the book value of property, plant and equipment in order to ascertain whether there are any signs of impairment. Should such signs exist, the recoverable amount of the asset is assessed. The recoverable value of an asset is considered to be the net sales value or value in use, whichever is higher. The impairment of an asset is recognised when its book value exceeds the recoverable amount. Impairments are disclosed in the Income Statement. If the Company operates with an adequate profit and within the scope of the business plans, there is no need for impairment. On the basis of the calculated required rate of return on assets, we find that an asset impairment is not necessary. Revaluatory operating expenses regarding property, plant and equipment are disclosed in chapter II.5.2.6 Write-downs.

Property, plant and equipment in 2022

In € (excl. cents)	Land		Buildings – LEASES	Motorways (substructures, superstructures, structures, other motorway infrastructure)	Buildings (MM centres, toll stations, office building in Celje, etc.)	Property, plant and equipment under construction - buildings	Equipment and small tools	Equipment – LEASES	Property, plant and equipment being acquired – equipment	Total	
	Land	Land – LEASES									Right of superficies
Cost											
Balance as at 31/12/2021	8,545,234	36,250	190,760,000	2,728,025	5,785,765,454	74,504,795	110,340,907	158,554,489	2,718,420	557,835	6,334,511,409
Acquisitions in 2022	0	0	0	0	0	0	129,234,077	0	0	5,556,257	134,790,334
Write-off of investments in progress	0	0	0	0	0	0	-797,723	0	0	0	-797,723
Movements between items	0	0	0	0	-70,980	-1,060	0	1,060	0	0	-70,980
Activation	0	0	0	291,476	42,000,180	1,786,250	-44,077,907	5,319,561	643,676	-5,963,237	0
Eliminations/disposals/write-offs in 2022	-57,491	0	0	-129,208	-7,355,003	-992,968	0	-2,832,181	-298,611	0	-11,665,461
Balance as at 31/12/2022	8,487,743	36,250	190,760,000	2,890,293	5,820,339,652	75,297,018	194,699,354	161,042,929	3,063,486	150,855	6,456,767,579
Allowance											
Balance as at 31/12/2021	0	10,875	37,632,131	1,529,405	1,567,486,410	21,679,161	0	115,684,860	1,181,465	0	1,745,204,308
Depreciation in 2022	0	3,625	3,926,356	511,378	169,980,162	2,864,574	0	10,493,288	598,847	0	188,378,230
Impairment in 2022	0	0	0	0	0	0	0	643	0	0	643
Movements between items	0	0	0	0	-36,472	0	0	0	0	0	-36,472
Eliminations/disposals/write-offs in 2022	0	0	0	-45,223	-2,937,290	-366,234	0	-2,743,624	-298,611	0	-6,390,981
Balance as at 31/12/2022	0	14,500	41,558,487	1,995,561	1,734,492,810	24,177,502	0	123,435,167	1,481,701	0	1,927,155,727
Present value											
Balance as at 31/12/2021	8,545,234	25,375	153,127,869	1,198,620	4,218,279,044	52,825,634	110,340,907	42,869,629	1,536,956	557,835	4,589,307,102
Balance as at 31/12/2022	8,487,743	21,750	149,201,513	894,733	4,085,846,842	51,119,516	194,699,354	37,607,762	1,581,785	150,855	4,529,611,852

Property, plant and equipment in 2021

In € (excl. cents)	Land			Buildings – LEASES	Motorways (substructures, superstructures, structures, other motorway infrastructure)	Buildings (MM centres, toll stations, office building in Celje, etc.)	Property, plant and equipment under construction - buildings	Equipment and small tools	Equipment – LEASES	Property, plant and equipment being acquired – equipment	Total
	Land	Land – LEASES	Right of superficies								
Cost											
Balance as at 31/12/2020	9,280,483	36,250	190,760,000	2,677,672	5,747,636,229	65,859,867	95,279,587	150,888,529	2,312,414	489,026	6,265,220,056
Acquisitions in 2021	0	0	0	0	0	0	108,170,095	0	0	9,621,707	117,791,802
Write-off of investments in progress	0	0	0	0	0	0	-19,300	0	0	0	-19,300
Movements between items	-794,298	0	0	0	-3,409,922	1,633,894	0	1,400,276	0	0	-1,170,050
Activation	60,915	0	0	50,353	83,805,889	9,172,318	-93,089,474	8,889,436	663,462	-9,552,899	0
Eliminations/disposals/write-offs in 2021	-1,866	0	0	0	-42,266,742	-2,161,283	0	-2,623,752	-257,456	0	-47,311,099
Balance as at 31/12/2021	8,545,234	36,250	190,760,000	2,728,025	5,785,765,454	74,504,795	110,340,907	158,554,489	2,718,420	557,835	6,334,511,409
Allowance											
Balance as at 31/12/2020	0	7,250	33,705,776	1,016,161	1,415,911,513	19,129,231	0	105,950,057	850,113	0	1,576,570,101
Depreciation in 2021	0	3,625	3,926,356	513,244	165,753,524	2,702,329	0	11,162,715	588,808	0	184,650,600
Impairment in 2021	0	0	0	0	0	0	0	2,661	0	0	2,661
Movements between items	0	0	0	0	-1,539,012	524,787	0	867,257	0	0	-146,969
Eliminations/disposals/write-offs in 2021	0	0	0	0	-12,639,615	-677,185	0	-2,297,830	-257,456	0	-15,872,086
Balance as at 31/12/2021	0	10,875	37,632,131	1,529,405	1,567,486,410	21,679,161	0	115,684,860	1,181,465	0	1,745,204,308
Present value											
Balance as at 31/12/2020	9,280,483	29,000	157,054,224	1,661,511	4,331,724,716	46,730,635	95,279,587	44,938,471	1,462,302	489,026	4,688,649,955
Balance as at 31/12/2021	8,545,234	25,375	153,127,869	1,198,620	4,218,279,044	52,825,634	110,340,907	42,869,629	1,536,956	557,835	4,589,307,102

II.5.1.3 Investment property

Investment property in 2022

In € (excl. cents)	Land – leases	Land – w/o determined future use	Buildings – leases	Total
Cost				
Balance as at 31/12/2021	1,363,906	21,390,843	989,781	23,744,530
Increases	0	2,560,429	0	2,560,429
Movements between items	0	0	0	0
Decrease	0	-1,715,120	0	-1,715,120
Balance as at 31/12/2022	1,363,906	22,236,152	989,781	24,589,839
Allowance				
Balance as at 31/12/2021	0	0	131,146	131,146
Depreciation/amortisation	0	0	29,693	29,693
Balance as at 31/12/2022	0	0	160,839	160,839
Present value				
Balance as at 31/12/2021	1,363,906	21,390,843	858,635	23,613,384
Balance as at 31/12/2022	1,363,906	22,236,152	828,941	24,429,000

Investment property in 2021

In € (excl. cents)	Land – leases	Land – w/o determined future use	Buildings – leases	Total
Cost				
Balance as at 31/12/2020	1,363,906	21,341,663	989,781	23,695,350
Increases	0	371,945	0	371,945
Movements between items	0	0	0	0
Decrease	0	-322,765	0	-322,765
Balance as at 31/12/2021	1,363,906	21,390,843	989,781	23,744,530
Allowance				
Balance as at 31/12/2020	0	0	101,452	101,452
Depreciation/amortisation	0	0	29,693	29,693
Balance as at 31/12/2021	0	0	131,145	131,145
Present value				
Balance as at 31/12/2020	1,363,906	21,341,663	888,329	23,593,898
Balance as at 31/12/2021	1,363,906	21,390,843	858,636	23,613,385

The purpose of the acquired investment property is to generate revenue from rent. Revenue from the rent of investment property amounted to €26,162 in 2022. The costs related to investment property are covered by tenants.

Among the company's investment properties is land for rest areas, which are leased out for the purpose of the corresponding activities. These road surfaces also have limited use; in line with the state spatial plan, they can only be used for corresponding activities, due to which the fair value cannot be obtained from market data. Among its investment properties is land that was obtained for the purpose of motorway construction that was not used in full for the said purpose. This land is located outside the road land and its use is limited, due to which its fair value cannot be obtained from market data.

Pursuant to the SAS, properties that will be held for sale and for which the Company does not determine a future use are also classified under investment property. The company obtained land in the value of €2,560,429 from

the Republic of Slovenia in line with Article 14 of ZDARS-1. Land totalling €1,715,120 was transferred to assets held for sale in 2022.

The company managed land that it received from the government in 2010 and for which future use was not determined, among land. Because the future use of such land is not determined or the land is meant for sale, the company needs to display those among investment properties.

II.5.1.4 Right-of-use assets

For all assets leased by the Company, the right to use the asset is recognised under assets, while the lease liabilities are recognised under financial liabilities. The Company leases land, business premises, fibre optics, vehicles and equipment. The average term of lease is 5.1 years. The Company has no option to purchase certain leased equipment at a nominal value after the end of the lease. Lease liabilities are secured by the lessor's title to the property, plant and equipment leased.

Right-of-use assets in 2022

In € (excl. cents)	Land	Buildings	Equipment and small tools	Total
Cost				
Balance as at 31/12/2021	36,250	2,728,025	2,718,420	5,482,695
Acquisitions in 2022	0	291,476	643,676	935,153
Eliminations in 2022	0	-129,208	-298,611	-427,819
Balance as at 31/12/2022	36,250	2,890,293	3,063,486	5,990,029
Allowance				
Balance as at 31/12/2021	10,875	1,529,405	1,181,465	2,721,744
Depreciation in 2022	3,625	511,378	598,847	1,113,850
Eliminations in 2022	0	-45,223	-298,611	-343,834
Balance as at 31/12/2022	14,500	1,995,561	1,481,700	3,491,761
Present value				
Balance as at 31/12/2021	25,375	1,198,620	1,536,956	2,760,951
Balance as at 31/12/2022	21,750	894,733	1,581,785	2,498,268

Right-of-use assets in 2021

In € (excl. cents)	Land	Buildings	Equipment and small tools	Total
Cost				
Balance as at 31/12/2020	36,250	2,677,672	2,312,414	5,026,336
Acquisitions in 2021	0	50,353	663,462	713,815
Eliminations in 2021	0	0	-257,456	-257,456
Balance as at 31/12/2021	36,250	2,728,025	2,718,420	5,482,695
Allowance				
Balance as at 31/12/2020	7,250	1,016,161	850,112	1,873,523
Depreciation in 2021	3,625	513,244	588,808	1,105,677
Eliminations in 2021	0	0	-257,456	-257,456
Balance as at 31/12/2021	10,875	1,529,405	1,181,465	2,721,744
Present value				
Balance as at 31/12/2020	29,000	1,661,511	1,462,302	3,152,813
Balance as at 31/12/2021	25,375	1,198,620	1,536,956	2,760,951

The Company measures a right-of-use asset at cost, which equals the present value of future rents. The useful life of a right-of-use asset is considered to be the term of the lease contract.

The amounts recognised with the right to use an asset, classified under property, plant and equipment in the Income Statement

Short-term leases comprise leases of work vehicles and other equipment leased for less than one year, while low-value leases comprise leases where the value of the new fixed asset being leased is less than €10,000.

As at 31 December 2022, DARS had liabilities amounting to €25,297 for short-term leases and low-value leases. None of the concluded lease contracts include variable rent that would be tied to the sale generated in such leased real estate.

The amount of paid rent for leases that are kept as the right of use amounted to €1,161,380 in 2022.

Impact of leases on the Income Statement in 2022:

In € (excl. cents)	2022	2021
Depreciation of the right to use an asset	-1,113,850	-1,105,677
Expenses for interest on lease liabilities	-43,176	-58,338
Revenues generated at the end of the lease	52,987	54,789
Costs generated at the end of the lease	0	-6,024
Cost of leasing in relation to short-term leases	-52,164	-2,420
Cost of leasing in relation to low-value leases	-90,414	-49,813
Total	-1,246,617	-1,167,484

The Company has concluded no contracts involving variable rent, which is why all the amounts indicated above reflect fixed contracts for 2022. The Company generated no revenue in 2022 from the sub-lease of a right-of-use asset and no gains or losses from leaseback sales transactions.

II.5.1.5 Long-term investments

As at 31 December 2022, long-term loans to others amounted to €144,000,000 and included:

- long-term bank deposits in the amount of €144,000,000, with maturity between 440 and 829 days.

In € (excl. cents)	2022	2021
Balance as at 01/01	153,000,000	93,000,000
Conclusion of new deposits	164,000,000	112,000,000
Transfer from short-term investments	0	116,000,000
Transfers to short-term investments	173,000,000	168,000,000
Balance as at 31/12	144,000,000	153,000,000

Long-term investments are not exposed to credit risk or, rather, there is only a minimum risk that a counterparty will not fulfil its obligations. The book value of long-term investments in others equals fair value.

II.5.1.6 Long-term operating receivables

Long-term operating receivables due from others in the amount of €529,437 refer to the interest accrued on long-term bank deposits.

As at 31 December 2021, the company's long-term operating receivables due from others also included the long-term share of receivables for input VAT deriving from the charge for the establishment of the right of superficies in the amount of €9,693,094, which is shown in the off-balance sheet as at 31 December 2022. The state of long-term operating receivables due from others amounted to €56,088 as at 31 December 2021.

II.5.1.7 Deferred tax receivables and liabilities

Deferred tax assets in 2022

In € (excl. cents)	31/12/2021	Recognised in the Income Statement	Recognised in the Statement of Other Comprehensive Income	31/12/2022
Provisions for severance pay and jubilee benefits	394,164	-21,034	0	373,131
Cash flow hedging related to interest swaps	1,683,150	0	-1,683,150	0
Allowance for receivables	4,765	23,389	0	28,154
Fixed assets	4,288,075	2,049,492	0	6,337,567
	6,370,154	2,051,847	-1,683,150	6,738,852

Deferred tax assets in 2021

In € (excl. cents)	31/12/2020	Recognised in the Income Statement	Recognised in the Statement of Other Comprehensive Income	31/12/2021
Provisions for severance pay and jubilee benefits	397,069	-2,905	0	394,164
Cash flow hedging related to interest swaps	2,991,854	0	-1,308,704	1,683,150
Allowance for receivables	11,538	-6,773	0	4,765
Fixed assets	2,810,160	1,477,916	0	4,288,075
	6,210,621	1,468,237	-1,308,704	6,370,154

Deferred tax assets in 2022

In € (excl. cents)	31/12/2021	Recognised in the Income Statement	Recognised in the Statement of Other Comprehensive Income	31/12/2022
Cash flow hedging related to interest swaps	0	0	3,281,757	3,281,757
	0	0	3,281,757	3,281,757

Deferred tax assets and liabilities are calculated on the basis of temporary differences using the balance sheet liability method with respect to the corporate income tax rate in the coming years. In the relevant period, corporate income is subject to a 19% tax rate.

II.5.1.8 Assets Held for Sale

Short-term assets include real estate in the value of €1,727,729 that the Company does not intend to use for business purposes and that the Company's Management Board decided to sell. The sale is expected in the following 12 months.

Assets held for sale in 2022

In € (excl. cents)	Land	Buildings	Total
Balance as at 31/12/2021	416,605	0	416,605
Reallocation to assets held for sale	1,825,288	32,863	1,858,151
Sale	514,164	32,863	547,027
Reallocation to fixed assets or investment property	0	0	0
Balance as at 31/12/2022	1,727,729	0	1,727,729

Assets held for sale in 2021

In € (excl. cents)	Land	Buildings	Total
Balance as at 31/12/2020	453,379	19,278	472,657
Reallocation to assets held for sale	287,622	18,000	305,622
Sale	324,396	37,278	361,674
Reallocation to fixed assets or investment property	0	0	0
Balance as at 31/12/2021	416,605	0	416,605

II.5.1.9 Inventories

Inventories of material include inventories of material, spare parts, small tools and packaging. Inventories of materials account for the largest, 67% share of inventories, within the scope of which inventories of gritting materials account for 52%, inventories of barriers account for 15%, and inventories of fuel account for 15% of the inventories of materials.

In € (excl. cents)	31/12/2022	Share	31/12/2021	Index
Material	3,253,909	67%	2,819,432	115
Spare parts	495,893	10%	478,123	104
Small tools and packaging	562,031	12%	408,641	138
Merchandise	566,141	12%	509,499	111
Total	4,877,973	100%	4,215,695	116

In accordance with the SAS 4.41, the inventory of unsold 2022 weekly and monthly sticker vignettes for 2022, the sale of which concluded on 31 January 2022, was written-off to the debit of operating expenses for revaluation in the amount of €34,115, which represents the cost of the vignettes.

During the annual materials stocktaking and the stocktaking of small tools, the Company discovered a deficit of €1,045 and a surplus of €111,709 with an ullage of €1,722.

Inventories of merchandise, among other things, include:

- inventories of DarsGo units in the amount of €555,235 and
- inventories of DarsGo unit holders in the amount of €3,368.

DarsGo units are transferred to property, plant and equipment upon their issue to a customer. Pursuant to Article 25 of the Road Tolling Act, DarsGo units are owned by the operator of the toll roads.

The inventories of DARS are current inventories and were not pledged as security for liabilities as at 31 December 2022. The book value of inventories does not exceed their realisable value.

An impairment of material inventories was recorded in the amount of €10,245 because the material was no longer suitable for further use in the business processes.

II.5.1.10 Short-term investments

Short-term investments include the following:

- bank deposits in the amount of €293,000,000, with maturity between 28 and 363 days,
- financial derivatives in the amount of €17,272,407. Financial derivatives are disclosed in detail in the chapter on short-term financial liabilities.

Short-term deposits in 2022

In € (excl. cents)	2022	2021
Balance as at 01/01	168,000,000	208,000,000
Conclusion of new deposits	130,000,000	0
Returns of deposits	178,000,000	92,000,000
Transfers from long-term investments	173,000,000	168,000,000
Transfer to long-term investments	0	116,000,000
Balance as at 31/12	293,000,000	168,000,000

The Company invests its surpluses by diversifying its assets, mainly in deposits at banks domiciled in the Republic of Slovenia and the European Union. Short-term financial investments are not exposed to credit risk or there is only a minimum risk that the counterparty would not fulfil its obligations. The book value of short-term investments in others corresponds to their fair value.

II.5.1.11 Short-term operating receivables

In € (excl. cents)	31/12/2022	Share in %	31/12/2021	Index
Short-term trade receivables:	31,468,473	52%	31,186,958	101
- toll receivables	28,799,451	47%	29,737,748	97
- receivables from the use of motorway service areas	969,196	2%	770,153	126
- receivables from motorway closures	54,565	0%	61,206	89
- other short-term receivables	1,804,870	3%	642,930	281
- allowance for short-term trade receivables	-159,609	0%	-25,078	636
Short-term operating receivables due from others:	29,562,422	48%	19,279,579	153
- for advances given for current assets	930	0%	1,586	59
- short-term operating receivables from operations for third-party account	16,240,274	27%	15,663,512	104
- allowance for short-term receivables for third-party accounts	0	0%	0	0
- short-term receivables from financial revenue	898,048	1%	115,479	778
- input VAT receivables	1,302,169	2%	872,761	149
- other short-term receivables due from state institutions	10,325,730	17%	2,038,414	507
- other short-term receivables	804,116	1%	2,312,608	35
- allowance for other short-term receivables	-8,845	0%	-1,724,781	1
Total	61,030,895	100%	50,466,537	113

The majority share of the short-term operating receivables due from others includes:

- receivables due from domestic commission agents and foreign sales agents in the amount of €8,399,037,
- receivables due from the Republic of Slovenia totalling €5,606,982, which are related to operations for third-party accounts for the transactions referred to in Article 4 of the ZDARS-1 in the amount of €5,495,971 and to the fee from the performance contract in the amount of €110,800. Based on Article 4 of the ZDARS-1, DARS does business on behalf of and for the account of the State. Such transactions

are disclosed in the books of account as transactions for third-party accounts. They involve tasks related to spatial planning and the siting of motorways in the physical space, and to real estate acquisition for the purposes of motorway construction, which the Company performs pursuant to the performance contract. DARS records receivables due from the Republic of Slovenia for the transactions executed. Funds for such transactions are guaranteed from the Republic of Slovenia budget pursuant to Article 10 of the ZDARS-1,

- short-term receivables due from the police deriving from unused funds transferred to co-fund the motorway police in the amount of €9,769,010.

Breakdown of major items in short-term operating receivables by maturity

In € (excl. cents)	Non-past-due	Up to 90 days	Over 90 days	Total
Short-term operating receivables for third party accounts	15,378,413	826,004	35,856	16,240,274
Allowances for operating receivables for third party accounts	0	0	0	0
Short-term trade receivables	31,167,652	148,974	311,456	31,628,083
Allowances for trade receivables	0	0	-159,609	-159,609
Other receivables	13,319,462	974	10,556	13,330,992
Allowances for other receivables	0	-85	-8,759	-8,845

In 2022, the Company formed an allowance for short-term operating receivables in the amount of €146,389 and wrote off receivables in the amount of €1,704,964. Write-downs of receivables refer to receivable write-downs from unpaid fines and payment orders for court fees, which could not have been collected through the Financial Administration of the Republic of Slovenia, were fines issued to foreigners and were unable to be collected, the court fee was reduced or the process was suspended. Write-downs of receivables from fines and fees are recorded directly in debit of short-term liabilities due to the state from fines and fees.

In € (excl. cents)	31/12/2022	31/12/2021
Balance as at 01/01	1,749,859	1,785,507
Write-down of receivables	1,704,964	39,991
Reversal of allowances	22,830	5,765
Formation	146,389	10,109
Balance as at 31/12	168,454	1,749,859

No receivables of DARS were pledged as security for liabilities as at 31 December 2022. The short-term operating receivables of DARS include current Company receivables and they have been secured with bank guarantees and enforcement drafts in the amount of €8,487,085.

As at 31 December 2021, the company's short-term operating receivables for input VAT also included the short-term share of receivables for input VAT deriving from the charge for the establishment of the right of superficies in the amount of €3,784,209, which is shown in the off-balance sheet as at 31 December 2022.

II.5.1.12 Cash and Cash Equivalents

In € (excl. cents)	31/12/2022	Share	31/12/2021	Index
Cash at bank	17,594,439	36%	31,836,153	55
Deposit redeemable at notice	30,000,000	62%	20,000,000	150
Overnight bank deposit	62,625	0%	26,263	238
Cash on hand and cheques received	1,141	0%	795	143
Cash in hand at toll booths	288,100	1%	304,810	95
Cash in transit	312,224	1%	260,507	120
Funds in the PayPal account	81,820	0%	148,795	-
Total cash and cash equivalents	48,340,349	100%	52,577,322	92

Deposits redeemable at notice are deposits that can be redeemed at any time. Overnight bank deposits are short-term bank deposits tied overnight in the amount of €62,625.

Cash in transit is cash from the tolls collected that has not been deposited in the Company transaction account. Following the annual inventory listing of cash in transit from the tolls collected as at 30 November 2022, the Company reconciled the balance disclosed in the books of account with the actual balance.

II.5.1.13 Short-Term Deferred Costs and Accrued Revenues

In € (excl. cents)	31/12/2022	Share	31/12/2021	Index
Short-term deferred costs – other	249,893	30%	583,463	43
Short-term deferred costs – sales commission from vignettes sold for 2022	581,825	70%	131,070	444
Short-term deferred costs – cost of vignettes sold for 2022	0	0%	30	0
Short-term accrued revenue	0	0%	1,500	-
Total	831,718	100%	716,063	116

II.5.1.14 Equity

The movement in equity is shown in the Statement of Changes in Equity for the period from 1 January 2022 to 31 December 2022 in which the reasons for the changes in equity items are evident.

Share capital

The Company's share capital amounts to €2,086,559,144 and is distributed into 55,650,231 ordinary registered no-par value shares owned by the Republic of Slovenia. The book value of a share on 31 December 2022 was €57.48. It is calculated as the ratio between the total equity value and the number of shares.

Capital surplus

The capital surplus in the amount of €31,429,279 includes:

- the amount transferred to real property for motorway operation and maintenance tasks that was provided by the Republic of Slovenia upon the restructuring of the Company in 2004 in the amount of €26,202,240,
- general equity revaluation allowance in the amount of €225,817, which was transferred to capital surplus on 1 January 2006 upon transition to the SAS 2006,
- surplus assets, which represent the difference between the in-kind contribution made by the Republic of Slovenia in 2010 and the value of newly issued Company shares, in the amount of €27,
- differences upon the merger of the subsidiary DELKOM d.o.o. in 2015 in the amount of €148,410,
- surplus assets, which represent the difference between the in-kind contribution made by the Republic of Slovenia in 2017 and the value of the newly issued Company shares, in the amount of €35, and

- amounts of subsequent pay-ups by the Republic of Slovenia to the Company capital based on Government decisions issued on the basis of Article 16 of the ZDARS-1, thus identifying and specifying real estate that was owned by the Republic of Slovenia and that is to be obtained by DARS pursuant to Article 14 of the ZDARS-1 in the amount of €4,852,750. Subsequent payments are established by the Company Management Board with a resolution.

Fair value reserves amounting to €12,299,688 refer to:

- a change in the revaluation surplus for actuarial gains and losses.
Actuarial deficits and surpluses include changes in the present value of employee payables due to changes in actuarial assumptions. At the end of 2022, the revaluation deficit amounted to €9,891,
- the successful portion of changes to the fair value of a financial derivative for interest rate hedging, which is evident from the statement of comprehensive income, amounted to €12,289,797 at the end of 2022 (less deferred tax). Financial derivatives are disclosed in detail in the policies and notes in the framework of other long-term financial liabilities.

Changes in individual surplus components in 2022 are shown in the statement of other comprehensive income for 2022.

Retained earnings

At the 21st General Meeting of DARS held on 30 August 2022, the shareholders adopted a resolution on the use of the 2021 available profit in the amount of €40,143,774, which was distributed to other profit reserves according to the resolution.

Other changes in retained earnings in the amount of €6,365 relate to a decrease in retained earnings referring to the transfer of a proportionate share of actuarial losses related to the utilisation of provisions for severance pay upon retirement.

Net profit or loss for the financial year

The net profit or loss for 2022 amounted to €135,132,702. Upon the compilation of the Company's Annual Report, legal reserves amounting to €6,756,317, statutory reserves amounting to €32,092,505 and other profit reserves amounting to €48,138,758 were formed pursuant to the Company's Articles of Association and Articles 64 and 230 of the Companies Act.

Earnings per share

In € (excl. cents)	31/12/2022	31/12/2021
Net profit or loss for the accounting period	135,132,702	112,703,369
Total No. of shares	55,650,231	55,650,231
No. of ordinary shares	55,650,231	55,650,231
Basic and diluted earnings per share	2.43	2.03

The basic net earnings per share has been calculated by dividing the net profit or loss for the period with the weighted average number of ordinary shares.

All shares issued by DARS are ordinary registered no-par value shares, which is why the diluted earnings per share equal the basic earnings per share.

Dividend policy

The aim of the company is to secure the financially sustainable construction of motorway sections and financial stability, therefore the company will strive to allocate the available profit among its reserves until the end of investments of DARS in line with the Resolution on the National Programme for the Development of Transport of the Republic of Slovenia until 2030, with which funds are ensured for the development of the motorway infrastructure.

II.5.1.15 Provisions and Long-Term Accrued Costs and Deferred Revenues

Provisions and long-term accrued costs and deferred revenue in 2022

In € (excl. cents)	Balance as at 31/12/2021	Utilisation in 2022	Reversal in 2022	Additional creation in 2022	Balance as at 31/12/2022
Provisions for severance pay upon retirement	3,012,068	88,668	204,958	202,122	2,920,563
Provisions for employee jubilee benefits	1,429,940	132,740	0	428,534	1,725,735
Provisions for employment-related claims	28,174	0	0	47,211	75,385
Provisions for legal claims related to construction and reconstruction	757,488	38,230	0	3,001,644	3,720,902
Free-of-charge acquisition of fixed assets	213,071	44,641	0	6,900	175,330
Lease of fibre optics	354,288	324,153	0	1,892,013	1,922,148
Guarantees drawn	3,746,864	139,572	0	57,378	3,664,670
EU grants and co-funding	145,737,846	8,626,774	0	5,912,413	143,023,484
Total	155,279,738	9,394,777	204,958	11,548,214	157,228,217

Provisions for jubilee benefits and retirement severances are formed in compliance with:

- the law, the collective agreement and the internal rules that bind the Company to pay its employees jubilee benefits and severance upon their retirement and
- an actuarial calculation made by a certified actuary.

At the end of each financial year, the amount of these provisions is examined to see whether they need to be increased or decreased. The actuarial calculation of 31 December 2022 was performed for each employee taking into account the costs of severance pay upon retirement and the cost of all the expected jubilee benefits until retirement. Provisions are formed in the amount of the estimated future payments for severance and jubilee benefits, discounted at the end of the reporting period. The actuarial calculation took into account the following assumptions:

- the nominal long-term interest rate is evaluated at 4.10% with respect to the average maturity at the Company, i.e. 14.1 years;
- the currently applicable amount of severance pay upon retirement and jubilee benefits as set out in the internal rules;
- the expected long-term growth of jubilee benefits and non-taxable amounts in the calculation amounts to 3.5% per annum;
- employee fluctuation, which depends mostly on their age;
- the expected employee mortality rate in accordance with the mortality rate for Slovenia for 2007, separately by gender;
- future long-term nominal increase in salaries by 3.5% per annum.

Based on an actuarial calculation, provisions were set aside as at 31 December 2022 for jubilee benefits in the amount of €1,725,735 along with provisions for severance pay upon retirement in the amount of €2,920,563.

Based on the legal opinions obtained and the management's assessment, the Company discloses provisions amounting to €3,720,902 for lawsuits related to construction and reconstruction and €75,385 for claims arising from employment relationships. Provisions for liabilities under lawsuits have been formed based on an assessment of the probable outcome, which was made with a high level of caution. The due date for the liabilities cannot be specified. Lawsuits for which provisions have been set aside are in various stages of proceedings.

In previous years, long-term accrued costs and deferred revenue were set up from grant funds in the amount of the acquisition values of holiday facilities and apartments that serve to cover the costs of depreciation of the holiday facilities with furnishings and apartments throughout their service lives. As at 31 December 2022, free-of-charge acquisitions of fixed assets amounted to €175,330.

The Company also shows long-term deferred revenue from advance payments for fibre optic leases by users in the amount of €1,922,148 under long-term accrued costs and deferred revenue.

Long-term deferred revenue is formed for assets received from the warranty bonds, performance bonds and tender bonds drawn. The bond amounts drawn are used to cover the cost of the intention to draw bonds or, in the case of drawing performance bonds, for the purposes of a warranty bond. As at 31 December 2022, the bond amounts drawn amounted to €3,664,670.

The Company formed long-term deferred revenue for EU grants and other co-funding received for financing the preparation of spatial and design documents and motorway construction or therewith related tasks (improving traffic safety – construction of traffic control and management systems).

The amount of the long-term deferred revenues is reduced by the amount of depreciation of fixed assets and by the amount of any other types of costs for which funds have been received.

In € (excl. cents)	Balance as at 31/12/2021	Increases	Decreases	Balance as at 31/12 2022
EU Cohesion Fund: Slivnica - Draženci	3,378,316		267,351	3,110,966
EU Cohesion Fund: Pluska - Ponikve	20,415,421		1,328,236	19,087,185
EU Cohesion Fund: Ponikve - Hrastje	8,983,629		595,934	8,387,694
EU Cohesion Fund: Construction of noise barriers	17,465,076		1,507,555	15,957,521
EU Cohesion Fund: Reconstruction of MW sections	16,225,183		966,808	15,258,374
EU Cohesion Fund: MW Draženci - IBC Gruškovje	53,396,682		2,522,100	50,874,582
Other European funds: TEMPO – connect (ITS, developer MzP) and EasyWay – stages I and II	738,219		107,261	630,958
Other European funds: TEN T: Draženci–Gruškovje BD and DD	2,457,118		83,949	2,373,168
Other European funds: TEN T: CROCODILE I	676,015		69,602	606,413
Other European funds: CEF BD/DD Karavanke	2,646,415			2,646,415
Other European funds: CEF CROCODILE 2	601,668		107,419	494,249
Other European funds: CEF C-Roads	1,146,687	290,716	215,349	1,222,054
Other European funds: CEF CROCODILE 3	435,710	229,962	104,665	561,007
Other European funds: CEF MW Karavanke tunnel, construction of the 2nd tube	2,240,170	2,069,111		4,309,282
European Regional Development Fund: Third development axis – south: Maline–Metlika (Črnomelj) – section 2		312,117		312,117
Other European funds: CEF Srmin radial road		1,014,500		1,014,500
European Regional Development Fund: Third development axis – north: Velenje–Slovenj Gradec	8,340,290	1,975,005		10,315,295
Other co-funding	6,591,249	21,000	750,545	5,861,704
Total:	145,737,846	5,912,413	8,626,774	143,023,485

II.5.1.16 Long-Term Financial Liabilities

In € (excl. cents)	31/12/2022	31/12/2021
Long-term financial liabilities from debts for financing investment plans	1,481,799,561	1,556,119,813
Long-term lease liabilities	1,408,469	1,749,151
Total	1,483,208,030	1,557,868,964

a) Long-term financial liabilities from debts for financing investment plans

The Company borrows funds on international and domestic financial markets for its business purposes. The purpose of the loans is to finance investment plans and to refinance the existing debt. With the exception of three loans, all liabilities from debts are 100% secured with RS guarantee. The loans granted by the European

Investment Bank for the deployment of the DarsGo system (ETS) in the amount of €51 million and for constructing the second tube in the Karavanke tunnel in the amount of €90 million are secured with a guarantee by the European Fund for Strategic Investments (EFSI) or InvestEU risk-sharing mechanism. The loan of the KfW bank for the deployment of the DarsGo system in the amount of €51 million is the only loan without a government guarantee or a guarantee by the European Fund for Strategic Investments (EFSI) or the InvestEU risk-sharing mechanism.

Interest rates and methods to charge interest on loans hired are set in contracts and represent professional secrecy. The weighted annual interest rate on the total Company debt amounted to 2.11% as at 31 December 2022. The interest rate on the total Company debt as at 31 December 2022 ranged from 0 to 4.96%.

In € (excl. cents)	31/12/2022	Share
Long-term loans acquired from domestic banks	482,683,077	33%
Long-term loans acquired from foreign banks	737,165,606	50%
Long-term loans acquired from foreign entities	6,369,910	0%
Loans based on Schuldschein promissory notes	37,780,000	2%
Issued NSV registered notes	100,000,000	7%
Long-term bonds issued	117,800,967	8%
Total	1,481,799,561	100%

Long-term financial liabilities by maturity

In € (excl. cents)	31/12/2022	Share
Long-term financial liabilities with a maturity of up to 5 years	698,839,360	47%
Long-term financial liabilities with a maturity longer than 5 years	782,960,200	53%
Total	1,481,799,561	100%

Long-term financial liabilities in 2022

Long-term financial liabilities	Balance as at 31/12/2021	Increase in 2022	Transfer to short-term financial liabilities in 2022	Balance as at 31/12/2022
European Investment Bank	577,150,435	90,000,000	53,104,622	614,045,814
Nova Ljubljanska banka	245,684,615	0	38,778,205	206,906,410
Kreditanstalt für Wiederaufbau	145,505,208	0	22,385,417	123,119,792
Regione Autonoma Friuli Venezia	9,554,866	0	3,184,955	6,369,910
Deutsche Pfandbriefbank	10,714,286	0	10,714,286	0
UniCredit Banka Slovenija (and Addiko Bank)	7,298,029	0	7,298,029	0
Consortium of Slovenian banks	7,674,739	0	7,674,739	0
Intesa Sanpaolo	74,666,667	0	5,333,333	69,333,333
Schuldschein	37,780,000	0	0	37,780,000
Nova KBM	38,240,000	0	5,880,000	32,360,000
SKB banka	40,000,000	0	6,666,667	33,333,333
Unicredit and Intesa Sanpaolo	94,050,000	0	3,300,000	90,750,000
SID Bank	50,000,000	0	0	50,000,000
NSV	100,000,000	0	0	100,000,000
Bonds	117,800,967	0	0	117,800,967
Total	1,556,119,812	90,000,000	164,320,252	1,481,799,561

b) Long-term lease liabilities

In € (excl. cents)	31/12/2022	31/12/2021
Long-term lease liabilities – principal	1,429,315	1,794,956
Long-term lease liabilities – interest	-20,846	-45,805
Total	1,408,469	1,749,151

In € (excl. cents)	31/12/2022	31/12/2021
Long-term lease liabilities – principal	1,429,315	1,794,956
Short-term lease liabilities – principal	1,148,923	1,103,986
Total	2,578,238	2,898,941

Maturity of lease liabilities

In € (excl. cents)	31/12/2022	31/12/2021
Up to 1 year	1,148,923	1,103,986
From 1 to 5 years	1,429,315	1,754,063
Over 5 years	0	40,892
Total	2,578,238	2,898,941

II.5.1.17 Long-term financial liabilities to banks

Long-term share of the principal amount of bank loans by lender

Lender	Balance as at 31/12/2022	Share
Intesa Sanpaolo	69,333,333	6%
UniCredit Banka Slovenija and Intesa Sanpaolo	90,750,000	7%
NLB	206,906,410	17%
Nova KBM	32,360,000	3%
SKB banka	33,333,333	3%
SID Bank	50,000,000	4%
European Investment Bank	614,045,814	50%
Kreditanstalt für Wiederaufbau	123,119,792	10%
Total	1,219,848,683	100%

a) Loans from the Consortium of Slovenian Banks

DARS obtained seven loans from the Consortium of Slovenian Banks in the period from 1996 to 2004. The loan taken from the Consortium of banks VII was repaid early in full in 2022.

Long-term liabilities to the Consortium of Slovenian Banks and loan repayment periods

Type	Repayment period	In € (excl. cents)
VII	from 2012 to 2024	0
Total		0

b) loans from UniCredit Banka Slovenija

The Company took out two loans from UniCredit Banka Slovenija in 2005 and 2009. On 31 December 2021, UniCredit Banka Slovenija took over Addiko Bank's receivables under the three loan agreements signed with

Addiko Bank. The loans from UniCredit Banka Slovenija that were acquired from Addiko Bank were repaid early in full in 2022. The loan from UniCredit Banka Slovenija was also repaid early in full in 2022.

Long-term liabilities to UniCredit Banka Slovenija and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2011 to 2023	0
III	from 2011 to 2023	0
IV	from 2012 to 2024	0
V	from 2014 to 2023	0
Total		0

c) loan from Intesa Sanpaolo

In 2016, the Company took out Loan II from Intesa Sanpaolo in the amount of €80 million to refinance the existing debt. The loan from Intesa Sanpaolo was paid off in 2022 in the total amount of €5,333,333.

Long-term liability to Intesa Sanpaolo and loan repayment periods

Type	Repayment period	In € (excl. cents)
II	from 2021 to 2036	69,333,333
Total		69,333,333

d) loans from NLB

In 2007, 2008 and 2013, DARS raised three loans with NLB, which were spent in full on financing motorway construction. In 2016, NLB I and NLB II loans were rescheduled to extend loan maturity. The loans from NLB were paid off in 2022 in the total amount of €38,778,205.

Long-term liability to NLB and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2020 to 2027	114,150,000
II	from 2020 to 2025	42,756,410
III	2028	50,000,000
Total		206,906,410

e) Loan from Nova KBM

In 2015, the Company took out a €50 million loan from Nova KBM (formerly Abanka) that was intended for the refinancing and the early repayment of loans. The loan from NKBM was paid off in 2022 in the total amount of €5,880,000.

Long-term liability to Nova KBM (formerly Abanka) and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2029	32,360,000
Total		32,360,000

f) SKB loan

The Company took out a €50 million loan with SKB in 2015 that was intended for the refinancing and the early repayment of loans. The loan from SKB was paid off in 2022 in the total amount of €6,666,667.

Long-term liability to SKB and loan repayment period

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2028	33,333,333
Total		33,333,333

g) UniCredit Banka Slovenija and Intesa Sanpaolo loans

In 2016, the Company took out a €99 million loan from UniCredit Banka Slovenija and Intesa Sanpaolo that was intended for the refinancing and the early repayment of loans. The loan from UniCredit Banka Slovenija and Intesa Sanpaolo was paid off in 2022 in the total amount of €3,300,000.

Long-term liability to UniCredit Banka Slovenija and Intesa Sanpaolo and the loan repayment period

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2036	90,750,000
Total		90,750,000

h) loan from SID

The Company took out a €50 million loan with SID Bank in 2016 that was intended for the refinancing and the early repayment of loans.

Long-term liability to SID Bank and loan repayment period

Type	Repayment period	In € (excl. cents)
I	from 2024 to 2036	50,000,000
Total		50,000,000

i) European Investment Bank (EIB) loans

Loans from the European Investment Bank were taken out in the period from 2003 to 2022; their final maturity is between 2027 and 2044. DARS drew the new EIB XI loan in 2022 in the amount of €90 million. The loans from EIB were paid off in 2022 in the total amount of €53,104,622.

Long-term liabilities to the European Investment Bank and loan repayment periods

Type	Repayment period	In € (excl. cents)
V	from 2007 to 2027	21,000,000
VI	from 2012 to 2029	34,760,000
VII	from 2014 to 2037	148,863,636
VIII	from 2015 to 2034	155,944,444
IX	from 2022 to 2041	133,846,153
X	from 2019 to 2028	29,631,579
XI	from 2022 to 2044	90,000,000
Total		614,045,814

j) Kreditanstalt für Wiederaufbau (KfW) loans

In 2008, DARS took out a loan from Kreditanstalt für Wiederaufbau to finance motorway construction. In 2019, DARS took out a loan from Kreditanstalt für Wiederaufbau to establish the DarsGo system. These loans were paid off in 2022 in the amount of €22,385,417.

Long-term liabilities to Kreditanstalt für Wiederaufbau and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2013 to 2029	91,953,125
II	from 2020 to 2029	31,166,667
Total		123,119,792

k) Deutsche Pfandbriefbank loans

In 2006, DARS took out two loans from Deutsche Pfandbriefbank in the total amount of €225,000,000. Loan I from Deutsche Pfandbriefbank was repaid early in full in 2022.

Long-term liabilities to Deutsche Pfandbriefbank and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2014 to 2024	0
Total		0

Fulfilment of financial commitments

Certain banks that approved the loans require the company to comply with the financial commitments listed in the loan agreements. All the financial commitments were fulfilled as at the day of reporting on 31 December 2022.

II.5.1.18 Long-term financial liabilities for bonds

DARS has issued two bonds for financing motorway construction and reconstruction. Liabilities arising from the bonds issued are secured with a government guarantee.

Issue	Maturity	Issue size In € (excl. cents)
DRS1	2024	56,042,047
DRS2	2025	61,758,920
Total		117,800,967

a) DARS 1st Issue Bonds (DRS1)

In 2004, the bonds of first issue, designated DRS1, were issued in the aggregate nominal amount of €56,042,047. The principal is due in its total amount in 2024 and the annual coupon rate is 5.1%. The bonds are traded with on the Ljubljana Stock Exchange.

b) DARS 2nd Issue Bonds (DRS2)

In 2005, the bonds of second issue, designated DRS2, were issued in the aggregate nominal amount of €61,758,920. The principal is due in its total amount in 2025 and the annual coupon rate is 4.5%. The bonds are traded with on the Ljubljana Stock Exchange.

II.5.1.19 Other long-term financial liabilities

a) Loan from Regione Autonoma Friuli Venezia

The loan from Regione Autonoma Friuli Venezia was obtained on the basis of a memorandum of understanding between the Government of the Republic of Slovenia and the Government of the Republic of Italy for the construction of motorway structures required for connecting the Slovenian motorway network with the Italian network. The loan was taken out in 2000. In 2022, the loan from Regione Autonoma Friuli Venezia was paid off in the amount of €3,184,955.

Long-term liabilities to Regione Autonoma Friuli Venezia and loan repayment period

Type	Repayment period	In € (excl. cents)
I	from 2011 to 2025	6,369,910
Total		6,369,910

b) Loan on the basis of a Schuldschein promissory note

In 2015, DARS took out a loan on the basis of a "Schuldschein" promissory note for €37.78 million. The loan was taken out for a period of 15 years. A Schuldschein is an agreement on a loan that is not traded with on the regulated market.

Long-term liabilities for the Schuldschein promissory note and loan repayment period

Type	Repayment period	In € (excl. cents)
I	2030	37,780,000
Total		37,780,000

c) Namensschuldverschreibung (NSV or registered note) instrument

In 2017, DARS issued the Namensschuldverschreibung (NSV or registered note) instrument in the amount of €100 million. The principal falls due in the total amount in 2037. The instrument is not subject to trading on the stock market. A Namensschuldverschreibung is a registered note that is a hybrid between a bond and a loan, but closer to a bond. The organiser of the issue keeps a record of holders.

Long-term liabilities from the registered note and repayment period

Type	Repayment period	In € (excl. cents)
I	2037	100,000,000
Total		100,000,000

d) Long-term lease liabilities

In € (excl. cents)	2022	2021
Balance as at 01/01	1,749,151	2,166,437
Acquisition of new liabilities	954,035	793,661
Transfers to short-term financial liabilities	-1,294,716	-1,210,947
Balance as at 31/12	1,408,469	1,749,151

Exposure to the risk of interest rate variability

The Company is exposed to interest rate risk, which is why it was decided in previous years to reduce the exposure to the risk of interest rate variability on the market pursuant to the Company's active financial risk management policy. The overview of exposures to the risk of interest rates is shown in the tables below.

Exposures without interest rate hedging

(in percent)	31/12/2022	31/12/2021
Share of debt with a variable interest rate (excl. interest rate hedging)	32%	39%
Share of debt with a fixed interest rate	67%	60%
Interest-free loan	1%	1%
Total	100%	100%

Exposures with interest rate hedging

(in percent)	31/12/2022	31/12/2021
Share of debt with a variable interest rate (incl. interest rate hedging)	13%	18%
Share of debt with a fixed interest rate	86%	81%
Interest-free loan	1%	1%
Total	100%	100%

The sensitivity analysis of bank loans to changes of variable interest rates shows that any change to the interest rate by 100 basis points in relation to the fixed and variable interest rate as at the day of reporting would increase/reduce the net profit or loss by approx. €2.1 million.

To hedge against interest rate risks, the Company uses financial derivatives (ordinary interest rate swap) to ensure the long-term stability of a certain share of variable interest rates. The purpose of hedging is to fix the interest rate, thus achieving a fixed cash flow. When concluding interest rate swaps, the Company observes the principle that interest rate swaps have comparable characteristics to a hedged item transaction (nominal amount, maturity and accounting period). In line with the active financial risk management policy, the company uses the hedge accounting principle for concluded interest rate swaps where the hedged items represent an efficient hedging relation.

The total fair value of interest rate swaps as at 31 December 2022 amounted to €17,272,407.

Concluded interest rate swap contracts by maturity

In € (excl. cents)	31/12/2022	31/12/2021
Maturity in 2024	150,000,000	150,000,000
Maturity in 2026	90,000,000	96,666,667
Maturity in 2027	72,000,000	77,000,000
Total	312,000,000	323,666,667

Nominal and book value of interest rate hedging instruments

In € (excl. cents)	Nominal value of hedging instruments	Book value of hedging instruments	
		31/12/2022	31/12/2021
Total	312,000,000	17,272,407	(10,499,391)

The book value of the hedging instruments equals the fair value, which is calculated using the total average net present value method, pursuant to the amortisation schedule and taking into account market prices. Fair value is classified as level 2 in the fair value hierarchy (valuation model that is directly or indirectly based on market data).

In € (excl. cents)	Change in the value of hedging instruments recognised in the Statement of Other Comprehensive Income	Inefficient hedging instruments – amount recognised in the Income Statement
	31/12/2022	31/12/2022
Total	24,430,237	3,341,561

II.5.1.20 Long-term trade liabilities

As at 31 December 2022, the Company discloses long-term trade liabilities in the amount of €52,983, which mostly comprise contractually withheld assets for the correction of errors in the guarantee period. The lesser part of liabilities are withheld assets on the basis of received enforcement decisions, with the seizure of cash that DARS owes the supplier.

II.5.1.21 Other long-term operating liabilities

Other long-term operating liabilities include a liability for the right of superficies compensation in the amount of €33,094,739. Based on the annual performance contract (on the execution of contracts on the basis of Article 4 of the ZDARS-1 for 2023), the short-term part of the long-term liability is transferred to short-term liabilities. As at 31 December 2021, the company's long-term operating liabilities for the right of superficies also included value-added tax of €9,693,094 deriving from the charge for the establishment of the right of superficies, which is shown in the off-balance sheet as at 31 December 2022. The state of short-term operating receivables due from others amounted to €44,072,538 as at 31 December 2021.

Pursuant to the ZDARS-1, the right of superficies was established to the benefit of DARS on the land owned by the Republic of Slovenia over which the motorways run as structures that had been built or started to be built prior to the enforcement of the ZDARS-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. Pursuant to the Fiscal Balance Act, the right of superficies is subject to the payment of annual compensation in accordance with the annual performance contract pursuant to Article 4 of the ZDARS-1.

The value of the compensation was set at €190,810,787, excluding VAT, on the basis of an opinion provided by a certified real estate valuer on 7 June 2012. On 29 February 2016, the certified real estate valuer reappraised the right of superficies at the request of the Ministry of Infrastructure, i.e. to the amount of €190,760,000, excluding VAT. DARS adjusted the value of the right of superficies to the newly assessed value, which is now €50,787 lower than originally assessed.

Pursuant to the ZGD-1 and SAS 2016, the Company keeps its right of superficies under property, plant and equipment in the item land.

II.5.1.22 Short-term financial liabilities

Short-term financial liabilities in the total amount of €150,682,339 comprise the following:

- the short-term share of long-term financial liabilities that fall due in the following year and accrued interest on loans, bonds issued and liabilities for financial derivatives in the amount of €149,556,318, and
- short-term lease liabilities in the amount of €1,126,021.

Short-term financial liabilities in 2022

	Short-term financial liabilities to banks w/o interest	Short-term financial liabilities for other loans w/o interest	Short-term financial liabilities to banks – for interest	Short-term financial derivatives	Short-term financial liabilities for bonds – for interest	Short-term financial liabilities for other loans – for interest	Short-term financial derivatives – for interest	Short-term liabilities to banks for negative interest on deposits	Other short-term financial liabilities	Total
Balance as at 01/01/2022	152,328,319	3,184,955	5,465,262	10,499,391	3,117,571	1,553,070	724,879	8,611	1,060,325	177,942,384
Increase			17,462,551		5,220,118	3,183,591	2,601,781	29,494	1,199,397	29,696,933
Transfers from long-term liabilities	161,135,296	3,184,955								164,320,251
Short-term repayments	-178,015,372	-3,184,955	-16,703,680		-5,220,118	-3,183,591	-3,298,315	-38,106	-1,133,702	-210,777,838
Other				-10,499,391						-10,499,391
Balance as at 31/12/2022	135,448,243	3,184,955	6,224,133	0	3,117,571	1,553,070	28,346	0	1,126,021	150,682,339

Short-term financial liabilities in 2021

	Short-term financial liabilities to banks w/o interest	Short-term financial liabilities for other loans w/o interest	Short-term financial liabilities to banks – for interest	Short-term financial derivatives	Short-term financial liabilities for bonds – for interest	Short-term financial liabilities for other loans – for interest	Short-term financial derivatives – for interest	Short-term liabilities to banks for negative interest on deposits	Other short-term financial liabilities	Total
Balance as at 01/01/2021	180,440,397	3,184,955	5,797,633	18,918,262	3,112,385	1,550,582	653,480	0	1,032,108	214,689,802
Increase			18,536,250		5,633,924	3,732,592	4,501,017	62,945	1,131,101	33,597,830
Transfers from long-term liabilities	152,328,319	3,184,955								155,513,274
Short-term repayments	-180,440,396	-3,184,955	-18,868,622		-5,628,738	-3,730,103	-4,429,618	-54,333	-1,102,884	-217,439,650
Other				-8,418,871						-8,418,871
Balance as at 31/12/2021	152,328,319	3,184,955	5,465,262	10,499,391	3,117,571	1,553,070	724,879	8,611	1,060,325	177,942,384

Short-term financial liabilities to banks in the total amount of €141,672,376 comprise the following:

- a share of the principal of short-term bank loans for financing investment plans that fall due in 2022

Lender	Balance as at 31/12/2021	Increase in 2022	Decrease in 2022	Balance as at 31/12/2022
European Investment Bank V	6,000,000	6,000,000	6,000,000	6,000,000
European Investment Bank VI	6,270,000	6,270,000	6,270,000	6,270,000
European Investment Bank VII	11,363,636	11,363,636	11,363,636	11,363,636
European Investment Bank VIII	16,666,667	16,666,667	16,666,667	16,666,667
European Investment Bank IX	3,717,949	7,435,897	3,717,949	7,435,897
European Investment Bank X	5,368,421	5,368,421	5,368,421	5,368,421
Kreditanstalt für Wiederaufbau 267.5	16,718,750	16,718,750	16,718,750	16,718,750
Kreditanstalt für Wiederaufbau 51	5,666,667	5,666,667	5,666,667	5,666,667

Lender	Balance as at 31/12/2021	Increase in 2022	Decrease in 2022	Balance as at 31/12/2022
Deutsche Pfandbriefbank I	7,142,857	10,714,286	17,857,143	0
Intesa Sanpaolo II	5,333,333	5,333,333	5,333,333	5,333,333
Consortium of banks VII	5,116,493	7,674,739	12,791,231	0
Unicredit bank I	3,332,168	1,666,084	4,998,251	0
Unicredit bank III	1,250,874	1,876,311	3,127,186	0
Unicredit bank IV	2,086,463	2,086,463	4,172,926	0
Unicredit bank V	1,669,170	1,669,170	3,338,341	0
Nova Ljubljanska banka I	17,400,000	17,400,000	17,400,000	17,400,000
Nova Ljubljanska banka II	21,378,205	21,378,205	21,378,205	21,378,205
Nova KBM (formerly Abanka)	5,880,000	5,880,000	5,880,000	5,880,000
SKB banka	6,666,667	6,666,667	6,666,667	6,666,667
UniCredit Banka and Intesa Sanpaolo	3,300,000	3,300,000	3,300,000	3,300,000
Total principals	152,328,320	161,135,297	178,015,373	135,448,243

b) interest accrued on long-term bank loans as at 31 December 2022 equalled €6,224,133.

Short-term financial liabilities for interest refer to interest accrued until 31 December 2022. Interest rates and the interest calculation method for concluded transactions are contractually determined and ranged between 0 and 4.96% per annum as at 31 December 2022.

Short-term financial liabilities for bonds in the amount of €3,117,571 refer to interest accrued up to 31 December 2022.

Other short-term financial liabilities in the amount of €5,892,392 refer to:

In € (excl. cents)	31/12/2022	31/12/2021
Short-term share of the Regione Autonoma Friuli Venezia loan principal	3,184,955	3,184,955
Short-term financial liabilities for accrued interest from others	1,553,070	1,553,070
Interest on financial derivatives	28,346	724,879
Liabilities for financial derivatives	0	10,499,391
Short-term financial liabilities to others	0	8,611
Short-term lease liabilities – principal*	1,148,923	1,103,986
Short-term lease liabilities – interest	-22,902	-43,660
Total	5,892,392	17,031,231

*Lease liabilities are disclosed in the item Long-term financial liabilities.

II.5.1.23 Short-term operating liabilities

In € (excl. cents)	31/12/2022	Share in %	31/12/2021	Index
Short-term trade liabilities	57,746,111	59%	37,531,572	154
Short-term liabilities for advances	364,309	0%	30,114	1,210
Short-term employee payables	5,476,238	6%	4,771,621	115
Short-term liabilities to the State	32,301,292	33%	41,963,254	77
- corporate income tax liability	8,143,980	8%	14,308,269	57
- VAT liability	6,816,550	7%	6,911,332	99

In € (excl. cents)	31/12/2022	Share in %	31/12/2021	Index
- liabilities for payer's taxes and contributions arising from salary and other remuneration	2,341,113	2%	2,134,148	110
- short-term liability for the right of superficies	10,964,780	11%	17,200,948	64
- liabilities for the charged toll mark-up	980,298	1%	997,688	98
- other liabilities to the State	3,054,571	3%	410,869	743
Short-term liabilities to others	294,700	0%	247,479	119
Short-term liabilities to subcontractors	1,531,159	2%	1,330,088	115
Total	97,713,809	100%	85,874,128	114

The Company's trade liabilities comprise unpaid liabilities for performed and charged works in the construction of motorways performed by local and foreign suppliers (including contractually withheld amounts), liabilities from indemnifications in land acquisition for transactions on behalf of and for the account of the Republic of Slovenia, operating liabilities for the operation and maintenance of motorways and other short-term operating liabilities.

Contractually withheld funds are funds withheld as a performance guarantee and, until the fulfilment of all the contractual obligations by the contractors (work acceptance, the rectification of all deficiencies and the handover of warranty bonds), are withheld in the maximum amount of 5% or 2% of the contractual value. Funds are also withheld for the failure to submit documents that the contractors are obliged to enclose with the interim payment statement pursuant to the contract. This mostly involves a declaration by the contractors based on which payments are made directly to the subcontractors included in the execution of contractual works pursuant to the Public Procurement Act. Certain funds that are withheld from the contractor serve as collateral for the repayment of potential financial liabilities arising from claims received from subcontractors, which is subject to an agreement made with the contractor. The funds withheld pursuant to contracts concluded with contractors belong to the contractors or subcontractors and are remitted once they fulfil their contractual obligations and furnish the investor with the required documents. Otherwise, they are retained until the end of the guarantee period and released under the resolutive condition of errors in the guarantee period. As at 31 December 2022, short-term trade liabilities based on withheld funds amounted to €17,768,627 and accounted for 31% of the total trade receivables.

Employee payables predominantly comprise accounted December salaries and salary compensation and the reimbursement of job-related costs to employees disbursed in January 2023.

Debts to Members of the Management and Supervisory Boards as at 31 December 2022 comprise the accounted December salaries / attendance fees and salary compensation and the reimbursement of job-related costs disbursed in January 2023.

Short-term operating liabilities also include the short-term share of the long-term liability arising from the compensation for the right of superficies, which for 2023 amounts to €10,964,780 in accordance with the annual performance contract based on Article 4 of the ZDARS-1. As at 31 December 2021, the company's short-term operating liabilities for the right of superficies also included value-added tax of €3,784,209 deriving from the charge for the establishment of the right of superficies, which is shown in the off-balance sheet as at 31 December 2022.

On 13 December 2018, the Government adopted a decision introducing a toll mark-up on certain sections of the motorway network, which is paid by toll users within the scope of the DarsGo system. DARS, as the operator of the toll roads, is obliged to charge the mark-up as of 1 January 2019. The funds collected are assigned revenues of the Republic of Slovenia budget and can be used exclusively for the second track of the Divača–Koper railway line. The mark-up is charged to all toll users driving a vehicle with a maximum permissible weight exceeding 3.5 tonnes who pass through the toll sections between Koper and Ljubljana and between Ljubljana and Šentrupert. As at 31 December 2022, the liability for the charged toll mark-up amounted to €980,298.

Short-term trade liabilities by maturity as at 31 December 2022

In € (excl. cents)	Non-past-due	Up to 60 days	Over 60 days	Total
Short-term trade liabilities (current liabilities)	40,344,742	303,763	-671,020	39,977,484
Short-term trade liabilities (withheld amounts)	17,768,627	0	0	17,768,627

Trade liabilities as at 31 December 2022

In € (excl. cents)	31/12/2022	Share
CGP, d.d.	4,864,037	8.42%
POMGRAD, d.d.	4,820,742	8.35%
KOLEKTOR CPG, d.o.o.	4,452,153	7.71%
CENGİZ INSAAT SANAYİ VE TİCARET ANONİM ŞİRKETİ	4,105,511	7.11%
GOŘENJSKA GRADBENA DRUŽBA d.d.	3,253,770	5.63%
CPK, d.d.	2,929,493	5.07%
ALPINE BAU GMBH, Salzburg – Celje subsidiary	1,888,452	3.27%
DRI upravljanje investicij, d.o.o.	1,707,849	2.96%
MAPRI PROASFALT, d.o.o.	1,661,613	2.88%
HIDROTEHNIK, d.o.o.	1,449,160	2.51%
Other suppliers	26,613,333	46.09%
Total	57,746,111	100.00%

II.5.1.24 Short-Term Accrued Costs and Deferred Revenues

In € (excl. cents)	31/12/2022	Share	31/12/2021	Index
Short-term accrued costs	5,731,183	16%	4,511,734	127
Short-term deferred revenue	29,955,610	84%	12,080,919	248
Total	35,686,793	100%	16,592,653	215

Company liabilities include accrued costs or expenses that include accrued costs:

- for auditing financial statements for 2022 in the amount of €40,464,
- for the actuarial calculation of provisions for jubilee benefits and severance pays as at 31 December 2022 in the amount of €540,
- costs of the supervising engineer for concluded investment projects in the amount of €140,445,
- performed works at investments in 2022 in the amount of €4,107,984,
- cost of asphalt carriageway maintenance in the amount of €383,460,
- labour costs in the amount of €674,312, for variable remuneration to the Management Board in the amount of €329,702 and variable salary share for employees under executive employment contracts in the amount of €23,521, and
- costs of standby firefighting units in the amount of €30,755.

Short-term deferred revenue arises when the services charged or even paid for have not yet been rendered. Short-term deferred revenue was formed for:

- for electronic vignettes charged in 2022 that are valid for the use of motorways partly or entirely after 2022, in the total amount of €25,334,839,
- the credit in DarsGo units amounting to €4,417,769, charged and paid in 2022, but not used in the same year. The revenue will be recognised as deferred until the service users use it;
- other short-term deferred revenue in the amount of €203,002.

II.5.1.25 Off-Balance-Sheet Items

As at 31 December 2022, the Company discloses the following items in off-balance-sheet records:

1. The amount of €155,644,657 represents potential cash or receivables deriving from the received bonds or other security instruments for the coverage of indemnification and risks related to a public contract, the fulfilment of contractual obligations (the sound and timely execution of works, the risk of default pursuant to the agreed contractual obligations) and the elimination of errors in the warranty period.

In € (excl. cents)	31/12/2022	31/12/2021
Performance bonds	95,611,559	81,564,136
Warranty bonds	24,826,545	23,607,071
Financial guarantees serving as performance guarantees and financial payment guarantee	1,317,600	1,317,600
Payment bonds	17,131,844	16,456,000
Tender bonds	16,757,110	18,080,700
Total	155,644,657	141,025,507

2. The value of inventories of vignettes for the use of toll roads in the Republic of Austria that are sold by DARS amounts to €1,206,460.
3. As at the reporting date, lawsuits worth €28,227,770 (principal amounts) were lodged against the Company, 96.6% of which relate to motorway construction and reconstruction works. Within the scope of these lawsuits, the Company set aside provisions for lawsuits in the amount of €3,796,287 (principals and default interest) based on the obtained legal opinions and the management's assessment (note II.5.1.15, Provisions and long-term accrued costs and deferred revenue). As at 31 December 2022, potential liabilities for lawsuits estimated at 50% probability or less that the plaintiff will be successful amount to €24,496,409 (principal amounts). Furthermore, the amount of the liability arising from such lawsuits cannot be measured with adequate reliability. With respect to the course of proceedings, it is hard to predict when a particular case will be closed with an adequate degree of reliability.
4. The amount of €3,614,653 represents receivables where the probability of any payment from the bankruptcy estate to the benefit of ordinary creditors, which also include DARS receivables, is estimated to be minimum.
5. €9,693,094 are value-added tax liabilities derived from the right of superficies. As at 31 December 2021, the company's value-added tax liability deriving from the right of superficies was displayed among long-term or short-term receivables for input value-added tax and in the amount of long-term or short-term liabilities for the right of superficies in the amount of €13,477,303.

As at 31 December 2022, none of the mentioned liabilities meet the conditions for recognition under balance-sheet items and the Company expects no material consequences as a result.

II.5.2 Notes on the income statement

II.5.2.1 Net sales revenues

Net sales revenues by type in 2022 and 2021

In € (excl. cents)	2022	Share	2021	2022/2021 index
Toll revenue	479,557,025	97%	456,235,915	105
- revenue from vignette sales	195,231,846	39%	179,466,634	109
- revenues from freight traffic tolls	267,056,525	54%	262,765,664	102
- revenues from the Karavanke tunnel	17,268,654	3%	14,003,616	123
Revenue from rest area leases	9,463,637	2%	8,347,355	113
Revenue from closures and overweight road transport	1,384,680	0%	1,130,221	123
Revenue from easements for base stations and other	751,278	0%	572,513	131
Revenues from the lease of fibre optics	928,456	0%	1,003,149	93
Revenue under the performance contract	288,164	0%	321,312	90
Other sales revenues	2,100,396	0%	1,924,942	109
Total net sales revenue	494,473,636	100%	469,535,406	105

Revenue from tolls collected in 2022 amounts to €479,557,025 and accounts for 97% of the total sales revenue, which is 5% more than in 2021. Revenue from the tolling of vehicles weighing under 3.5 tonnes (vignette system) amounted to €195,231,846 and accounts for 39% of the revenue, while revenue from the tolling of vehicles with a maximum weight exceeding 3.5 tonnes amounted to €267,056,525 or 54% of revenue. Toll revenue is explained in detail in chapters I.6 and I.10.2.

Toll revenue is followed by revenue from leases for rest areas, which amounted to €9,463,637 in 2022. Lease revenue is generated by leasing the right to use land plots along the motorway for the provision of catering services and the erection of petrol service stations. Revenue from leases increased by 13% compared to 2021.

Sales revenues also include revenue from road closures and overweight road transport in the amount of €1,384,680, revenue from the lease of fibre optics in the amount of €928,456 and revenue from easement charged in the amount of €751,278.

Revenue under the performance contract in 2022 amounted to €288,164. The revenue refers to the execution of tasks performed by DARS on behalf of and for the account of the RS based on an annual performance contract and Article 4 of the ZDARS-1. The tasks include spatial planning and motorway siting, as well as real estate acquisition for the purposes of motorway construction.

Other sales revenue in the amount of €2,100,396 includes revenue from the commission generated in the sale of Austrian vignettes, revenue from the sale of DarsGo units, revenue from towing, snow ploughing and clearing road accidents, revenue from the rental of holiday facilities and apartments, revenue from the sale of waste materials and other sales revenue.

Net sales revenues were generated entirely on the domestic market.

II.5.2.2 Capitalised own products and services

In 2022, the Company capitalised its own investment services in relation to motorways that were not charged to external contractors providing motorway reconstruction services. Revenue arising from capitalised own services amounted to €1,482,558 in 2022.

II.5.2.3 Other operating revenue

In € (excl. cents)	2022	Share	2021	Index
Reversal of long-term provisions	229,651	1%	3,537,789	6
Insurance compensations	1,990,564	12%	1,867,275	107
Revenue from the consumption of long-term deferred revenue	8,784,325	54%	8,590,776	102
Revenue from the equipment and real estate sold	1,347,881	8%	624,143	216
COVID-19-related State aid – reimbursement of salary compensation – other	101,348	1%	225,606	45
State aid – reimbursement of compensation for sick leave and other absences	1,419,719	9%	1,048,620	135
Other operating revenue	2,477,060	15%	197,726	1,253
Total other operating revenue	16,350,549	100%	16,091,935	102

The reversal of long-term provisions in the amount of €229,651 includes the reversal of provisions for unused annual leave for the years 2021 and 2022 in the amount of €229,562.

Insurance compensations include compensations received from insurance companies for the repair of damage on motorway sections and structures along the motorways. In 2022, that revenue amounted to €1,990,564.

Revenues from the consumption of long-term deferred revenues in the amount of €8,784,325 refer to the consumption of EU grants and other co-funding received for the preparation of spatial and design documents and motorway construction or therewith related tasks (improving traffic safety – the construction of traffic control and management systems) and other projects, and the consumption of funds under the bonds drawn and of the withheld funds for contractors. The amount of long-term deferred revenue decreases in line with the costs incurred (accounted depreciation of fixed assets and any other types of costs for which the funds were received) and is transferred to revenue. In 2022, the Company transferred to revenue €7,876,229 of long-term deferred revenues it received within the framework of the EU Cohesion Fund, the TEN-T and CROCODILE projects and the EasyWay and TEMPO-CONNECT programmes. The Company transferred long-term deferred revenues amounting to €784,580, received from the municipalities (City of Ljubljana), ELES and other project funders, to revenue. To cover the cost of rectifying defects caused by contractors building and reconstructing motorways and other assigned costs, the Company spent €123,516 from the guarantees drawn.

II.5.2.4 Costs and Operating Expenses

Overview of costs and expenses

In € (excl. cents)	2022	Share	2021	Index
Cost of materials and cost of goods sold	13,511,562	4%	9,472,198	143
Cost of services	47,296,117	15%	38,878,394	122
Labour costs	54,082,891	17%	47,936,062	113
Depreciation/amortisation	194,501,316	61%	189,378,633	103
Operating expenses for the revaluation of intangible fixed assets and property, plant and equipment	6,054,385	2%	31,481,217	19
Operating expenses from the revaluation of current assets	329,597	0%	118,418	278
Other operating expenses	3,637,364	1%	877,044	415
Total operating expenses	319,413,231	100%	318,141,965	100

Breakdown of the costs of materials

In € (excl. cents)	2022	Share	2021	Index
Cost of material	2,095,475	16%	3,516,131	60
Energy costs	9,332,099	69%	4,124,069	226
Cost of spare parts	669,074	5%	684,657	98
Write-off of small tools	1,243,608	9%	1,021,695	122
Other costs of material	171,305	1%	125,645	136
Total	13,511,562	100%	9,472,198	143

The cost of materials accounts for a 4% share of the total operating expenses and increased by 43% with respect to 2021.

Breakdown of the costs of services

In € (excl. cents)	2022	Share	2021	Index
Cost of the supervising engineer	810,792	2%	751,353	108
Cost of fixed asset maintenance	19,418,764	41%	12,848,643	151
Rent	1,041,969	2%	697,148	149
Cost of payment transactions and insurance premiums	4,664,868	10%	3,749,458	124
Commissions on vignettes sold	5,801,134	12%	6,941,296	84
Cost of student work	1,100,270	2%	416,046	264
Costs of other services	14,458,320	31%	13,474,450	107
Total	47,296,117	100%	38,878,394	122

The cost of services accounts for a 15% share of total operating expenses. Major services in 2022 included the cost of fixed asset maintenance (41%), commissions on vignettes sold (12%) and the cost of payment transactions and insurance premiums (10%). Maintenance costs also included the cost of investment maintenance works on asphalt carriageways that do not meet conditions for recognition according to Slovenian Accounting Standard 1, which is why the cost needed to be recognised under periodic costs.

In € (excl. cents)	2022	2021
Costs of sale (with amortisation/depreciation)	37,899,116	35,469,368
Costs of general activities (with amortisation/depreciation)	271,492,769	250,195,918
- of which motorway infrastructure depreciation	169,978,942	165,753,524
TOTAL	309,391,885	285,665,286

The data does not include revalued operating expenses.

II.5.2.5 Labour costs

Labour costs account for a 17% share of the total operating expenses of DARS. In 2022, they were thirteen percent higher than in 2021.

Type of labour costs	2022	Share	2021	Index
Salaries and wages	39,499,916	73%	35,188,562	110
Pension insurance costs	4,140,171	8%	3,751,669	110
Other social security costs	3,548,596	6%	3,155,690	109
Other labour costs	6,894,208	13%	5,840,140	118
Total	54,082,891	100%	47,936,061	113

Labour costs include the cost of supplementary pension insurance premiums in the amount of €1,001,037.

As at 31 December 2022, there were 1,256 workers employed by the Company. The average staff count in 2022 was 1,242 (computed on the basis of working hours).

In 2022, wages and salaries were paid in line with the Corporate Collective Agreement of DARS, while the salaries of the Management Board of DARS were also paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, No. 21/2010, "ZPPOGD").

Average salary at DARS in 2022 (in EUR)

Average gross salary	2022	2021
DARS	2,593	2,337
Republic of Slovenia	2,024	1,970

The number of employees and the employee educational structure as of 31 December 2022 are presented in the business section of the Annual Report, under the chapter Human Resources Management (point I.17.8).

The total gross remuneration received by the Members of the Management Board of DARS in 2022 amounted to €1,303,791. The table below shows the remuneration received by the Members of the Management Board of DARS by individual member.

In € (excl. cents)	Tomaž Vidic, PhD Chairman until 09/07/2020	Gašper Marc Member until 09/07/2020	Vili Žavrlan Member until 09/07/2020	Marjan Sisinger Member/ Labour Manager until 8.5.2019	Rožle Podboršek Member/ Labour Manager from 09/05/2019	Valentin Hajdinjak, MSc Chairman From 10/07/2020	Peter Gašperšič, PhD Member from 10/07/2020	Boštjan Rigler Member from 10/07/2020	Romana Fišer, MSc Member from 10/07/2020	TOTAL
Gross salaries					111,282	138,653	137,973	139,853	138,319	666,080
Payment of variable income	58,934	59,208	58,823	10,438	44,126	20,185	49,635	50,254	49,804	401,407
Severance pay business reason								70,112	69,512	139,624
Severance pay retirement									22,948	22,948
Compensation for unused annual leave								3,224	4,298	7,522
Other earnings	2,769	5,367	2,764	1,163	1,615					13,678
Payment for annual leave					1,800	1,800	1,800	1,723	1,723	8,845
Benefits					5,284	10,670	1,353	6,270	9,505	33,083
Reimbursement of costs					1,250	1,419	1,435	1,282	1,395	6,781
Supplementary pension insurance					623	833	1,003	533	833	3,824
TOTAL	61,703	64,575	61,586	11,601	165,980	173,561	193,198	273,250	298,337	1,303,791

The gross remuneration received by employees under executive employment contracts that is not subject to the Tariff Section of the Collective Agreement amounted to €778,122 in 2022.

The remuneration received by Members of the Supervisory Board in 2022 is shown below.

Gross amount In € (excl. cents)	Remuneration for being a Supervisory Board Member	Supervisory Board meeting fees	Remuneration for being a member of the Audit Committee	Audit Committee meeting fees	Remuneration for being a member of the Remuneration Committee	Remuneration on Committee meeting fees	Remuneration for being a member of the Investment Committee	Investment Committee meeting fees	Travel expenses	Benefits	Total	Gross total excl. benefits and travel exp.
Pavle Hevka	18,538	5,170			480	880	480	1,056	1,044	314	27,960	26,603
Robert Rožič, PhD	11,638	3,410			2,644	440			881	186	19,200	18,133
Anton Guzej	13,000	5,390	3,250	2,332			2,769	1,760	2,427	186	31,114	28,501
Jožef Zimšek	10,580	3,410	2,374	1,716			3,561	1,760	1,269	186	24,855	23,400
Jože Oberstar	10,580	3,410	3,967	1,716					869	186	20,728	19,673
Štefan Šumah, PhD	9,167	3,410			3,967	440			794	314	18,092	16,984
Andrej Šušteršič, MSc	3,380	1,980							141	0	5,500	5,360
Metod Dragonja	2,610	1,980	721	616			480	1,056	212	0	7,674	7,463
Nevenka Hrovatin, PhD	2,419	1,980			721	880			31	0	6,031	6,000
Janko Kramžar	2,419	1,980	480	616	0	0	721	1,056	38	0	7,310	7,272
Nataša Ivančević	13,000	5,390			480	880			623	186	20,558	19,750
Stožir Martin	12,467	5,216			2,769	440	480	1,056	931	314	23,672	22,428
Branko Švigelj	13,000	5,115			480	880			763	186	20,423	19,475
Mojca Lahajner			3,250	2,112					118	128	5,608	5,362
Iztok Černoša							2,769	1,496	0	0	4,265	4,265
Marko Žitnik							480	1,056	0	0	1,536	1,536
Total	122,799	47,841	14,041	9,108	11,540	4,840	11,738	10,296	10,141	2,182	244,526	232,203

As at 31 December 2022, the Company has no receivables due from or liabilities to Supervisory Board Members other than liabilities for remuneration deriving from attendance fees and the performance of functions in December, which were paid out in January 2023.

As at 31 December 2022, the Company has no receivables due from or liabilities to Management Board Members other than liabilities for December salaries, which were paid out in January 2023.

II.5.2.6 Write-downs

Overview of the revalued operating expenses in property, plant and equipment and intangible fixed assets in 2022

In € (excl. cents)	2022	Share	2021	Index
Amortisation of intangible fixed assets	6,093,393	3%	4,698,339	130
Depreciation of property, plant and equipment	183,338,024	91%	176,619,328	104
Amortisation/depreciation of the right of superficies	3,926,356	2%	3,926,356	100
Depreciation of investment property	29,693	0%	29,693	100
Depreciation of leased fixed assets	1,113,850	1%	1,105,677	101
Operating expenses for the revaluation of intangible fixed assets and PPE	6,054,385	3%	31,481,217	19
Operating expenses from the revaluation of current assets	329,597	0%	118,418	278
Total	200,885,298	100%	220,978,268	91

The depreciation of property, plant and equipment in 2022, which also includes the depreciation of the right of superficies, amounted to €3,926,356. Pursuant to the ZDARS-1, the right of superficies was established to the

benefit of DARS on the land owned by the Republic of Slovenia over which the motorways run as structures that had been built or started to be built prior to the enforcement of the ZDARS-1. The right of superficies was established for the period of 50 years.

The year-over-year depreciation/amortisation in 2022 increased compared to 2021 primarily due to the accounted depreciation of property, plant and equipment – motorways, which were activated in the last quarter of 2021 in the amount of €30,759,222.

Operating expenses for the revaluation of intangible fixed assets and property, plant and equipment (PPE) also refer to:

- a loss in the sale of real estate in the amount of €83,556,
- losses in the exclusion and identified shortages of fixed movable assets in the amount of €83,744,
- losses due to the impairment and destruction of DarsGo units in the amount of €44,477,
- the exclusion of motorway and expressway structures with barriers upon reconstruction in the amount of €4,358,556,
- the exclusion of integral parts of the road infrastructure due to the restoration of the emergency call system and ETS gantries in the total amount of €60,740,
- the exclusion of integral parts of buildings at TS Log, TS Dane and TS Drnovo due to reconstruction works in the amount of €548,760,
- the write-off of an ongoing investment in the amount of €797,723, and
- the revaluation of assets held for sale to fair value, decreased by selling costs, in the amount of €76,829.

Operating expenses for the revaluation of current assets mostly comprise the formation of allowances and write-offs of receivables in the amount of €285,214 and the revaluation of 2022 short-term vignette inventories, the sale of which ended on 31 January 2022, i.e. in the amount of €34,116. The impairment of the value of non-current inventories amounted to €10,245.

II.5.2.7 Other operating expenses

Other operating expenses of €3,637,364 (€877,044 in 2021) include:

- long-term accrued costs for expected losses related to tort claims for motorway construction and reconstruction in the amount of €3,001,644 (€85,200 in 2021) and for lawsuits related to labour disputes in the amount of €47,211 (€6,179 in 2021),
- costs amounting to €55,944 (€360,404 in 2021) incurred in relation to investments in other state non-toll roads that do not fall within the scope of the motorway and expressway network operated by DARS. Such investments yield no economic benefits for the Company, which is why they are not disclosed under property, plant and equipment. According to the Ministry of Infrastructure, the Fiscal Balance Act (ZUJF), which also encroached upon the Motorway Company in the Republic of Slovenia Act (ZDARS-1) with its amendments and supplements, lays down that DARS is also responsible for the construction of certain state roads other than motorways in terms of the Roads Act and implementing regulations governing categorisation, as planned in the Resolution on the National Motorway Construction Programme in the Republic of Slovenia (ReNPJA). Along with motorways and expressways, the Fiscal Balance Act also included other state roads planned in the National Programme governing motorway construction under the definition of "motorway",
- other operating expenses in the amount of €532,564 (€425,259 in 2021).

II.5.2.8 Financial revenue from loans given

Financial revenue from loans given in the amount of €4,392,185 (€1,748,859 in 2021) also includes revenue from the revaluation of financial derivatives in the amount of €3,341,561 and investments of liquidity surpluses by ensuring diversity in bank deposits in the amount of €1,049,550.

II.5.2.9 Financial Revenue from Operating Receivables Due from Others

Financial revenue from operating receivables due from others in the amount of €4,557 (€54,451 in 2021) refers to financial revenue from operating receivables, charged default interest and exchange rate gains.

II.5.2.10 Financial Expenses from Loans Received from Banks

Financial expenses in the amount of €18,567,142 (€18,536,250 in 2021) include interest charged on long-term loans. The weighted average interest rate on long-term loans as at 31 December 2022 was 1.87%.

II.5.2.11 Financial Expenses from Issued Bonds

Financial expenses in the amount of €5,637,344 (€5,633,924 in 2021) include interest charged on long-term securities issued. The weighted average interest rate on long-term securities as at 31 December 2022 was 4.55%.

II.5.2.12 Financial expenses for other financial liabilities

Financial expenses for other financial liabilities in the amount of €6,833,622 (€8,233,609 in 2021) also refer to:

- negative interest on financial derivatives amounting to €3,194,259, which represents the difference between the variable interest rate of an insured loan and the fixed interest rate of a financial derivative,
- interest charged on long-term loans received from others in the amount of €3,544,728,
- net interest on provisions for jubilee benefits and severance pay in the amount of €23,213,
- interest on leases in the amount of €43,176 and
- negative interest on deposits in the amount of €24,722.

II.5.2.13 Financial expenses for operating liabilities

Financial expenses for operating liabilities amounting to €13,926 (€38,880 in 2021) mainly include the charged default interest arising from liabilities that were settled late.

II.5.2.14 Other revenue

Other revenues in the amount of €179,089 (€177,951 in 2021) includes indemnities received under court decisions, charged contractual penalties and similar.

II.5.2.15 Other expenses

Other expenses in the amount of €223,831 (€233,086 in 2021) primarily comprise indemnities paid under court decisions, reimbursed costs in audit procedures according to the Public Procurement Act, donations given and similar.

II.5.2.16 Corporate Income Tax

Corporate income tax is calculated in accordance with the Corporate Income Tax Act (ZDDPO-2). Corporate income tax for 2022 is accounted at the 19% rate on the taxable profit generated by the Company in a tax year.

In € (excl. cents)	2022	2021
1 Revenue	516,882,574	489,290,314
2 Expenses	350,690,060	350,817,714
3 Total profit (1 – 2)	166,192,513	138,472,599
4 Revenue decrease	7,786	35,481
5 Revenue increase	0	0
6 Expense decrease for provisions and receivable revaluation	172,989	180,012

In € (excl. cents)	2022	2021
7 Expense decrease, other non-recognised expenses	12,487,943	9,606,232
8 Increase in recognised expenses	210,336	287,372
9 Difference between revenue and expenses recognised for tax purposes (1 – 2 – 4 + 5 + 6 + 7 – 8)	178,635,324	147,935,991
10 Tax base (9)	178,635,324	147,935,991
11 Change of tax base due to a change of accounting policies and error corrections	102,479	14,201
12 Increase in the tax base by the amount of tax relief used	16,819	10,459
13 Tax relief for investments	2,354,692	3,135,644
14 Relief for the employment of disabled persons	485,126	419,735
15 Relief for practical work in professional training	2,323	1,747
16 Tax relief for voluntary supplementary pension insurance	1,001,037	960,185
17 Tax relief for donations	124,000	88,247
18 Relief for investments in the digital and green transition as per Article 55c of the ZDDPO-2	316,264	0
19 Relief for employing unemployed persons under Article 55b of the ZDDPO-2	199,294	0
20 Tax base (10 + 11 + 12 – 13 – 14 – 15 – 16 – 17 – 18 – 19)	174,271,886	143,355,092
21 Corporate income tax	33,111,658	27,237,468

The net profit for the period is the amount of total profit determined in the income statement decreased by the corporate income tax liability in the accounting period and decreased by deferred taxes.

In € (excl. cents)	2022	2021
Calculated corporate income tax	-33,111,658	-27,237,468
Deferred tax	2,051,847	1,468,237
Taxes	-31,059,811	-25,769,231

In € (excl. cents)	2022	2021
Profit or loss before tax	166,192,513	138,472,599
Taxes	-31,059,811	-25,769,231
Effective tax rate	18.69%	18.61%

Deferred tax assets are recognised for corporate income tax amounts that will be recovered in future periods.

The effective tax rate calculated as a quotient between the total tax and total profit or loss for 2022 amounted to 18.69%.

II.5.3 Notes on the statement of comprehensive income

In € (excl. cents)	2022	2021
19. Net profit or loss for the financial year	135,132,702	112,703,369
20. The effective part of the changes in the fair value of the hedging instrument against interest rate variability	24,430,237	6,887,916
Change in deferred taxes	-4,964,907	-1,308,704
Total impact of changes in fair value reserves	19,465,330	5,579,212
21. Actuarial gains/losses from severance pay upon retirement	204,958	28,403
Other elements of comprehensive income	204,958	28,403
22. Total comprehensive income for the accounting period	154,802,991	118,310,984

Changes in fair value reserves in the amount of €24,430,237 represent the effective part of changes in the fair value of the hedging instrument against interest rate variability. Other equity components in the amount of €-4,759,949 are comprised of the change of deferred taxes in the amount of €-4,964,907 and the actuarial net profits/losses from severance pays at retirement in the amount of €204,958.

II.6 Business risks

Business risks are presented in the business section of the Annual Report in chapter I.9.

II.7 Transactions with owners and related parties

The sole founder and shareholder of DARS is the Republic of Slovenia, which is represented by the Slovenian Sovereign Holding (SSH) pursuant to the new Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014, "ZSDH-1").

Companies related to the owners are companies in which the Republic of Slovenia and the SSH hold together and directly at least a 20% shareholding. A list of such companies is published on the SSH website (<http://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

Overview of transactions for 2022 with companies where the government has a direct or indirect dominant influence:

	2022
Sales	150,319,513
Purchases	36,459,678
Short-term financial liabilities	54,504,663
Long-term investments	20,000,000
	261,283,854

Most sales referred to services related to toll collection, while the largest purchases referred to energy costs, the commission on vignettes sold, insurance costs, and the upgrade of assets within the scope of the DarsGo system, motorway (re)construction costs and costs for the services of the supervising engineer.

In addition to the aforementioned receivables and liabilities as at 31 December 2022, DARS has the following balance to others where the government has a direct or indirect dominant influence:

	31/12/2022
Short-term receivables	8,301,716
Short-term liabilities	9,092,011
Short-term financial liabilities arising from loans	38,778,205
Long-term financial liabilities arising from loans	256,906,410
Long-term investments - deposits	20,000,000
Long-term investments - IRS transactions	2,057,673
	335,136,015

All transactions between related parties are made at market prices.

Transactions between DARS and the Republic of Slovenia are disclosed within the scope of other notes.

II.8 Events after the Balance Sheet Date

Significant business events after the balance sheet date are:

January 2023

With the introduction of the Schengen regime at the border crossing with Croatia on 1 January 2023, we can expect the following two effects in terms of toll revenues:

- higher sales of vignettes should Croatia become more interesting for tourists from the European Union. We believe this would have a minor impact on revenue from the sale of vignettes,
- there is a possibility that part of the goods traffic that runs through Slovenia to Hungary will be redirected in Ljubljana from A1 (to the Pince border crossing) to A2 (Obrežje border crossing), continuing in Croatia, due to which goods vehicles will drive a shorter distance on toll roads, which could have a negative impact on toll revenue.

Events that emerged after the balance sheet date did not impact the financial statements of DARS for 2022.

II.9 Audit of the Annual Report for 2022

The contractual price for auditing the Annual Report of DARS for 2022 is €39,400 (excluding VAT) and €1,440 (excluding VAT) for other assurance services. The audit was carried out by the audit firm BDO Revizija d.o.o., Ljubljana.

II.10 Auditor's Report



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INDEPENDENT AUDITOR'S REPORT (Translation from the original in Slovene language)

To the Shareholder of DARS d.d.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We audited the financial statements of DARS d.d. (hereinafter "the Company"), which include the balance sheet as at 31 December 2022 and the income statement, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DARS d.d. Ljubljana as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter the "Regulation"). Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IEASBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Financial Statements*, including those related to these matters. Therefore, the audit comprised the performance of the procedures designed to respond to our assessment of the risks of material misstatement in the financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the accompanying financial statements.

Recognition of toll revenues

Description of the key audit matter

In the 2022 financial year, the Company generated EUR 479,557,025 (2021: EUR 456,235,915) or 97% (2021: 97%) of all net sales revenue from toll revenue. Toll revenue is divided into revenues from the sale of vignettes (e-vignettes in 2022), revenues from freight traffic tolls and charging for use of the Karavanke tunnel.

As of December 1, 2021, the Company switched from using vignettes in the form of stickers to using electronic vignettes. By the end of January 2022, the sale of all types of vignettes in the form of stickers was discontinued. When an electronic vignette invoice is issued, receivables from

Our audit approach

- Our audit procedures included, among others:
- Obtaining an understanding of the revenue process and verifying the design, implementation and effectiveness of internal controls in the revenue recognition process:
 - Verification of the effectiveness of internal controls in monthly monitoring of the transfer of transaction data from DarsGo/eVinjete information solutions to the main accounting programme.
 - Verification of the effectiveness of internal controls in the monthly reconciliation of open items between

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Okrožno sodišče v Ljubljani, vl.št.: 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.

customers and deferred income are recognised, with deferred income subsequently being transferred to revenue in accordance with the vignettes' validity. The proceeds from the sale of electronic vignettes are thus recognised in a given month according to the effective date and the period of validity of the vignette. The Company carries out monthly controls to ensure that transactions from the e-vignette system are transferred to the main accounting programme and that the monthly revenues are transferred from deferred revenue to revenue on the basis of the days of validity in each month.

Revenue from freight traffic tolls is recognised on the basis of the actual use of motorways and express roads. Revenue is recognised on the basis of recorded transactions read by toll portals. Revenue is recognised during the period in which the use of roads took place. The Company defers revenue for advance payments received and recognises revenue during the period in which road use occurs.

The recognition of toll revenues is based on the use of complex information systems, therefore we have identified the recognition of toll revenues as an area related to significant audit risk and as a key audit matter.

The following notes to the financial statements refer to revenue recognition:

- Note II.4 Important Accounting Policies – Revenue and Short-term accrued and deferred items (short-term deferred revenue),
- Note II.5.2.1. Net sales revenues,
- Note II.5.1.24 Short-term Accrued Costs and Deferred Revenues (short-term deferred revenue).

DarsGo/eVinjeta information solutions and the main accounting programme.

- Verification of the effectiveness of controls in case of price changes in the tolling of freight traffic.
- Verification of the effectiveness of controls in the monthly calculation of revenue from the sale of e-vignettes.
- Among the information systems that support the recording of the freight vehicles through toll portals - DarsGo, we checked the change management and access management controls with the help of our information systems auditors.
- Obtaining of independent confirmations of accounts receivable from customers as at 31.12.2022 for a selected sample.
- Verification of cut-off of recorded revenue.
- Verification of recording of credit notes issued after the balance sheet date.
- Preparation of an independent estimate of the freight traffic tolls revenue based on the data obtained on the volume of crossings and the current prices.
- Preparation of an independent estimate of annual revenues from electronic vignettes on the basis of obtained data on vignettes sold by day and current prices.
- Preparation of an independent estimate of toll revenue on the basis of payments received.
- Verification of the appropriateness of recognising the revenue from electronic vignettes on a sample of selected invoices issued. The test checked the appropriateness of the recognition of revenues over the relevant period and at an appropriate amount according to the date of the service provided and the invoices issued and supporting documentation.
- Verification of the appropriateness of recognising the revenue from the Karavanke tunnel charge on a sample of selected issued invoices. The test verified the appropriateness of the recognition of revenues over the relevant period and at an appropriate amount according to the date of the service provided and the invoice issued and supporting documentation.

We assessed the adequacy and appropriateness of disclosures related to revenue and deferred revenue against the requirements of relevant accounting standards.

Property, plant and equipment – useful life

Description of the key audit matter

The carrying amount of property, plant and equipment at 31.12.2022 amounts to EUR 4,529,611,852 (EUR 31.12.2021: EUR 4,589,307,102) and represents 88% of the Company's total assets (EUR 31.12.2021: 90%).

Our audit approach

Our audit procedures included, among others:

- We obtained an understanding of the purchase process for property, plant and equipment and maintenance services.



Depreciation costs in 2022 amount to EUR 183,338,024 (2021: EUR 183,544,923).

The majority of property, plant and equipment represents motorways and related assets. They are recognised at cost less accumulated depreciation and impairments. Depreciation is recognised according to the estimated useful life. The definition of useful life is subject to significant management judgement. It is also linked to significant management judgment regarding distinction between the costs of maintenance work which do not represent an increase in the carrying amount of motorways and those costs which increase the cost of motorways.

Given the importance of property, plant and equipment for the Company and the fact that management's assessment may be subject to subjective judgement, we have identified this matter as a key audit matter.

Property, plant and equipment and depreciation are subject to the following notes to the financial statements:

- Note II.4 Important Accounting Policies – Property, plant and equipment and Depreciation/Amortization),
- Note II.5.1.2. Property, plant and equipment,
- Note II.5.2.6 Write-downs.

- We assessed the policies and assessment of management, regarding which costs represent regular maintenance of motorways and which represent an increase in the carrying amount of motorways and associated assets.
- On the selected sample of new purchases and activations of assets, we checked the appropriateness of the recognition between plant, property and equipment and the appropriateness of determining the useful life of property, plant and equipment.
- On the selected sample of maintenance costs we checked the appropriateness of recording costs.
- On the selected sample of newly recognised property, plant and equipment, we assessed the appropriateness of the allocation into important parts and the appropriateness of the estimated useful life.
- On the selected sample of highway reconstructions, we checked that the carrying amounts of replaced parts of the motorways were derecognised.

We assessed the adequacy and appropriateness of disclosures related to property, plant and equipment and depreciation, against the requirements of relevant accounting standards.

Other Matter

The Company's financial statements for the year ended 31 December 2021 were audited by another auditor who issued an unqualified opinion on those accounts on 5 April 2022.

Other Information

Management is responsible for other information. Other information includes the Business Report that forms an integral part of the Company's annual report, but does not include the financial statements and our auditor's report on them. Other information was obtained before the date of the auditor's report, with the exception of the Report of the Supervisory Board, which will be available at a later date. The Business Report does not include the Sustainability Report. As permitted by paragraph five of Article 70c of the Companies Act (ZGD-1), the Company will publish it as a separate report and it will be available at a later date.

Our opinion on the financial statements does not relate to other information and we do not express any form of assurance about it.

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

- other information is in all material respect consistent with audited financial statements;
- other information is prepared in compliance with applicable law or regulation; and
- on the basis of the knowledge and understanding of the Company and its environment obtained during the audit, we did not find any material misstatements in relation to other information.



Responsibilities of the Management and Supervisory Board for the financial statements

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process and for the approval of the annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with the Supervisory Board, among other matters, the planned scope and timing of the audit and significant findings from the audit, including significant deficiencies in internal control we have identified during our audit.

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

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



determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other reporting obligations as required by EU Regulation No. 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament and the Council, we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor, Period of Engagement and Responsible Certified Auditor

On 30 August 2022, the Company's General Meeting appointed us as statutory auditor for the financial years 2022-2026, and the Chairman of the Supervisory Board signed the audit agreement on 22.9.2022. We have performed the statutory audit of the financial statements for the first year. Engagement partner responsible for the audit on behalf of BDO Revizija d.o.o. is Mateja Vrankar, certified auditor.

Consistence with the Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on 25 April 2023.

Non-audit services

We confirm that we have not provided any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council and that we have ensured our independence from the audited Company in carrying out the audit.

In addition to statutory audit, we did not provide any other services to the Company.

AUDITOR'S REPORT ON THE COMPLIANCE OF THE FINANCIAL STATEMENTS IN ELECTRONIC FORM WITH THE REQUIREMENTS OF DELEGATED REGULATION NO 2019/815 ON A SINGLE ELECTRONIC REPORTING FORMAT

We have conducted a reasonable assurance engagement on whether the financial statements of the Company for the financial year ended 31 December 2022 (hereinafter: the audited financial statements), are prepared in accordance with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format applicable in 2022 (hereinafter: Delegated Regulation).

Responsibilities of Management and Supervisory Board

Management is responsible for the preparation and accurate presentation of the audited financial statements in electronic format in accordance with the requirements of the Delegated Regulation, and for such internal control as the management determines is necessary to enable the preparation of the audited financial statements in electronic format that are free from material misstatements, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the preparation of the audited financial statements in electronic format in accordance with the requirements of the Delegated Regulation.

Auditor's Responsibilities

Our responsibility is to perform a reasonable assurance engagement and to express a conclusion on whether the audited financial statements have been prepared in accordance with the requirements of the Delegated Regulation. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) published by the International Auditing



and Assurance Standards Board. This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

We have acted in accordance with the independence and ethical requirements of the Regulation EU No. 537/2014 and the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We are in compliance with the International Standard on Quality Management (ISQM) 1 - Quality Management for Firms that perform Audits or Reviews of Financial Statements, or other Assurance or Related services Engagements, and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and statutory requirements.

Summary of Work Performed

Withing the scope of the work, we have carried out the following audit procedures:

- Identified and assessed the risk of non-compliance of the audited separate and consolidated financial statements with the requirements of Delegated Regulation due to fraud or error;
- Obtained an understanding of internal controls relevant to the reasonable assurance engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls;
- Assessed whether the audited financial statements meet the requirements of the Delegated Regulation applicable at the reporting date;
- Obtained reasonable assurance that the audited financial statements of the issuer are shown in the correct electronic format of the XHTML;

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures performed and the evidence obtained, in our opinion the audited financial statements of the Company for the financial year ended 31 December 2022, have been prepared, in all material respects, in accordance with the requirements of the Delegated Regulation.

Ljubljana, April 25, 2023

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

*(Signature on original Independent
Auditor's Report issued in Slovene language)*

Mateja Vrankar
Certified auditor
Managing partner