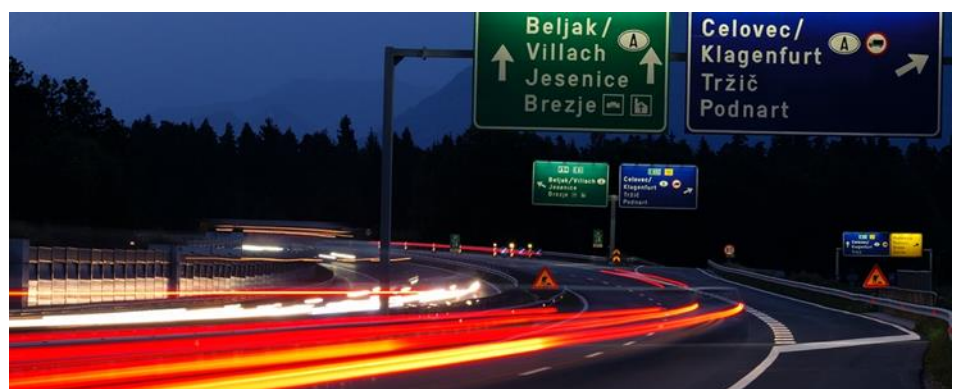


ANNUAL REPORT 2020



Ljubljana, April 2021



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II Financial Report

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Acronyms and abbreviations

ABC	Automatic non-cash toll collection
MW	Motorway
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)
DARS	Družba za avtoceste v Republiki Sloveniji d.d. (Motorway Company in the Republic of Slovenia)
DGD	Design documents for obtaining opinions and a building permit
DMR	Digital Mobile Radio
NSP	National Spatial Plan
SIA	Slovenian Infrastructure Agency
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
ETS	Electronic Tolling System
BP	Building Permit
EW	Expressway
HHS	Hydrological and Hydraulic Study
IBTTA	International Bridge, Tunnel and Turnpike Association
PD	Preliminary Design
CD	Conceptual Design
ITS	Intelligent Transportation System
KIOP	Public Road and Railway Infrastructure, Aviation and Maritime Investment Document Review and Assessment Board
IBC	International Border Crossing
MESP	Ministry of the Environment and Spatial Planning
MI	Ministry of Infrastructure
NMCP	National Motorway Construction Programme in the Republic of Slovenia
SPA	Spatial Planning Authorities
ER	Environmental Report
EC	Environmental Consent
BD	Basic Design
PIARC	World Road Association
TIC	Traffic information centre for public roads
AADT	Average Annual Daily Traffic
EIA	Environmental Impact Assessment
ED	Executive Design
R2	Motor vehicles with two axles and whose maximum permissible weight exceeds 3.5 tonnes
R3	Motor vehicles with two or three axles and whose maximum permissible weight exceeds 3.5 tonnes and groups of vehicles with two or three axles whose maximum permissible towing vehicle weight exceeds 3.5 tonnes
R4	Motor vehicles with more than three axles and whose maximum permissible weight exceeds 3.5 tonnes and groups of vehicles with more than three axles and whose maximum permissible towing vehicle weight exceeds 3.5 tonnes
RS	Republic of Slovenia
SSH	Slovenian Sovereign Holding
TCMS	Traffic Control and Management System
SAS	Slovenian Accounting Standards
VS/PIS	Variant Study / Pre-Investment Study
WPA	Water Protection Area
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. 65/2009 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – CC dec., 82/13, 55/15 and 15/17)
ZUJF	Fiscal Balance Act (Official Gazette of the Republic of Slovenia, No. 40/2012)



I Business Report

Statement of the management's responsibilities

Members of the Management Board of DARS d.d., responsible for the compilation of the Annual Report of DARS d.d. for 2020, 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 d.d. for 2020, 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 d.d.

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

Romana Fišer, MSc
Member of the Board

Boštjan Rigler
Member of the Board

Peter Gašperšič, PhD
Member of the Board

Rožle Podboršek
Member of the Board / Labour
Manager

Celje, 31 March 2021

I.1 Information about the Company and key business data

NAME	Družba za avtoceste v Republiki Sloveniji, d.d. (Motorway Company in the Republic of Slovenia) 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)1 300 99 00 Fax: +386 (0)1 300 99 01
WEBSITES	www.dars.si www.promet.si
YEAR OF ESTABLISHMENT	1993
REG. ENTRY NO.	1/06158/00, District Court of Celje
FOUNDER	Republic of Slovenia
SHAREHOLDER	Republic of Slovenia
REGISTRATION NUMBER	5814251000
VAT ID NUMBER	SI92473717
SHARE CAPITAL	€2,086,559,144.07
SHARES ISSUED	55,650,231 registered no-par value shares

DARS d.d. was established in 1993 based on the ZDARS 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 d.d. 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 the Recommendations and Expectations of the SSH 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 entered into force at the end of 2010 and on its basis, DARS d.d.:

- performs individual tasks relating to spatial planning and the siting of motorways in the physical space, and tasks relating to real estate acquisition for the purposes of motorway construction on behalf of the Republic of Slovenia and for its account,
- builds motorways on its own behalf and for 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 laying down new sections and deadlines for putting the newly built sections into service.

The ZDARS-1 lays down the status, tasks and obligations of DARS d.d. and regulates legal property relations in connection with motorways. Pursuant to the Act, DARS d.d. 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 financial obligations related to the construction of new motorway sections. The ZDARS-1 also stipulates that DARS d.d. is to perform individual tasks relating to spatial planning and the siting of motorways in the physical space, 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 d.d. must continue building motorways and expressways that commenced prior to the enforcement of the ZDARS-1, 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 d.d. is payable.

Table 1: Key performance data by year

Key performance data by year	2016	2017	2018	2019	2020	2020/2019 index
Revenue	399,300,535	458,871,408	495,428,367	523,120,872	416,754,677	80
Expenses	276,830,211	285,046,526	308,286,955	350,751,597	344,149,420	98
Net sales revenues	372,161,638	442,244,312	465,605,859	480,750,876	398,581,556	83
Operating revenue	397,249,272	453,654,877	489,380,078	522,055,233	416,199,166	80
Operating expenses	233,666,223	242,973,453	266,985,138	311,065,228	307,244,219	99
Operating profit or loss	163,583,049	210,681,424	222,394,940	210,990,006	108,954,947	52
EBITDA	318,288,799	371,822,312	397,476,660	422,009,626	321,804,934	76
Net profit or loss for the accounting period	102,448,010	141,145,144	154,421,963	139,611,455	59,526,614	43
Share capital	2,319,866,345	2,322,284,140	2,322,284,140	2,086,559,144	2,086,559,144	100
Equity as at 31 December	2,665,453,020	2,811,184,886	2,963,264,000	2,863,136,410	2,922,963,531	102
Total assets as at 31 December	5,680,666,379	5,751,989,678	5,656,311,816	5,307,039,906	5,175,871,112	98
Debt as at 31 December	2,567,032,918	2,464,024,512	2,269,468,973	2,056,619,825	1,895,258,439	92
Debt repayment – principal	349,956,759	203,008,406	219,555,539	212,849,148	238,361,387	112
Payment of interest*	41,234,923	40,414,027	40,624,860	37,889,189	35,786,115	94
No. of employees	1,247	1,240	1,232	1,257	1,269	101
Operating margin	44.0%	47.6%	47.8%	44.1%	27.3%	62
EBITDA margin	85.5%	84.1%	85.4%	87.8%	80.7%	92
Net margin	27.5%	31.9%	33.2%	29.2%	14.9%	51
Return on equity (ROE)	3.9%	5.2%	5.3%	4.8%	2.1%	43

* 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 2016–2020

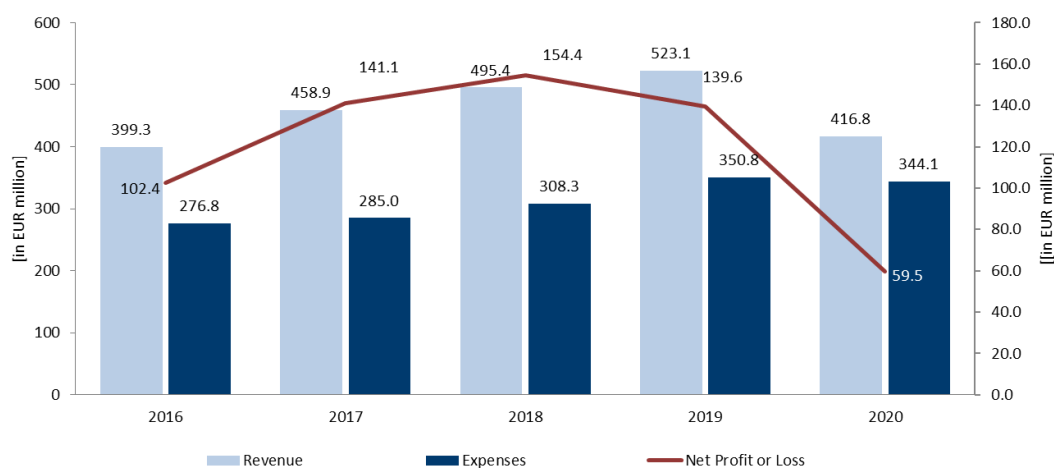


Figure 2: Net sales revenues and cash flow from operating activities (EBITDA) for 2016–2020

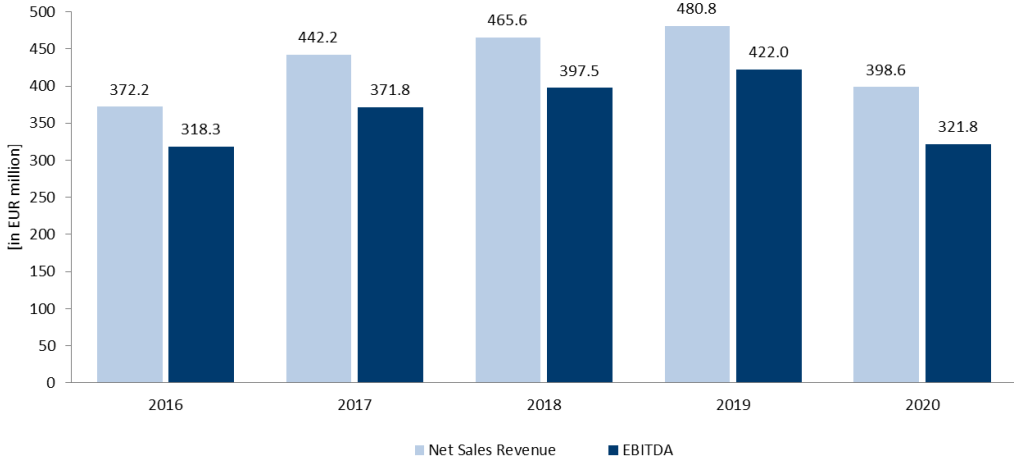


Figure 3: Debt as at 31 December, principal repayment and interest payments for 2016–2020

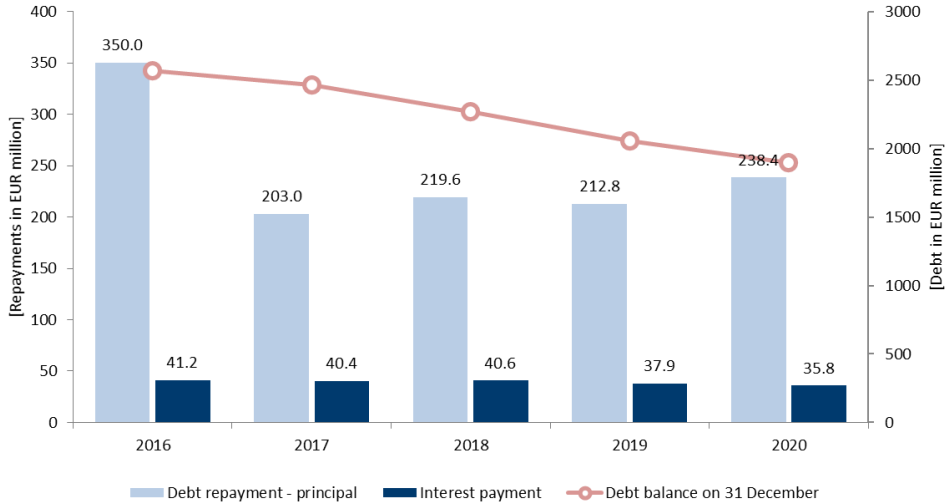


Figure 4: DARS d.d. revenues in 2019

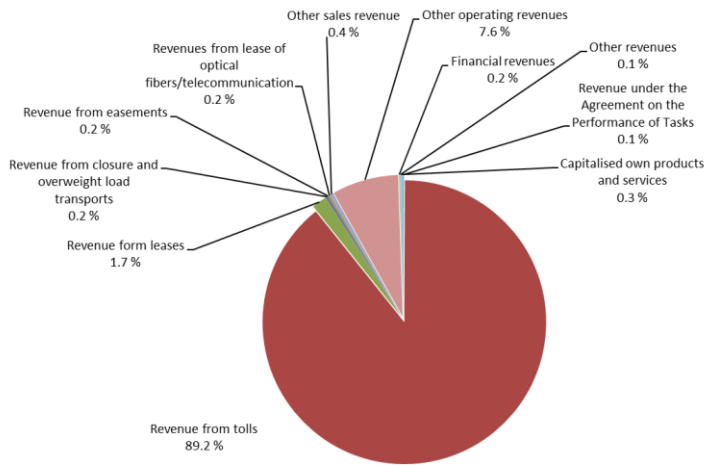


Figure 5: DARS d.d. revenues in 2020

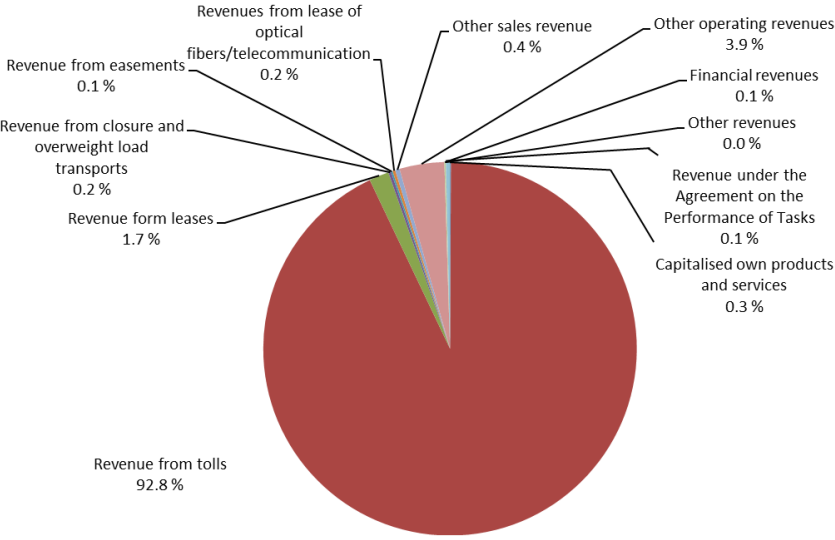


Figure 6: DARS d.d. revenues excluding tolls in 2020

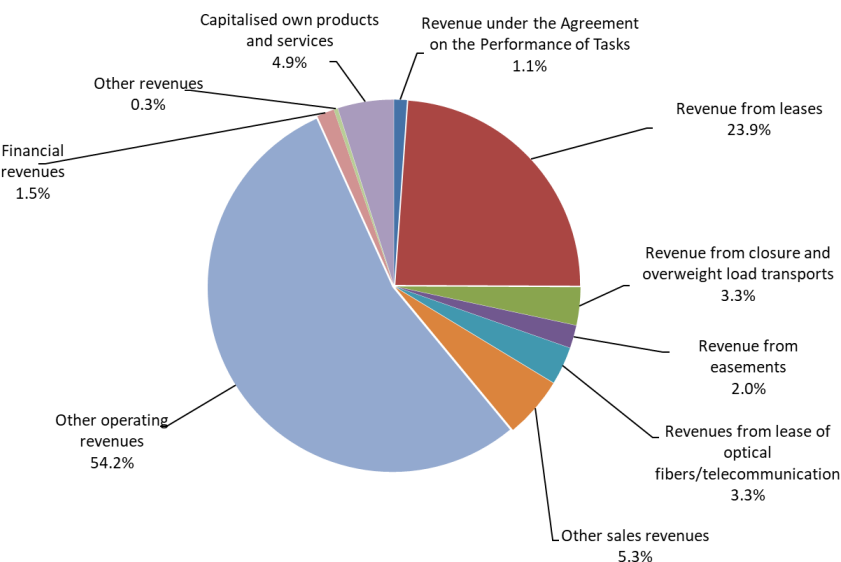


Figure 7: DARS d.d. expenses in 2019

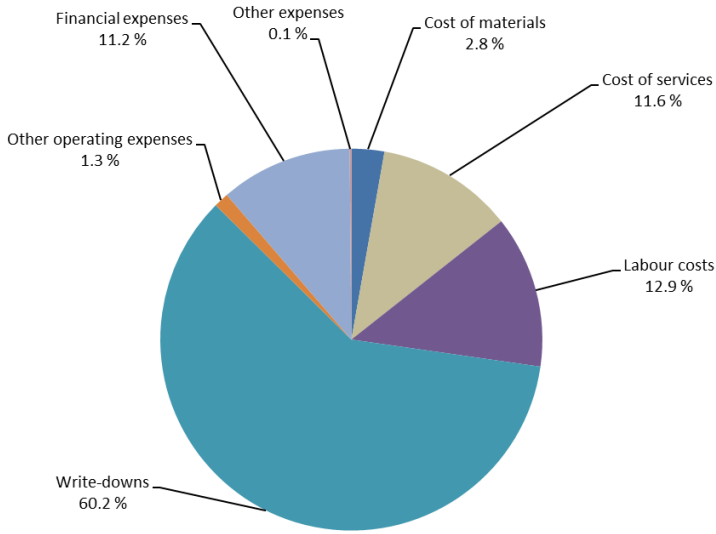
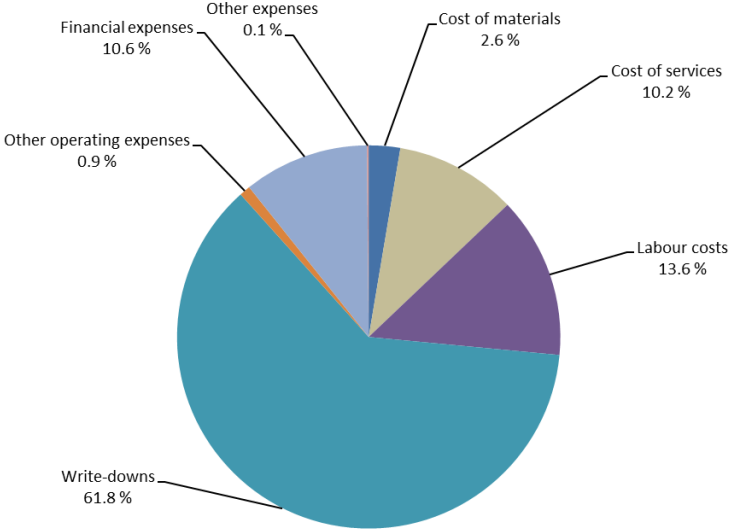


Figure 8: DARS d.d. expenses in 2020



I.2 Letter from the Management



The restrictions adopted in various countries in an attempt to contain the spread of the COVID-19 epidemic affected entire societies and the operations of DARS d.d. are no exception. Restrictions on crossing the state and municipal borders resulted in lower traffic on the motorways and expressways and, consequently, lower toll revenue. Despite operating in the territory of the Republic of Slovenia, the international business environment is highly important for DARS d.d., as the majority of its toll revenue is generated by transit traffic.

Following the first wave of the epidemic, the traffic generated by vehicles with a maximum permissible weight exceeding 3.5 tonnes (heavy vehicles) relatively quickly returned to 2019 levels, while the traffic generated by vehicles with a maximum permissible weight of up to 3.5 tonnes (light vehicles) stagnated until the end of 2020. The Company recorded a drop in light vehicle traffic of nearly 20% over the whole motorway network in 2020.

Despite the lower toll revenue in 2020 resulting from the COVID-19 epidemic, we continued our extensive reconstruction and upgrading efforts on the motorway and expressway network, kept a high level of routine maintenance, and accelerated the largest investment projects.

We remain firmly committed to increasing the safety and fluidity of our motorway network. Furthermore, our vision will continue to focus on

the sustainable development of the Company and its environment.

In 2020, we launched two extensive infrastructural projects: the construction of the eastern tube of the Karavanke tunnel and the expressway towards the Koroška region. Upgrading the Slovenian-Austrian Karavanke tunnel will eliminate a major bottleneck on the cross-border section of the comprehensive road network directly linking two corridors of the TEN-T core network and ensure greater traffic safety in the tunnel. A modern remote connection on the 3rd development axis is not only important in terms of traffic, but also as regards economic development. The 3rd development axis – both the northern and southern parts – will be one of the core factors allowing the balanced regional development of our country.

In terms of investments in the reconstruction of motorways and expressways, 53 km of carriageways of sections and junctions were renovated in 2020, which includes the resurfacing of a part of the Drnovo–Brežice and the Brezje–Podtabor–Kranj West sections, as well as the reconstruction of a part of the Selo–Vogrsko–Šempeter pri Gorici and the Vučja vas–Murska Sobota–Lipovci–Turnišče sections. The western tube of the Golovec tunnel in Ljubljana was also completely renovated. Four viaducts and 30 smaller bridging structures were also partially renovated during these renovations.

Due to the lower traffic during the epidemic, the amount of maintenance work done within the routine maintenance of the motorways and expressways from the second half of March to the end of May 2020 increased significantly. Compared to the same period in 2019, the amount of asphaltting done increased by nearly 200%, and all other maintenance work by more than 300%. The works took place mainly on the busiest sections, where the placement of traffic barriers and the implementation of work are otherwise very difficult due to the traffic density.

In 2020, we installed 56 new displays showing traffic information (electronic gantries) on the sections between Brezovica and Divača, between Lukovica and Zadobrova, and on the northern, eastern and southern Ljubljana ring road. The motorway network has also been supplemented with 50 new surveillance cameras and 24 new automatic traffic counters.

Procedures for the introduction of the electronic vignette were initiated in the spring of 2020. This is a new, more user-friendly way to pay tolls that also applies to light vehicles, which follows after the successful deployment of the DarsGo modern tolling system in free traffic flow for heavy vehicles. These are digitalisation projects, not just of our Company, but of society as a whole. In September 2020, DARS d.d. published the public procurement for the establishment and operation of the electronic vignette system, which will replace the vignette sticker in December 2021 after 13 years. The system will have to operate flawlessly, since the financial sustainability of the Company depends on toll revenue, which is why all efforts will focus on its successful implementation and efficient operation.

Toll revenue is vital for the financial sustainability of DARS d.d., because the Company has relatively high liabilities for the repayment of loans taken out for motorway and expressway construction and reconstruction, alongside the obligation to provide an adequate service level to users and ensure the development and safety of motorways and expressways. Ensuring financial stability is particularly important during the planned extensive investment cycle. DARS d.d. successfully manages its debt and makes regular and full payments of liabilities deriving from loans taken out and bonds issued.

That is why special attention will be given to the management of the operating and financing costs. DARS d.d. will also observe the owner's expectations to maintain the maximum return on assets (ROA), which is the ratio between the net profit and total Company assets.

Besides employees, the Company will continue to put our users and their mobility needs at the forefront. We know that just improving and maintaining the roads is not enough, which is why special attention is paid to safety, in addition to providing conditions for maximum traffic fluidity within the scope of motorway and expressway management. At the end of 2020, two important measures were adopted in this area: the ban on overtaking for heavy vehicles on the Štajerska and Primorska motorways and the agreement on the establishment of the motorway police.

Thank you for your trust.

Valentin Hajdinjak, MSc
Chairman of the Board

Romana Fišer, MSc
Member of the Board

Boštjan Rigler
Member of the Board

Peter Gašperšič, PhD
Member of the Board

Rožle Podboršek
Member of the Board / Labour
Manager

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

Mission

We optimise traffic fluidity and ensure safety and comfort on the Slovenian motorway network by employing modern approaches and adopting a responsible attitude towards the environment.

Vision

Connected to the future

Our current and future activities are guided towards connectivity in all possible forms. This means that our vision focuses on:

- users with whom we share a concern for their safety, as well as reliability and comfort during travel;
- the sustainable development of the Company and its entire environment, with which we have the common goal of further increasing the efficiency and effectiveness of activities and acting responsibly towards all our stakeholders: the owner, the business partners, the local community, the wider European area, the natural environment, etc., and establishing connections with related institutions;
- the needs of employees with whom we are connected with the aim of ensuring a safe, creative and stimulating working environment.

Core values

Safety

We ensure a safe environment that we operate in: a safe working environment for our employees, a feeling of safety for our business partners and users on 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 provide for the quality implementation of 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).

Development

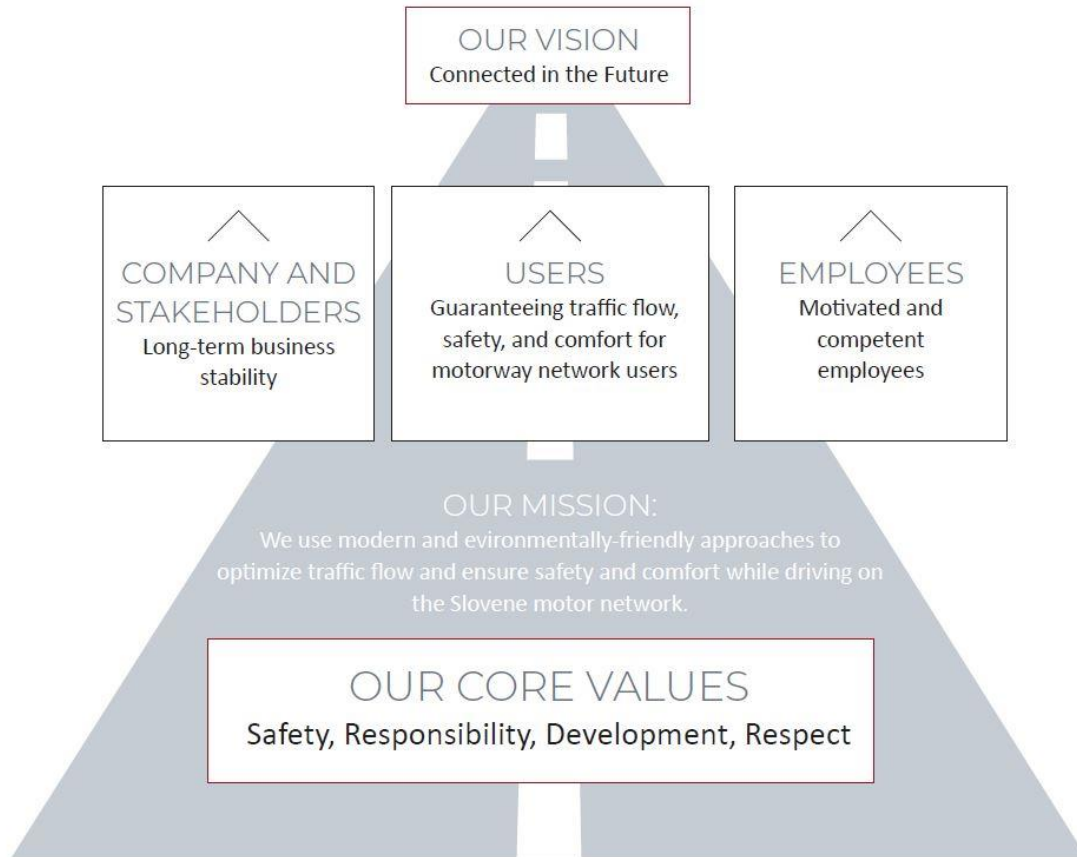
We constantly promote new innovative and modern approaches, as well as develop new and improve the existing services of the Company, including with a view to increasing energy efficiency. Creative and innovative thought is our guide because we know that this is the only way to develop innovative services with high added value for our customers, employees, the Company and the owner.

Respect

In the course of everyday activities, we strive for a high level of respect and trust for all Company stakeholders, which is reflected in the actions and interactions of employees, towards users, the owner and business partners.

Strategic policies of DARS d.d.

Figure 9: Strategic policies of DARS d.d.



Ensuring the safety, traffic fluidity and comfort of users on the motorway network

- Ensuring traffic safety
- Ensuring traffic fluidity
- Ensuring user-friendly services

Long-term business stability

- Ensuring long-term stable operations
- Introducing lean operations
- Implementing business excellence

Engaged and competent employees

- Constantly strengthening competencies
- Leadership development
- Providing a creative, safe and stimulating working environment

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.

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

The management system policy is pursued in the following manner:

- by making responsible decisions based on specific information and facts,
- by providing 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, completeness and availability of information and information resources,
- 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 to employees,
- by establishing and achieving measurable targets of improvement in all areas of operation,
- by taking systematic account of all business aspects (the environment, energy, quality, information security, 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 d.d.



In accordance with paragraph 5 of Article 70 of the Companies Act (Official Gazette of the RS, No. 42/2006 and sub.), the Articles of Association of DARS d.d. adopted in June 2020 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 2020 and is accessible for the period from 1 January 2020 to the date of publication in 2021 in electronic form on the website of the Ljubljana Stock Exchange (SEOnet) and on the official website of DARS d.d. (www.dars.si).

1. Reference to the Corporate Governance Code and the Recommendations

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

- Corporate Governance Code for Listed Companies, 27 October 2016 (with editorial corrections from January 2018), accessible on the website of the Ljubljana Stock Exchange at <http://www.ljse.si>;
- Corporate Governance Code for State-Owned Enterprises, November 2019, accessible on the website of the Slovenian Sovereign Holding (SSH) at <http://www.sdh.si>; and

- Recommendations and Expectations of Slovenian Sovereign Holding, August 2020, 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 2020, while any deviations from specific recommendations are explained below. In its operations, DARS d.d. observes its internal acts and the DARS Code of Ethics and strives to improve its corporate governance practices.

2. In terms of management, DARS d.d. 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 operates in line with its key objective – to maximise the Company value – and other objectives as the operator of the motorway network that ensures the sustainable development of the Company, as well as its long-term stable and socially responsible business operations. The objectives are not defined in the Articles of Association, because the basic legal act of the State only sets out the characteristics required by corporate law for the general description of the Company as a legal entity. The Company discloses all its objectives in documents published on its website or in publications. The DARS d.d. management is based on legal provisions, internal acts and rules. All operative business decisions for achieving the objectives are carried out within the scope of the annual business plan and strategic Company policies.

Corporate Governance Statement and Statement on Compliance with the Code

Point 5.6: The remuneration received by the Management and Supervisory Boards is disclosed in the financial section of the Annual Report. The

Company discloses the gross remuneration of each Member of the Management Board and of the Supervisory Board in accordance with the legal requirements, but not the net remuneration.

Point 5.7: The Corporate Governance Statement, as part of the Annual Report, is reviewed by an independent external auditor every year. 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 services. Moreover, the Company has an internal auditing service that independently supervises the organisation and economy of DARS d.d.'s operations in line with the regulations and internal acts.

Composition and appointment of the Supervisory Board

Points 9, 9.1 and 9.2: In companies in which the SSH exercises at least $\frac{1}{4}$ 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 to be used by the supervisory board of the company is the proposal for the appointment of candidates submitted to the supervisory board by the SSH. The Supervisory Board adopted a Diversity Policy in 2018, which lays down that its realisation is pursued by the shareholders, Supervisory Board and Workers' Council.

Procedure for selecting candidates for Supervisory Board Members

Point 10: In companies in which the SSH exercises at least $\frac{1}{4}$ 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 to be used by the supervisory board of the company is the proposal for the appointment of candidates submitted to the supervisory board by the SSH.

Training of Supervisory Board Members

Point 13.1: 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.

Evaluation of the Supervisory Board

Point 14.1: A self-assessment will be performed in 2021, as is envisaged in the work plan of the Supervisory Board for 2021.

Point 14.4: Due to the limited terms of office, an external assessment has not yet been performed.

Company communication strategy

Point 27.2: The Company has drawn up and enforced a general Communication Strategy of DARS d.d., Rules on business secret classification and protection, Rules on the provision of information to the media, 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.

Publication of important information

Points 29 and 29.1: The Company makes regular reports on its financial and legal position through press releases 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 29.7: The Company discloses the gross remuneration of each Member of the Management Board and of the Supervisory Board in accordance with the legal requirements, but not the net remuneration.

Point 29.8: The financial statements of the Company, together with notes and disclosures of the most important categories, have been prepared in accordance with the accounting and reporting requirements of the Slovenian Accounting Standards (SAS), taking into account the provisions of the ZGD-1 and ZDARS-1.

Point 29.9: The Company does not publish on its website the applicable texts of the rules of procedure for its bodies. These are documents that are continuously revised and are intended solely for the work of those 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 that operates as a Nomination Committee. The Remuneration Committee consists of two members of the Supervisory Board representing shareholders and one member 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 ¼ 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 to be used by the supervisory board of the company is the proposal for the appointment of candidates submitted to the supervisory board by the SSH.

Transparency of operations and reporting

Point 8.4: The Annual Report does not disclose the costs of the Supervisory Board operations as indicated. The disclosure includes the remuneration received by Supervisory Board Members, including travel costs and accounted benefits.

Auditing 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.

Corporate compliance and integrity (Corporate integrity)

Point 11.2: The Rules on conducting the procedure for dealing with alleged irregularities related to corporate integrity, which will be a comprehensive overview of all applicable documents in this area, will enter into force on 1 April 2021.

Point 11.2.1: This is partly taken into account. Within the scope of the Sustainability Report, the Company reports on the activities of the "Integrity Committee at DARS d.d." and the "Committee for

the Protection of Employee Dignity". In 2021, we plan to set up an internal warning system for suspected irregularities and illegal acts related to corporate integrity that will serve as a basis in the preparation of a new integrity plan aiming to address the expectations from the Code. The plan of work will also include an education or awareness-raising programme for employees in corporate compliance and integrity.

c) Recommendations and Expectations of the SSH

Commissioning of goods and services, sponsorship and donations

Point 3.5: This is partly taken into account. We publish contracts from public procurement procedures as soon as they are signed, and any direct award contracts once a year, in accordance with the Public Procurement Act (ZJN-3).

General Meetings of Companies

Point 6.1: The sole shareholder of DARS d.d. 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

Point 8: 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 d.d. 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. 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, 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 d.d. ensured the efficient and successful attainment of business goals in 2020, actions compliant with the legal provisions, and fair and transparent reporting in every significant aspect.

4. 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 d.d.

The sole founder and shareholder of DARS d.d. 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 d.d. 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.

5. 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 d.d., under which it may have no more than five members. The 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 d.d. 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.

The Management Board of DARS d.d. comprises: Valentin Hajdinjak, MSc, Chairman, Romana Fišer, MSc, Member, Peter Gašperšič, PhD, Member, Boštjan Rigler, Member, and Rožle Podboršek, Labour Manager / Board Member.

The proposal for their appointment was made on the basis of the Diversity Policy adopted by the Management Board and the Supervisory Board. Its goals include ensuring complementarity and diversity in the management, taking into account

different qualifications, experience and knowledge, and the representation of both sexes and different age groups.

The Management Board runs the Company to 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 Labour Manager participates in decision-making whenever the Management Board decides on HR and social issues.

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 d.d., 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 d.d. 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 d.d., 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 decision 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 23 June 2020.

Composition of the Supervisory Board in the 2020 financial year

First and last name	Function	First appointment to the office	Termination of office/ mandate	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 2020 financial year	Membership in supervisory bodies of other companies	Membership in SB committees	Function in SB committees	Attendance at SB committee meetings / total number of SB committee meetings
Jože Oberstar	Member Chairman Member	12/09/2019 25/09/2019 from 06/07/2020	25/09/2019 06/07/2020 12/09/2023	18/18	Male	Slovenian	1973	University graduate in law	YES	NO	/	Audit Committee	Member and Chairman	10/10
Jožef Zimšek	Member	12/09/2019	12/09/2023	17/18	Male	Slovenian	1944	University graduate in civil engineering	YES	NO	AMZS, d.d.	Audit Committee, Investment Committee	Member, Chairman	4/5 0/0
Andrej Hudoklin, MSc	Member	12/09/2019	23/06/2020	9/9	Male	Slovenian	1979	MSc	YES	NO	/	Remuneration Committee	Chairman	3/3
Boris Božičnik	Member, Vice-Chair	12/09/2019 25/09/2019	25/09/2019 23/06/2020	9/9	Male	Slovenian	1972	Graduate in civil engineering	YES	NO	/	Remuneration Committee	Member	3/3
Matej Čufer	Member	12/09/2019	23/06/2020	9/9	Male	Slovenian	1974	Master's degree	YES	NO	/	Audit Committee	Chairman	5/5
Darko Kodrič	Member	13/04/2016	05/06/2020	7/7	Male	Slovenian	1965	Graduate in municipal engineering	YES	NO	/	Remuneration Committee	Member	3/3
Martin Stožir	Member	09/05/2019	09/05/2023	17/18	Male	Slovenian	1983	Master's degree in logistics	YES	NO	/	Audit Committee, remuneration Committee	Member	4/5 5/5
Igor Kolar	Member	10/10/2019	03/07/2020	9/9	Male	Slovenian	1971	Graduate in municipal engineering	YES	NO	/	/	/	/
Nataša Ivančević	Member	04/07/2020	04/07/2024	9/9	Female	Slovenian	1974	Senior economist	YES	NO	/	/	/	/
Branko Švigelj	Member	04/07/2020	04/07/2024	9/9	Male	Slovenian	1964	Professional driver	YES	NO	/	/	/	/
Pavle Hevka	Member Chairman	24/06/2020 06/07/2020	06/07/2020 06/07/2024	9/9	Male	Slovenian	1968	Civ. eng., master's degree in economics and business	YES	NO	Holding Kobilarna Lipica, d. o. o	/	/	/

First and last name	Function	First appointment to the office	Termination of office/ mandate	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 2020 financial year	Membership in supervisory bodies of other companies	Membership in SB committees	Function in SB committees	Attendance at SB committee meetings / total number of SB committee meetings
Robert Rožič, PhD	Member, Vice-Chair	24/06/2020 06/07/2020	06/07/2020 06/07/2024	9/9	Male	Slovenian	1968	PhD	YES	NO	2TDK, d.o.o.	Remuneration Committee	Member	5/5
Štefan Šumah, PhD	Member	24/06/2020	24/06/2024	9/9	Male	Slovenian	1965	PhD	YES	NO	/	Remuneration Committee	Chairman	5/5
Anton Guzej	Member	24/06/2020	24/06/2024	8/9	Male	Slovenian	1952	University graduate in economics	YES	NO	Šmarje pri Jelšah Municipality	Audit Committee, Investment Committee	Member	5/5 0/0

Composition of the Management Board in the 2020 financial year

First and last name	Function	Area of work in the Management Board (as at 31/12/2020)	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
Tomaž Vidic, PhD	Chairman	/	13/04/2016	09/07/2020	Male	Slovenian	1961	PhD	Organisation and management of the Company and issues related to its development	/
Gašper Marc, MSc	Member	/	15/05/2015	09/07/2020	Male	Slovenian	1975	Master's degree	Organisation and management of the Company and issues related to its development	/
Vili Žavrlan	Member	/	07/10/2016	09/07/2020	Male	Slovenian	1955	University graduate in civil engineering	Organisation and management of the Company and issues related to its development	/
Rožle Podboršek	Member / Labour Manager	HR and social affairs, health and safety at work, organisation of employee meetings	09/05/2019	08/05/2024	Male	Slovenian	1974	University graduate in law	Organisation and management of the Company and issues related to its development	/
Valentin Hajdinjak, MSc	Chairman	Manages and directs the work of the Management Board and the central services (management secretariat, internal audit, communication, international and interdepartmental cooperation, compliance and quality of operations, business division, management consultants, managers of divisions, strategic service for digital business)	10/07/2020	09/07/2025	Male	Slovenian	1973	Master's degree	Organisation and management of the Company and issues related to its development	ELES, d.o.o. (from 09/05/2020)
Peter Gašperšič, PhD	Member	Management, Maintenance, Tolling	10/07/2020	09/07/2025	Male	Slovenian	1965	PhD	Organisation and management of the Company and issues related to its development	DRI upravljanje investicij, d.o.o. (from 10/04/2020)
Boštjan Rigler	Member	Organisation of construction and reconstruction, real estate acquisition for investments	10/07/2020	09/07/2025	Male	Slovenian	1973	University graduate in civil engineering	Organisation and management of the Company and issues related to its development	JP KPV, d.o.o. (from 07/03/2018)
Romana Fišer, MSc	Member	Finance, accounting, purchasing, controlling	10/07/2020	09/07/2025	Female	Slovenian	1957	Master's degree	Organisation and management of the Company and issues related to its development	SDG, d.o.o. (from 10/04/2020)

Ljubljana, 31 March 2021

Supervisory Board of DARS d.d.

Pavle Hevka
Chairman
of the Supervisory Board



Management Board of DARS d.d.

Valentin Hajdinjak, MSc
Chairman of the Management Board



Romana Fišer, MSc
Member of the Board



Boštjan Rigler
Member of the Board



Peter Gašperšič, PhD
Member of the Board



Rožle Podboršek
Member of the Board/
Labour Manager



I.5 Non-financial reporting at DARS d.d.

An independent Sustainability Report of DARS d.d. for 2020 will contain all the required information as laid down in the Non-Financial Statement. Therewith, DARS d.d. will meet the requirements of the Companies Act (Official Gazette of the Republic of Slovenia, No. 15/2017 of 31 March 2017, i.e. Articles 57, 60(a) and 70(c) of the ZGD-1J).

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 resource and social affairs that are necessary to understand the position, performance and development of DARS d.d.

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 d.d. as a responsible and forward-looking company.

The Sustainability Report of the Company for 2020 will be published by 30 June 2021 on the website of DARS d.d. pursuant to the ZGD-1J.



I.6 Analysis of business performance

DARS d.d. revenue

Table 2: Overview of DARS d.d. revenues

Type of revenue	2019 (in €)	2020 (in €)	2020/2019 index	Structural shares for 2020
Revenue under the performance contract	326,820	333,607	102	0.1%
Toll revenue	466,611,271	386,955,494	83	92.8%
– vignettes	195,280,372	144,430,710	74	34.7%
– freight traffic	255,653,400	231,450,564	91	55.5%
– Karavanke tunnel	15,677,498	11,074,220	71	2.7%
Revenue from leases	8,951,984	7,136,120	80	1.7%
Revenue from closures and overweight load transport	1,040,540	984,520	95	0.2%
Revenue from easements	864,655	593,084	69	0.1%
Revenues from the lease of fibre optics	996,843	984,782	99	0.2%
Other sales revenues	1,958,763	1,593,950	81	0.4%
Other operating revenue	39,633,020	16,161,707	41	3.9%
Financial revenue	789,050	453,667	57	0.1%
Other revenue	276,588	101,844	37	0.0%
Capitalised own products and services	1,671,338	1,455,903	87	0.3%
TOTAL REVENUES	523,120,872	416,754,677	80	100.0%

In the 2020 financial year, the revenues of DARS d.d. amounted to €416.75 million, which is 20 percentage points less than in 2019. Toll revenue, which accounts for 92.8% of the total revenues, was 17% lower than in 2019. Despite a good start in 2020, when an increase in toll revenue was recorded, the declaration of the pandemic and measures to contain COVID-19 led to a severe economic downturn, which in turn caused a major decline in traffic and thus toll revenue. In terms of value, vignette sales decreased by 26%, with 4,402,258 vignettes sold in 2020. The largest drop was recorded in the sale of weekly and monthly vignettes.

Other operating revenue is lower due to the higher 2019 reversal of the long-term accrued costs of contingent losses on claims for damages related to motorway construction and reconstruction.

Lease revenue is generated by leasing the right to use land plots along the motorway for the provision of catering services and the construction of petrol service stations. The revenue is subject to the turnover generated by lessees or, rather, fuel price regulation. The COVID-19 epidemic and the drop in the turnover resulted in severely reduced margins for lessees and, consequently, lower 2020 revenues.

Other revenues account for minor shares of the total revenues.

DARS d.d. expenses

Table 3: Overview of DARS d.d. expenses

Type of expense	2019 (in €)	2020 (in €)	2020/2019 index	Structural shares for 2020
Cost of material	9,750,970	9,116,897	93	2.6%
Cost of services	40,632,033	35,252,803	87	10.2%
Labour costs	45,244,673	46,832,708	104	13.6%
Write-downs	211,019,620	212,849,987	101	61.8%
Other operating expenses	4,417,931	3,191,823	72	0.9%
Financial expenses	39,191,294	36,417,566	93	10.6%
Other expenses	495,076	487,636	98	0.1%
TOTAL EXPENSES	350,751,597	344,149,420	98	100.0%

The expenses of DARS d.d. in 2020 amounted to €344.1 million and decreased by 2% compared to 2019.

Labour costs and write-downs increased in 2020. Write-downs account for the largest, 62% share of expenses.

Labour costs increased by four percentage points compared to 2019 and were lower than planned.

Year-over-year depreciation/amortisation in 2020 increased primarily due to the accounted depreciation of property, plant and equipment – motorways, which were activated in December 2019.

Profit or loss

The net profit of DARS d.d. for the period from 1 January to 31 December 2020 amounts to €59.5 million and decreased by 57% compared to the net profit in 2019.

Table 4: Performance indicators

		31/12/ 2018	31/12/ 2019	31/12/ 2020
Financing ratios				
Equity financing ratio in %	$\frac{\text{Equity}}{\text{Liabilities}}$	52.39	53.95	56.47
Long-term financing ratio in %	$\frac{\text{Equity} + \text{provisions} + \text{long-term liabilities}}{\text{Liabilities}}$	94.39	93.16	93.94
Short-term financing ratio in %	$\frac{\text{Short-term liabilities (including short-term accrued costs and deferred revenue)}}{\text{Liabilities}}$	5.61	6.84	6.06
Investment ratios				
Fixed asset investment ratio in %	$\frac{\text{Fixed assets (at carrying amount)}}{\text{Assets}}$	90.98	91.03	91.50
Long-term investment ratio in %	$\frac{\text{Fixed assets} + \text{investment property} + \text{long-term inv.} + \text{long-term op. rec.}}{\text{Assets}}$	92.06	92.71	93.62
Horizontal financial structure ratios				
Quick ratio in % (taking into account accrued costs and deferred revenue)	$\frac{\text{Liquid assets} + \text{short-term receivables}}{\text{Short-term liabilities}}$	33.51	29.63	34.89
Current ratio in %	$\frac{\text{Short-term assets} + \text{short-term deferred costs and accrued revenue}}{\text{Short-term liabilities} + \text{short-term accrued costs and deferred revenue}}$	139.59	105.19	103.26
Operating efficiency ratios				
Operating efficiency ratio in %	$\frac{\text{Operating revenue}}{\text{Operating expenses}}$	183.30	167.83	135.46
Operating profit margin ratio in %	$\frac{\text{Operating profit}}{\text{Operating revenue}}$	45.44	40.42	26.18
Net profit margin in %	$\frac{\text{Net profit}}{\text{Revenues}}$	31.17	26.69	14.28
Profitability ratio				
Net return on equity	$\frac{\text{Net profit for the period}}{\text{Average equity (excluding net profit for the period)}}$	0.05	0.05	0.02

I.7 Significant business events in the 2020 financial year



January 2020

The Government recategorised the Maribor expressway between Pesnica and Tezno as a regional road, thus excluding it from the vignette system as of 1 January 2020. Nevertheless, DARS d.d. will continue to collect tolls there from goods vehicles or, rather, all vehicles with a maximum permissible weight exceeding 3.5 tonnes. The Government confirmed the amendments to the decrees and published them in the Official Gazette of the Republic of Slovenia, No. 78/2019, on 20 December 2019, and the decrees entered into force on 1 January 2020.

On 28 January 2020, the 18th extraordinary General Meeting of DARS d.d. was held, where a resolution was adopted to conduct a special audit and amend the DARS d.d. Articles of Association in respect of the acquisition of preliminary consent from the Supervisory Board.

February 2020

DARS d.d. concluded a €90 million loan agreement with the European Investment Bank (EIB) to finance the Karavanke tunnel project. After the deployment of the new DarsGo electronic tolling system for heavy goods vehicles and the simultaneous removal and rearrangement of former toll station areas, this was the second funding for a motorway project in Slovenia with a guarantee by the European Union or, rather, the European Fund for Strategic Investments (EFSI).

March

In line with the measures adopted by the Slovenian Government, DARS d.d. carried out all activities to pursue its business under the existing conditions upon the declaration of the COVID-19 epidemic, adjusting in terms of organisation and execution to the changed operating conditions. The Company analysed all activities on an ongoing basis and established a system for documenting all actions taken. The goal of such activities is to identify the best practices that will provide the basis for all activities during future emergency conditions.

April

On 23 April 2020, the Supervisory Board discussed and approved the audited Annual Report for 2019.

Based on the provisions of the Ljubljana Stock Exchange Rules and applicable legislation, DARS d.d. published the audited Annual Report of DARS d.d. for 2019, the DARS d.d. Corporate Governance Statement for 2019 and a list of information published in the last 12 months pursuant to the law and the provisions of the Ljubljana Stock Exchange Rules and available to the public within the scope of the Ljubljana Stock Exchange SEONet electronic information system.

June

Based on the provisions of the Ljubljana Stock Exchange Rules and applicable legislation, the Company published the Sustainability Report for 2019.

On 23 June 2020, the 19th General Meeting of DARS d.d. was held, where the owner was informed about the audited Annual Report of DARS d.d. for 2019, the Auditor's Report and the Report of the Supervisory Board on the review of the Annual Report of DARS d.d. for 2019 containing the Auditor's Report, including the remuneration received by Members of the Management and Supervisory Boards in 2019. It was also informed about the Remuneration Policy for Members of Governing Bodies in the scope presented, including the Rules on Determining the Content of Employment Contracts for the Management Board Chairman and Members regarding Remuneration and Severance Pay. It adopted a resolution on the distribution of the available profit for 2019 and the granting of a discharge to the Management Board and Supervisory Board for the 2019 financial year. The owner was delivered a written report on the special audit conducted, adopted a resolution to cut remuneration for Members of the Supervisory Board from 1 March to 31 May 2020, when the COVID-19 epidemic was cancelled, and adopted an amendment and supplement to the Articles of Association regarding the option of an electronic general meeting. Furthermore, a clean copy of the Articles of Association was adopted, which was amended with respect to the resolutions adopted at the General Meeting.

In line with the extended agenda, Boris Božičnik, Andrej Hudoklin and Matej Čufer were dismissed from their functions as Supervisory Board Members as of 23 June 2020.

Robert Rožič, PhD, Anton Guzej, Pavle Hevka and Štefan Šumah, PhD were elected as Supervisory Board Members for a 4-year term of office, which started on 24 June 2020.

July

Pavle Hevka, MSc, was unanimously appointed as the Chairman of the Supervisory Board and Robert Rožič, PhD was appointed Vice-Chair at the Supervisory Board meeting. The Supervisory Board of DARS d.d. also appointed Members of both Supervisory Board committees.

An agreement was reached with three Board Members for the early termination of their term of office. The terms of Board Members Tomaž Vidic, PhD, Gašper Marc, MSc and Vili Žavrlan thus expired as of 9 July 2020. Rožle Podboršek will continue to hold the position of a Board Member / Labour Manager.

A 5-year term of office as of 10 July 2020 was awarded to: Chairman of the Board of DARS d.d. Valentin Hajdinjak, MSc, and to Romana Fišer, MSc, Boštjan Rigler and Peter Gašperšič, PhD as Members of the Board.

On 16 July 2020, the Slovenian Government adopted some changes concerning the tolling of vehicles with a maximum permissible weight exceeding 3.5 tonnes. The changes entered into force on 1 September 2020.

The first toll-rate category, which includes motor vehicles with two or three axles and groups of vehicles with two or three axles, will be divided. An independent toll-rate category will be introduced for heavy vehicles with two axles, which will pay 10% lower tolls on the Slovenian motorway and expressway network than three-axle vehicles. In addition to the infrastructure charge, which is Company revenue, the mark-up for that toll-rate category, which is collected at certain sections to provide funds for financing the construction of the second track of the Divača-Koper railway line, will also be 10% lower. Two-axle vehicles will also pay 10% lower tolls for the use of the Karavanke tunnel.

Standard & Poor's (S&P) Global Ratings rated DARS d.d. "A+" in the long term and "A-1" in the short term with a "stable" outlook.

August

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 2020.

December

Aleš Hojs, Minister of the Interior, Jernej Vrtovec, Minister of Infrastructure, Andrej Jurič, Acting Director General of the Police, and Valentin Hajdinjak, MSc, Chairman of the Management Board of DARS d.d., signed an agreement on mutual cooperation to improve safety on motorways and expressways in the Republic of Slovenia. The so-called motorway police agreement is a step towards improving traffic safety on the motorway network. The introduction of vignettes resulted in increased traffic on Slovenian motorways. In addition to greater traffic safety, an increased police presence on the motorway network will lead to greater traffic fluidity and reduced congestion, especially in the event of traffic accidents.

I.8 Risk management



I.8.1 Business risks

DARS d.d. is aware of the severity of the consequences that could arise if various types of risk were to be realised. In the increasingly uncertain business environment, risk management represents a significant factor of business performance, which is why the Company pays a great deal of attention to the timely detection of risks and their successful management.

The risk management process has become a strategic part of our business, so the Company is especially proud of its successful management of risks in 2020. The Company manages risks with three lines of defence. 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. 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 the mentioned posts are in charge of the proper introduction of the risk management system. Efforts are made to promote the

identification of exposure to individual risks, the monitoring of the introduction of risk management procedures and the development of a risk reporting system. The third line of defence is internal auditing. In accordance with the adopted DARS d.d. Strategy, we revise or amend the operational goals that support the strategic goals, based on which strategic risks are identified. The system is reviewed and supplemented on an ongoing basis, so that the key risks the Company is exposed to are identified, evaluated and managed in due time.

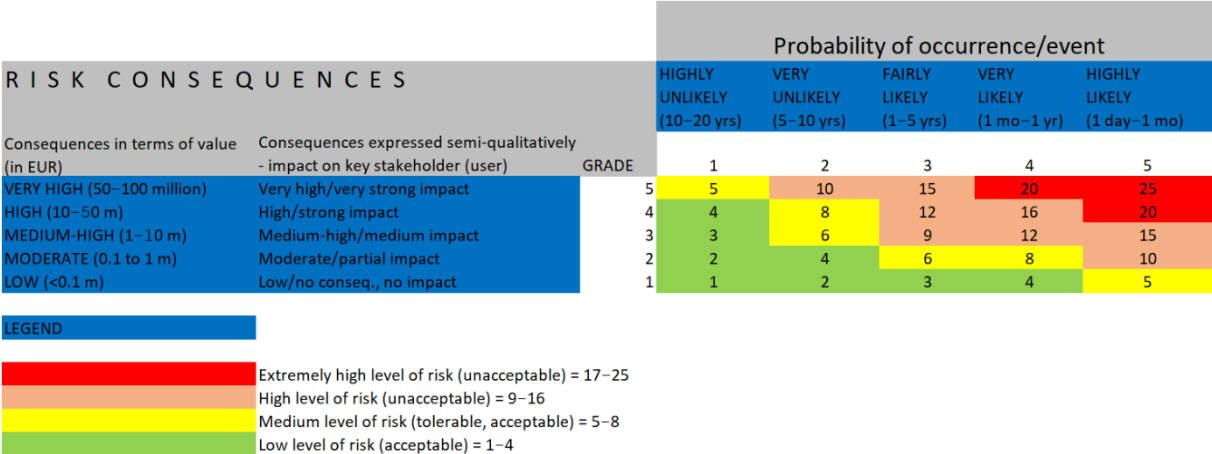
At the end of 2020, we adopted a new document entitled “Risk Management” that sets out the risk management policy, the competencies and responsibilities in risk identification, evaluation and control, the risk assessment methodology and the measures for reducing risks to an acceptable level, internal controls and others. Each organisational unit’s risks are classified according to the following risk aspects: strategic, financial, corruption, regulatory non-compliance, operational, organisational, environmental, energy and information. The risk management policy is a statement on the entirety of the Company’s intentions and orientations concerning risk control. The Company’s employees know that effective risk management neutralises risks to the achievement of goals arising from the external and internal business environments. Our risk management system allows us to identify, assess and manage the key risks in time. Risks endanger our strategic, operational and performance goals. There are different types of risks inherent in our business processes, which the persons responsible for these processes must identify in due time and adequately manage.

Measurable goals in risk management include:

- four reviews by the risk owners per year and, if necessary, supplementation of the register of risks and measures to reduce the risks to an acceptable level or even below it,
- four reviews by the risk owners per year to evaluate the effectiveness of the measures taken,
- four meetings of the Risk Management Board per year and submitting a draft risk register to the Management Board for confirmation.

The methodology used by DARS d.d. to assess risks is explained in the text and figures below. The probability of occurrence is assessed using a 5-level scale: highly unlikely (10–20 years), very unlikely (5–10 years), fairly likely (1–5 years), very likely (1 month to 1 year), highly likely (1 day to 1 month), with the consequences of the risk expressed either in terms of value using a five-level scale (less than €10,000, €10,000 to €100,000, €100,000 to €1 million, €1 million to €10 million, and more than €10 million) or semi-qualitatively with grades of 1 to 5 (low, moderate, medium-high, high and very high).

Figure 10: Risk assessment methodology



Risks have been identified based on the strategic and operational goals set at the highest level in the DARS d.d. Strategy for 2017–2020 and at lower levels compared to the performance goals set within the scope of each process. In 2020, the composition of the Risk Management Board changed. The Risk Management Board members worked towards raising awareness of the importance of the risk register and mutual cooperation in particular, of the preparation of risk mitigation measures and of monitoring the effectiveness of the introduced measures. The Risk Management Board also paid particular attention to the identification and assessment of corruption risks and regulatory non-compliance risks by the risk owners in each organisational unit.

We redesigned the visual presentation of both the highest risks and the number of introduced and implemented measures by individual organisational units. We also visually presented the overall level of measure implementation and the highest identified risk in the Company.

The risk owners identified and prepared 104 measures with the aim of reducing the risks to an acceptable level or even below it. The effectiveness of the introduced measures will be evaluated by the risk owners after they are implemented.

The risk management process has become a part of our strategic operations and business, which is why we are especially proud of the successful upgrades and improvements made to our risk management. In 2020, certain improvements and modern approaches relating to the risk register were implemented. The risk register received a new, more modern visual form that shows the extent individual organisational units have implemented the measures designed to reduce the risks to an acceptable level or even below it, while the risk owners are now able to identify and manage risks on an ongoing basis more easily and regularly. The risk register now includes the implementation deadlines, additional measures and the effectiveness of the introduced measures, and it has also been brought into line with the organisational change in the Company. In the new risk register, the risk owners also identify and manage risks related to other areas, for example: corporate compliance or the harmonisation and fulfilment of relevant legislative requirements, deceit, fraud and corruption.

Risk management is integrated at all levels of Company operations and regular checks are made for new threats and consequent risks, such as the pandemic in March and September 2020, based on which new measures and approaches were introduced.

The identified risks to which special attention was paid were:

- the pandemic,
- limited funds available for investments in development,
- an increasing number of accidents and a decreasing level of safety,
- dependence on outsourcers,
- loss of income from the functioning of the new DarsGo system and the operation of the DarsGo system,
- failure of key information systems,
- the economic viability of investments,
- revenue risk,
- loss of competent or key staff (undesired fluctuation) and an increased share of actively non-engaged employees,
- concern for health and safety at work, and
- environmental protection.

The pandemic

We have closely and continuously monitored the spread of the coronavirus since its occurrence in the EU, taking necessary and suitable measures at all levels of the organisation of work in order to ensure uninterrupted and optimal operations. The central focus of the Management Board and newly established Coronavirus Coordination Team is a concern for the health and safety of employees and motorway and expressway users.

The Management Board of DARS d.d. and the competent expert services started providing information and warnings on the behaviour and conduct of employees and preventive measures at the Company regarding the coronavirus before the epidemic was declared in the Republic of Slovenia. The Company prepared an Action plan laying down preventive measures and procedures for the execution of work processes, the execution of business activities in and outside the work environment, and the measures of DARS expert services to ensure the implementation of the Action Plan. Its implementation is tailored to the needs and conditions in the work environments or, rather, the current business processes.

Upon the declaration of the coronavirus epidemic in Slovenia, DARS d.d. actively engaged in the action system of the Republic of Slovenia Crisis Unit and the Civil Protection Headquarters. In Maintenance, a lot of effort had to be dedicated to solving the potential problem of having sufficient staff for the 2020/2021 winter service in the event of a coronavirus outbreak within the organisational units of Maintenance, since the provision of winter service could be impaired if a heavy snowfall event coincided with an increased absence of staff.

The Company Management also approached the assessment of the economic consequences resulting from the pandemic and prepared a Report on the foreseen impact of the current condition related to COVID-19 on Company operations for the Supervisory Board. Based on publicly available information, the Management Board considered many serious, yet plausible scenarios in view of the potential development of the outbreak and the expected impact on society and economic environment in which the Company operates, including measures already adopted by the Slovenian government. All necessary routine works have been adapted to the current conditions. The Company manages its financial position, which is why the fulfilment of its financial liabilities will not be jeopardised due to the coronavirus. A sound liquidity position allows us to service debts regularly. Furthermore, the fulfilment of financial commitments will not be at risk due to sufficient financial capacity.

The Company analyses all activities on an ongoing basis and has already established a system for documenting all actions taken. The goal of such activities is to identify the best practices that will provide the basis for all activities during future emergency conditions.

It has been found that the measures adopted due to the coronavirus affect the attainment of the Company's business goals, but according to the Management Board, will not endanger the Company's financial sustainability and operations and does not constitute significant materiality. In light of the above and based on all possible scenarios considered, we believe that the liquidity risk in the next 12 months will not be as high, meaning that the Company will continue operations without interruptions and that the principle of a going concern is applicable. 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.

We believe that we, as the management, have adopted all reasonable measures to prepare all scenarios and methods to assess the situation on an ongoing basis and to monitor the effects of the actions taken. Due to the efficient management of various risks related to the coronavirus and resulting action plans, Company operations will be undisturbed in the next 12 months following the reporting date.

Limited funds available for investments in development

To provide and properly allocate funds for the reconstruction of motorway infrastructure, the Road Infrastructure Department in cooperation with the Department for Reconstructions again prepared an Action Plan for a 3-year period (2021–2023) that is based on the results obtained through infrastructure 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 all actions foreseen in the following three years, with the addition of indicative values for works, primarily to inform the relevant services in advance of 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 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 infrastructure and traffic safety of users.

Special emphasis must be placed on developing 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 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 d.d., including during the pandemic, is to keep the motorways passable without restrictions, which may only be provided with 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 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 devoted mostly to:

- design solutions improving road throughput and reducing the number of conflict points,
- 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's error, thus reducing the number of fatalities or injuries,
- the preparation of motions for amendments and supplements to 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 were 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 upon extraordinary events) 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 upon extraordinary events is very important.

Although traffic safety improved in 2020, this can be attributed primarily to the pandemic and the resulting decrease in traffic. Data from traffic counters shows a major reduction in traffic loads, which has resulted in reduced congestion and therewith related traffic accidents (rear-end collisions), but also in increased travelling speed. The latter entails a significant increase of vehicles in the high-speed categories (over 180 km/h). We informed the Police about the events and at the same time started activities to establish the motorway police.

At the end of 2020, the Police signed an agreement to establish systems for section speed control. A public procurement procedure will be carried out in 2021 and a provider will be selected. Deployment costs for such systems will be incurred after the provider obtains all the necessary documents for system operation, which is expected to take at least six to nine months. Hence, more funds will not be required until 2022.

Dependence on outsourcers

The risk of dependence on outsourcers is managed by the Company through the diligent monitoring of all information related to the operations of its business partners, the preparation of measures to prevent the impact of events that are detrimental to Company operations (amendments to contractual provisions, consensual terminations of contracts) and the maintenance of healthy business relationships. While selecting a provider within the scope of a public procurement procedure, the foreseen implementation periods, payment terms and guarantees are thoroughly examined, milestones for the completion of each stage are set, quality negotiations are ensured and relevant references are requested from successful tenderers. To control the performance of contracts, the Company has appointed contract custodians who oversee the performance of a contract throughout its life cycle, i.e. from the preparation of tender documents to the conclusion of the contract, during the execution of the transaction and up to the expiry of the warranty period, if foreseen. Furthermore, custodians may monitor the validity of individual documents, e.g. guarantees, and are obliged to notify the competent services to revise them on an ongoing basis. Investment costs, both regular and incurred due to subsequent project changes, are monitored on an ongoing basis. All projects in all stages are carried out in a manner involving an Engineer who comprehensively manages a particular project. It is vital that we procure strategic materials (salt, oil, etc.) and always have a backup supplier at our disposal. Separate contracts have been concluded for

the supply of each type of gritting salt and we plan to sign a framework agreement with multiple suppliers for the supply of diesel fuel for our internal pumps.

Loss of income from the functioning of the new DarsGo system and the operation of the DarsGo system

After successfully deploying the system in 2018, the Company carried out activities in the reporting period to eliminate deficiencies, introduced changes and upgrades to the system to enhance the user experience based on findings from the first year of the system's functioning, as well as improvements at the system level.

We reviewed the achievement of the service level for the first two years of the system's operation. By collecting data on the system's operation and by carrying out our own methodological model for assessing service level, which was developed in collaboration with a quality supervisor, we can calculate and control the level of service achieved by the system. The achieved service level affects how much of the contractual value is paid to the provider on account of the system's technical operation and efficiency; payment of the contractual value depends on the elements tied to the level of quality the provider is required to achieve during the system's functioning. By measuring the service level, we ensure higher quality system operation and indirectly limit/decrease the risks related to revenue from the payment of tolls for vehicles with a maximum permissible weight exceeding 3.5 tonnes, which is the largest and most important source of Company revenue.

The Company holds regular meetings with the provider to review and monitor the system's functioning and uses incident management to record any deviations in its functioning, which are then generally remedied or improved by the provider within the expected deadlines and using the envisaged procedures. The efficiency of system operations is regularly monitored with control methods that are independent of the provider, deviations are analysed and actions are taken as necessary. An information security management system (ISMS) and a business continuity management system (BCMS) have been set up to ensure the system can operate 24/7. Relevant activities were carried out for the purpose of information security and business continuity (periodic security inspections, improvements to ensure security). We regularly monitor and introduce all legislative changes. In the reporting period, an internal audit of the ISO 27001:2013 system was performed with respect to DarsGo, a security check was performed and measures to reduce the identified risks were implemented. The system was stable and ensured the uninterrupted availability of the respective software solutions during the reporting period. By maintaining the high availability of technology and through project management principles and our security policy, risks were kept within manageable limits. Through continuous monitoring and control of the provider's planned activities necessary for the operation of the DarsGo system, and through adequate process management, we improve the system's functioning and effectively and efficiently resolve any operating issues or user problems, thereby ensuring the continuous development of and improvements to all elements of the DarsGo system.

Failure of key information systems

A failure of key information systems is managed with the ongoing monitoring of IT systems and an immediate response to extraordinary events. 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 the information systems from unauthorised interference and loss of data.

In addition to internal and external quality system assessments under the obtained ISO 27001 and ISO 9001 quality certificates, independent security checks of information technology are also conducted as one of the methods to identify threats. The identified threats that could affect the confidentiality, integrity or availability of the information systems and information infrastructure are managed through the maintenance of the IT risk assessment, regular system maintenance, regular backup processes, firewalls and anti-virus software, upgrades to software and hardware, updates to security policies, raising user awareness on information security and, above all, by implementing a clear vision of the development of the Company information system.

The key systems have been set up with a 24/7/365 maintenance system operated by outsourcers and with monitoring and timely notifications and recording of all incidents and outages.

Economic viability of investments

The risk of the economic viability of investments is managed by DARS d.d. 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 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. In 2020, the Company completed the project to introduce the BMS DARS expert management system for bridging structures, which was initiated in 2017 and is planned to be put in operation starting in 2021.

For projects related to the energy efficiency of the Company, the Company prepares 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 pre-investment study or investment study and, during the production of the Building Permit (DGD) and Executive Design (ED) documents, with the produced investment programme, which is discussed by a committee within DARS d.d., 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.

Revenue risk

Revenue risk is managed by monitoring data and preparing revenue forecasts as realistically as possible, identifying any deviations from the business plan and by planning measures that would overcome any gap. Calculations of toll road costs and the highest possible tolls are made in line with the applicable methodology.

The COVID-19 pandemic caused our toll revenue to decrease in 2020 and it will be affected in 2021 as well.

All amendments to the implementing regulations referring to toll collection and toll prices must be approved by the Ministry of Infrastructure. DARS d.d. seeks to harmonise such amendments in advance with the Transport Associations of the Slovenian Chamber of Commerce and Industry and the Chamber of Craft and Small Business, which is why it is important that we maintain good partnership relations with them at all times.

Tolls collected in relation to vehicles with a maximum permissible weight exceeding 3.5 tonnes are constantly decreasing due to vehicle fleet modernisations, provided the toll per kilometre travelled remains unchanged. On 1 September 2020, rebates on deferred payments of tolls were eliminated at the proposal of DARS d.d. On 1 January 2021, the Karavanke tunnel tolls for vehicles with a maximum permissible weight of up to 3.5 tonnes increased by 1.6%. Some of the initiatives put forth by DARS d.d. in 2020 were not accepted (toll indexation on the toll road network, indexation of vignette prices).

Pursuant to the Government's plans, the introduction of the electronic vignette is scheduled for 1 December 2021. The annual vignette will be valid for 365 days from the date of purchase, which means a loss of revenue compared to the current annual vignette validity system (until 31 January).

DARS actively participates in the development and evaluation of proposals for amending the Eurovignette Directive (1999/62/EC). Following the transitional period, when the prescribed ratios between the annual and short-term vignette prices will have to be observed, the price of the annual vignette will need to be increased to avoid a significant loss of revenue. The level of shortfall will depend on the completion of the EU legislative process. The Company has already started arguing for a change in the pricing policy to manage this risk.

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 d.d. and of a growing share of actively non-engaged employees is managed with the provision of a creative, safe and interesting work environment, which is the Company's strategic goal. To this end, the HR Management Strategy 2020 has been prepared, which lays down specific activities that the organisation carries out in HR development, thus reducing the identified HR risks.

In 2020, the Company identified key workplaces and key staff, as well as prepared foundations for the implementation of the succession policy. In addition to the timely provision of expert and competent successors

at key workplaces, the latter also represents an important element of possible career development for employees and the establishment of employee engagement, reducing the risk of undesired fluctuation. The measurement of the organisational climate and employee satisfaction showed a higher level of employee satisfaction and engagement than in previous years. The Company began introducing a mentorship programme for new employees, implementing annual development interviews with employees, introducing the “*Vodja DARS*” newsletter as a form of professional support for managers in their work, and carrying out measures within the scope of the full Family-Friendly Company certificate, making it easier for employees to coordinate their work and family duties.

Activities in the field of HR in 2020 were largely marked by extensive emergency COVID-19 measures designed to protect employees against the possibility of infection while still allowing the efficient performance of work processes.

Concern for health and safety at work

In 2020, in addition to its normal tasks, the Service also had to take action to protect the health of employees due to the coronavirus outbreak. The associated activities required the most time and effort this year. On 24 February, before the first case of infection was identified in Slovenia, the first protective masks, disposable gloves and hand sanitisers were distributed to employees who come into close contact with the users of our roads in their work. The Management Board appointed a special coordination team to manage risks upon the coronavirus outbreak, which holds weekly meetings and adopts organisational and other measures as necessary in relation to the state of the epidemic in the country and the number of infected in the Company. An action plan to organise work in case of an infection was prepared together with the division managers.

We introduced teleworking, ensured that we have a strategic reserve in case of snowfall through the furlough scheme and limited our activities to the bare minimum so that the safety and fluidity of the motorways could be maintained. Our offices were rearranged so that employees sitting opposite one another were protected with plexiglass partitions, we provided hand sanitisers and face masks for all employees, etc.

The work of contractors at the Company's business premises (regular servicing and inspections of the work and fire-fighting equipment), which was suspended during the first wave, has been proceeding as usual since 18 May, taking into account the instructions to prevent the spread of infections. During the two waves of the epidemic, the Occupational Health and Safety Service also carried out periodic safe work training and training tests for toll employees, organised medical examinations of employees and performed internal control at work in the field.

Before the winter, as a larger increase in infections was expected again, we prepared new public procurement procedures and contracts to provide all the necessary supplies to protect employees and disinfect vehicles and work areas.

The safety of employees at work has been included in the draft 2021–2025 Strategy as one of the major elements in the successful planning of Company development. One major operative strategic goal is a reduction in the number of persons injured at work by 10% by 2025, which is why the Company has invested a lot of funds in the purchase of new, safer and activity-specific work equipment and the creation of a working environment that provides the maximum level of safety and health at work for employees. Measures not only apply to the provision of enhanced safety for field workers, but also to office employees who experience more and more medical problems as they get older.

Environmental protection

In accordance with its role as a motorway and expressway management and maintenance company, DARS d.d. 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 d.d. Strategy for 2017–2020 includes operational goals relating to environmental and energy aspects and, consequently, also measures to mitigate environmental risks. In 2020, the management system was further improved through the realisation of measures to mitigate environmental impacts and, therefore, environmental aspects as supplemented new and optimised 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 in practice are mitigated with measures taken by the appointed responsible persons who cover the area of work to which the legislative amendment refers. Environmental risk, which includes the risk of inappropriate waste management with a special emphasis on hazardous waste, the risk of environmental pollution and the risk associated with the protection of areas of influence, has become more and more 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 risks that emerge through accidents and 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 efficiently in terms of environmental protection should such a situation arise.

The likelihood of extraordinary events is also reduced through preventive measures. Training aimed at learning to react quickly, properly and efficiently ensures that the impacts of any extraordinary events 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 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 significantly contributed to reducing the negative impacts on the environment and controlling the risk of environmental accidents. Upon the COVID-19 pandemic, the volumes of generated waste protective products, primarily gloves and masks, which are disposed of as mixed municipal waste, and of the generated waste alcohol-based sanitiser packaging, which is disposed of as waste packaging, are expected to increase. In 2021, the volume of collected fractions of municipal waste at the level of the entire Company may be expected to be low due to long-term absence from work and particularly due to reduced traffic and controlled stopping of goods vehicles, which is related to the closure of small rest areas. 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 d.d. plans to carry out anti-noise measures based on the results of the conducted operational noise monitoring. The measures are designed to capture areas with a large number of overly affected buildings or inhabitants and areas of individual overly affected facilities along the motorway and expressway alignment.

Furthermore, the Company implemented the measures imposed by the governmental Noise Action Programmes for 2012–2017 and for 2018. The measures were implemented in five motorway sections from 2013 to 2015, and the protection of the most affected individual residential buildings along the motorway network was implemented in 2019, i.e. active anti-noise measures at 11 locations on the Slovenian motorway network.

In 2018/2019, the Company performed operational noise monitoring for the motorway and expressway network in cooperation with outsourcers. Model calculations of noise were made within the project on the basis of 2016 traffic loads to determine the noise pollution impact on façades, i.e. for all buildings with noise-protected rooms and buildings with potentially noise-protected rooms on all MW and EW sections that we manage. Operational monitoring was conducted alongside the preparation of expert bases for the Noise Action Programme in affected areas. In order to design noise protection measures, the document discusses the existing built-up areas where measures need to be taken and lays down the priorities and key orientations for the planning of anti-noise measures to make the measures as efficient and acceptable as possible with respect to the funds invested. The priority areas were included in the Action Plan for Road Infrastructure Managed by DARS for 2021–2023. Pursuant to the plan of priority areas for noise mitigation, DARS d.d. ordered noise studies in 2020 containing proposals for anti-noise measures for the individual areas on the motorway network.

For the purposes of preparing a set of measures that will be included in the revised Noise Action Programme, the Company prepared expert bases for the Noise Action Programme, as well as expert bases for the renovation of noise protection barriers in cooperation with an outsourcer. The document discusses the existing anti-noise measures, which are deemed inadequate considering the current noise pollution, and lays down three types of measures (renovation, upgrade, renovation and upgrade). With their implementation, the existing noise

protection is expected to be able to provide sufficient protection against noise in overly affected areas. Areas with existing protection discussed in the document where measures are planned will be included in the revised Noise Action Programme (expected in 2021), in addition to the priority areas for noise mitigation.

1.8.2 Financial operations and the management of financial risks

DARS d.d. actively monitors the uncertainty and variability of the financial environment, as the latter 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 in 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.

Seq. No.	Description of risk	Risk assessment		Level of risk 5 = 3 x 4	Risk management (control)
		Probability of risk occurrence	Implications of risk occurrence		
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 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
Implications: 1 – good, 2 – moderate, 3 – bad

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 euros, 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 d.d. continuously monitors

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 EMU key interest rate has for some time stood at 0%, and the interest rate on deposits of excess bank liquidity (-0.5%) and on marginal lending (0.25%) remain unchanged. In 2020, the 6-month EURIBOR rate fluctuated between -0.11 and -0.52%. The total interest rate at which DARS d.d. borrows (weighted average interest rate) amounted to 1.63% as at 31 December 2020 and was slightly lower than as at 31 December 2019, when it amounted to 1.69%.

Interest rate risk is unpredictable and may have 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. Since interest rates in the euro area are at historically low levels and no interest rate increase is expected soon, there was no need to conclude new interest rate hedging transactions.

The Company also decreases its exposure to interest rate risk in the period of low interest rates through new borrowing at a fixed interest rate. In the 2019 financial year and in 2020, the Company strengthened the share of loans with a fixed interest rate or insured them with financial derivatives. At the end of 2020, their share accounted for 76.1% of the Company's credit portfolio, while the remaining 23.1% share is exposed to a variable interest rate and 0.8% constitutes an interest-free debt. Taking into account the interest-free debt, the Company has secured 76.9% of its credit portfolio against interest rate risks.

The simulation of the effect of interest rate variability on financial expenses, considering the balance of Company debt and the interest rate structure as at 31 December 2020, shows that an increase in the EURIBOR by one percentage point would cause an increase in financial expenses of around €4.4 million annually. Changes to the EURIBOR, therefore, have a significant impact on the Company's net profit or loss.

Credit risk

Special attention was placed on credit risk, which includes all risks reducing the economic benefits of the Company due to unsettled contractual obligations by business partners. DARS d.d. 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. Hedging instruments are required for a certain segment of business partners. Precisely defined procedures to monitor the credit ratings of business partners have been put in place (upon each contract extension; regular monitoring of published bankruptcies, liquidations and insolvency proceedings). In the event of unacceptable credit risks, contractually agreed mechanisms are used (e.g. the discontinuation of service provision (toll) and the supply of goods (vignettes), contract termination) and, in case of late payment, debt recovery procedures are activated.

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. An assurance to prevent this from happening or, rather, to minimise the scope is to organise toll supervision in a proper manner. 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 d.d. is managed by monitoring their credit ratings and, if below-average, requesting adequate bank guarantees. In case of late payment, the redemption procedure is activated and the DarsGo units for all 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 in toll payment for vehicles with a maximum permissible weight exceeding 3.5 tonnes may 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 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. There are also mechanisms in place to monitor the functioning of roadside equipment on a daily basis, verify the quality of service performance (SLA assessment) by a dedicated department, and we also have 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's functioning and set up mechanisms to eliminate any possible incidents.

The risk of users of vehicles with a maximum permissible weight of up to 3.5 tonnes using toll roads without paying the toll, which would result in a direct loss of revenue, is managed through toll supervision.

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 foreign 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 the minimum exposure to liquidity risk. In 2020, the consequences of measures adopted due to the coronavirus epidemic, which affected practically the entire world and could not be foreseen, were deeply felt. Due to a sound liquidity position, Company operations under these distressing circumstances were uninterrupted and, as a result, the Company settled its liabilities on time.

The annual liabilities for debt repayment use up a significant part of the cash flow from operating activities, which is why it will be necessary to refinance a share of the debt. To that end, the 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) was adopted in 2015. The Act enables DARS d.d. to actively manage the existing debt, restructure its loan portfolio and provide in due time all the necessary sources of funds for settling due liabilities arising from the existing debt. For the purposes of refinancing the existing debt, the Company can borrow with a 100% government guarantee. In 2020, the Company reduced its debt by €238.4 million. Due to the coronavirus epidemic and based on the measures adopted to prevent the spread of infections, DARS d.d. recorded a loss of revenue in 2020. Notwithstanding the above, the good liquidity reserve in 2020 did not reflect the need to refinance loan principals.

To fund the deployment of the DarsGo system, a new contract was concluded with the European Investment Bank (EIB) in November 2017 for a loan amounting to €51 million, which is covered by a guarantee of the European Union or European Fund for Strategic Investments (EFSI). In 2020, the last tranche of the loan was drawn in the amount of €26 million. To close the financial structure of the project to establish the electronic tolling system, the Company started a new borrowing procedure in 2018, i.e. without a government guarantee. Borrowing terms have been adjusted to the terms and conditions laid down in the loan agreement concluded with the EIB. A €51 million loan agreement was signed with KfW IPEX-Bank in April 2019 and the loan was drawn in full in 2020.

The Company already faces new infrastructural projects. One of the major projects is also the construction of the second tube of the Karavanke tunnel, for which the procedure for obtaining financing sources within the scope of EFSI guarantee started in 2018. During 2019, all the contract documents for a €90 million loan were harmonised with the EIB. The agreement was signed on 13 February 2020 with an option to draw the loan gradually in line with the schedule of works.

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 d.d. to finance the construction of two sections, namely one in the northern part of the 3rd development axis (Velenje–Slovenj Gradec) and the other in the southern part (Novo mesto East–Osredek) in the total value of €360 million, which will ensure the acquisition of funds for the foreseen schedule of execution. Due to Eurostat rules, the state cannot provide a guarantee for more than 50% of the value. Investment programmes have already been confirmed for both sections that are the subject of the mentioned Act.

A great deal of attention is paid to cash flow management, including the planning of inflows from tolls, which is the fundamental source for the settlement of liabilities deriving from borrowing. The Company faced reduced revenues in 2020 due to a factor that could not have been foreseen in advance. This mostly involves a loss of toll revenue from goods vehicles and short-term vignette sales. For the mentioned reasons, figures relating to goods 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 may be adjusted accordingly and, as a result, actions may be taken to manage other Company risks. The coronavirus epidemic is a new element that has forced all companies to be better prepared for the management of future liquidity risks. DARS d.d. 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, 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.9 Business activities of the Company



I.9.1 Business performance and the achievement 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 d.d. for 2017-2020, the key document for the strategic planning of the long-term successful development of DARS d.d.

In addition to ensuring the mobility of people and goods, our business environment is increasingly guided by sustainable development, which focuses our future activities on:

- planning and realising investments and other activities while taking into account the economic and social aspect,
- environmental compatibility and a significant decrease in adverse effects on the environment resulting from various forms of traffic,
- adaptation to digital transformation and the development of new advanced technologies (alternative sources of energy, such as smart roads and smart mobility, etc.),
- prolonging the useful life of infrastructure through optimum maintenance and renovation and by upgrading the existing system in accordance with raised 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 innovations of all employees at all organisational levels.

The main goals of DARS d.d. in 2021 are:

- Introduction of the electronic vignette.
- After successfully deploying the DarsGo system in 2018, it will be necessary to upgrade the system in 2021 in line with EU requirements for the integration of EETS providers, and due to legislative amendments and changes to business processes, in order to ensure revenue and user-friendly services.
- Construction of the second tube of the Karavanke tunnel in line with the time schedule.
- Continuation of activities on the 3rd development axis – north and south, within the scope of the Company's financial capacities, which also includes the adoption of a guarantee act for financing the construction of the remaining two sections on the 3rd development axis.
- Commencing the production of national spatial plans for the expansion of the Ljubljana motorway ring road and radial motorways, and designing the third motorway entry lane to Ljubljana from the Primorska and Štajerska motorway legs.
- Continued implementation of measures to ensure safety and comfort and optimise traffic fluidity.
- Investments in the modernisation of the existing network, 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 ReNPRP30 (DARS investments are limited exclusively to investments in toll roads, the adoption of guarantee acts and an appropriate mechanism to adjust toll prices that will provide uninterrupted debt servicing).
- Further pursuit of the 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.

1.9.2 Tolling

Toll revenue accounts for 92.8% of the total Company revenue and amounted to €386.96 million in 2020, which is 17% less than in 2019. A decrease in toll revenue on this scale after so many years of growth in a row is solely the result of the COVID-19 epidemic, which significantly impacted passenger vehicle traffic resulting in a relatively higher shortfall of revenue from vignettes. Toll revenue from vehicles with a maximum permissible weight exceeding 3.5 tonnes (heavy vehicles) amounted to €231.5 million, revenue from the sale of vignettes amounted to €144.4 million and toll revenue from the Karavanke tunnel amounted to €11.1 million. In 2020, the number of vignettes sold reached 4,402,258, which is a 41.4% decrease.

Vignette prices and infrastructure charges for heavy vehicles in 2020 remained the same as in 2019. On 1 September 2020, a new toll-rate category for motor vehicles with two axles and a maximum permissible weight exceeding 3.5 tonnes (R2) was introduced and caused, to some extent, a decrease in revenue. On the other hand, this date saw the abolition of rebates for companies that had concluded contracts on the deferred payment of tolls with DARS d.d., positively affecting revenue already in 2020. Users who pay tolls in relation to petrol cards generated 62% of revenue, followed by users who have concluded contracts on the deferred payment of tolls with DARS d.d. (24%), while the rest pay tolls using a pre-payment plan.

In 2020, 938,947,949 toll kilometres were generated on toll roads, 9.4% less than in 2019, while the value of passages of tolling points reached €234,123,427 million, 9.9% less than in 2019. The discrepancy between the growth of toll kilometres and the growth of toll revenue may be attributed to the increasing number of toll kilometres travelled by cleaner heavy goods vehicles, particularly in the EURO 6 emission class, the reduced number of vehicles in lower EURO classes, and the introduction of the separate toll-rate category (R2) for two-axle vehicles on 1 September 2020, which has a lower toll price. Consequently, the average quarterly infrastructure charge on toll roads decreased in all toll-rate categories. In Q4 2020, the charge in the R4 category was 1.3% lower year-over-year, and by 2.7% in the R3 category, while the average quarterly infrastructure charge for two-axle vehicles decreased by 11.7%. This means that the average infrastructure charge continues to inch

towards the lowest toll set for the EURO 6 emission class, considering that the prices of the infrastructure charge for R4 and R3 categories was last harmonised on 1 April 2018. If our revenue is to keep up with the increasing toll kilometres, we will in the future need to adjust our pricing policy accordingly – by increasing the infrastructure charge and/or modifying the coefficients used in differentiating the infrastructure charge for heavy vehicles.

In 2020, vignette sales decreased by 26.0% in terms of quantity and by 41.4% in terms of value, with 4,402,258 vignettes sold, which is solely the result of the COVID-19 epidemic. For the same reason and due to the considerable decrease in passenger vehicle traffic, the Karavanke tunnel generated as much as 29.4% less revenue or €4,603,278 less.

Following its successful introduction in 2018, the DarsGo system continued to operate in a stable and efficient manner in 2020. On the basis of experience obtained from the first two years of operation, the system received regular optimisations in terms of user-friendliness. Among other things, the system helped reduce greenhouse gas and particulate emissions on motorways. According to the 2020 evaluation of the Slovenian motorway users' satisfaction, the DarsGo system received the highest average satisfaction rating of all the services. At the end of 2020, the DarsGo system had 92,974 registered customers from 75 countries and 377,043 heavy vehicles. We have issued 348,424 DarsGo units since the system became operational. The majority of the registered vehicles are from Romania, followed by Polish, Slovenian, German and Hungarian vehicles.

In 2020, toll supervisors issued 52,898 penalty notices (43,720 of which were due to a failure to pay the toll for vignette vehicles, 8,038 due to a failure to pay the toll for goods vehicles, 1,088 under the Road Traffic Rules Act, and 52 under the Roads Act). The scope of the supervision and traffic on toll roads were impacted by the COVID-19 epidemic, which caused a dramatic decrease in traffic in March and to some degree also in April. Consequently, the number of penalty notices issued was 22.2% lower than in 2019. The number of identified violations by vignette vehicles was 25% lower, while the number of identified violations in the electronic tolling of goods vehicles was 20% higher. The increase in identified violations in the electronic tolling of goods vehicles (while the number of penalty notices issued remained the same as in 2019) indicates that the supervision over toll payment focused on goods vehicles and on the systemic avoidance of toll payment (a single penalty notice was issued for multiple violations in the case of identified systemic violations). The field of toll supervision in 2020 upgraded its methodologies of supervision focused on goods vehicles and applied the findings and good practices in the planning and preparation of supervision for the eVinjeta (e-Vignette) project.

1.9.3 Motorway maintenance

2020 was marked by the coronavirus epidemic. In the Maintenance Division, the potential absence of employees either due to disease or quarantine was identified as a major risk. As such, we were forced to implement some organisational changes to maintain an adequate employee pool even in the case of absences due to the epidemic (distributed working hours, furlough, external associates). We also strived to ensure sufficient strategic resources necessary for the performance of tasks in maintenance. Thanks to the decrease in traffic in the first wave that took place in spring 2020, the number of maintenance tasks (road patching and reconstruction) that we were able to carry out was more than planned, as the reduced traffic positively impacted our organisation of work.

Motorway maintenance

Motorway maintenance is carried out seasonally according to two annual plans:

- The annual plan for motorway and expressway maintenance applies every year from 15 March to 15 November in a particular year. It includes annual maintenance activities and the hours foreseen for individual tasks, as well as operational plans for the execution of major works (the restoration of floor markings, tunnel washing, etc.).
- The implementation programme for winter service applies every year from 15 November to 15 March the following year. It lays down and defines traffic management, operational plans for the winter service by MMC, places for the exclusion of heavy vehicles from traffic in severe winter conditions and heavy snowfall, etc.

The two umbrella documents provide the basis for the implementation of motorway and expressway maintenance, whereby all maintenance works that may cause prolonged congestion are planned carefully in cooperation with other divisions and services of DARS d.d., 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.

The enforcement of the Rules on road closures, Rules on traffic signs and equipment on roads and the Rules on the regular maintenance of public roads, which allow us to carry out certain routine maintenance works at night as well, has allowed the Company to reduce congestion, primarily on motorway sections with the heaviest traffic. Special attention was placed on the execution of night works in areas with the heaviest traffic that are maintained by MMC Ljubljana, MMC Postojna and MMC Vranksko.

The Company continued the project to optimise the preventive wet salting of roads and also set up automatic mixing devices for saline preparation in 2020 at MMC Murska Sobota, MMC Maribor and the branch office in Vipava.

In terms of scope, the maintenance works done in 2020 can be broken down as follows:

- patching and reconstructing of 49,050 square metres of roads under two contracts in 37 working days and in the total amount of €1,562,251.38,
- investment maintenance works covering 371,233 square meters under four contracts in 244 working days and in the total amount of €10,969,671.89,
- reconstruction of concrete road pavements in tunnels in the total amount of €341,874.18,
- restoration of road grooving covering 15,402 square meters in the total amount of €123,218.40,
- routine maintenance of drainage structures and equipment in the total amount of €795,696.90,
- routine maintenance and reconstruction of the concrete surfaces of bridging structures in the total amount of €164,511.76,
- routine and intervention maintenance of the expansion joints and supports of bridging structures in the total amount of €195,744.95,
- sealing cracks and crevices over 189,487 square meters in the total amount of €272,861.28,
- roughening of 51,437 square metres of carriageways in the total amount of €191,286.20.

Mowing, replacement of damaged crash barriers, cleaning and repair of protective mesh, tunnel cleaning twice a year, road markings, drainage system cleaning and so on are conducted in-house pursuant to the Annual and Winter Maintenance Plans. To execute routine maintenance, activities are carried out promptly to procure new vehicles and equipment, while providing the timely servicing and repairs of all equipment.

Electrical and mechanical maintenance

Electrical and mechanical maintenance in 2020 comprised:

- all maintenance work under maintenance contracts,
- preventive maintenance of electrical and mechanical systems and devices in tunnels and on the alignment in accordance with the annual plans,
- replacement of UPS devices at MMC Novo mesto, Drnovo branch office,
- restoration of linear fire alarms in the Dekani and Karavanke tunnels,
- conversion or harmonisation of the electrical supply of the public lighting at the LJ Rudnik MW junction (Peruzzijeva ulica),
- restoration of public lighting at the Lenart junctions,
- replacement of the LV installation at the TP0970 Mladinska 89 – MMC Ljubljana transformer station,
- participation in document reviews and device inspections at newly acquired sections,
- participation with the Management Division in the preparation/review of documents and refurbishment works,
- participation with outsourcers in refurbishment works, maintenance and new construction.

1.9.4 Traffic safety management and provision

Established with the new organisation in 2013, the Management Division combines the management of all types of DARS d.d. assets (road infrastructure, devices, rest areas and other real estate owned by DARS d.d.) to enhance the management of Company assets and the management of traffic and traffic safety.

Road infrastructure

Using the PMS DARS (Pavement Management System), the Company prepared an Action Plan as the basis for identifying necessary infrastructure restoration works in the coming 3-year period. Input data in the expert system was updated and moved to the baseline year of 2020.

In 2020, 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 in the 2021–2023 period. That draft plan was later actively harmonised with the Department for Reconstructions until it was aligned and approved by the Management Board.

In collaboration with DRI, the Company completed the project to establish an expert management system for bridging structures on the motorways and expressways in 2020. We also began drawing up methodologies to monitor the condition of tunnels and geotechnical structures and began 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 monitoring of conditions on complex structures (VA6007, Jožefov hrib) were carried out in 2020.

A system was arranged with the Maintenance Division to carry out annual inspections of road infrastructure by routine maintenance officers for road infrastructure and to prepare comprehensive reports on such inspections.

Several agreements have been concluded with municipalities to cooperate in the restoration of some bridging structures. Based on reports, several non-routine inspections of bridging structures (the Maribor two-storey bridge, the Blagovica viaduct) were performed. As a result, we established permanent monitoring for the damaged exterior cabling at the Blagovica viaduct and appointed an expert group to analyse the damage.

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 2020, the design engineer prepared an implementation plan to replace stage V lighting, within the scope of which it is planned to replace 2000 lamps in 2021. Due to increased reactive energy, the electrical maintenance sector disconnected the medium-voltage connecting cable between the central power stations of Podmilj and Ločica within the scope of the Trojane tunnel system, thus eliminating a major share of reactive energy, while the difference will be eliminated with the newly adjusted compensation device. The Strmec cut-and-cover tunnel and one tube of the Golovec tunnel were equipped with LED lighting. A study for a wind farm was conducted. The City Municipality of Maribor and DARS d.d. drew up documentation and an agreement for the distribution/arrangement of take-off points along the old expressway through Maribor. We also began preparing a draft proposal for the installation of solar power plants according to the PX3 scheme.

Compared to 2019, electricity consumption reduced by 4%, mostly due to the replacement of lighting with energy-saving LED lamps and the change of the tolling system.

Rest areas

Design documentation for the reconstruction of 12 small rest areas was being prepared in 2020.

Real estate management

In 2020, we continued to process the received applications or enquiries for the sale of excess real estate managed or owned by DARS d.d., 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 26 programmes for the sale of excess real estate owned by DARS d.d. We published two public notices for the sale of excess real estate owned by DARS d.d.

In 2020, a total of 27 sale/purchase contracts for the sale of excess real estate owned by DARS d.d. with a combined value of €1,436,635 were concluded (four of them with a total value of €235,869 were concluded on the basis of the public notice published in 2019).

During this period, individual sales transactions concluded in 2019 were fully executed; their total value is €203,901.

In 2020, in line with the resolutions adopted by the Management Board and the instructions to carry out the sale and rent or lease of real estate owned by DARS d.d., the Company finalised the sale of three residential units owned by DARS d.d., i.e. two units in Hrušica and a unit in Slovenske Konjice. The total sales value or the proceeds generated from the sale were €246,861.20.

In line with the resolution adopted by the Management Board and consent provided by Workers' Council, the Company purchased real estate for in-house holiday activities in Kranjska Gora, and carried out a handover of an apartment for this purpose in May in Izola. We launched the comprehensive renovation of the Čatež and Izola units and prepared the terms of reference to select a design engineer for the new construction of the unit at Rogla.

Based on the planned management resources, 2020 saw the implementation and conclusion of major stage 2 renovation work on MMC Hrušica facilities.

In accordance with the agreement concluded with the Ministry of the Interior, DARS d.d. in 2020 co-financed the project to refurbish the canopy over the motorway at the Karavanke border crossing, which was a direct threat to the traffic running under it.

Easements

In 2020, the Company received 105 applications to grant an easement, which is 23 more than in 2019 and the highest number of applications considered to date. The Company concluded 78 easement contracts in 67 cases. Despite the country-wide health crisis in 2020, the growth in the number of investments remained high.

Easement for consideration was granted in 2020 mostly for minor works, i.e. the arrangement of road, municipal, energy and TC connections. No easement contracts for major works, which entail higher consideration, were concluded in 2020. The total value of considerations for the awarded easement for consideration in 2020 amounted to €52,412, which is less than in 2019 even though the number of applications considered was higher.

One of the reasons for the lower total value is that in many cases, easement was awarded free of charge, either for all or only some of the land plots in the contract, pursuant to Article 70 of the Act Regulating Measures Aimed at the Fiscal Balance of Municipalities (Official Gazette of the Republic of Slovenia, No. 11/18 and 79/18) or Article 474 of the Energy Act (Official Gazette of the Republic of Slovenia, No. 60/19, 65/20 and 158/20 – ZURE). The estimated loss of easement compensation for such works amounts to €530,872.

Based on easement contracts concluded in previous years, under which easement compensations fall due periodically (i.e. once a year), another €39,718 was charged.

The costs charged for procedures to award easement and prepare easement contracts according to the applicable Company price list and for the reimbursement of the cost of the notarisation of signatures in such contracts amounted to €27,226.

Telecommunication marketing

In 2020, the Company signed seven new contracts with Telemach, Peter's Teleurh, SoftNET, Vahta, the Ministry of Infrastructure and two with Cengiz within the scope of telecommunication marketing. Two new annexes were signed, i.e. with Novatel and T-2. 25 offers were prepared. The Company provides the services of fibre optics lease, Internet access, equipment collocation options and Wi-Fi access at rest areas.

- Broadband Wi-Fi access is available at 28 rest areas, whereas the refurbishment of small rest areas to provide DARS Wi-Fi access is under preparation. Wi-Fi coupons are available at Petrol and OMV petrol stations and at the “DarsGo servis” office in Maribor.
- We now offer Internet for corporate users along the motorway on four additional locations, although our offering has been adjusted somewhat to market prices in accordance with investment costs.
- As regards the lease of dark fibre optics, five new routes for SoftNET, Peter's Teleurh, the Ministry of Infrastructure, Telemach and T-2 were added (four new contracts were concluded along with an annex to a contract), while one route was extended by contract (Vahta).
- Since mobile operators provided their own electricity connections, revenue from easements decreased by about 1% compared to 2019.

Traffic safety

The basis for monitoring traffic safety includes activities that have in previous years been identified by DARS d.d. 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 the area of traffic safety, the Company carried out two major investments in 2020, which are set to continue in 2021:

- the erection of new safety barriers and end terminals at MMC Hrušica,
- the installation of crash cushions at MMC Sl. Konjice, Vranksko and Hrušica.

Activities related to the production of design documents, which will provide the basis for the execution of works in 2021 and 2022, included the production of documents for:

- installation of concrete safety barriers in the central reservation,
- replacement of signposts at motorway exit points,
- replacement of end terminals and erection of additional safety barriers and crash cushions,
- running traffic safety simulations for DARS d.d. projects.

To address the most complex problems and solutions in traffic safety and road furniture, consulting services were rendered by the Faculty of Civil and Geodetic Engineering and the Faculty of Mechanical Engineering, both from Ljubljana, and the Faculty of Civil Engineering, Transportation Engineering and Architecture from Maribor.

In 2020, the dynamics of the execution of works and activities fell well behind expectations. Activities for setting up systems for section speed control continued. An agreement cooperation between DARS d.d. and the Police was signed in December, which will serve as the basis for preparing the public procurement procedure that will follow in 2021.

In 2020, a total of 1,460 traffic accidents occurred on motorways and expressways. Six people lost their lives (16 in 2019), 27 were seriously injured (about 50% less than in 2019) and 357 were lightly injured (40% less than in 2019).

In 2020, DARS d.d. and the Police signed the “Agreement on the establishment of section speed control systems at the MW and EW network managed by DARS”, which sets out the method of setting up multiple systems throughout the entire motorway and expressway network in Slovenia. DARS d.d. is in charge of preparing a list of sections and carrying out a public procurement procedure for the establishment of the system, while the Police will assume all traffic supervision related activities and activities linked to issuing fines for offences. DARS d.d. and the Police also signed an agreement on the establishment of the motorway police, which is expected to be established and to become operational in 2021. As to its impact on traffic events and safety on motorways and expressways, DARS d.d. has high expectations in the sense of a major improvement of traffic safety.

In 2020, we held consultations with the competent Ministry of Infrastructure on the A1 motorway's traffic regime in relation to overtaking for heavy goods vehicles with a total weight exceeding 7.5 tonnes. It was agreed that a ban on overtaking for these vehicles would be introduced during the daytime from 6:00 to 18:00 starting from 15 January 2021. All activities related to notifications about the change were carried out in 2020.

1.9.5 Investments

In accordance with its business plan, DARS d.d. organised and managed projects involving the construction and reconstruction of motorway sections in 2020.

Siting activities were carried out in 14 projects in 2020 in the field of **spatial planning and the siting of motorways and expressways**. Key projects in 2020 were:

Slovenj Gradec–Dravograd EW

- On-site geological and geomechanical investigations were being conducted.
- A GGS (Geological and Geomechanical Study) and an HHS were being created, along with the PD and alignment optimisations on the basis of guidelines of SPAs and municipalities.
- A demolitions study and a noise protection study were being produced.
- Public procurement procedures were carried out to select producers of reviews of the PD and the GGS, as well as procurement procedures to select producers of traffic safety audits.
- The Company coordinated with spatial planning authorities (SPAs) for the alignment and for the Podgorje motorway maintenance centre, as well as with the City Municipality of Slovenj Gradec in regard to the connection of the Slovenj Gradec southern bypass and with the City Municipality of Slovenj Gradec and the Municipality of Dravograd in regard to the route of the alignment at the Bukovska vas WPA.
- A conceptual design for the Podgorje motorway maintenance centre was being produced.
- An updated environmental report was being prepared.

Otiški vrh–Holmec EW

- Expert bases for the variant study were being produced (a structural engineering study, urban development study, traffic study, economic study, hydrological and hydraulic study and an environmental report).
- A variant study / pre-investment study were being produced.
- The impact on traffic safety was assessed.
- A study on the management of excess dredging spoils was being produced in coordination with the Environment Directorate of the MESP.
- Following confirmation by the Management Board, the VS/PIS was submitted to the KIOP and confirmed by resolution of the Minister of Infrastructure.
- The hydrological and hydraulic study was submitted to the Slovenian Water Agency for confirmation.

Ptuj–Markovci section

- A VS/PIS and an ER were being produced (the study of potential variant solutions was supplemented for consideration by the inter-ministerial working group).
- The potential variant solutions were being coordinated by the inter-ministerial working group.
- Materials for obtaining supplemented SPA guidelines were produced.

Podgora–Letuš connecting road

- A new or revised initiative / investment project identification document – DIIP (the initial one was from 2018) was produced and submitted for public consultation.
- Guidelines of SPAs and opinions and proposals of interested public were obtained.
- An analysis of the guidelines of SPAs and proposals of the public was being prepared.

Postojna/Divača–Jelšane MW

- On 2 July 2020, the Government of the RS received information on the preparation procedure for the national spatial plan on the Postojna/Divača–Jelšane section and on the proposed solutions, i.e. that only the variants “within the Postojna corridor” were possible and that the NSP preparation procedure will continue with another round of the variant study wherein the variants Po2-Je2 (the only feasible

variant from the current VS/PIS), Po45opt-Je2 and Po4opt-Je2 (both from the “towards Hruševje” review) will be considered.

- On 22 October 2020, the Government of the RS adopted the Resolution on the implementation of the NSP for the Postojna–Jelšane MW section, which replaced the previous one.
- A public procurement procedure was carried out to produce all required expert bases for the discussed variants, the production of the ER and the VS/PIS (2nd round of evaluations).

Koper–Dragonja EW

- The overburden of the EW alignment in the area of the Šalara settlement was being reviewed as part of the preparation of positions in response to remarks and proposals from the public consultation; the Company coordinated with the City Municipality of Koper.
- The overburden of the EW alignment in the area of the Dragonja settlement was being reviewed as part of the preparation of positions in response to remarks and proposals from the public consultation; the Company coordinated with the Municipality of Piran.
- A HHS was being produced and coordination meetings were held with the Slovenian Water Agency (regarding the Pradisjol retention basin).
- Following confirmation by the Management Board, the produced PIS was submitted to the KIOP.

Ecoduct at the Unec–Postojna MW section

- A public procurement procedure was conducted to obtain a contractor that will produce the expert bases for the initiative and analyse the guidelines for the ecoduct at the Unec–Postojna MW section.
- A study encompassing a review of the siting of the ecoduct at the Unec–Postojna MW section was produced.
- The making of a conceptual solution for the ecoduct structure at the chosen site was underway.

Expansion of the Ljubljana motorway ring and the radial roads

- Coordination with the SIA in regard to the connection of the Trzin bypass to the Študa junction.

Karavanke platform

- An initiative/DIIP was drawn up and submitted for public consultation.
- Guidelines of SPAs and opinions and proposals from the interested public were being obtained.

Šentrupert–Velenje

- An application was being supplemented at the request of the Slovenian Environment Agency within the MESP with a statement of all facts and circumstances relevant for the issue of an environmental consent.
- Rehabilitation plans for affected agricultural holdings were being drawn up.
- The EIA and draft EC were submitted for public consultation.
- On the basis of 37 requests to join the EC issue procedure, 21 participants were granted the status of accessory participant.
- In light of the opinions we obtained from the SPAs, the Slovenian Environment Agency invited us to provide a clarification in the EC issue procedure. A response to the invitation of the Slovenian Environment Agency was prepared.

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 the participation in the preparation and adoption of spatial planning and siting regulations and related regulations. Extensive harmonisations were conducted in relation to the Building Act (GZ-1), the Spatial Development Strategy of Slovenia, the Spatial Management Act (ZUreP-3), the Decree amending the Decree on conditions and limitations for constructions and activities on flood risk areas, the Decree amending the Decree on activities affecting the environment that require an environmental impact assessment, the Act Amending the Water Act, the Act Amending the Agricultural Land Act and the Act on Water Protection Areas for Municipalities of Bloke, Cerknica, Ilirska Bistrica, Loška dolina, Pivka and Postojna. Furthermore, other tasks assigned by the Ministry of Infrastructure were carried out, e.g. the production of a traffic study with a traffic model, along with an economic evaluation of traffic and a traffic safety impact assessment of the relevant measures in the wider area of Kranj, additional technical solutions, and spatial and environmental reviews.

In motorway and expressway siting procedures, the Company cooperated with the public and users within the scope of its competencies, thus contributing to the enforcement of socially and environmentally acceptable solutions.

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 d.d., e.g. the preparation of guidelines, opinions, design conditions and consents in cases where DARS d.d. is the spatial planning or consent authority.

In terms of design documents, the following main activities were carried out in 2020:

Jagodje–Lucija section

ED design documents are being prepared for this section, while the review discussions have not yet been held. The lengthy design engineering has resulted in the partial misalignment of the design documents with the DARS d.d. instructions adopted in the meantime. A comprehensive strategy for completing the design documents and obtaining a building permit is being prepared (updating of the studies underlying the EIA, amendment of the EIA, production of the DGD, harmonisation of the ED with DARS d.d. instructions and completion of reviews).

Markovci–Gorišnica section

The design documents and investment programme had to be amended due to legislative amendments. Pursuant to the ARSO decision, it is necessary to draw up an EIA and to obtain an EC. The EIA was completed in late 2019. The production of an amended ED and an extract from the tender documents (PZR) as a result of legislative amendments has been completed and reviewed. At the start of the year (7 February 2020), an application was filed for obtaining a building permit in line with the integral procedure. Activities to harmonise and supplement the application were carried out.

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

After obtaining all the necessary opinions, except for the City Municipality of Ljubljana, BD design documents were drawn up, reviewed and submitted in December 2020. We received several invitations to provide clarifications in the EC issue procedure in 2020. All of them were submitted to the ARSO in time. On 24 December 2020, an application to issue the BP according to the integral procedure was submitted to the MESP. 92% of the land needed for construction was obtained. In September 2020, a contract was signed with a producer for the investment programme (IP), and the latter submitted a draft IP for review in December 2020. The draft is being reviewed by the contracting authority. It is expected that the prepared and supplemented IP will be submitted to the KIOP in February 2021.

Dragomer junction

In 2020, ED design documents were prepared and are now in the review and traffic safety audit process. In November 2020, Review Commission meetings were held. The request to issue a building permit under the integral procedure was submitted to the MESP in 17 June 2020. The application was supplemented three times at the request of the MESP. Preparations are underway to supplement the EIA, in particular in the part relating to the analysis of the current soil condition. An agreement on the co-financing of the investment is being prepared for the production of the investment programme. Regular meetings are being held with the Municipality of Brezovica, Slovenian Railways and the SIA to harmonise solutions in the area of Vnanje Gorice.

3rd development axis – north, the Velenje–Slovenj Gradec section

Studies of alternative solutions to the preliminary design were prepared and discussed. The design is broken down into eight lots. The production of design documents and the obtaining of opinions from the competent opinion givers and of the building permits are being carried out in line with the division and the priorities. Interim and final reviews of the ED are being performed. A building permit that became final was issued for lot D – Gaberke. For lots F – Jenina, B – Škalsko jezero and H – Konovo, a request was filed for the issue of a building permit. On-site land surveying was completed and the surveying plan was reviewed and confirmed. Geological, geotechnical and hydrogeological investigations have for the most part been completed. The building plans from the ED documents are being revised. The environmental consent was obtained in June 2015 and is valid until June 2020 (five years). On 17 March 2020, DARS d.d. obtained the legal opinion of the Institute for Public Administration at the Ljubljana Faculty of Law from which it follows that after the building permit for lot D – Gaberke has been obtained, the EC is valid for the entire section of the expressway from the Velenje south

junction to the Slovenj Gradec south junction. Preliminary archaeological research was conducted. An investment programme has been produced and confirmed.

3rd development axis – north, the Šentrupert–Velenje section

The production of DGD and ED design documents continued. The study to identify the boundaries of construction works, which will provide the basis for the execution of land allotment on agricultural and building land, was completed and reviewed. A surveying plan was made and reviewed. Preliminary designs for bridging structures are in preparation and are being gradually submitted for interim reviews. Geological, geotechnical and hydrogeological investigations were performed. Demolition plans for structures were created and reviewed. An investment programme was made and discussed by a DARS committee, confirmed by the Management Board and then on 30 September 2020 discussed at a meeting of the KIOP.

1st and 2nd stage of the 3rd development axis – south (from the Novo mesto east junction to the Osredek junction)

DGD and ED documents for the two bridges across the Krka river were created and reviewed. ED documents for the alignment were reviewed and completed. All opinions on the design solutions were obtained. On 17 February 2020, an oral hearing in relation to the issue of the EC was held at the ARSO. On 14 May 2020, an application to issue the BP according to the integral procedure was submitted to the MESP. All opinions on the design solutions were obtained, except for the opinion of T2, to whom the MESP on 4 December 2020 submitted an urgent letter saying they have to issue an opinion. The documents will be publicly available from 18 December 2020 to 18 January 2021, whereby the public will have a chance to examine it and submit remarks. At the end of May 2020, a letter asking for assistance in the priority consideration of the BP application was submitted to the MI. Five supplements to the BP application were submitted at the request of the MESP by November 2020. On 24 September 2020, a BP application for the relocation of the pipeline was submitted to the MESP. By December 2020, a total of two supplements to the BP application for the relocation of the pipeline were submitted to the MESP. 99.4% of the land needed for construction was obtained.

3rd and 4th stage of the 3rd development axis – south (from the Osredek junction to Maline)

In July 2020, a contract for the production of the DGD/ED documents was signed and in August 2020 its producer was inducted into the work. The first coordination meeting with the producer was held in September 2020. The design documents are being drawn up, the design engineer has created the draft construction phases and the CD for the Poganci junction and submitted them to the contracting authority. The design documents for the MMC Novo mesto branch in Maline are also in production. The conceptual solutions for the bridging structures have been formulated. On-site geological and geomechanical studies are being conducted in line with the programme – by the end of 2020, 50% of all the planned field studies had been carried out. An investment programme has been created and submitted to the KIOP on 18 February 2020. Members of the KIOP sent their remarks on 25 November 2020 in response to which the producer is now preparing supplements and replies.

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 d.d., SIA and the City Municipality 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 Municipality of Koper. In November 2019, a decision was adopted by all co-funders to publish a contract notice for sections 2 and 3 separately from section 1, the contract documents for which will be prepared by DARS d.d., but only after the contract for sections 2 and 3 has been signed. DARS d.d. is not a co-funder for sections 2 and 3. In December 2020, the SIA and the City Municipality of Koper signed a contract for the production of design documents for sections 2 and 3, and DARS d.d. began preparing the contract documents for the design engineer of 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 d.d., SIA and the City Municipality of Koper on 25 July 2016. Pursuant to the agreement, all activities leading to the construction are managed by the City Municipality of Koper, while the design documents are to be reviewed by DARS d.d. The City Municipality of Koper submitted the design documents on

18 December 2020. The documents will be reviewed by the reviewer and examined by the traffic safety auditor. All land needed for construction has been acquired.

Srmin radial road

The BD/ED 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 can no longer be used to obtain the BP, which is why the design documents will be amended. The contract with the current producer of design documents will be terminated – an agreement on the termination of the contract with the design engineer by mutual agreement was prepared in December 2020. On 8 May 2020, the ARSO adopted a decision stating that the project does not require an environmental impact assessment. A contract to amend the above design documents is expected to be signed in 2021.

The following activities related to **construction** were carried out:

Koseze–Kozarje MW section and the Dragomer junction

The building permits have not yet been obtained, which is why no construction-related activities were carried out in 2020.

Karavanke project

- After the decision on the award of the public contract became final, a contract was signed with the contractor Cengiz İnşaat Sanayi ve Ticaret, A. S. on 30 January 2020.
- On 26 February 2021, a contract was signed for geological and geotechnical accompanying services for the tunnel construction rendered by JV IRGO Consulting, d.o.o. + Elea iC, d.o.o. + Geoportal, d.o.o. + GeoZS + Slovenian National Building and Civil Engineering Institute + Geoinženiring, d.o.o. combined into a single provider.
- The building contractor started working after it was induced to the work on 2 March 2020. The initial work was severely impacted by the worsening of the COVID-19 epidemic situation.
- As part of the preparatory work, the facilities necessary for the operation of the construction site were set up on the plateau directly in front of the tunnel portal – a concrete plant, workshop, warehouses, temporary office space, treatment plant, tunnel ventilation machinery, additive and process water tanks, installation material depots and a temporary landfill for the disposal of material excavated from the tunnel. As part of the preparatory work, the contractor also set up a residential area and office space for its needs.
- As the contractor began working on the project and commenced the preparatory work, the preliminary cut of the portal was excavated and supports were added to its banks using reinforced shotcrete and geotechnical anchors. The contractor began excavating the tunnel at the end of August 2020. The excavation and the primary substructure of the tunnel were done by 31 December 2020 – 238 metres of the top heading and 201 metres of the bench. 172 metres of the invert arch were also excavated and filled with reinforced shotcrete. Since a site was needed for depositing the material excavated from the tunnel, location M was set up and subsequently used for depositing and installing the excavated material in layers.
- Outside the tunnel, in front of the entrance to the construction site, bridge M-3 over the Sava river was built, while bridge M-2 over the Sava river at Hrušica is still under construction.
- As part of the preparations to build bridge M-1, the Mlake, Peričnik and Karavanke water supply pipelines located between bridge M-3 and the future bridge M-1 were locally relocated.
- By the end of 2020, the contractor completed construction of the facility for the contracting authority and the engineer located directly next to the MMC Hrušica building.
- 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.

3rd development axis – north, the Šentrupert–Velenje section

A contract was signed in November 2020 for the provision of expert consultancy and engineering services for the stage of the preparation and execution of construction works, and other engineering services after construction.

3rd 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. Public procurement activities for the first stage of the procedure (qualification) were undertaken for lots B and H. The same activities for qualitative selection (the first stage) were also carried out for lot F. Activities in the first and second stages of the public procurement procedure were undertaken for lot D. A contract was signed with the selected contractor. A contract was also signed with the provider of external quality control for lot D that was selected in accordance with the public procurement procedure. The first construction works on the 3rd development axis – north, the Šentrupert–Velenje section, lot D – Gaberke, were launched in 2020. The activities that took place mostly included timber felling, transport and storage, land clearing, construction site preparations, arrangement of access routes to the EW junction overpass supports, provision of foundation piles for the overpass, excavation at the EW alignment and setting up of a transport route to the Velenje Coal Mine, which will be used for depositing excess material excavated along the entire 3rd development axis – north.

1st and 2nd stage of the 3rd development axis – south, the section from the Novo mesto east MW junction to the Osredek junction

A public contract was published for a contractor that would construct this section. On 14 May 2020, the decision on the tenderers' qualifications became final. This year, the contractor chosen for further archaeological investigations at the 1st and 2nd stages began and completed their work. The contract work was done properly, as confirmed by the Institute for the Protection of Cultural Heritage of Slovenia on the basis of the record of the conservation supervision. Various documents for the second stage of the contractor selection for the construction of this section were being prepared.

Elimination of defects within the warranty period

In 2020, activities to eliminate defects within the warranty period were conducted at the following MW and EW sections: Pluska–Ponikve, Ponikve–Hrastje, Lešnica–Kronovo, Krška–Obrežje, Zrkovska–Pesnica, Hoče–Arja vas, Šentilj–Pesnica, Vučja vas–Beltinci, Lendava–Pince with the EW section towards Dolga vas, Slivnica–Draženci, Draženci–Gruškovje, IBC Gruškovje–border with the Republic of Croatia, Kozina–Klanec, Koper–Izola, Peračica–Podtabor, Podtabor–Naklo, Šentvid–Koseze, Zadobrova–Koseze.

Šentjakob–Malence MW

Public procurement activities to obtain a contractor for the elimination of defects in the warranty period and for upgrades to the Golovec tunnel were completed. A contract with the contractor was signed in April 2020. Under the signed contract, rehabilitation works on the concrete arch, renovation of the carriageway structure and upgrading of the electrical and mechanical equipment were carried out in the western pipe of the tunnel.

Razdrto–Vipava–Ajdovščina EW

Measurements of the bora wind at the wind barriers built last year were performed. After they were completed, a final CFD post-analysis was conducted on the protection efficiency of the wind barriers and a final report on the measurements was compiled. Activities related to the completion of contractual obligations were carried out.

Markovci–Gorišnica section

Activities to prepare a public contract for the construction of the main road section along with the Gorišnica–Ormož section were carried out. Materials for applications for qualification (the first stage) were published on the public procurement portal on 14 September 2020, with the deadline for applications set at 22 October 2020.

Gorišnica–Ormož section

The contractor finished all stage 1 construction activities on the Sejanca viaduct. The final settlement and acceptance of the performed works took place. Activities to prepare a public contract for the construction of the main road section along with the Markovci–Gorišnica section were also carried out. Materials for applications for qualification (the first stage) were published on the public procurement portal on 14 September 2020, with the deadline for applications set at 22 October 2020.

Draženci MW–IBC Gruškovje

Construction throughout the MW section from km 0.00 to km 13.03 was completed in its entirety and the motorway was commissioned. In stage 2a, final settlement activities were carried out – acceptance certification

and monitoring during the use of the traffic route. The operating permit in stage 2a was obtained on 6 August 2020. Monitoring activities within the scope of the warranty period are now underway.

Šmarje - Sap MW junction

All work has been completed and the warranty period is running.

Archaeological sites

Pursuant to the multi-annual contract concluded on 12 August 2016, the post-excavation treatment of site archives continued in 2020 with regard to rescue archaeological excavations on motorway sections and individual excavation sites, where the post-excavation treatment has not yet been carried out. The treatment of pottery obtained in extensive and intensive archaeological field surveys also continued. The contract work will be completed at the end of 2022. In 2020, the following sites were processed: Podgorica, Zagorica, Drnovo 1 and 2, Medlog, Draga pri Beli Cerkvi, Bela cerkev, Dragomelj, Gošča, Obrežje, Pržanj, Trojane, Šušec, Bela Cerkev, Zemono 1, Ribnica na Dolenjskem, Slivnica, Spodnje Hoče, Malečnik, Radvanje, Col, Čatež – Sredno polje, Školarice, Loka pri Beli Cerkvi and Grofove njive.

Malence dry basin

Construction began in February 2020 and was successfully completed in October 2020.

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

In 2020, 52.76 kilometres of section and junction carriageways were reconstructed, which includes the resurfacing of a part of the Drnovo–Brežice and the Brezje–Podtabor–Kranj W sections and the reconstruction of parts of the Selo–Vogrsko–Šempeter and the Vučja vas–Murska Sobota–Lipovci–Turnišče sections. Due to the lower traffic loads during the epidemic, extensive investment maintenance works were carried out on the carriageways. Four viaducts and 30 smaller bridging structures were partially renovated during these renovations. The landslide-affected banks at the Fram–Slovenska Bistrica and the Dramlje–Celje sections were redeveloped along with the Zajčica cut slope. For the future construction of the emergency lane and noise protection barriers behind the Golo rebro tunnel in the direction of Maribor, a secant pile wall was created following the rehabilitation of the roadbed. The worn protective mesh at the cut rock slopes were replaced and extra protection was added in the relevant area. 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 are currently in the design stage include:

- ED for the reconstruction of the road and facilities at MW sections A1/0036 and 0636 Fram–Slovenska Bistrica and 0461 Slovenska Bistrica north junction;
- ED for the reconstruction of MW sections A1/0036 and 0636 Fram–Slovenska Bistrica from km 6.450 to km 7.150, incl. replacement of Devina VA0065 viaduct and reconstruction of Devina VA0361 viaduct;
- ED for the reconstruction of the Slovenske Konjice–Dramlje section from km 7.000 to km 7.600, incl. reconstruction of the Slatina-D VA0407 viaduct and replacement of Slatina-L VA0093 viaduct;
- ED 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;
- ED for the reconstruction of the roadway on parts of EW sections H3/0085 and 0685 Zadobrova–LJ (Šmartinska), H3/0086 and 0686 LJ (Šmartinska–Tomačevo), H3/0187 LJ–Nove Jarše (Šmartinska cesta) junction;
- ED for the reconstruction of a part of the A1 MW section incl. replacement of the Dolgi most VA0045 viaduct at km 0.295 and VA0046 at km 0.280;
- ED for the reconstruction of the roadway and facilities at parts of MW sections Ljubljana (Kozarje)–Brezovica–Vrhnika–Logatec and at Brezovica and Vrhnika junctions in order to create the third lane;
- ED for the reconstruction of a part of the MW section A1/0056 and 0656 Postojna–Razdrto from km 0.850 to km 1.300, incl. replacement of the bridges over the Pivka river VA0187 and VA0188;
- ED for the reconstruction of the carriageway at MW A1/0061 Kozina–Črni Kal, A1/0661 Kozina–Črni Kal and 1640 Ravne rest area and

- ED 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–Trebnoje east.

In terms of anti-noise measures, the Company obtained the design documents for the renovation of the existing noise protection barriers. Orders were placed for noise pollution studies with proposed anti-noise measures at the four sections envisaged for inclusion in the next Noise Action Programme, which is under preparation.

Activities to complete all works and eliminate deficiencies were undertaken in 2020 under the Demolition of toll stations and re-arrangement of toll platforms project. A public procurement procedure was held for the last remaining toll station, Dragotinci, incl. its platform, and in autumn the canopy was demolished and half of the MW was reconstructed. The remaining works will be carried out after the winter break, presumably in spring 2021.

The respective ED design documents were created and reviewed at the reconstruction of the Leskoškova and Letališka junctions. A public procurement procedure was carried out and a contract was signed for supervision over the construction. A public procurement procedure for the reconstruction of the Letališka junction was carried out and the signature of the contract is pending. A public procurement procedure for external quality control and the reconstruction of the Leskoškova junction was also carried out. At the same time, the acquisition of all the necessary land is underway.

Electrical and mechanical works and ITS

In 2020, the electrical and mechanical equipment of the right tube of the Golovec tunnel was rehabilitated. The entire lighting system of the Strmec cut-and-cover tunnel was replaced. The structures were equipped with LED lamps, making them the first motorway tunnels in Slovenia to feature this technology. A system for the periodic two-way management of traffic in the Markovec tunnel was established. We restored and upgraded the hydrant water antifreeze system in the Kastelec and Dekani tunnels. We replaced the traffic signs in the Pletovarje, Golo Rebro, Kastelec, Dekani, Mali vrh, Debeli hrib tunnels and in the Medvedjek 1 and Medvedjek 2 cut-and-cover tunnels. The linear fire alarms in the Dekani and Karavanke tunnels were restored. The transformer station of the Pletovarje tunnel was redesigned. Furthermore, several upgrades to the surveillance and control system were made.

In 2020, we finished the installation of 56 new VMS gantries at Brezovica–Divača, on the northern, eastern and southern Ljubljana ring road and at the Zadobrova–Lukovica MW. The overhaul of seven VMS gantries was completed. For the above systems, the software of traffic control and management systems was upgraded and the systems were integrated into traffic control centres.

50 new surveillance cameras and 24 new automatic traffic counters were installed. The centralisation of the north-south video surveillance system was completed. The inspection vehicle located at MMC Vransko was equipped with a surveillance camera. We launched the installation of six road weather stations and ten thermographic cameras.

MMC West (Postojna, Kozina, Dob, Podtabor, Logatec, Vipava, Bertoki and Hrušica) was equipped with an energy information system and remote heating control. The system will reduce energy consumption, environmental pollution and CO₂ emissions. The public lighting at the Lenart junctions was restored and the power supply of the public lighting at the Ljubljana Rudnik MW junction was unified.

In the area of the control centres, we set up a pilot system of cooperative ITS (C-ITS) with microwave technology (G5) at the Postojna–Divača section along with mobile technology for the entire MW network. Events from the tunnel surveillance and control systems on the Primorska leg of the motorway were automatically transferred to the Kažipot and C-ITS systems.

In terms of telecommunication systems and transmission routes, the overhaul of the KVS system at the Golovec Domžale MW, the Vipava–Šempeter EW and the Divača–Kozina MW was completed. The installation of the fibre optic cable at MMC Ljubljana–MMC Postojna (lot 1) was completed along with the installation of the fibre optic cable at MMC Ljubljana–MMC Hrušica (lot 2). The DARS digital radio connections (DMR) were upgraded.

1.9.6 Debt repayment

DARS d.d. is in a period of high annual liabilities arising from debt repayment. In 2021 to 2026, €1.05 billion of loan principals will fall due. 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 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 2020 did not reflect a need for refinancing. The Company therefore repaid principals amounting to €238.4 million and interest amounting to €35.8 million. In February, DARS d.d. concluded a €90 million loan agreement with the European Investment Bank (EIB) to finance the construction of the second tube of the Karavanke tunnel. The loan has not yet been drawn. The remaining €26 million of the loan that the Company took out in 2017 with the European Investment Bank to finance the establishment of the electronic tolling system have been drawn, as have the entire €51 million of the Kreditanstalt für Wiederaufbau loan that was also taken out in 2019 to establish the electronic tolling system. The total Company debt decreased to €1,895 million (balance as at 31 December 2020). In the last five years, the total Company debt reduced by €672 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 total debt in the coming years.

I.10 Motorways and expressways in the Republic of Slovenia and traffic loads



In 1994, under a special agreement, the Republic of Slovenia transferred to DARS d.d. the operation and maintenance of all constructed motorways, as well as infrastructural facilities and devices on them. DARS d.d. 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 d.d. gradually expanded. At the end of 2020, DARS d.d. was responsible for the management of 623.3 km of motorways, 141.0 km of junctions, 22.3 km of interchanges and 38.0 km of other roads.

Table 5: Length of the network operated and maintained by DARS d.d. as at 31 December 2020

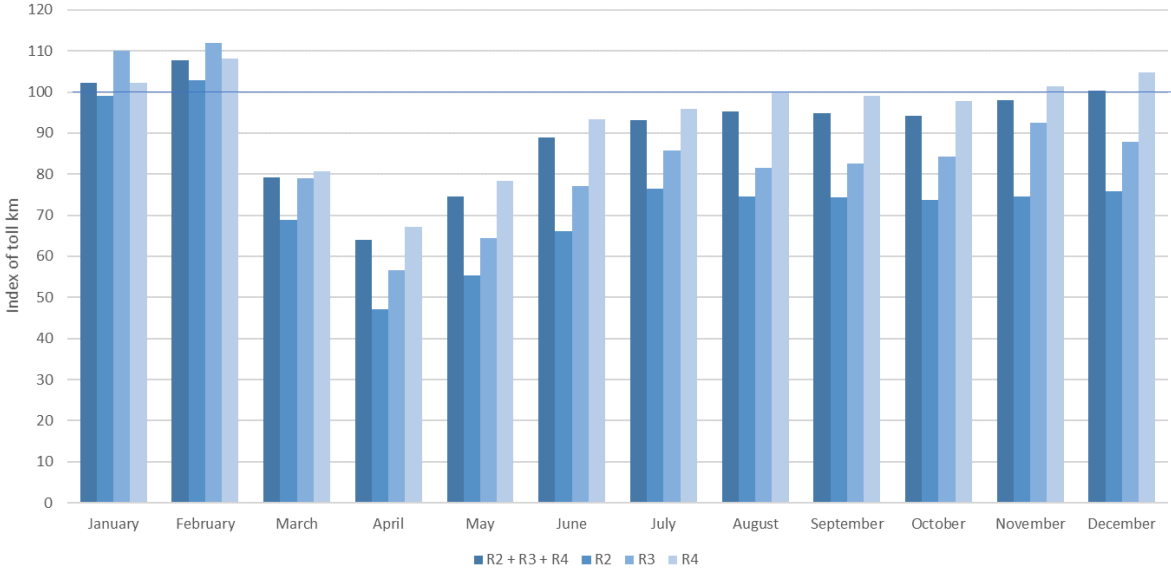
	Balance as of 31 December 2020 (in km)	MW and EW length (A)	Length of turn-offs	Length of link roads	Length of other roads
A1	Šentilj – Dragučova – Maribor – Slivnica – Celje – Trojane – Ljubljana (Zadobrova–Malence–Kozarje) – Postojna – Razdrto – Divača – Črni Kal – Srmin	245.266	11.782	58.265	12.436
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	38.344	12.308
A3	Divača (Gabrk) – Sežana East – Fernetiči	12.246	0.000	3.779	4.076
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	2.856
H2	Pesnica – Maribor (Tezno)	7.200	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	2.761
H5	Škofije – Koper (Škocjan) – [Dragonja*]	7.833	0.000	2.756	0.000
H6	Koper (Škocjan) – Izola – [Lucija*]	5.236	0.000	2.078	0.000
H7	MW A5 – Dolga vas	3.526	0.000	0.955	0.000
Total of MW and EW		623.311	22.260	140.974	37.989

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

Slovenia has had a vignette (toll sticker) tolling system for light passenger vehicles since the second half of 2008. As of 1 April 2018, vehicles with a maximum permissible weight exceeding 3.5 tonnes pay tolls electronically in free traffic flow (hereinafter "ETS") within the scope of the DarsGo system, in which tolls are collected throughout the network managed by DARS d.d.

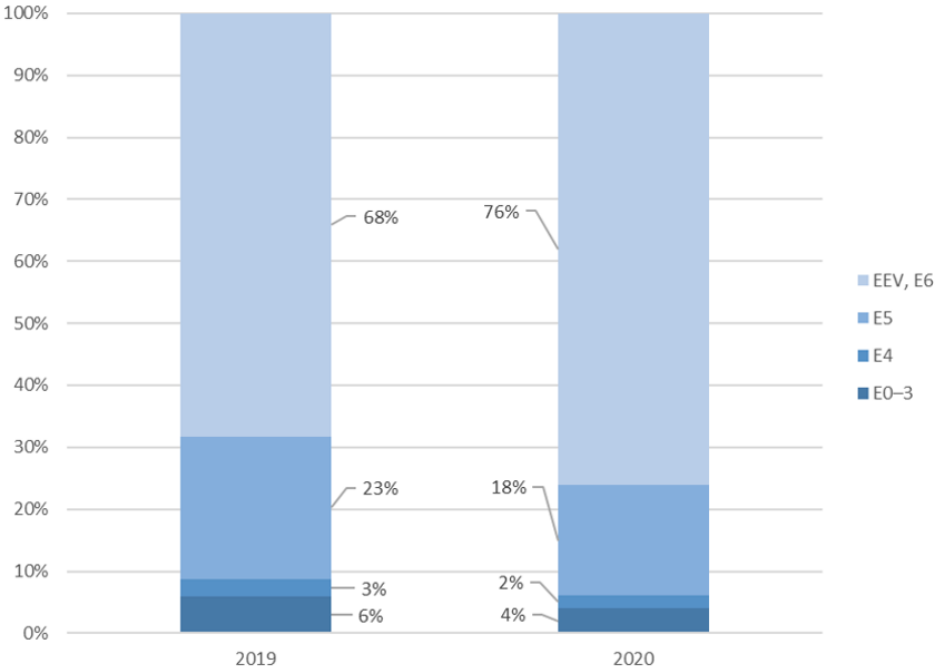
In 2020, the total number of toll kilometres driven by goods vehicles decreased by 9.4%. The main reasons for this are the measures adopted to curb the spread of the COVID-19 epidemic. The extreme decline in the number of toll kilometres while the measures were in effect during the spring wave of the epidemic (from 16 March to 18 May) kept gradually decreasing from June onward. The biggest decline in the number of toll kilometres occurred in the R2 and R3 toll-rate categories.

Figure 11: Monthly index of toll km of R2, R3 and R4 vehicles 2019/2020 throughout the MW network (w/o the Karavanke tunnel)



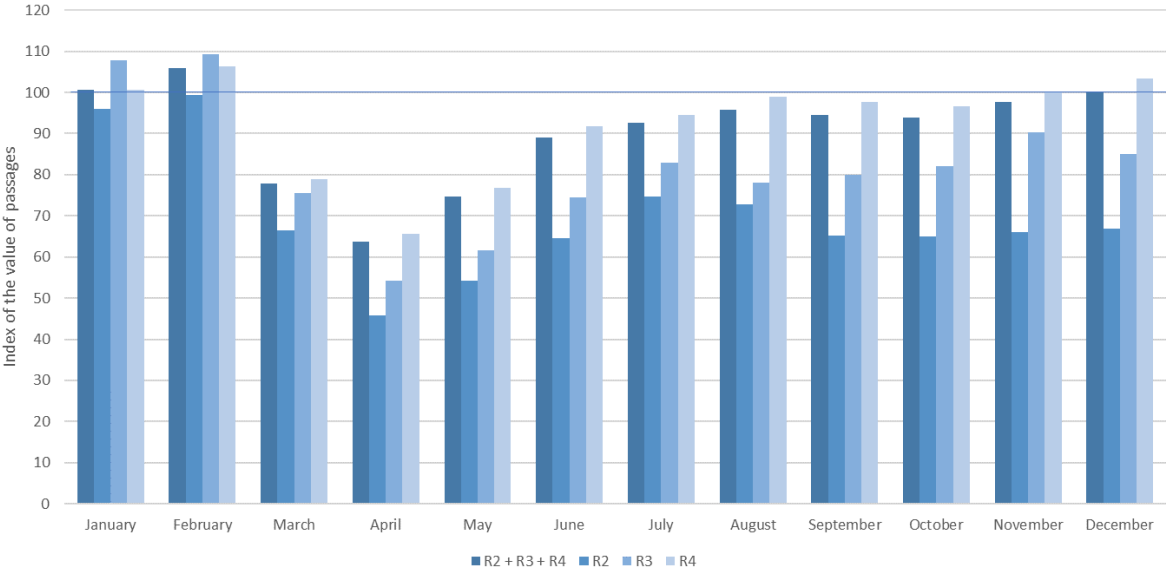
The number of goods vehicles in the low emission classes (EURO 0–3) has been decreasing on account of the increased number of cleaner goods vehicles, mainly in the EEV and E6 classes, which pay the lowest toll.

Figure 12: Share of toll km by EURO emission class in 2019 and 2020



In 2020, the value of good vehicle passages decreased by 9.9%. The decrease is the result of the measures adopted to curb the spread of the COVID-19 epidemic.

Figure 13: Monthly index of the value of passages 2020/2019 (for R2, R3 and R4) by month



The structure of payment methods in 2020 is similar to 2019. The largest share (62%) is attributed to the post-payment of tolls using payment cards. Prepayments account for 14% of the value of passages. As of 1 September 2020, customers who conclude a contract with DARS d.d. on deferred toll payment are no longer entitled to quantity rebates on their monthly toll usage and are considered the same as all other DarsGo system users in this respect.

Figure 14: Share of the value of passages by payment method in 2020

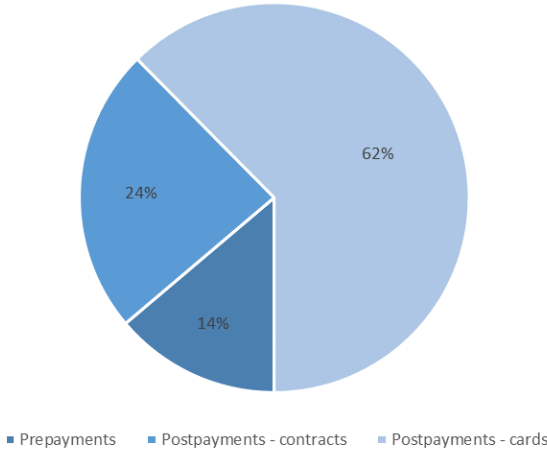
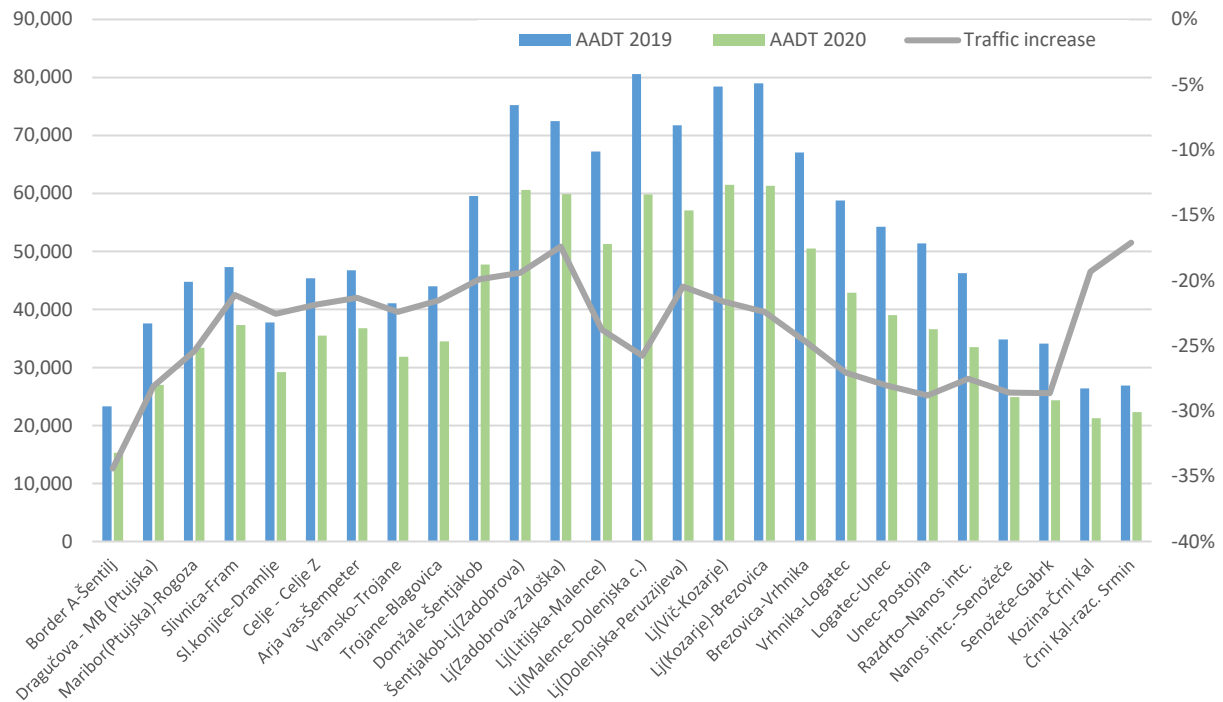
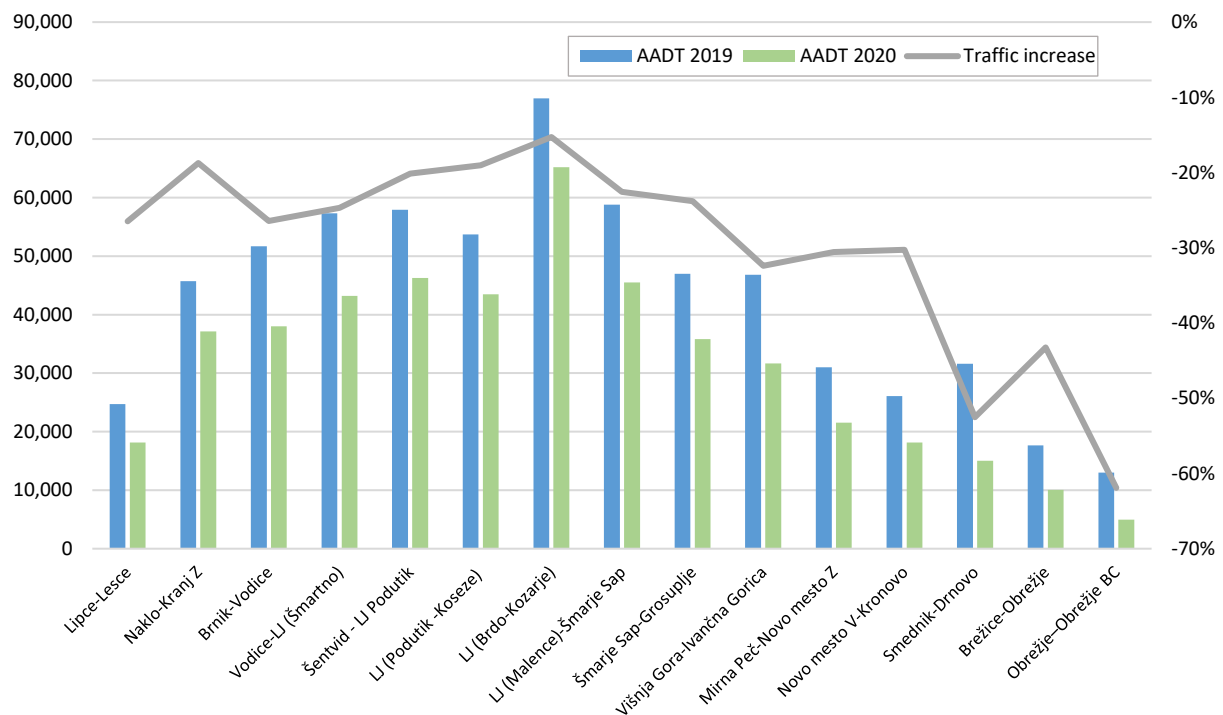


Figure 15: AADT comparison in 2019 and 2020 at selected A1 MW sections



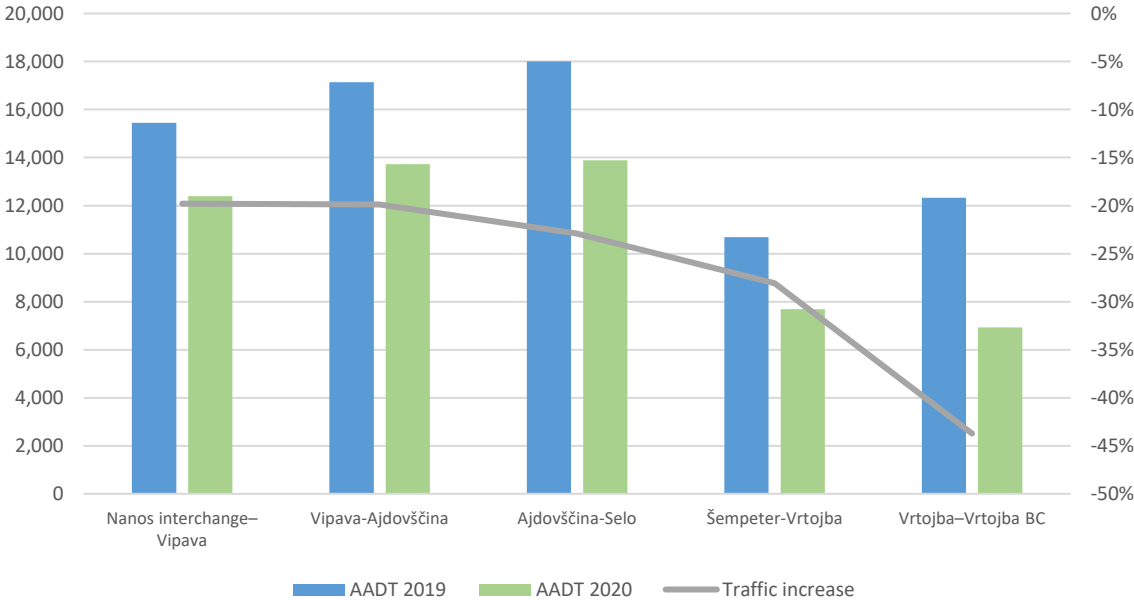
Traffic on the A1 decreased in all sections. On average, the AADT in 2020 decreased by about 25% compared to 2019. The reduction in traffic was least evident on the Ljubljana ring road and the Ljubljana radial roads, which had 20% less traffic on average. The Primorska leg of the A1 motorway saw a significant decline in traffic, as it is characterised by tourist traffic.

Figure 16: AADT comparison in 2019 and 2020 at selected A2 MW sections



Traffic on the A2 on the Gorenjska leg decreased by an average of 25% and the decline decreases approximately evenly in the direction of Ljubljana. On the Dolenjska leg of the A2, the decrease is much higher and increases towards Obrežje where it is extremely high – 65%. The LJ (Brdo–Kozarje) section remains the busiest section in Slovenia, and had an AADT in 2020 of 65,193, down 15% compared to 2019.

Figure 17: AADT comparison in 2019 and 2020 at selected H4 EW sections



The H4 expressway saw a relatively low decline in traffic (compared to other motorways or expressways) towards Ajdovščina, where it was 20% on average. The decline increases towards Italy, peaking at the section before the Vrtojba border crossing – 44%.

Figure 18: Motorway system in the Republic of Slovenia, December 2020



I.11 Investments in motorway development and reconstruction

I.11.1 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 d.d. pursuant to Article 4 of the ZDARS-1 in the name and on behalf of the Republic of Slovenia. The aforementioned tasks were realised in the amount of €13.8 million.

Table 6: Realised value of tasks performed on behalf of and for the account of the RS (in €)

Spatial documents and real estate acquisition	Turnover*
Spatial planning	2,013,119
Real estate acquisition	11,832,612
Total spatial planning documents and real estate acquisition	13,845,731

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

I.11.2 Investments on behalf of and for the account of DARS d.d.

In 2020, investment activities were performed in accordance with the ability to ensure financial sources. The value of motorway section construction and reconstruction in 2020 amounted to €118.9 million.

Table 7: Realised value of investments on behalf of and for the account of DARS d.d.

Motorway development	Turnover
DarsGo system	5,196,737
Design documents	8,355,473
Commencement of construction	2,507,652
Construction of sections for which design documents were prepared in 2020	42,505
Continuation of construction	11,533,220
Finishing works on motorways opened for traffic up to and including 2019	2,080,780
Other items	3,987,816
Motorway reconstruction works	56,367,345
Electrical and mechanical works and ITS	8,964,213
Traffic safety improvement	1,150,179
Rearrangement of small rest areas on the Slovenian MW network	119,838
Investments in management and maintenance	18,566,308
Total development and reconstruction of motorways and connecting roads	118,872,065

I.12 International cooperation and the acquisition of European grants

DARS d.d. has been trying to establish and maintain the best international connections possible for a number of years in line with its commitment to the Company vision, which is focused on integration in various areas.

In addition to the management of the Data Gathering and Analysis - Statistics committee (COPER IV) since 2017, DARS representatives also participate in the committee for tolling and concessions, the committee for road safety, the committee for ITS and in the ASECAP Executive Committee. That way, the Company co-develops the Association's plans of work and participates in the establishment of workgroups needed to achieve the key goals. Current topics where the ASECAP cooperates with the European Commission and the European Parliament mostly include an amendment of the so-called Eurovignette Directive, the introduction of a European electronic tolling system, traffic safety and developments in ITS, smart and sustainable mobility. In 2020, the European motorway operators focused primarily on the EU's central development strategy called the Green Deal. Following the outbreak of the epidemic and considering the urgency of addressing its consequences for the re-establishment of the European economy, the Green Deal plays an important role in planning the recovery of the European economy.

DARS d.d. received a total of €856,177.38 of grants within the scope of the Connecting Europe Facility (CEF) in 2020. For our largest cross-border project (the application for co-funding was filed together with Austria) – the construction of the Karavanke road tunnel – we received €459,405.86, which represents 10% of eligible costs. In cross-border cooperation and the harmonisation of ITS applications, the Company received €21,109.95 for the Crocodile 2 project, which ended in 2019, and continued with the Crocodile 3 project, for which it received €84,214.55 in 2020 (both projects are co-funded in the amount of 20% of eligible costs). For the C-Roads Slovenia pilot project, which is co-funded in the amount of 50%, the Company received €73,259.52, as well as €218,187.50 upon the launch of activities in the C-Roads Slovenia 2 project, which is the continuation of the original project.

I.13 Self-assessment using the EFQM Excellence Model



In compliance with the Recommendations and Expectations of the SSH, DARS d.d. 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 d.d. conducted the second self-assessment in 2018 and prepared a report containing findings, an action plan with 13 measures, as well as short-term and medium-term goals for Company operations in relation to quality and excellence. At the end of 2020, we launched a self-assessment according to the new EFQM 2020 model, which is set to be completed in the first half of 2021.

The Management Board places great significance on the Recommendations and Expectations of the SSH and has set the strategic goal "SC 6 Implementation of business excellence" with the key indicator "To achieve 500 points by 2020 with respect to the requirements of the EFQM model" as one of nine strategic goals in the "DARS d.d. Strategy for 2017-2020".

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.

I.14 Integrated management system



The integrated management system includes the quality aspect according to the requirements of the ISO 9001 standard, the environmental management aspect according to the requirements of ISO 14001, the occupational health and safety aspect according to the requirements of the BS OHSAS 18001 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, which is 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 2019, the Company established a data protection system as per the requirements of the ISO/IEC 27001 standard, which was integrated into the existing management system. The basis for the establishment of proper controls was the information risk assessment, which provides guidance for the introduction of the scope and number of measures in order to mitigate information risks to or below an acceptable level.

To ensure the credibility of the quality control system, environmental management system, occupational health and safety system, energy management system and information security system according to the requirements of the ISO 9001, ISO 14001, ISO/IEC 27001, BS OHSAS 18001 and ISO 50001 standards, these are successfully confirmed every year by an external accredited institution.

I.15 Internal auditing

Internal auditing activities at DARS d.d. are carried out on the basis of the Basic Charter on the Operations of Internal Auditing. Assurance and management activities were conducted pursuant to the hierarchy of internal auditing rules. We operated independently and autonomously, and we report to the management in terms of organisation and to the SB Audit Committee in terms of function.

The work was performed in compliance with the Strategic Internal Audit Plan and Annual Plan, which had to be adapted during the year due to the coronavirus pandemic situation. Both plans are based on the risks and include all identified and assessed types of risks, key Company documents and the instructions provided by the management and Audit Committee. The internal audit strategic plan and annual plans of work have been adopted by the Management Board and confirmed by the Supervisory Board of DARS d.d.

Activities were aimed at providing objective assurances to the Management Board and Audit Committee of DARS d.d. along with consultancy services, thus strengthening and protecting 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.

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

At the start of 2020, the internal audit initiated in 2019 was first concluded, which was followed by internal audits and consultancy services pursuant to 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. The work was conducted independently, while the security audit of the information system was done in cooperation with external associates. 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 Auditing. The development of Internal Auditing is realised with a quality assurance and improvement programme. Internal auditors upgraded their knowledge and supplemented the methodology, thus ensuring the professional and quality performance of internal auditing.



I.16 Sustainable development

The Sustainability Development of DARS d.d. report for 2020, which will be published as a separate document, will provide information on economic, environmental, social and governance effects and results of Company operations. The Strategy of DARS d.d. 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 identification of stakeholders' needs and interests. Our key motto is the connectivity of our business operations with all stakeholders.

I.16.1 Strategic management of sustainable development at DARS d.d.

DARS d.d. 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 d.d. as a responsible and forward-looking company.

The DARS d.d. Strategy for 2017–2020, which integrates the Company vision and its stakeholders with three key strategic guidelines of DARS d.d., is evident from the figure "DARS d.d. Strategy for 2017–2020" in Chapter I.3 Mission, vision, values and strategic policies. The central focus is on stable operations in the long term, which also significantly relates in content and strategic goals to the realisation of the first strategic policy (Provision of fluidity, safety and comfort to motorway users) with users as the target stakeholders and to the third strategic policy (Engaged and competent employees) with employees as target stakeholders.

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

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

Figure 19: The connectivity of the DARS vision and strategic goals with eight sustainable development goals

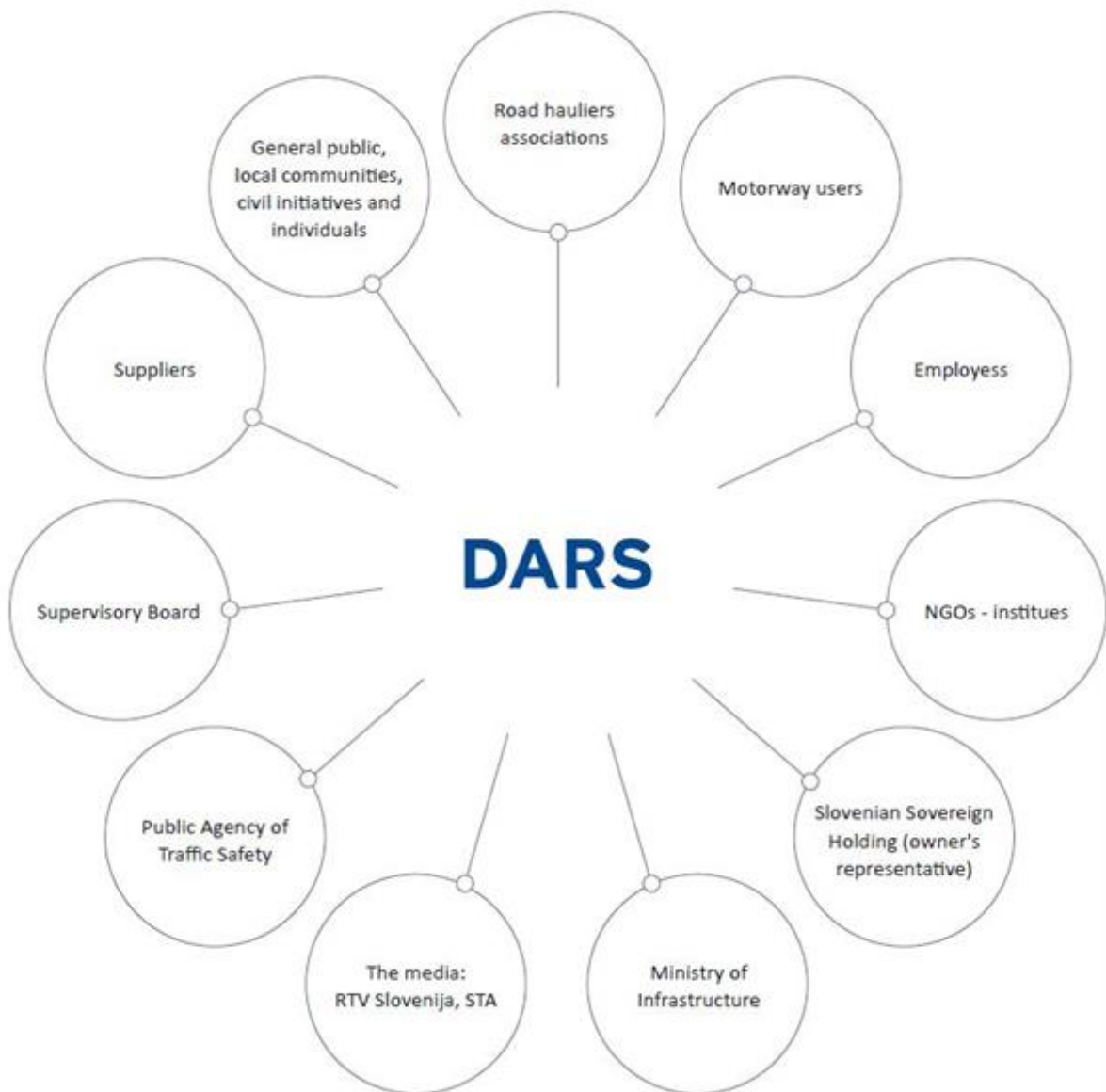


I.16.1.1 DARS d.d. and its stakeholders

The Company cooperates with its stakeholder groups in a correct and balanced way, while 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 on 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 d.d. 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 20: DARS d.d.'s relationship with stakeholders



I.16.2 Research and development activities

In 2020, DARS d.d. carried out 27 projects and 30 improvements in individual work areas and thus followed its business plan, strategic goals and vision. 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 actions. The system is developed in a manner ensuring the continuous improvements and innovations 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 2020, DARS d.d. continued implementing the road management project for the roads it operates. In addition to the current work with the PMS DARS expert system (PMS: Pavement Management System), which is performed using the dTIMS_CT software tool (Deighton's Total Infrastructure Management System with Concurrent Transformation), we successfully completed the introduction of the Bridge Management System (BMS DARS) in line with the time plan in 2020.

In the 2016–2020 period, DARS d.d. has been 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 2020, the pilot projects of C-ITS cooperative systems were implemented with mobile connections between vehicles and infrastructure with LTE networks and with a microwave connection (C-ITS G5) for information transmission between the infrastructure and vehicles. Internal tests were conducted and certificates were obtained. In 2021, it is planned to conduct cross-border tests in terms of interoperability.

Within the scope of the European Crocodile project, the Kažipot application was further developed towards 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 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 in this area that are being carried out include the digitalisation of the infrastructure (lidar and laser images of infrastructure, input of fixed and variable message signs in digital applications), digitalisation of the traffic data via traffic detectors (thermographic cameras, detection via fibre optics) and the transmission of this data from the infrastructure to the user (C-ITS, 5G, G5, IoT).

I.16.3 A responsible attitude to customers and user satisfaction

DARS products and pricing

The main product of DARS is the use of toll roads. DARS is not only a concessionary authorised to collect tolls and operate the motorway network, but it has also constructed most of the existing MW and EW network, which is a major civil engineering achievement in Slovenia with a major impact on the spatial, economic and social development of the country. Revenue from the sale of vignettes and toll collection from heavy vehicles account for the majority, i.e. 97%, of the Company's sales revenues.

The overall service of the Company also includes safety, fluidity and comfort in the use of motorway infrastructure, which are also the Company's strategic goals and a promise to its customers. The activities of numerous services ensure reduced socioeconomic costs of traffic accidents (human cost, medical costs, administrative costs, loss of production, etc.) and congestion (cost of time lost). 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.

Charging for the use of infrastructure and sustainable development

The normative regulation of toll collection has become a tool for achieving not only a single market and the non-discriminatory movement of goods, services and people in the EU, but also environmental goals through the amount of tolls and methods of charging tolls (for a fixed term or for a specific distance travelled). The European Community promotes progress in the application of the “polluter pays” and “user pays” principles, thus promoting a “financially and environmentally sustainable and socially just road traffic”.

The “user pays” principle is implemented by DARS d.d. when setting DARS d.d. toll prices, since it takes into account a calculation methodology that is based on the principle of consideration for infrastructure costs. By pursuing the optimum amount of tolls, DARS d.d. maintains road infrastructure 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 d.d. with its toll pricing policy for heavy vehicles that differentiates the infrastructure charge with respect to the impact caused by vehicles on the environment (social costs of air pollution), thus having a positive impact on the environment and air quality, since customers are encouraged to use cleaner vehicles when travelling through Slovenia.

In 2020, Slovenian roads carried over 94% of vehicles of the cleanest emission classes (EURO V, EEV and EURO VI), whereas only about a quarter of such vehicles were found on Slovenian roads in 2013. The upgrade of the vehicle fleet is the result of technical advances, tightened standards and business motives, whereby the toll pricing policy also contributes to the speed of upgrades. Until 2013, the initiative to use cleaner vehicles for travelling on Slovenian MW and EW was less, with the difference in the price much smaller (22.5% lower price for the cleanest vehicles, today 40%). The price difference indeed implies a certain risk for the stability of DARS d.d. toll revenue and calls for the regulation of revenue in such conditions with occasional price increases.

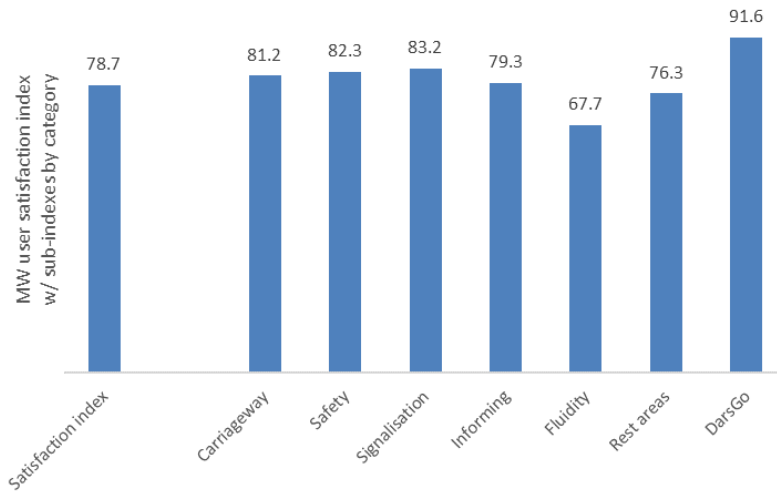
Customers and their satisfaction with Company services

In addition to the motorway infrastructure itself, a component part of the overall experience in the use of toll roads includes safety, fluidity and comfort in the use of the motorway infrastructure. These are also our strategic goals and our promise to users – our customers. For orientation in determining the necessary activities, DARS d.d. conducts the annual survey “Measuring the satisfaction of motorway users in Slovenia”.

Due to the COVID-19 epidemic situation, the data for the survey in 2020 was collected in a single round in the autumn (between 15 September and 16 October). The survey was conducted by Episcenter and included 1524 drivers, 80% of which were passenger car drivers and 20% were goods vehicle drivers. Domestic passenger car drivers provided their answers in an online survey, while domestic and foreign goods vehicle drivers were surveyed at chosen motorway rest areas.

In the survey, drivers ranked their satisfaction with 22 factors that were combined into these categories: carriageway, safety, signalling, information provision, fluidity, rest areas and electronic tolling (the last category was only assessed by goods vehicle drivers). The total satisfaction index was calculated from the ratings of all factors and amounted to 78.7.

Figure 21: Satisfaction by category



The results show that domestic motorway users are more critical than their foreign counterparts and that user satisfaction is higher among goods vehicle drivers.

Traffic fluidity is the weakest point in the users' opinion, although this sub-index has grown the most and stands at 67.6. Domestic passenger car drivers are the most critical in this field. Respondents, particularly domestic passenger car drivers, are most satisfied in terms of motorway fluidity or passability during maintenance and reconstruction works.

Rest areas are also somewhat lower-rated. On average, respondents rated the toilet facilities the lowest, with domestic passenger car drivers giving them an average of just 3.2.

The highest-rated this time is again the DarsGo electronic tolling system. This sub-index has the highest rating of all the fields (91.6). There are no significant differences between domestic and foreign goods vehicle drivers in terms of their ratings of the two items. The average ratings for overall satisfaction with DarsGo and for the accessibility of information are as high as 4.7.

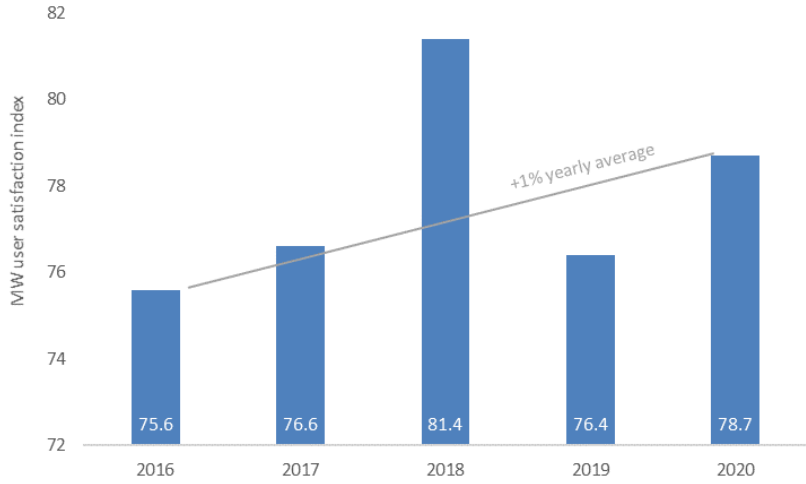
The better-rated fields, which were rated by all drivers, also include signalisation and safety.

The factors rated best by drivers in 2020 were comprehensibility of the traffic signalisation before and in motorway tunnels, general orderliness and cleanliness of the motorway and quality of ground markings. In addition to DarsGo electronic tolling, goods vehicle drivers also gave top ratings to all the factors in the category of the comprehensibility of signalisation and warning signs.

The Štajerska motorway leg is the best rated in 2020 (overall index of 83.5). In addition to DarsGo, signalisation is the highest-rated field here (sub-index of 87.8). The Gorenjska motorway leg is rated worst with a satisfaction index of 74.4. The worst-rated field of this leg is fluidity (sub-index of 66.5).

The motorway user satisfaction index in 2020 was 78.7 and has been growing by an average of 1% per year since 2016.

Figure 22: Motorway user satisfaction index



Sales channels and market communication as a reflection of the attitude towards customers

The responsible attitude of DARS d.d. towards its customers is reflected through its efforts to provide motorway and expressway users with simple access to a network of its own and contractual points of sale and a wide range of payment means, thus contributing to reduced transaction costs for customers and improved satisfaction.

Market communication in relation to the use of road infrastructure covers the provision of information on the obligations, terms and methods of toll payment, whereby DARS d.d. distinguishes between and addresses two customer segments – drivers of heavy vehicles and drivers of passenger cars. In that case, the goal is to enable ongoing toll payment, without unnecessary complications and to resolve warranty claims as quickly as possible.

To ensure the strategic goals and promises in the Company strategy – fluidity, safety and comfort – it is necessary to achieve the desired behavioural changes in customers, i.e. motorway users, in parallel with the technological, technical and organisational input. These changes include safe driving, observing proper procedures in the event of traffic accidents, the provision of information on road conditions, the use of infrastructure outside rush hours, the use of alternative routes or transport means during major reconstruction works that reduce fluidity, etc.

The provision of traffic safety requires two-way communication with motorway users, rather than merely one-way in the sense of information provision. The provision of enhanced safety not only calls for the operator's investments in infrastructure, but also for the modification of driving habits and culture. It involves a learning process that we wish to promote by using available marketing methods from market research to safety campaigns and advertising, as well as professional, educational and other events, as well as reputation management.

I.16.4 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. Due to circumstances related to the COVID-19 epidemic, these campaigns ran primarily on social networks and using applications, which are particularly efficient tools for campaign distribution. Below is a comparison of extraordinary events by year and the implications of traffic accidents on MWs and EWs by year, whereby the growth of extraordinary events and certain implications of traffic accidents have been recorded due to increasing traffic from year to year.

Despite the decrease in traffic caused by the pandemic, we detected numerous extraordinary events related to specific situations (goods vehicle convoys, border control, special traffic arrangements due to epidemiological measures, more maintenance and reconstruction, more road closures, etc.). Since a decrease in traffic does not mean a decrease in the number of events (as evident from the figure below), we conducted traffic management

and safety activities at the highest level (despite the limitations – infections of our employees and other stakeholders).

Figure 23: Comparison of extraordinary events by year

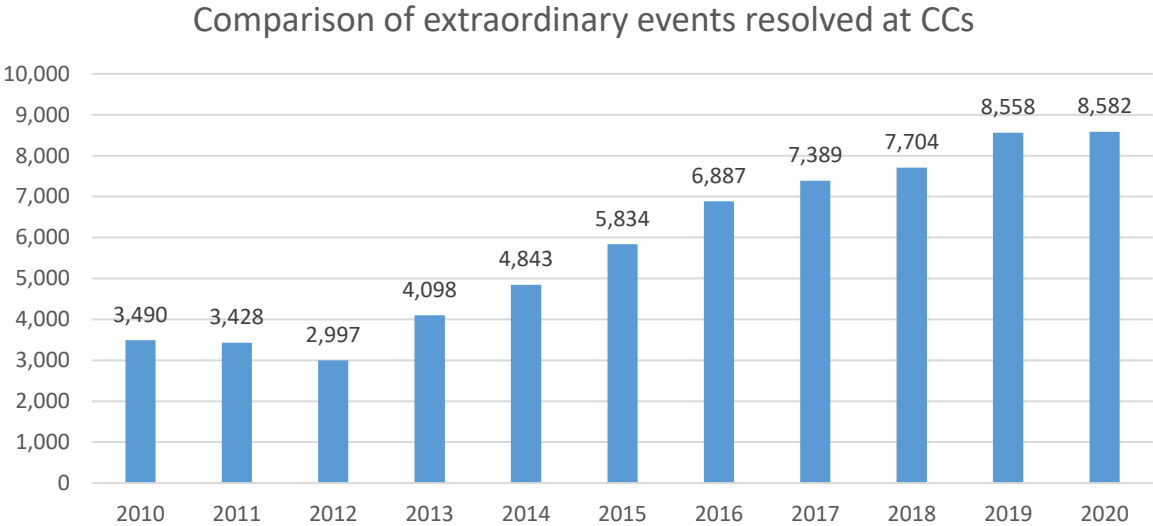
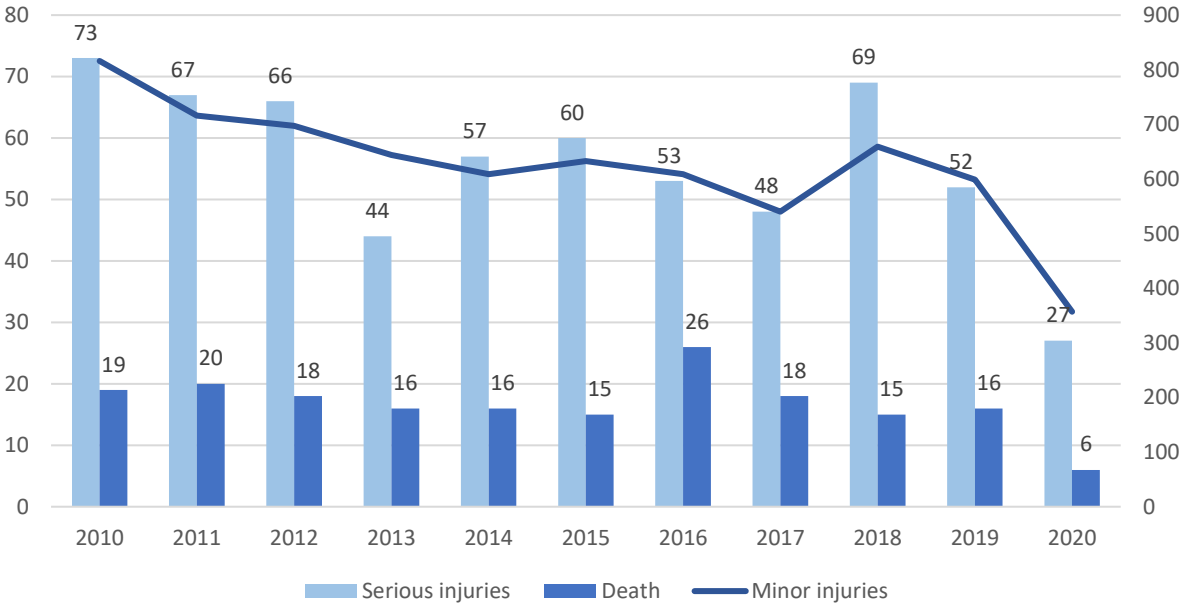


Figure 24: Implications of traffic accidents on MWs and EWs by year



I.16.5 Safety in tunnels

Extraordinary events

There were a total of 38 accidents and incidents in tunnels longer than 500 metres in 2020, where emergency services were needed along with the temporary closure of the whole tunnel or part of it. The most common primary causes for the events were vehicle breakdowns (34%), followed by other events (32%), e.g. obstructions, pedestrians, too high vehicles, and by category I or II accidents (18%). Three fire events were recorded due to self-ignition: two passenger cars and one goods vehicle. Tunnel traffic had to be temporarily closed, partially or fully, for a total of 37 hours. Passenger cars were involved in more than half of the events (55%), while goods vehicles were involved in 39% of the events. One participant was seriously injured in the events.

Among the individual events, it is necessary to highlight the fire events in the Pletovarje, Karavanke and Trojane tunnels, as well as the efficient operation of safety systems and the action of emergency services. The events passed practically without consequences and interrupted the normal flow of traffic for a total of only about 7.5 hours. The fire on the goods vehicle in the Pletovarje tunnel on 29 April 2020 had an increased fire potential, but it did not develop, including because the driver reacted with composure. In the case of a passenger car fire in the Karavanke tunnel on 3 February 2020, the efficient operation of the upgraded ventilation system was confirmed in practice, which enabled the safe movement of participants within the tunnel and coordinated action by the emergency services of both countries.

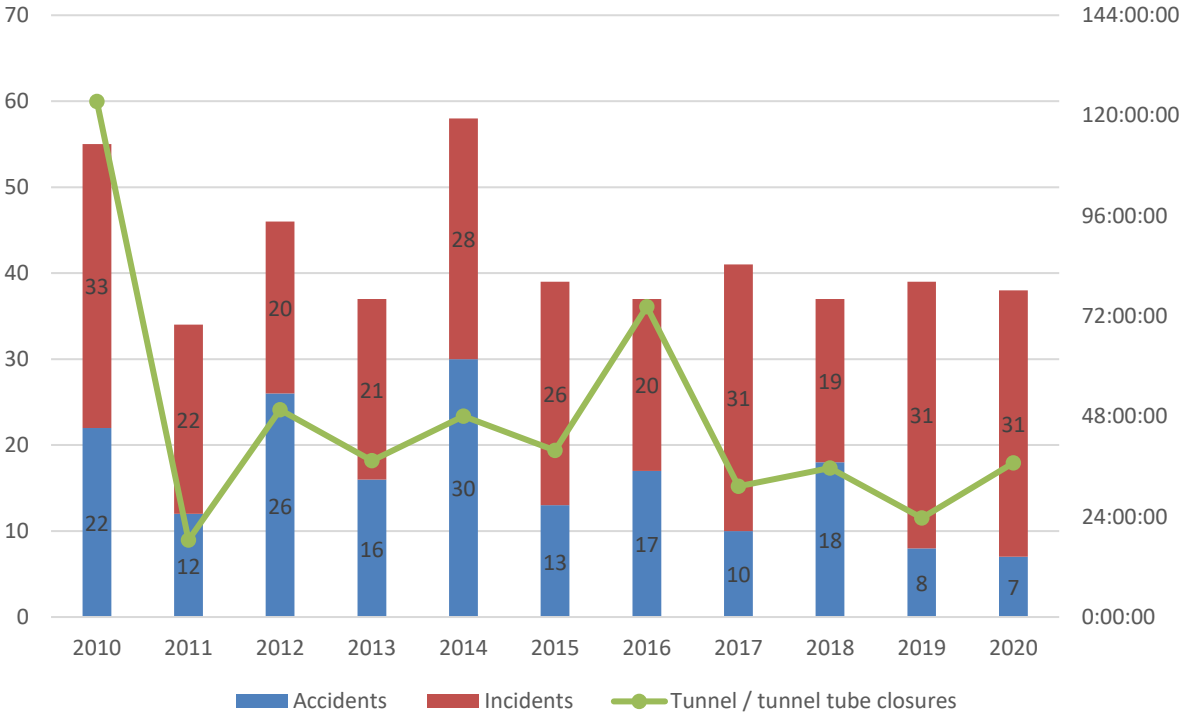
We should also mention the event involving multiple vehicles in the Trojane tunnel on 3 December 2020. Due to a failure to maintain a safe following distance in the tunnel, which was temporarily in blinking mode, a total of seven goods vehicles and one passenger car were involved in collisions at three locations across a distance of 1,500m, making access to participants in the middle difficult. One participant was seriously injured, and in addition to the damage to the vehicles, there was also minor damage to the tunnel lining. Unrestricted traffic through the tunnel was re-established after approximately 6.5 hours.

A longer closure of the tunnel was also required in the event in the Markovec tunnel on 6 October 2020, when the open-box bed fell off a tipper lorry after hitting a fan, leaving the damaged fan hanging from the ceiling.

We find that:

- the number of events is still relatively small and at a level comparable to recent years;
- these events were caused by the actions of users, which is something DARS d.d. has almost no direct influence on;
- the direct consequences of the events were minor for those involved and the tunnels with installed equipment;
- no concentration of events was identified;
- the operation of tunnel safety systems and the response of competent services to extraordinary events was efficient.

Figure 25: Accidents and incidents in tunnels longer than 500m from 2010 to 2020



Rescue drills and employee training for extraordinary events in tunnels

DARS d.d. unit drills and training and joint training for heads of rescue services for tunnels longer than 500m are set out in operating plans for protection and rescue. Seven rescue drills were planned for 2020, but they were postponed indefinitely due to the COVID-19 epidemic. They will be carried out in 2021 as soon as the health situation allows it, together with the practical exercises for the Trojane tunnels, the tunnels on the Ljubljana ring road and the Karavanke tunnel (the joint exercise of Austrian and Slovenian units will be organised by ASFINAG).

The COVID-19 epidemic is also the reason why the realisation of the periodic training programme for DARS d.d. units and the joint training for heads of rescue services for individual tunnel systems in 2020 was as low as 14%. The remaining activities will be carried out in 2021.

I.16.6 Projects in traffic management and concern for user safety

DARS d.d. 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 technicians and other on-site interventions is ensured using modern equipment and an ever-faster flow of information.

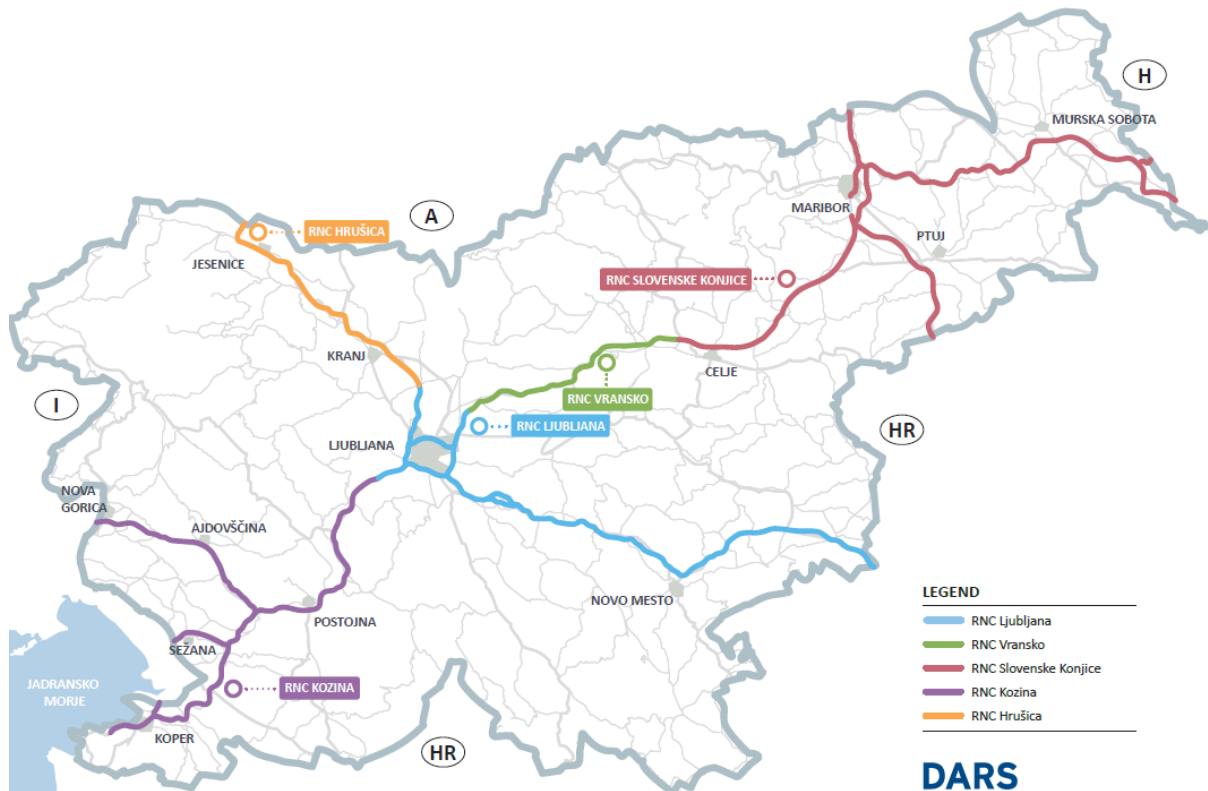
I.16.6.1 Traffic control and management

24/7 traffic control and management

The Kozina, Ljubljana, Vranksko, Slovenske Konjice and Hrušica Control Centres and their teams of traffic supervisors see to uninterrupted traffic control and provide optimum safety and fluidity on 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 for traffic control and management at the national and international level, ensuring that international traffic management plans are implemented without interruptions.

The figure below shows the areas covered by a particular traffic control and management centre at DARS d.d. on the Slovenian MWs and EWs working 24/7.

Figure 26: Traffic Control and Management Centres



Accidents involving fires in tunnels and major changing weather conditions, such as sleet, reduced visibility, snow blizzard, heavy winds and mass traffic accidents, call for maximum expertise and proper actions by 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 2020, 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 stakeholders (Police, Administration of the Republic of Slovenia for Civil Protection and Disaster Relief, Toll Supervision, etc.).

Motorway traffic is controlled by qualified certified traffic supervisors

In 2020, the training of traffic supervisors continued with the aim of obtaining the national vocational qualification of road traffic supervisor. Traffic supervisors at RCC Ljubljana successfully completed training using the Šentvid tunnel simulator. The training is organised and held once per year. The TCMS simulator acquisition project continued in 2020, i.e. progress was made at its 2nd stage (out of a total of four stages, which are expected to be completed in May 2021), which included starting the simulator at the Dragomelj facility.

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

DARS d.d. 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 d.d. 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_za_javnost/5/prometna_varnost, www.promet.si and on social networks) were carried out to provide 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” at which the personal experiences of those injured in traffic accidents are presented.
- **“You are not safe in the motorway emergency lane”**. This is the oldest preventive campaign of DARS d.d. and we will use it again, as there are still instances of drivers wrongly driving in the emergency lane, even though they should not.
- **“Save a life”** – Observe proper positioning in case of congestion on the motorway, thus allowing emergency teams to arrive at the place 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” and “Speed” 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
- Additional signs for safety distance
- 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 erection of additional safety barriers and crash cushions

Management of intelligent transport systems (ITS) or smart motorways

- Integration of new variable message signs (VMS) at the Kompolje control point (CP) in the Traffic Control and Management System (TCMS)
- Integration of new VMS at the Pesnica CP in the TCMS
- Integration of new VMS at the Prepolje CP in the TCMS
- Integration of new VMS in the TCMS at MW section Brezovica–Divača including the Gabrk–Sežana MW interchange (CC Kozina) – partly
- Integration of new VMS in the TCMS on parts of the northern, eastern and southern Ljubljana ring road and on the Zadobrova–Lukovica MW section (CC Ljubljana) – partly

- Integration of refurbished VMS in the TCMS (Senožeče, Kastelec, Dekani, Bertoki 1, Bertoki 2, Fram–Slivnica, the semi-gantry on the bridge crossing the Mura river)
- Implementation of 24 new traffic counter sites, of which 22 sites enable the detection of driving in the opposite direction
- Implementation of VMS at the Podlehnik–Gruškovje MW section and integration in the TCMS
- Implementation of new IP cameras for video surveillance
- Implementation of the C-ITS pilot project

Implementation of European projects

Within the scope of the European Crocodile project, projects to exchange traffic data with neighbouring countries continue. The Crocodile III project is underway and is based on the renovation of control centres in terms of enhanced data exchange and preparation of international traffic management plans.

Within the scope of the European C-Roads project, pilot projects were implemented with both microwave and mobile technology in the area of the Primorska motorway leg. The basis for a hybrid system and data transmission from tunnel systems to the Kažipot and C-ITS devices was prepared in the continuation.

I.16.6.2 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 and information is available to users in a few seconds. 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 d.d. follows the development of information channels and the detection of events by regularly introducing new technologies, pilot systems and by participating in international workgroups 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.

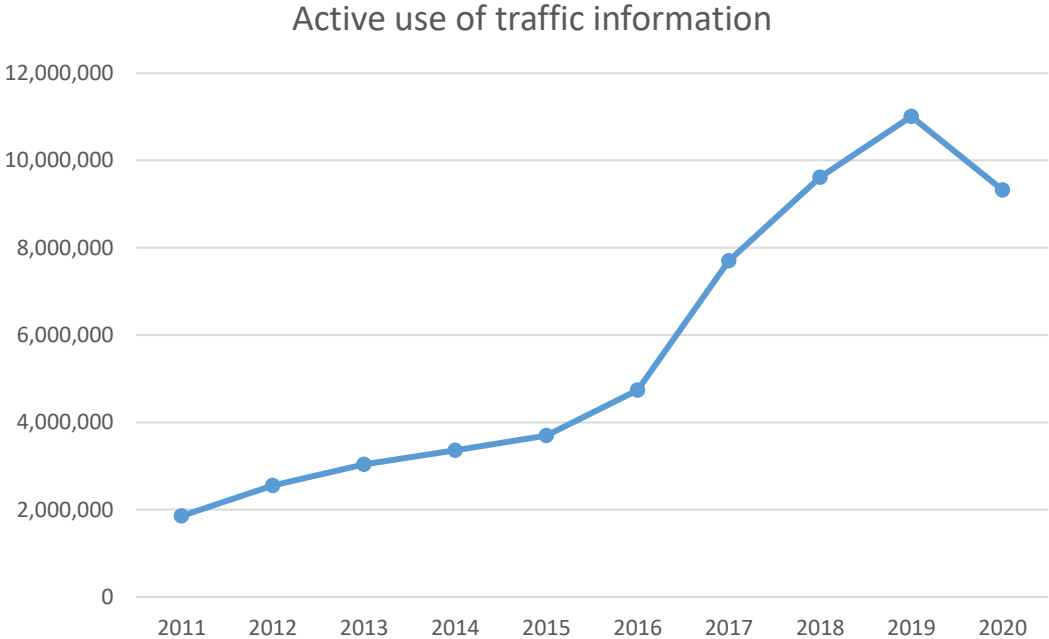
It is now possible to create your own user account (My PIC), through which the user may subscribe to information by email, e.g. weekly traffic forecast, special warnings for trucks, etc.

In the past 14 years, the Traffic Information Centre:

- sent over 460,000 pieces of information on events occurring on the national road network: on average, 32,680 a year, 2,723 a month and 91 a day,
- received over 1,000,000 calls in the last eight years alone, while the website was visited by over 10,000,000 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 2019. In 2006, the TIC reported about 11,545 events and, in 2019, about 107,346 events. The year 2020 was an exception, as the impact of the COVID-19 crisis on traffic was also reflected in the number of events. As a result, the need for traffic information decreased, which was particularly evident during the morning, afternoon and seasonal rush hours.

Figure 27: 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, mobile phone app and calls made to TIC).

Due to the COVID-19 epidemic situation, active use of traffic information provided by the TIC decreased to the level from 2018. In traditional media, the decrease was even bigger, but we managed to mitigate it by becoming more active in the use of new tools (Twitter, Facebook).

International traffic management (TMP)

DARS d.d. has cooperated with neighbouring countries in international traffic management for several years. In 2018, the Company started a new project to produce international traffic management plans with all neighbouring countries. In 2019, plans were harmonised and drawn up with the first tests successful, after which the system was put into service by control centres run by motorway operators from five countries (Austria, Croatia, Italy, Hungary and Slovenia).

Although development in this area was also slowed by the COVID-19 epidemic situation, some progress was made. In 2020, we performed some tests, and we also used the plans in practice several times. We also used the time to eliminate technical and organisational obstacles to the integration of the system into the information systems of individual centres in neighbouring countries.

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.

In 2020, we successfully completed the procedures for starting the production of national plans, which will be modelled on their international counterparts. Of course, many local specifics and limitations will have to be taken into account. Work and experience in international projects, which are prepared in accordance with European guidelines, are of great help in the improved implementation of national plans.

I.16.7 Human resources management

Engaged and competent employees are one of the three strategic guidelines of DARS d.d. deriving from the adopted DARS d.d. Strategy for 2017–2020. The key strategic goals within the scope of that strategic guideline are:

- constant strengthening of competencies;
- leadership development;
- provision of a creative, safe and stimulating environment.

Employees at DARS d.d.

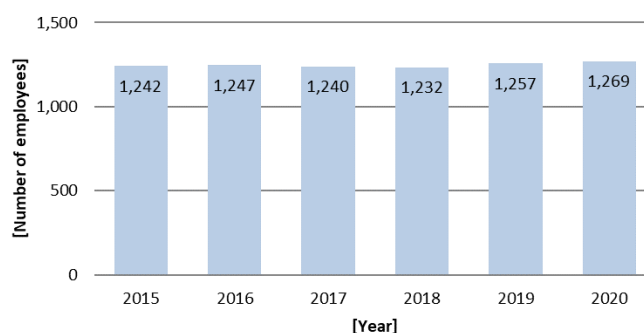
Table 8: Key data on DARS d.d. employees for 2019 and 2020

	2019	2020
Status of employees at DARS d.d.		
Number of employees at DARS d.d. - incl. replacements	1257	1269
Number of employees at DARS d.d. - excl. replacements	1249	1263
Demographic data on employees		
Average age of employees	46 years	46.4 years
Percentage of women employed	25.6%	25.5%
Employee education structure		
Percentage of employees with up to level 4 education	35.9%	35.5%
Percentage of employees with level 5 education	32.8%	32.2%
Percentage of employees with level 6 education	18.2%	18.7%
Percentage of employees with level 7 or higher education	13.1%	13.6%
Social security of DARS d.d. employees		
Number of solidarity benefits granted	59	53
Number of employees with disability status	44	46
Number of procedures introduced for disability recognition	27	19
Number registered in voluntary pension insurance	52	52
Sick leave rate	6.58%	6.56%
Employee development – education and training		
Scope of education in hours per employee	21	10
Value of training per employee	209	131
Number of participants in education	3654	1786

Employment

In order to achieve the set business objectives for 2020 and uninterrupted operations, the Company recruited new people pursuant to the adopted Operative implementation section of the HR plan for 2020. A total of 67 external and 37 in-house vacancy notices were published in 2020, i.e. a total of 104 vacancies. DARS d.d. hired 53 workers, while 41 workers terminated their employment.

Figure 28: Number of employees at DARS d.d. from 2015 to 2020



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 Company employees plays an important role in the development of human resources. The year 2020 was particularly marked by the coronavirus pandemic, which also had a major impact on the organisation of work, sick leave and other absences in line with the intervention measures the state adopted to mitigate the consequences.

In 2020, there were 19 disability procedures pending, whereby eight employees were granted a disability status anew. The employer continued its initiatives for retirement with additional severance pay and possibilities for retired persons to perform temporary or occasional work. In 2020, 23 employees retired, while 39 employees continue to work after fulfilling the conditions for retirement. There were 18 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.

In 2020, justified absence from work, mostly sick leave, amounted to 6.56% with respect to regular work, which is, after three years of growth, 0.02 percentage points lower compared to 2019. Absences due to illness in 2020 fell by 24.79% compared to 2019, while the share of absences due to coronavirus was 15.75% with respect to regular work, which includes isolation, quarantine, force majeure, furlough, etc.

HR development

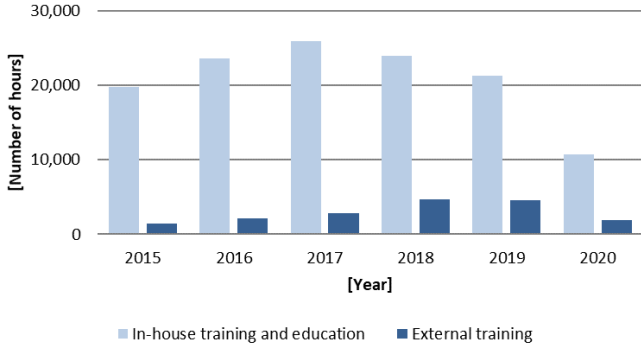
In accordance with the strategic goals of DARS d.d., the SSH guidelines and the HR development and training plan for 2020, our efforts in HR development were focused on the identification of key workplaces, key staff and talent at DARS d.d. These activities formed the foundation for the preparation of the in-house succession policy which will ensure the long-term HR planning and identification of potential staff and successors for the workplaces and positions that significantly contribute to the business performance of DARS d.d. and its strategic development. These activities largely involved managers who identified key staff and received training on how to conduct annual development interviews with employees.

The COVID-19 epidemic in 2020 significantly affected the scope of education and training courses and how they were carried out. A total of 12,585 training hours were carried out, 51% fewer than the year before. 1,786 employees participated in the training, which is also 51% less than the year before.

A total of 10,682 training hours were provided in-house, which is half less than in 2020. The number of employees who participated in in-house training is also 51% lower than the year before, considering that 1,594 employees received in-house training in 2020, which was provided mostly in the form of online seminars and workshops. The topics discussed in the in-house training and education mostly included the use of digital tools for remote work and communication and the use of other computer tools. The courses provided covered foreign languages, training, personal data protection and the GDPR. When the situation allowed it, and taking into account the relevant preventive measures to curb the spread of the epidemic, other courses were also held, e.g. communication training for dealing with difficult customers and safe driving training.

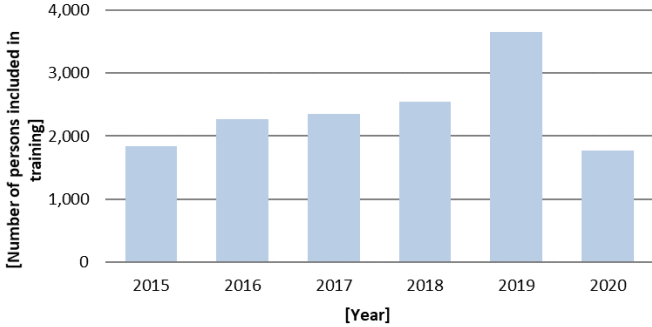
Due to the COVID-19 epidemic, external training was also largely provided in digital form. In 2020, a total of 192 employees attended external training for keeping track of professional development, technological and legislative changes. A total of 1,903 training hours were carried out, 59% fewer than the year before.

Figure 29: Overview of training hours for 2015–2020



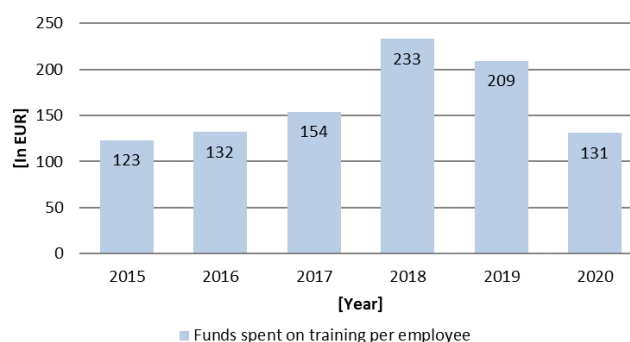
Digital business and work in 2020 became the foundation of survival, as it largely enabled work to be carried out despite the limitations on life and work due to the COVID-19 epidemic. DARS d.d. strives to ensure quality digital business in all areas of work both for the users of our services and for employees, which is why one of the key goals of training is that all our employees are well-trained and skilled to work in a digital environment.

Figure 30: Number of persons included in training in the 2015–2020 period



A total of 36% less funds than the year before were spent on training and education of DARS d.d. employees in 2020. Due to the limitations imposed on training by the epidemic, 44% of the funds were spent on in-house training, while as much as 56% was spent on external education. The total number of training hours per employee in 2020 equals 10 hours and is 52% lower than in 2019. The value of training per employee is 37% lower compared to the year before and equals €131.

Figure 31: Value of funds spent on training per employee in the 2015–2020 period



HRM projects

In addition to training and education, other activities in HR development were conducted in 2020:

Identification of key workplaces and key staff and the preparation of a succession protocol: In accordance with the adopted HR development and training plan for 2020, our priority tasks in HR development included the identification of key workplaces and key staff. We began systematically identifying and evidencing the key workplaces and staff who significantly contribute to the realisation of DARS d.d.'s strategy and business objectives. Employees at key workplaces at DARS d.d. have extensive know-how, well-developed skills and abilities for the efficient performance of complex tasks, which is why we decided to formulate a DARS succession protocol in the continuation. This enables systematic career development for dedicated employees and at the same time introduces a continuity of quality in the performance of our services for all stakeholders of DARS d.d.

Introduction of annual development interviews: Annual development interviews with employees are a foundation for successful employee management and development. They enable the identification of ambitions and the guidance and development of employees' talents. In 2020, all substantive and organisational bases for the introduction of annual development interviews with employees were formulated. Training of managers for their quality implementation was also organised and carried out.

Measurement of the organisational climate and employee satisfaction: As every year, the organisational climate and employee satisfaction were measured in 2020, despite the limitations related to the COVID-19 epidemic. Compared to the previous year, the results show a better assessment of the organisational climate and greater employee satisfaction and engagement. There are challenges in specific categories, e.g. internal communications and information provision, the reward scheme and career development, and certain measures were adopted to address them.

Partnership project with KoC LOGINS: DARS d.d. re-entered the partner project of the KoC LOGINS competence centre for logistics in 2019, within the scope of which it obtained a total of €37,000 from the European Social Fund for employee training, which can be drawn in the 2019–2022 period. In 2020, we managed to carry out €10,150 worth of training through the in-house training provided.



DARS is a family-friendly company: Based on the adopted measures deriving from the acquired full Family-Friendly Company certificate, activities continued in 2020 that make it easier for employees to coordinate their job duties and family life.

I.16.7.1 Development of a safe working environment

In 2020, the risk associated with the coronavirus pandemic compounded the existing efforts to ensure a safe and healthy work environment. DARS d.d. began to implement preventive measures immediately after the outbreak of the virus in Slovenia. The Management Board appointed a special coronavirus risk management team that regularly monitors the situation and adopts organisational and other measures as necessary.

The team also participated in the purchase of certain working and office equipment that has to be manufactured according to regulations and has to provide a greater level of safety and comfort in use. All working equipment in 2020 was inspected and serviced regularly despite the coronavirus epidemic. Office employees doing mostly computer work who wish to stand for a while during their work received height-adjustable desks. They could also opt for ergonomic mice.

In 2020, we performed in-house site inspections, both in the field and at motorway maintenance centres, and compiled reports. We conducted safe work training tests for employees. Throughout the year, we conducted service inspections of fire extinguishers and hydrants, as well as maintenance of active fire protection systems.

Our employees regularly went for medical examinations by certified occupational medicine specialists, except during the period when occupational medicine was suspended due to the epidemic. Measurements of employees' exposure to dust and exhaust gases during road milling, chemicals during the construction of road surface markings and exhaust gases during toll supervision were also performed. The values were not exceeded anywhere. In line with the measures laid down in the risk assessment, the Company in 2020 began purchasing solar panels to power the signs used in road closures, as well as battery packs and thin LED signal lights for installation on temporary road closure traffic signs (to replace the heavy batteries). Access to structures (gantries, shafts, etc.) behind steel/concrete safety barriers taller than 80 cm was provided with the placement of special ladders. The safety of employees at work has been included in the 2021–2025 Strategy as one of the major elements in the successful planning of Company development. One major operative strategic goal is a reduction in the number of persons injured at work by 10% by 2025.



Accidents at work

There were 28 workplace accidents resulting in worker injury recorded at the Company in 2020. As usual, the majority of the injured were maintenance technicians (25), including two toll supervisors and one employee from the business field. What is important is that none of the injuries resulted in disability. All employees who were injured in 2020 also completed treatment that year.

I.16.8 Responsibility to the natural environment

In light of its mission, the Company built and manages a motorway network that is closely linked with the natural environment during the spatial location stage, management stage and future motorway network development stage. The Company is committed to environmentally friendly actions in all stages of operations and the continuous reduction of adverse environmental impacts.

DARS d.d. systematically manages the environment and energy, as confirmed by the acquired international ISO 14001 and ISO 50001 standards.

DARS d.d. ranks among the larger energy consumers in Slovenia with an annual energy consumption of 42.66GWh (in 2020). With respect to Company processes, which are characterised by the need for tunnel management and lighting, as well as road management and maintenance, electricity accounts for the largest share of the total energy consumption (50.8%), followed by fuel (39.3%) and heating of facilities (9.9%).

The Company's 2017–2020 Strategy places great importance on energy efficiency and environmental protection and as such lays down an operative goal referring to the improvement of key energy efficiency indicators in order to rationalise costs:

- The electricity consumed will reduce by 10% by 2020 with respect to the existing electricity users.

- To reduce energy product consumption for heating by 10% by 2020 with respect to the 2015 baseline year.
- To reduce CO₂ emissions from energy products for heating by 20% by 2020 with respect to the 2015 baseline year.
- To reduce average fuel consumption for work vehicles and machinery by 2% by 2021 with respect to the 2018 baseline year. To reduce average fuel consumption for light goods vehicles by 5% by 2021 with respect to the 2018 baseline year.

Total energy consumption

The table below shows energy consumption and trends in energy consumption by energy product. A comprehensive approach to managing energy and pertaining measures has allowed the Company to reduce the consumption of electricity and heating; a substantial part of the measures was executed on the basis of energy audits.

Table 9: Energy consumption

		2015	2016	2017	2018	2019	2020
Electricity	MWh	25,735	25,181	24,526	23,598	22,584	21,670
Fuel	MWh	16,384	17,538	16,369	18,662	18,081	16,752
Natural gas	MWh	1,866	1,524	1,676	1,443	1,386	1,564
LPG propane	MWh	2,018	2,253	2,123	1,964	1,857	1,736
LPG propane-butane	MWh	1,171	1,225	1,105	852	475	428
Heating oil	MWh	238	344	291	238	97	58
District heating	MWh	586	810	778	638	550	
Biomass	MWh						452
Total	MWh	47,998	48,875	46,868	47,395	45,030	42,660

Other detailed data and demonstrations of responsible actions in respect of the environment will be indicated in the Sustainability Report for 2020, which is an independent document.

I.16.9 Inclusion in the wider society

The local community is included in all stages of the siting of the motorway in the physical space and its proposals and incentives are observed in an appropriate manner.

Recognitions and awards

In recent years, DARS d.d. 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 d.d. 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.

Commitments to external incentives

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

Membership in international associations

DARS d.d. actively cooperates with related companies abroad and is a member of international organisations, such as 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), and it 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. A detailed presentation of the Company's international cooperation is given in Chapter I.12 International cooperation and 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 roads operated by the Company. Funds are dedicated to projects in traffic prevention and to expert meetings related to traffic, safety, construction, maintenance and operation of motorways and expressways.

Sponsorships and donations

Donations are typically given to a major humanitarian project, i.e. children in the Botrstvo project, which is carried out by the Association of Friends of Youth Ljubljana Moste-Polje. Pursuant to Company by-laws, the remainder is earmarked as a priority for projects relating to traffic safety, raising awareness on proper conduct in traffic, support for humanitarian and social activities for children and to fire brigades and others intervening upon emergencies on the motorway system operated by the Company.

I.16.10 Responsibility to suppliers/contractors

In 2020, DARS d.d. successfully cooperated with suppliers/contractors at home and abroad, although most business cooperation was focused on suppliers/contractors from Slovenia providing services, goods and construction works with respect to the specific nature of operations.

Criteria for awarding a public contract

When procuring goods, services and construction works, DARS d.d. is bound to observe the Public Procurement Act. Criteria for awarding a public contract are laid down in detail in Article 84 of the Public Procurement Act and require a contracting entity to award a public contract based on the most economically advantageous tender. The Decree on green public procurement was published in the Official Gazette of the Republic of Slovenia, Nos. 51/17 and 64/19. Pursuant to the Decree, green public procurement is mandatory for 33 subjects of public procurement.

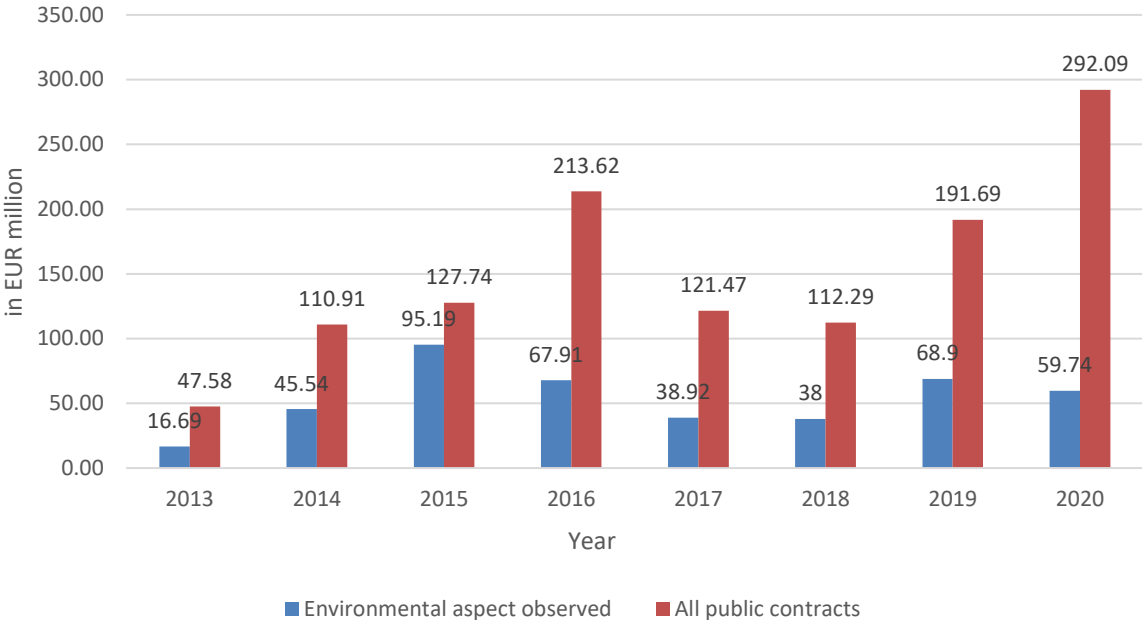
Suppliers of products and services (local, foreign)

The Public Procurement Portal eJN¹, 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 2020 shows that 1,012 contracting entities awarded public contracts in the total amount of €3,909,623,930.57 (excluding VAT). The number of published invitations to tender was 6,660 and the number of public contracts awarded was 5,516. The environmental aspect was taken into account in 3,517 or 22.66% of the contracts awarded.

¹ Source: <https://ejn.gov.si/statist>

Changes in the total public contracts awarded by DARS d.d. and the growth of public contract value in which the environmental aspect was observed from 2013 to 2020 (in € million) are shown below.

Figure 32: All public contracts and environmental public contracts from 2013 to 2020



The data for 2020 shows that DARS d.d. awarded public contracts in the total amount of €292,088,498.02 (excluding VAT). The total number of published invitations to tender was 169, while 194 public contracts were awarded 194. The environmental aspect was taken into account in 33 or 19.53% of the contracts awarded which in terms of value means €107.09 million or 36.66%.

1.16.11 Communication

Communication strategy

DARS d.d. 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 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 d.d.; 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.

DARS d.d. 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 major business publications and events on its website and SEOnet every year.



I.17 Report of the Supervisory Board for 2020

In 2020, the Supervisory Board Members acting as owner's representatives were

- Jožef Zimšek (Member),
- until 23 June, Boris Božičnik (Vice-Chair), Matej Čufer (Member), Andrej Hudoklin, MSc (Member),
- as of 24 June, Štefan Šumah, PhD (Member), Anton Guzej (Member),
- from 24 June to 6 July, Pavle Hevka (Member), then Chairman, Robert Rožič, PhD (Member), then Vice-Chair,
- until 6 July, Jože Oberstar – Chairman, then Member.

The Supervisory Board Members acting as employee representatives were Martin Stožir and Darko Kodrič until 5 June, Igor Kolar until 3 July and Nataša Ivančević and Branko Švigelj as of 4 July.

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.

Members are active at the meetings 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 harmonised activity of the Supervisory Board is confirmed by the fact that in 2020, all but one decision was adopted unanimously. The discussions show that the members of the Supervisory Board thoroughly prepared themselves for the meetings 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 and comprehensive written and oral information received from the Management Board pursuant to the rules of procedure, Company acts and statutory powers. The members attended the meetings regularly.

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 Supervisory Board assesses the operations of the Management Board of DARS d.d. appointed in July 2020 as successful. The Chairman of the Supervisory Board and of the Management Board worked together, including outside the official meetings.

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. The Supervisory Board regularly informed the interested public.

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

In 2020, the Supervisory Board of DARS d.d. met at 10 regular meetings and 8 correspondence meetings, at which it discussed the regular reports on Company operations and other current matters and important issues. At the meetings, it also discussed and decided on other matters for which it is responsible under the law, other regulations and the Articles of Association.

Among other things, the Supervisory Board of DARS d.d.:

- discussed and confirmed the 2019 Annual Report,
- 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,
- reached an amicable agreement to end the term of office of the Management Board,
- appointed a new Management Board for a 5-year term of office,
- gave consent to the amended Business Plan for 2020,

- gave consent to the Business Plan for 2021,
- gave consent for the Refinancing Programme (attached) to the Business Plan for 2021,
- gave consent to the Rules of Procedure of the Management Board,
- issued consents for transactions in excess of €2.5 million (excluding VAT),
- issued consents for transactions in excess of €1 million (excluding VAT) as per the resolution dated 27 August,
- regularly kept track of the status of the following projects: Karavanke, 3rd development axis, electronic vignettes, expansion of the third lane,
- regularly kept track of the status of public procurement procedures,
- was informed of the Report on the implementation of the national programme for 2019,
- confirmed the Company Sustainability Report for 2019,
- gave consent to the Annual Plan of Internal Auditing for 2020 and familiarised with the Report on the Work of Internal Auditing for 2019,
- proposed that the General Meeting grant discharge to the Management and Supervisory Boards for the 2019 financial year and agreed with the proposal for the distribution of the available profit according to the balance as at 31 December 2019,
- acquainted itself with the non-audited semi-annual report,
- discussed the Risk Management Report,
- adopted amended Rules on determining the content of employment contracts for the management board chairman and members regarding remuneration and other rights,
- regularly kept track of reports of Supervisory Board committees,
- appointed the Investment Committee,
- monitored the realisation of self-assessment measures using the EFQM excellence model,
- discussed the report made by the Workers' Council for 2019,
- adopted the Supervisory Board's annual plan of work,
- adopted a succession policy,
- discussed reports on routine motorway maintenance,

- was kept informed about other information (including the issue of the towing service).

The Supervisory Board did not perform a self-assessment in 2020.

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

Committees of the Supervisory Board of DARS d.d.

Two committees provided expert support to the Supervisory Board. They regularly reported and gave advice to the Supervisory Board, which had full decision-making power.

In 2020, the Audit Committee met at 8 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. 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 2019, the semi-annual report of the work performed by Internal Auditing for 2020, the plan of work for Internal Auditing for 2020, and put forth a proposal to the Supervisory Board to issue consent to the plan of work for Internal Auditing. Furthermore, it regularly monitored and discussed reports and recommendations given by Internal Auditing. It was informed about the report on the quality of Internal Auditing's work. The Committee was also regularly informed of reports on Company operations and the realisation of Committee resolutions, discussed the Risk Management Report and adopted its plan of work for 2020. It also acquainted itself with the activities planned in corporate compliance. The Committee was also regularly informed about the reports of the regular internal audits carried out. The Committee also discussed other questions and issues falling within the competence of the Audit Committee, among other things 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 Audit Committee did not perform another self-assessment.

The Supervisory Board Committee for Remuneration and Management Board

Assessments met at six regular and two correspondence meetings in 2020. It discussed the reports of the HR Management Service and the Occupational Health and Safety Service and the report on the satisfaction of employees and motorway users and prepared amended Rules on determining the content of employment contracts for the management board chairman and members regarding remuneration and other rights. It interviewed candidates for the position of Management Board members. The Committee also discussed other issues and topics falling within its competencies.

In 2020, the Supervisory Board also appointed the Investment Committee, which held its first meeting in January 2021.

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 2020 and the submitted proposal of the Management Board on the use of distributable profit for the General Meeting. The mentioned report gives a detailed and true presentation of the activities performed by the Supervisory Board over the year.

Review and confirmation of the 2020 Annual Report

The Management Board submitted the Annual Report for 2020 including the business report and audited financial statements along with the auditor's opinion to the Supervisory Board on 15

April 2021. The Supervisory Board discussed the Annual Report of DARS d.d. for 2020 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 2020 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 on the report of the auditing firm KPMG d.o.o.

Pursuant to point 7.3.7 of the Company's Articles of Association, the Supervisory Board examined the submitted annual report and proposal of the Management Board on the use of the distributable profit, based on which it will submit the report to the General Meeting of Shareholders. Upon careful examination of the audited Annual Report for the 2020 financial year, on which the Supervisory Board had no remarks, the Annual Report was approved unanimously.

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 2020 and assessed that it reflected the actual state in Company governance in 2020.

Pavle Hevka

Chairman of the Supervisory Board





II Financial Report

II Financial Report

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II.1 Financial statements of DARS d.d.

Balance as at 31 December 2020

In € (excl. cents)	Notes	31/12/2020	31/12/2019
ASSETS		5,175,871,112	5,307,039,906
A. LONG-TERM ASSETS		4,851,947,655	4,925,136,269
I. Intangible assets and long-term deferred costs and accrued revenues	II.4.1.1	28,745,098	29,390,318
1. Long-term property rights		28,726,363	29,368,701
5. Other long-term deferred costs and accrued revenue		18,735	21,617
II. Property, plant and equipment	II.4.1.2	4,707,256,276	4,801,622,371
1. Land and buildings		4,565,086,891	4,679,300,000
a) Land		184,970,029	190,391,268
b) Buildings		4,380,116,862	4,488,908,732
3. Other machines and equipment		46,400,773	38,528,178
4. Property, plant and equipment being acquired		95,768,612	83,794,193
a) Property, plant and equipment under construction and manufacture		95,768,612	83,794,193
III. Investment property	II.4.1.3	4,324,425	2,281,928
IV. Long-term investments	II.4.1.5	93,000,964	70,000,964
1. Long-term investments other than loans		964	964
c) Other shares and interests		964	964
2. Long-term loans		93,000,000	70,000,000
b) Long-term loans to others		93,000,000	70,000,000
V. Long-term operating receivables	II.4.1.6	12,410,271	16,958,648
2. Long-term trade receivables		0	30,754
3. Long-term operating receivables from others		12,410,271	16,927,894
VI. Deferred tax assets	II.4.1.7	6,210,621	4,882,040
B. CURRENT ASSETS		323,142,813	380,847,267
I. Assets (of the disposal group) held for sale	II.4.1.8	472,657	606,134
II. Inventories	II.4.1.9	5,235,657	4,673,088
1. Material		3,916,524	3,975,321
3. Products and merchandise		1,319,133	697,766
III. Short-term investments	II.4.1.10	208,000,000	268,000,000
2. Short-term loans		208,000,000	268,000,000
b) Short-term loans to others		208,000,000	268,000,000
IV. Short-term operating receivables	II.4.1.11	47,126,939	72,182,647
2. Short-term trade receivables		22,053,330	31,377,843
3. Short-term operating receivables from others		25,073,609	40,804,805
V. Cash and cash equivalents	II.4.1.12	62,307,559	35,385,398
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	II.4.1.13	780,644	1,056,369

In € (excl. cents)	Notes	31/12/2020	31/12/2019
LIABILITIES		5,175,871,112	5,307,039,906
A. EQUITY	II.4.1.14	2,922,963,531	2,863,136,410
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		28,491,168	26,940,767
III. Profit reserves		799,714,840	711,671,135
1. Legal reserves		42,693,436	39,717,709
4. Statutory reserves		172,877,124	158,742,423
5. Other profit reserves		584,144,280	513,211,002
V. Fair value reserves		-13,003,673	-11,765,862
VI. Retained net profit or loss		0	0
VII. Net profit or loss for the financial year		21,202,052	49,731,226
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	II.4.1.15	156,655,027	163,649,723
1. Provisions for pensions and similar liabilities		4,509,692	4,413,563
2. Other provisions		4,393,577	1,864,190
3. Long-term accrued costs and deferred revenue		147,751,758	157,371,970
C. LONG-TERM LIABILITIES		1,782,570,540	1,917,205,404
I. Long-term financial liabilities	II.4.1.16	1,713,799,524	1,823,358,144
2. Long-term financial liabilities to banks	II.4.1.17	1,443,312,299	1,549,586,029
3. Long-term financial liabilities for bonds	II.4.1.18	117,800,967	117,800,967
4. Other long-term financial liabilities	II.4.1.19	152,686,258	155,971,148
II. Long-term operating liabilities	II.4.1.20	68,771,016	93,847,261
5. Other long-term operating liabilities		68,771,016	93,847,261
D. SHORT-TERM LIABILITIES		295,278,784	341,377,546
II. Short-term financial liabilities	II.4.1.21	214,689,802	264,576,081
2. Short-term financial liabilities to banks		186,238,030	195,649,378
3. Short-term financial liabilities for bonds		3,112,385	45,975,233
4. Other short-term financial liabilities		25,339,387	22,951,470
III. Short-term operating liabilities	II.4.1.22	80,588,983	76,801,465
2. Short-term trade liabilities		37,219,572	37,347,137
4. Short-term operating liabilities for advances		10,500	61,819
5. Other short-term operating liabilities		43,358,911	39,392,509
E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	II.4.1.23	18,403,229	21,670,823

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

Income Statement for the period from 1 January to 31 December 2020 (version I)

In € (excl. cents)	Notes	01/01–31/12/2020	01/01–31/12/2019
1. Net sales revenues	II.4.2.1	398,581,556	480,750,876
Toll revenue		386,955,494	466,611,271
Revenue from rest area leases		7,136,120	8,951,984
Revenue from closures and overweight load transport		984,520	1,040,540
Revenue from easements for base stations and other		593,084	864,655
Revenue under the performance contract		333,607	326,820
Revenues from the lease of fibre optics		984,782	996,843
Other sales revenues		1,593,950	1,958,763
3. Capitalised own products and services	II.4.2.2	1,455,903	1,671,338
4. Other operating revenue	II.4.2.3	16,161,707	39,633,020
5. Cost of goods, material and services	II.4.2.4	-44,369,700	-50,383,003
a) Cost of goods and material sold and costs of material used		-9,116,897	-9,750,970
b) Cost of services		-35,252,803	-40,632,033
6. Labour costs	II.4.2.5	-46,832,708	-45,244,673
a) Salaries and wages		-34,420,960	-32,897,516
b) Social security costs		-6,693,218	-6,393,841
c) Other labour costs		-5,718,531	-5,953,316
7. Write-downs	II.4.2.6	-212,849,987	-211,019,620
a) Depreciation/amortisation		-185,784,386	-180,055,717
b) Operating expenses for the revaluation of intangible assets and property, plant and equipment		-26,717,740	-30,864,914
c) Operating expenses from the revaluation of current assets		-347,862	-98,990
8. Other operating expenses	II.4.2.7	-3,191,823	-4,417,931
10. Financial revenue from loans given	II.4.2.8	338,768	780,838
b) Financial revenue from loans to others		338,768	780,838
11. Financial revenue from operating receivables	II.4.2.9	114,900	8,212
b) Financial revenue from operating receivables due from others		114,900	8,212
12. Financial expenses for investment impairment and write-down	II.4.2.10	-706,048	-1,627,973
13. Financial expenses for financial liabilities		-35,695,463	-37,497,932
b) Financial expenses for loans received from banks	II.4.2.11	-21,180,164	-22,844,789
c) Financial expenses for bonds issued	II.4.2.12	-7,049,945	-7,335,306
d) Financial expenses for other financial liabilities	II.4.2.13	-7,465,354	-7,317,837
14. Financial expenses for operating liabilities	II.4.2.14	-16,056	-65,389
b) Financial expenses for trade liabilities and bills payable		-250	-33,195
c) Financial expenses for other operating liabilities		-15,805	-32,193
15. Other revenues	II.4.2.15	101,844	276,588
16. Other expenses	II.4.2.16	-487,636	-495,076
17. Corporate income tax	II.4.2.17	-14,104,581	-30,552,021
18. Deferred tax		1,025,938	-2,205,799
19. Net profit or loss for the accounting period		59,526,614	139,611,455

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

Statement of Other Comprehensive Income for the period from 1 January to 31 December 2020

In € (excl. cents)	2020	2019
19. Net profit or loss for the financial year	59,526,614	139,611,455
The effective part of changes in the fair value of the hedging instrument against interest rate variability	-1,592,855	-5,327,642
Change in deferred taxes	302,642	1,012,252
Other comprehensive income to be recognised in the income statement in the future	-1,290,212	-4,315,390
Actuarial gains/losses from severance pay upon retirement	40,318	-62,898
Other comprehensive income not to be recognised in the income statement in the future	40,318	-62,898
23. Other elements of comprehensive income	-1,249,894	-4,378,288
24. Total comprehensive income for the accounting period	58,276,720	135,233,167

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

Cash Flow Statement for the period from 1 January to 31 December 2020

In € (excl. cents)	2020	2019
A. Cash flows from operating activities		
a) Income statement items		
Operating revenues (except for revaluation) and financial revenue from operating receivables	413,809,576	520,061,462
Operating expenses excluding amortisation/depreciation (except for revaluation) and financial expenses for operating liabilities	-93,442,019	-99,033,724
Corporate income tax and other taxes not included in operating expenses	-13,381,285	-33,770,071
	306,986,272	387,257,667
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	29,460,835	-10,594,381
Opening less closing deferred costs and accrued revenues	275,725	-117,946
Opening less closing deferred tax assets	-1,328,580	1,243,728
Opening less closing assets (of the disposal group) held for sale	133,477	-437,006
Opening less closing inventories	-888,849	-338,902
Closing less opening operating liabilities	-20,948,416	-9,844,986
Closing less opening accrued costs and deferred revenue and provisions	-10,262,290	-35,332,774
Closing less opening deferred tax liabilities	0	-50,181
	-3,558,097	-55,472,448
c) Positive or negative cash flow from operating activities (a + b)	303,428,175	331,785,219
B. Cash flow from investing activities		
a) Receipts from investing activities		
Inflows from interest received and shares in profit received relating to investing activities	460,435	1,165,504
Receipts from the disposal of property, plant and equipment	2,438,887	3,105,569
Receipts from the disposal of investments	265,000,000	303,264,113
	287,899,322	307,535,186
b) Cash disbursements for investing activities		
Disbursements for the acquisition of intangible assets	-3,534,432	-1,753,538
Disbursements for the acquisition of property, plant and equipment	-115,337,633	-130,437,841
Cash disbursements for the acquisition of investments	-228,000,000	-271,504,393
	-346,872,065	-403,695,771
c) Positive or negative cash flow from investing activities (a + b)	-78,972,744	-96,160,585
C. Cash flows from financing activities		
a) Receipts from financing activities		
Receipts from the increase of financial liabilities	77,993,308	4,177,289
	77,993,308	4,177,289
b) Disbursements for financing activities		
Interest paid on financing activities	-36,035,773	-39,625,597
Disbursements for repayment of financial liabilities	-239,490,804	-213,785,786
	-275,526,577	-253,411,384
c) Positive or negative cash flow from financing activities (a + b)	-197,533,269	-249,234,095
D. Closing balance of cash and cash equivalents	62,307,559	35,385,398
x) Net cash flow in the period (sum of net Ac, Bc and Cc)	26,922,162	-13,609,461
y) Opening balance of cash and cash equivalents	35,385,398	48,994,859

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

Statement of Changes in Equity for the period from 1 January to 31 December 2020

In € (excl. cents)	I.	II.	III.			V.	VI.	VII.	Total equity
	Called-up capital	Capital surplus	Profit reserves				Retained earnings	Net profit or loss for the financial year	
	1.		1.	4.	5.			1.	
Share capital	Legal reserves	Statutory reserves	Other revenue reserves	Fair value reserves	Retained earnings/losses	Net profit for the fin. year			
A1. Balance as at 31/12/2019	2,086,559,144	26,940,767	39,717,709	158,742,423	513,211,002	-11,765,862	0	49,731,226	2,863,136,410
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	-1,249,894	0	59,526,614	58,276,720
a) Entry of net profit or loss for the reporting period								59,526,614	59,526,614
c) Changes in fair value reserves resulting from fair value measurement						-1,290,212			-1,290,212
d) Other elements of comprehensive income for the reporting period						40,318			40,318
B.3. Changes in equity	0	1,550,401	2,975,727	14,134,701	70,933,278	12,083	0	-88,055,789	1,550,401
a) Allocation of the remainder of the net profit of the comparable reporting period to other equity components					49,731,226			-49,731,226	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			2,975,727	14,134,701	21,202,052		12,083	-38,324,563	0
f) Other changes in capital		1,550,401				12,083	-12,083		1,550,401
D. 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
AVAILABLE PROFIT as at 31/12/2020							0	21,202,052	21,202,052

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

Statement of Changes in Equity for the period from 1 January to 31 December 2019

In € (excl. cents)	I.	II.	III.			V.	VI.	VII.	Total equity
	Called-up capital	Capital surplus	Profit reserves				Retained earnings	Net profit or loss for the financial year	
	1.		1.	4.	5.			1.	
Share capital	Legal reserves	Statutory reserves	Other revenue reserves	Fair value reserves	Retained earnings/losses	Net profit for the fin. year			
A1. Balance as at 31/12/2018	2,322,284,140	26,576,528	32,737,888	125,588,272	408,471,176	-7,402,605	0	55,008,600	2,963,264,000
B.1. Changes in equity – transactions with owners	-235,724,996	0	0	0	0	0	0	0	-235,724,996
a) Subscription of called-up share capital									
f) Repayment of capital	-235,724,996								-235,724,996
B.2. Total comprehensive income for the reporting period	0	0	0	0	0	-4,378,288	0	139,611,455	135,233,167
a) Entry of net profit or loss for the reporting period								139,611,455	139,611,455
c) Changes in fair value reserves resulting from fair value measurement						-4,315,390			-4,315,390
d) Other elements of comprehensive income for the reporting period						-62,898			-62,898
B.3. Changes in equity	0	364,238	6,979,821	33,154,151	104,739,826	15,030	0	-144,888,828	364,238
a) Allocation of the remainder of the net profit of the comparable reporting period to other equity components					55,008,600			-55,008,600	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			6,979,821	33,154,151	49,731,226		15,030	-89,880,229	0
f) Other changes in capital		364,238				15,030	-15,030		364,238
D. Balance as at 31/12/2019	2,086,559,144	26,940,767	39,717,709	158,742,423	513,211,002	-11,765,862	0	49,731,226	2,863,136,410
AVAILABLE PROFIT as at 31/12/2019							0	49,731,226	49,731,226

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

Statement of available profit for 2020

In € (excl. cents)	31/12/2020	31/12/2019
A. Net profit or loss for the 2020 financial year	59,526,614	139,611,455
B. Retained earnings/losses	-12,083	-15,030
C. Increase in profit reserves under the decision of the Management Board		
– Legal reserves	2,975,727	6,979,821
– Statutory reserves	14,134,701	33,154,151
– Other profit reserves	21,202,052	49,731,226
AVAILABLE PROFIT as at 31/12/2020	21,202,052	49,731,226

Net profit or loss for 2020 amounted to €59,526,614. Upon the compilation of the Company's Annual Report, legal reserves amounting to €2,975,727, statutory reserves amounting to €14,134,701 and other profit reserves amounting to €21,202,052 were formed pursuant to the Company's Articles of Association and Articles 64 and 230 of the Companies Act.

The available profit of DARS d.d. as at 31 December 2020 amounted to €21,202,051.71. The General Meeting of DARS d.d. 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 2020 amounting to €21,202,051.71 be distributed to other profit reserves.

II.2 Reporting company

DARS d.d. 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 d.d. pursues the construction of motorways and expressways and operates and maintains the existing motorways and expressways in the Republic of Slovenia. DARS d.d. 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 2021.

II.3 Important accounting policies

Basis for the preparation of the financial statements

The financial statements of DARS d.d., together with 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 2020 and ended on 31 December 2020, 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, judgments and assumptions affecting the use of accounting policies and disclosed values of assets, liabilities, revenues and expenses. The actual values may differ from those assessed. Estimates, judgments and assumptions are subject to regular review. The effect of a change of the accounting estimate, judgment 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. The Company plans positive results and cash flows for the current and future years, which is why it has identified no asset impairment.

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 d.d. 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; 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. investment maintenance, 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 2020, 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	Average amortisation/depreciation rates in 2020
Motorway and expressway superstructure with the associated road infrastructure (barriers, drainage devices)	5%
Traffic signalisation and traffic equipment (vertical and horizontal signalisation, road lighting, emergency call system, RWS, cable ducts, etc.)	11%
Motorway structures (viaducts, bridges, tunnels, overpasses, underpasses, retaining walls, etc.)	3%
Buildings	6%
Right of superficies	2%
Transport means	15%
Other equipment and devices	21%
Computers and computer equipment	47%
Software, licences	24%
Easement right	8%
Land – leases	10%
Buildings – leases	19%
Equipment – leases	30%

Amortisation allowance does not appear in relation to:

- a) land,
- b) property, plant and equipment under construction or in production,
- c) property, plant and equipment of cultural, historical or artistic significance,
- d) 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 2020, 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, 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.
 -

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.

The Company accounts incentive payments in a lease (e.g. free rent, which includes periods of the lease for which it is not required to pay rent) as part of measuring the right to use an asset and lease obligation, which constitutes a cost reduction. The latter is ordinarily recognised as a linear cost decrease in the period of the lease.

The Company impairs the right of use pursuant to the requirements of the SAS 17 – Impairment of property, plant and equipment and intangible assets.

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 fixed asset leased 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 applied to leases of 2.187%, used until 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 as of 1 July 2020 was reduced to 1.759% and
- 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, 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 €5,000 and

- an allowance for receivables past due from 31 to 90 days is made in the amount of 10% of their value,
- 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.

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 d.d. 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 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 effects of a change in the fair value of financial derivatives that have been defined as successful in hedging.

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, for the purposes of a warranty bond.

Long-term financial liabilities to banks

Long-term financial liabilities to banks include long-term loans taken out for the acquisition of fixed assets.

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 the purchase of fixed assets 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.

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 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. The liabilities arising from the issued bonds are secured by a guarantee of the Republic of Slovenia.

Other long-term financial liabilities

Other long-term financial liabilities include:

- long-term loans received for the acquisition of fixed assets 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 interest as at 31 December 2020 and charged interest as at 31 December 2020 for loans taken out and bonds issued for motorway construction and reconstruction, and accrued interest for financial derivatives taken to secure bank loans against interest rate risks, and
- liabilities for financial derivatives and
- short-term lease liabilities.

The Company uses financial derivatives to protect its cash flow against exposure to interest rate risk.

Upon the introduction of hedging, the Company keeps official documents on hedging, on the purpose of the Company's risk management, on the strategy of the hedging project, and on the methods used to assess the efficiency of hedging. 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 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.

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 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 the service users make toll crossings.
- for annual vignettes charged in 2020 that will be valid in 2021 and for one-track half-year vignettes that will be partly or entirely valid in 2021 (a half-year vignette is valid for six months from the date of purchase and the annual vignette for 2021 is valid from 1 December 2020 to 31 January 2022).

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 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 2020 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 d.d., 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, semi-annual and yearly vignette).

Revenue from the sale of yearly vignettes is recognised in full in the financial year designated on the yearly vignette, i.e. 1/12 of the yearly vignette value (excluding VAT) for each month in a financial year.

Revenue from the sale of semi-annual vignettes is recognised in a manner where 1/6 of the value of the semi-annual vignette (excluding VAT) is transferred to revenue in the month of the sale, while the remaining 5/6 of the value of a semi-annual vignette (excluding VAT) is transferred in the following five months from accrued costs and deferred revenue to revenue on a monthly basis, i.e. 1/6 of the semi-annual vignette value (excluding VAT) is transferred each month.

Revenue from the sale of weekly and monthly vignettes is recognised in full in the month of sale.

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 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 2020, wages and salaries were paid in line with the Corporate Collective Agreement of DARS d.d., while the salaries of the Management Board of DARS d.d. 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 2020. 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 2020 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 2019 and 31 December 2020, the Income Statement for 2020 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.4 Notes on the financial statements

II.4.1 Notes on the Balance Sheet

II.4.1.1 Intangible assets and long-term deferred costs and accrued revenue

The Company's intangible assets comprise computer software.

Intangible assets in 2020

In € (excl. cents)	Computer software	Intangible fixed assets under construction	Total
Cost			
Balance as at 31/12/2019	42,091,031	323,890	42,414,921
Purchases	0	3,534,432	3,534,432
Activations	2,125,600	-2,125,600	0
Eliminations (disposals, write-offs)	-165,399	0	-165,399
Balance as at 31/12/2020	44,051,232	1,732,722	45,783,954
Allowance			
Balance as at 31/12/2019	13,046,220	0	13,046,220
Depreciation/amortisation	4,176,770	0	4,176,770
Eliminations (disposals, write-offs)	-165,399	0	-165,399
Balance as at 31/12/2020	17,057,591	0	17,057,591
Present value			
Balance as at 31/12/2019	29,044,811	323,890	29,368,701
Balance as at 31/12/2020	26,993,641	1,732,722	28,726,363

Intangible assets in 2019

In € (excl. cents)	Computer software	Intangible fixed assets under construction	Total
Cost			
Balance as at 31/12/2018	43,298,635	521,515	43,820,150
Purchases	0	1,753,538	1,753,538
Activations	1,951,163	-1,951,163	0
Eliminations (disposals, write-offs)	-3,158,767	0	-3,158,767
Balance as at 31/12/2019	42,091,031	323,890	42,414,921
Allowance			
Balance as at 31/12/2018	12,168,586	0	12,168,586
Depreciation/amortisation	4,020,864	0	4,020,864
Eliminations (disposals, write-offs)	-3,143,231	0	-3,143,231
Balance as at 31/12/2019	13,046,220	0	13,046,220
Present value			
Balance as at 31/12/2018	31,130,049	521,515	31,651,564
Balance as at 31/12/2019	29,044,811	323,890	29,368,701

The following major intangible fixed assets were upgraded and activated in 2020:

- the tunnel surveillance and control system software at the Kozina Control Centre in the amount of €129,410,

- the TCMS software at the Ljubljana Regional Control Centre in the amount of €539,508,
- the software to calculate and control the achieved service levels in the DarsGo system in the amount of €115,460,
- upgrade of the TCMS software at the Kozina Regional Control Centre in the amount of €334,910,
- upgrade of the DarsGo software in the amount of €129,950,
- upgrade of the IT support software for traffic information and monitoring in the amount of €172,800 and
- upgrade of the TCMS software at the Maribor Regional Control Centre in the amount of €165,998.

Intangible fixed assets under construction comprise software tied to the establishment of intelligent transport systems on motorways and expressways.

As at 31 December 2020, 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 €65,848 as at 31 December 2020 and predominantly refer to the purchase of software and licences.

Long-term deferred costs and accrued revenue amounting to €18,735 refer to the remaining cost of 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 d.d. 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.4.1.2 Property, plant and equipment

Property, plant and equipment comprise land, buildings, equipment and property, plant and equipment being constructed or manufactured.

Land applies to the land used for motorway maintenance centres, business and residential buildings, 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 d.d. 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 d.d. 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 2020, the carrying amount of the right of superficies equalled €157,054,224.

Buildings comprise motorways (substructure, superstructure, buildings, 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, a DarsGo unit is owned by the operator of the toll roads. DARS d.d. may request the return and replacement of a DarsGo unit at any time.

As at 31 December 2020, the cost of DarsGo units stood at €4,570,384 and the book value amounted to €2,704,310. 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 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 2020:

- investments in motorways and other buildings in the amount of €86,368,946,
- 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 €16,376,560,
- investments in equipment of the DarsGo system in the amount of €69,954 and
- DarsGo units in the amount of €525,232.

The following major property, plant and equipment were eliminated in 2020:

- reconstructions of motorway sections at a cost amounting to €35,154,059,
- the removal of individual parts of the Dragotinci toll station following the deployment of the DarsGo system at a cost amounting to €860,038,
- overhaul of structural components of the Murska Sobota motorway maintenance centre at a cost amounting to €111,135,
- sale of land plots that were obtained for motorway construction, but were not used in part or in full for motorway construction or its management or maintenance at a cost amounting to €1,375,664,
- permanent exclusions of fixed assets from use by removal to public waste disposal sites due to dilapidation, damage, obsolescence and the deployment of the DarsGo system at a cost amounting to €5,771,111,
- exclusion of leased assets returned on expiry of the lease contracts at a cost amounting to €143,180 and
- exclusion of DarsGo units due to loss and dilapidation at a cost amounting to €144,757.

In 2020, we carried out movements between individual property, plant and equipment items, specifically:

- movements from the Motorways item to the Equipment and small tools item relating primarily to reallocations of electrical parts of the system for video surveillance and VMS gantries at various motorway sections and the equipment of the Golovec tunnel and the Strmec cut-and-cover tunnel at a cost amounting to €4,500,342.
- movements from the Buildings item to the Equipment and small tools items relating to reallocations of containers and toll booths from the administrative buildings of the former toll stations to equipment at a cost amounting to €721,758.
- movements from the Land item to the Investment property item relating to reallocations of land with no specified future use at a cost amounting to €2,072,190. This land 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.

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, Letališka) 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 d.d. were pledged as security for liabilities as at 31 December 2020. Loans and issued bonds for financing the Company property, plant and equipment are secured by government guarantees, other than the loan granted by the European Investment Bank for the deployment of the DarsGo system in the amount of €51 million, which is secured with a guarantee by the European Union or the European Fund for Strategic Investments (EFSI). 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 Union or the European Fund for Strategic Investments (EFSI).

Borrowing costs of €873 were attributed to property, plant and equipment activated in 2020. Borrowing costs attributed to property, plant and equipment being acquired amounted to €21,912 in 2020, while the total borrowing costs for property, plant and equipment being acquired amounted to €4,609,167 as at 31 December 2020.

Property, plant and equipment in 2020

In € (excl. cents)	Land	Land – LEASES	Land Right of superficies	Buildings – LEASES	Motorways (substructures, superstructures, structures, other motorway infrastructure)	Buildings (MM centres, toll stations, office building in Celje, holiday units, apartments, etc.)	Property, plant and equipment under construction – buildings	Equipment and small tools	Equipment – LEASES	Property, plant and equipment being acquired – equipment	Total
Cost											
Balance as at 31/12/2019	29,378,062	36,250	190,760,000	2,230,794	5,703,143,825	66,047,198	83,311,102	135,155,900	1,910,245	483,091	6,212,456,467
Acquisitions in 2020	0	0	0	446,878	0	0	99,910,354	0	545,349	16,977,680	116,888,034
Write-off of investments in progress	0	0	0	0	0	0	-22,522	0	0	0	-22,522
Reallocation from available-for-sale assets	0	0	0	0	0	0	406,195	0	0	0	406,195
Movements between items	-2,072,190	0	0	0	-4,500,342	-721,758	0	5,222,100	0	0	-2,072,190
Activations	1,956,596	0	0	0	84,146,805	1,775,263	-88,325,542	16,426,396	0	-16,971,745	0
Eliminations/disposals/write-offs in 2020	-1,375,664	0	0	0	-35,154,059	-1,240,836	0	-5,915,868	-143,180	0	-43,829,607
Balance as at 31/12/2020	27,886,804	36,250	190,760,000	2,677,672	5,747,636,229	65,859,867	95,279,587	150,888,528	2,312,414	489,026	6,283,826,377
Allowance											
Balance as at 31/12/2019	0	3,625	29,779,420	505,683	1,264,789,015	17,218,386	0	98,078,549	459,418	0	1,410,834,096
Depreciation in 2020	0	3,625	3,926,356	510,478	162,229,391	2,523,885	0	11,870,699	518,135	0	181,582,569
Impairment in 2020	0	0	0	0	0	0	0	0	0	0	0
Movements between items	0	0	0	0	-1,079,978	-201,372	0	1,281,350	0	0	0
Eliminations/disposals/write-offs in 2020	0	0	0	0	-10,026,915	-411,667	0	-5,280,541	-127,441	0	-15,846,564
Balance as at 31/12/2020	0	7,250	33,705,776	1,016,161	1,415,911,513	19,129,232	0	105,950,057	850,112	0	1,576,570,101
Present value											
Balance as at 31/12/2019	29,378,062	32,625	160,980,580	1,725,111	4,438,354,810	48,828,812	83,311,102	37,077,351	1,450,827	483,091	4,801,622,371
Balance as at 31/12/2020	27,886,804	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	4,707,256,276

Property, plant and equipment in 2019

In € (excl. cents)	Land	Land – LEASES	Land Right of superficies	Buildings – LEASES	Motorways (substructures, superstructures, structures, other motorway infrastructure)	Buildings (MM centres, toll stations, office building in Celje, holiday units, apartments, etc.)	Property, plant and equipment under construction – buildings	Equipment and small tools	Equipment – LEASES	Property, plant and equipment being acquired – equipment	Total
Cost											
Balance as at 31/12/2018	32,171,609	0	190,760,000	0	5,877,606,366	75,377,461	58,067,159	147,589,743	0	9,740	6,381,582,077
Balance as at 01/01/2019	32,171,609	36,250	190,760,000	2,171,423	5,877,606,366	75,377,461	58,067,159	147,589,743	1,126,946	9,740	6,384,916,696
Acquisitions in 2019	0	0	0	59,371	0	0	114,765,660	0	783,299	11,859,130	127,467,460
Reallocation from available-for-sale assets	0	0	0	0	0	0	107,857	0	0	0	107,857
Activations	641,296	0	0	0	86,842,179	2,146,099	-89,629,573	11,385,779	0	-11,385,779	0
Eliminations/disposals/write-offs in 2019	-3,434,842	0	0	0	-261,304,721	-11,476,362	0	-23,819,622	0	0	-300,035,546
Balance as at 31/12/2019	29,378,062	36,250	190,760,000	2,230,794	5,703,143,825	66,047,198	83,311,102	135,155,900	1,910,245	483,091	6,212,456,467
Allowance											
Balance as at 01/01/2019	0	0	25,853,064	0	1,112,348,325	17,878,529	0	110,937,048	0	0	1,267,016,967
Balance as at 31/12/2018	0	0	25,853,064	0	1,112,348,325	17,878,529	0	110,937,048	0	0	1,267,016,967
Depreciation in 2019	0	3,625	3,926,356	505,683	157,971,161	2,220,175	0	10,918,741	459,418	0	176,005,159
Impairment in 2019	0	0	0	0	0	0	0	0	0	0	0
Movements between items	0	0	0	0	0	0	0	0	0	0	0
Eliminations/disposals/write-offs in 2019	0	0	0	0	-5,530,471	-2,880,318	0	-23,777,240	0	0	-32,188,030
Balance as at 31/12/2019	0	3,625	29,779,420	505,683	1,264,789,015	17,218,386	0	98,078,549	459,418	0	1,410,834,096
Present value											
Balance as at 31/12/2018	32,171,609	0	164,906,936	0	4,765,258,041	57,498,931	58,067,159	36,652,695	0	9,740	5,114,565,110
Balance as at 01/01/2019	32,171,609	36,250	164,906,936	2,171,423	4,765,258,041	57,498,931	58,067,159	36,652,695	1,126,946	9,740	5,117,899,729
Balance as at 31/12/2019	29,378,062	32,625	160,980,580	1,725,111	4,438,354,810	48,828,812	83,311,102	37,077,351	1,450,827	483,091	4,801,622,371

II.4.1.3 Investment property

Investment property in 2020

In € (excl. cents)	Land – leases	Land – w/o determined future use	Buildings – leases	Total
Cost				
Balance as at 31/12/2019	1,363,906	0	989,781	2,353,687
Increases	0	0	0	0
Movements between items	0	2,072,190	0	2,072,190
Balance as at 31/12/2020	1,363,906	2,072,190	989,781	4,425,877
Allowance				
Balance as at 31/12/2019	0	0	71,759	71,759
Depreciation/amortisation	0	0	29,693	29,693
Balance as at 31/12/2020	0	0	101,452	101,452
Present value				
Balance as at 31/12/2019	1,363,906	0	918,022	2,281,928
Balance as at 31/12/2020	1,363,906	2,072,190	888,329	4,324,425

Investment property in 2019

In € (excl. cents)	Land – leases	Buildings – leases	Total
Cost			
Balance as at 31/12/2018	1,363,906	989,781	2,353,687
Increases	0	0	0
Balance as at 31/12/2019	1,363,906	989,781	2,353,687
Allowance			
Balance as at 31/12/2018	0	42,066	42,066
Depreciation/amortisation	0	29,693	29,693
Balance as at 31/12/2019	0	71,759	71,759
Present value			
Balance as at 31/12/2018	1,363,906	947,715	2,311,621
Balance as at 31/12/2019	1,363,906	918,022	2,281,928

The purpose of acquired investment property is to generate revenue from rent. Revenue from the rent of investment property amounted to €22,162 in 2020. The costs related to investment property are covered by tenants. The fair value of investment property does not differ significantly from its book value.

Pursuant to the SAS, properties for which the Company does not determine a future use are also classified under investment property. Land totalling €2,072,190 without a determined future use was classified under investment property in 2020. This land 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.

II.4.1.4 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 hires land, business premises, fibre optics, vehicles and equipment. The average term of lease is 4.6 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 2020

In € (excl. cents)	Land	Buildings	Equipment and small tools	Total
Cost				
Balance as at 31/12/2019	36,250	2,230,794	1,910,245	4,177,289
Acquisitions in 2020	0	446,878	545,349	992,227
Eliminations in 2020	0	0	-143,180	-143,180
Balance as at 31/12/2020	36,250	2,677,672	2,312,414	5,026,336
Allowance				
Balance as at 31/12/2019	3,625	505,683	459,418	968,726
Depreciation in 2020	3,625	510,478	518,135	1,032,238
Eliminations in 2020	0	0	-127,441	-127,441
Balance as at 31/12/2020	7,250	1,016,161	850,112	1,873,523
Present value				
Balance as at 31/12/2019	32,625	1,725,111	1,450,827	3,208,563
Balance as at 31/12/2020	29,000	1,661,511	1,462,302	3,152,813

Right-of-use assets in 2019

In € (excl. cents)	Land	Buildings	Equipment and small tools	Total
Cost				
Balance as at 01/01/2019	36,250	2,171,423	1,126,946	3,334,618
Acquisitions in 2019	0	59,371	783,299	842,670
Balance as at 31/12/2019	36,250	2,230,794	1,910,245	4,177,288
Allowance				
Balance as at 01/01/2019	0	0	0	0
Depreciation in 2019	3,625	505,683	459,418	968,726
Balance as at 31/12/2019	3,625	505,683	459,418	968,726
Present value				
Balance as at 01/01/2019	36,250	2,171,423	1,126,946	3,334,618
Balance as at 31/12/2019	32,625	1,725,111	1,450,827	3,208,562

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 2020, DARS d.d. had liabilities amounting to €34,019 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 €1,076,030 in 2020.

Impact of leases on the Income Statement in 2020:

In € (excl. cents)	2020	2019
Depreciation of the right to use an asset	-1,032,238	-968,726
Expenses for interest on lease liabilities	-64,863	-75,763
Decrease in rents due to COVID-19	4,015	-
Revenues generated at the end of the lease	18,838	-
Costs generated at the end of the lease	-7,844	-
Cost of leasing in relation to short-term leases	-5,980	-53,299
Cost of leasing in relation to low-value leases	-94,299	-97,209
Total	-1,182,371	-1,194,997

When the conditions for waiving the rent as a COVID-19 epidemic mitigation measure were met, the Company treated the reduction (or waiver) of rents as a reduction of lease liabilities and as an adjustment to the depreciation of the right to use an asset.

The Company has concluded no contracts involving variable rent, which is why all the amounts indicated above reflect fixed contracts for 2020. The Company generated no revenue in 2020 from the sub-lease of a right-of-use asset and no gains or losses from leaseback sales transactions.

II.4.1.5 Long-term investments

As at 31 December 2020, long-term loans to others amounted to €93,000,000 and included:

- long-term bank deposits in the amount of €93,000,000, with maturity between 396 and 664 days and a weighted average interest rate of 0.05%.

In € (excl. cents)	2020	2019
Balance as at 01/01	70,000,000	37,000,000
Acquisition of new deposits	183,000,000	195,000,000
Transfer from short-term investments	15,000,000	50,000,000
Transfers to short-term investments	175,000,000	212,000,000
Balance as at 31/12	93,000,000	70,000,000

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, since the Company invests its surplus liquidity assets in deposits at banks domiciled in the Republic of Slovenia. The book value of long-term investments in others equals fair value.

II.4.1.6 Long-term operating receivables

Long-term operating receivables due from others:

- €12,398,611 refers to the long-term share of receivables for input VAT deriving from the charge for the establishment of the right of superficies, and
- €11,660 refers to the accrued interest on long-term bank deposits.

II.4.1.7 Deferred tax assets

Deferred tax assets in 2020

In € (excl. cents)	31/12/2019	Recognised in the Income Statement	Recognised in the Statement of Other Comprehensive Income	31/12/2020
Provisions for severance pay and jubilee benefits	383,694	13,376	0	397,069
Cash flow hedging related to interest swaps	2,689,211	0	302,642	2,991,854
Allowance for receivables	9,937	1,601	0	11,538
Fixed assets	1,799,198	1,010,962	0	2,810,160
	4,882,040	1,025,938	302,642	6,210,621

Deferred tax assets in 2019

In € (excl. cents)	31/12/2018	Recognised in the Income Statement	Recognised in the Statement of Other Comprehensive Income	31/12/2019
Provisions for severance pay and jubilee benefits	295,095	88,599	0	383,694
Cash flow hedging related to interest swaps	1,727,141	0	962,070	2,689,211
Allowance for receivables	2,957,866	-2,947,928	0	9,937
Fixed assets	1,145,667	653,531	0	1,799,198
	6,125,768	-2,205,799	962,070	4,882,040

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.4.1.8 Assets held for sale

Short-term assets include real estate in the value of €472,657 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 2020

In € (excl. cents)	Land	Buildings	Total
Balance as at 31/12/2019	606,134	0	606,134
Reallocation to assets held for sale	1,292,456	38,557	1,331,013
Sale	1,039,016	19,279	1,058,295
Reallocation to fixed assets or investment property	406,195	0	406,195
Balance as at 31/12/2020	453,379	19,278	472,657

II.4.1.9 Inventories

Inventories of material include inventories of material, spare parts, small tools and packaging. Inventories of materials account for the largest, 58% share of inventories, within the scope of which inventories of gritting materials account for 43%, inventories of barriers account for 13%, inventories of 2021 vignettes account for 16% and inventories of fuel account for 11% of the inventories of materials.

In € (excl. cents)	31/12/2020	Share	31/12/2019	Index
Material	3,047,556	58%	3,072,810	99
Spare parts	419,201	8%	427,365	98
Small tools and packaging	449,768	9%	475,147	95
Merchandise	1,319,133	25%	697,766	189
Total	5,235,657	100%	4,673,088	112

The sale of vignettes for 2020 for passenger and motor vehicles concluded on 30 November 2020. In accordance with the SAS 4.41, the inventory of unsold 2020 vignettes was written-off to the debit of operating expenses for revaluation in the amount of €321,265, which represents the cost of the vignettes.

During the annual materials stocktaking and the stocktaking of small tools, the Company discovered a deficit of €4,450 and a surplus of €41,682 with an ullage of €1,334.

Inventories of merchandise, among other things, include:

- inventories of DarsGo units in the amount of €1,312,631 and
- inventories of DarsGo unit holders in the amount of €4,931.

DarsGo units are transferred to property, plant and equipment upon their issue to a customer. Pursuant to Article 25 of the Road Tolling Act, a DarsGo unit is owned by the operator of the toll roads.

The inventories of DARS d.d. are current inventories and were not pledged as security for liabilities as at 31 December 2020. The book value of inventories does not exceed their realisable value.

The inventories are not obsolete and show no signs of impairment, which is why no impairment was made.

II.4.1.10 Short-term investments

As at 31 December 2020, short-term loans to others amount to €208,000,000 and include:

- short-term bank deposits in the amount of €208,000,000 with maturity between 11 and 364 days and a weighted average interest rate of 0.10%.

In € (excl. cents)	2020	2019
Balance as at 01/01	268,000,000	331,000,000
Acquisition of new deposits	45,000,000	41,000,000
Returns of deposits	265,000,000	266,000,000
Transfers from long-term investments	175,000,000	212,000,000
Transfer to long-term investments	15,000,000	50,000,000
Balance as at 31/12	208,000,000	268,000,000

Short-term investments are not exposed to credit risk or, rather, there is only a minimum risk that a counterparty will not fulfil its obligations, since the Company invests its surplus liquidity assets in deposits at banks domiciled in the Republic of Slovenia. The book value of short-term investments in others corresponds to their fair value.

II.4.1.11 Short-term operating receivables

In € (excl. cents)	31/12/2020	Share in %	31/12/2019	Index
Short-term trade receivables:	22,053,330	47%	31,377,843	70
- toll receivables	21,301,845	45%	30,100,973	71
- receivables from the use of motorway service areas	121,630	0%	619,632	20
- receivables from motorway closures	50,863	0%	98,816	51
- other short-term receivables	639,718	1%	610,724	105
- allowance for short-term trade receivables	-60,726	0%	-52,302	116
Short-term operating receivables due from others:	25,073,609	53%	40,804,805	61
- for advances given for current assets	10,602	0%	10,914	97
- short-term operating receivables from operations for third party accounts	17,949,955	38%	31,185,567	58
- allowance for short-term receivables for third party accounts	0	0%	0	0
- short-term receivables from financial revenue	164,454	0%	286,121	57
- input VAT receivables	5,228,310	11%	4,667,317	112
- other short-term receivables due from state institutions	403,532	1%	2,702,607	15
- other short-term receivables	3,041,536	6%	3,677,059	83
- allowance for other short-term receivables	-1,724,781	-4%	-1,724,781	100
Total	47,126,939	100%	72,182,647	65

The majority share of short-term operating receivables due from others includes:

- receivables due from domestic commissionaires and foreign sales agents in the amount of €13,965,610 and
- receivables due from the Republic of Slovenia totalling €4,130,705, 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 €3,984,345 and to the fee from the performance contract in the amount of €146,360. Based on Article 4 of the ZDARS-1, DARS d.d. does business on behalf of and for the account of the State. Such transactions are disclosed in 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 d.d. 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.

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	17,920,100	29,855	0	17,949,955
Allowances for operating receivables for third party accounts	0	0	0	0
Short-term trade receivables	21,646,344	243,332	224,381	22,114,056
Allowances for trade receivables	0	0	-60,726	-60,726
Other receivables	6,962,998	140,230	1,745,206	8,848,435
Allowances for other receivables	0	0	-1,724,781	-1,724,781

In 2020, the Company formed an allowance for short-term operating receivables in the amount of €8,424. The assessment method for making an allowance for receivables in 2020 remained unchanged.

In € (excl. cents)	31/12/2020	31/12/2019
Balance as at 01/01	1,777,083	17,292,494
Write-down of receivables	0	12,420,884
Reversal of allowances	0	3,096,257
Formation	8,424	1,730
Balance as at 31/12	1,785,507	1,777,083

No receivables of DARS d.d. were pledged as security for liabilities as at 31 December 2020. The short-term operating receivables of DARS d.d. include current Company receivables and they have been secured with bank guarantees and enforcement drafts in the amount of €6,387,772.

II.4.1.12 Cash and cash equivalents

In € (excl. cents)	31/12/2020	Share	31/12/2019	Index
Cash at bank	31,577,231	51%	4,076,424	775
Deposit redeemable at notice	30,000,000	48%	30,000,000	100
Overnight bank deposit	366,545	1%	587,758	62
Cash on hand and cheques received	1,032	0%	1,146	90
Cash in hand at toll booths	269,750	0%	454,850	59
Cash in transit	93,001	0%	265,219	35
Total cash and cash equivalents	62,307,559	100%	35,385,398	176

Deposits redeemable at notice are deposits that can be redeemed at any time. The average weighted interest rate on deposits redeemable at notice amounts to 0.003%. Overnight bank deposits are short-term bank deposits tied overnight in the amount of €366,545 at a 0.01% interest rate.

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 2020, the Company reconciled the balance disclosed in the books of account with the actual balance.

II.4.1.13 Short-term deferred costs and accrued revenue

In € (excl. cents)	31/12/2020	Share	31/12/2019	Index
Short-term deferred costs – other	460,609	59%	553,370	83
Short-term deferred costs – sales commission from vignettes sold for 2021	308,877	40%	416,103	74
Short-term deferred costs – cost of vignettes sold for 2021	11,158	1%	15,110	74
Short-term accrued revenue	0	0%	71,786	0
Total	780,644	100%	1,056,369	74

II.4.1.14 Equity

The movement in equity is shown in the Statement of Changes in Equity for the period from 1 January 2020 to 31 December 2020 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 2020 was €52.52. It is calculated as the ratio between the total equity value and the number of shares.

Capital surplus

Capital surplus in the amount of €28,491,168 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 d.d. pursuant to Article 14 of the ZDARS-1 in the amount of €1,914,639. Subsequent payments are established by the Company Management Board with a resolution.

Fair value reserves

Fair value reserves amounting to €13,003,673 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 2020, the revaluation surplus amounted to €248,928;
- change in the fair value of a financial derivative for interest rate hedging, which includes changes in the value of the financial derivatives used for the purposes of cash flow protection, and is evident from the statement of comprehensive income, amounting to €12,754,745 at the end of 2020 (less deferred tax).
- Financial derivatives are disclosed in detail in the policies and notes on short-term financial liabilities.

In 2020, the reserves made due to valuation at fair value decreased by €1,237,811. Changes in individual surplus components in 2020 are shown in the statement of other comprehensive income for 2020.

Retained earnings

At the 19th General Meeting of DARS d.d. held on 23 June 2020, the shareholders adopted a resolution on the use of the 2019 available profit in the amount of €49,731,226, which was distributed to other profit reserves according to the resolution.

Other changes in retained earnings in the amount of €12,083 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 2020 amounted to €59,526,614. Upon the compilation of the Company's Annual Report, legal reserves amounting to €2,975,727, statutory reserves amounting to €14,134,701 and other profit reserves amounting to €21,202,052 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)	31/12/2020	31/12/2019
Net profit or loss for the accounting period	59,526,614	139,611,455
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	1.07	2.51

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 d.d. are ordinary registered no-par value shares, which is why the diluted earnings per share equal the basic earnings per share.

II.4.1.15 Provisions and long-term accrued costs and deferred revenue

Provisions and long-term accrued costs and deferred revenue in 2020

In € (excl. cents)	Balance as at 31/12/2019	Utilisation in 2020	Reversal in 2020	Additional creation in 2020	Balance as at 31/12/2020
Provisions for severance pay upon retirement	2,912,030	255,945	40,318	400,967	3,016,734
Provisions for employee jubilee benefits	1,488,481	149,937	0	145,712	1,484,256
Provisions for voluntary pension insurance	13,052	4,351	0	0	8,702
Provisions for employment-related claims	17,654	0	0	4,340	21,995
Provisions for legal claims related to construction and reconstruction	1,846,535	0	0	2,525,047	4,371,583
Free-of-charge acquisition of fixed assets	271,289	2,050	34,048	0	235,191
Lease of fibre optics	459,491	80,647	0	22,159	401,004
Guarantees drawn	4,959,822	1,317,461	0	144,456	3,786,816
EU grants and co-funding	150,892,127	8,457,962	0	894,582	143,328,747
Long-term deferred revenue from withheld funds	789,241	789,241	0	0	0
Total	163,649,723	11,057,593	74,366	4,137,263	156,655,027

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 2020 was performed for each employee taking into account the costs of retirement benefits and the cost of all the expected jubilee premiums 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 0.20% with respect to the average maturity at the Company, i.e. 14.9 years;
- the currently applicable amount of retirement benefits and jubilee premiums as set out in the internal rules;
- the expected long-term growth of jubilee premiums and non-taxable amounts in the calculation amounts to 1% 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 1.75% per annum.

Based on an actuarial calculation, provisions were set aside as at 31 December 2020 for jubilee premiums in the amount of €1,484,256 along with provisions for retirement benefits in the amount of €3,016,734.

The Company joined the collective voluntary supplementary pension insurance scheme in 2006. In accordance with an agreement concluded with the trade unions, all of the Company's employees were entitled to join this scheme, except those who were of retirement age on 31 December 2006, i.e. 50 years (women) and 55 years (men). The employer will pay these employees a lump sum equal to the interest-free premiums that it would have had to pay on their behalf had they been included in the pension scheme. The Company thus set aside long-term provisions, which amounted to €8,702 as at 31 December 2020.

Based on the legal opinions obtained and the management's assessment, the Company discloses provisions amounting to €4,371,583 for lawsuits related to construction and reconstruction and €21,995 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 2020, free-of-charge acquisitions of fixed assets amounted to €235,191.

The Company also shows long-term deferred revenue from advance payments for fibre optic leases by users in the amount of €401,004 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 case of drawing performance bonds, for the purposes of a warranty bond. As at 31 December 2020, the bond amounts drawn amounted to €3,786,816.

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 31/12/2019	Increase	Decrease	Balance as at 31/12/2020
EU Cohesion Fund: Slivnica–Draženci	3,913,018	0	267,351	3,645,667
EU Cohesion Fund: Pluska–Ponikve	23,071,892	0	1,328,236	21,743,656
EU Cohesion Fund: Ponikve–Hrastje	10,175,497	0	595,934	9,579,563
EU Cohesion Fund: Construction of noise barriers	20,480,186	0	1,507,555	18,972,631
EU Cohesion Fund: Reconstruction of MW sections	18,158,799	0	966,808	17,191,991
EU Cohesion Fund: Draženci MW–IBC Gruškovje	58,440,882	0	2,522,100	55,918,782
Other European funds: TEMPO – connect (ITS, developer MzP) and EasyWay – stages I and II	965,676	0	113,467	852,209
Other European funds: TEN T: Draženci–Gruškovje BD and ED	2,625,016	0	83,949	2,541,067
Other European funds: TEN T: CROCODILE I	815,355	0	69,670	745,685
Other European funds: CEF BD/ED Karavanke	2,646,415	0	0	2,646,415
Other European funds: CEF CROCODILE 2	809,141	21,110	121,164	709,086
Other European funds: CEF C-Roads	478,182	73,260	80,625	470,816
Other European funds: CEF CROCODILE 3	221,785	84,215	13,488	292,512
Other European funds: CEF MW Karavanke tunnel, construction of the 2nd tube	14,127	459,406	0	473,533
Other co-funding	8,076,157	218,188	749,210	7,545,133
Total:	150,892,127	856,177	8,419,557	143,328,747

II.4.1.16 Long-term financial liabilities

In € (excl. cents)	31/12/2020	31/12/2019
Long-term financial liabilities relating to motorway construction and reconstruction	1,711,633,087	1,821,091,772
Long-term lease liabilities	2,166,437	2,266,372
Total	1,713,799,524	1,823,358,144

a) Long-term financial liabilities relating to motorway construction and reconstruction

The Company borrows funds on international and domestic financial markets for its business purposes. The purpose of the loans is to finance motorway construction and reconstruction and to refinance the existing debt. All liabilities for borrowing are fully secured by a government guarantee, other than the loan granted by the European Investment Bank for the deployment of the DarsGo system (ETS) in the amount of €51 million, which is secured with a guarantee by the European Union or the European Fund for Strategic Investments (EFSI). 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 Union or the European Fund for Strategic Investments (EFSI).

The interest rates and manner of calculating interest for the received loans are contractually defined and represent a business secret, while the weighted annual interest rate on the total Company debt amounted to 1.63% as at 31 December 2020. The interest rate on the total Company debt as at 31 December 2020 ranged from 0 to 4.96%.

Long-term financial liabilities refer entirely to motorway construction and reconstruction.

In € (excl. cents)	31/12/2020	Share
Long-term loans acquired from domestic banks	631,027,423	37%
Long-term loans acquired from foreign banks	812,284,876	47%
Long-term loans acquired from foreign entities	12,739,821	1%
Loan based on Schuldschein promissory note	37,780,000	2%
Issued NSV registered notes	100,000,000	6%
Long-term bonds issued	117,800,967	7%
Total	1,711,633,087	100%

Long-term financial liabilities by maturity

In € (excl. cents)	31/12/2020	Share
Long-term financial liabilities with a maturity of up to 5 years	604,507,331	35%
Long-term financial liabilities with a maturity longer than 5 years	1,107,125,756	65%
Total	1,711,633,087	100%

Long-term financial liabilities in 2020

Long-term financial liabilities	Balance as at 31/12/2019	Increase in 2020	Transfer to short-term financial liabilities in 2020	Balance as at 31/12/2020
European Investment Bank	646,205,832	26,000,000	45,668,724	626,537,108
Nova Ljubljanska banka	323,241,026	0	38,778,205	284,462,821
Kreditanstalt für Wiederaufbau	142,109,375	51,000,000	25,218,750	167,890,625
Consortium of Slovenian banks	34,387,750	0	21,596,518	12,791,232
Deutsche Pfandbriefbank	41,666,667	0	23,809,524	17,857,143
UniCredit Banka Slovenija	11,674,178	0	8,335,837	3,338,341
KA FINANZ	0	0	0	0
Addiko Bank	18,967,868	0	6,669,505	12,298,363
Regione Autonoma Friuli Venezia	15,924,776	0	3,184,955	12,739,821
Intesa Sanpaolo	82,333,333	0	2,333,333	80,000,000
Schuldschein	37,780,000	0	0	37,780,000
Abanka	50,000,000	0	5,880,000	44,120,000
SKB banka	50,000,000	0	3,333,333	46,666,667
Unicredit + Intesa Sanpaolo	99,000,000	0	1,650,000	97,350,000
SID	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	1,821,091,772	77,000,000	186,458,685	1,711,633,087

b) Long-term lease liabilities

In € (excl. cents)	31/12/2020	31/12/2019
Long-term lease liabilities – principal	2,230,514	2,345,332
Long-term lease liabilities – interest	-64,077	-78,960
Total	2,166,437	2,266,372

In € (excl. cents)	31/12/2020	31/12/2019
Long-term lease liabilities – principal	2,230,514	2,345,332
Short-term lease liabilities – principal	1,084,768	1,034,728
Total	3,315,282	3,380,060

Maturity of lease liabilities

In € (excl. cents)	31/12/2020	31/12/2019
Up to 1 year	1,084,768	1,034,728
From 1 to 5 years	2,148,730	2,181,764
Over 5 years	81,784	163,568
Total	3,315,282	3,380,060

II.4.1.17 Long-term financial liabilities to banks

Long-term share of the principal amount of bank loans by lender

Lender	Balance as at 31/12/2020	Share
Consortium of Slovenian banks	12,791,231	1%
Addiko Bank	12,298,363	1%
UniCredit Banka Slovenija	3,338,341	0%
Intesa Sanpaolo	80,000,000	6%
Unicredit + Intesa Sanpaolo	97,350,000	7%
NLB	284,462,821	20%
Abanka	44,120,000	3%
SKB banka	46,666,667	3%
SID	50,000,000	3%
European Investment Bank	626,537,108	43%
Kreditanstalt für Wiederaufbau	167,890,625	12%
Deutsche Pfandbriefbank	17,857,143	1%
Total	1,443,312,299	100%

a) Loans from the Consortium of Slovenian Banks

DARS d.d. obtained seven loans from the Consortium of Slovenian Banks in the period from 1996 to 2004. These loans were paid off in 2020 in the total amount of €43,202,482. Loans IV and V taken from the Consortium of banks were repaid in full in 2020.

Long-term liabilities to the Consortium of Slovenian Banks and loan repayment periods

Type	Repayment period	In € (excl. cents)
IV	from 2008 to 2020	0
V	from 2007 to 2020	0
VI	from 2009 to 2021	0
VII	from 2012 to 2024	12,791,231
Total		12,791,231

b) Loans from Addiko Bank

The Company took out three loans from Addiko Bank in 2003, 2004 and 2005. These loans were paid off in 2020 in the total amount of €6,669,505.

Long-term liabilities to Addiko Bank and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2011 to 2023	4,998,251
II	from 2012 to 2024	3,127,186
III	from 2014 to 2023	4,172,926
Total		12,298,363

c) Loans from UniCredit Banka Slovenija

The Company took out two loans from UniCredit Banka Slovenija in 2005 and 2009. The loans from UniCredit Banka Slovenija were paid off in 2020 in the total amount of €8,335,837.

Long-term liabilities to UniCredit Banka Slovenija and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2011 to 2023	3,338,341
II	from 2007 to 2021	0
Total		3,338,341

d) Loan from Intesa Sanpaolo

The Company took out a loan from Intesa Sanpaolo (formerly Banka Koper) in 2006 that was intended for the refinancing and early repayment of loans taken out with the bank Kreditanstalt für Wiederaufbau, which was repaid early in full in 2016.

In 2016, the Company took out a loan from Intesa Sanpaolo in the amount of €80 million to refinance loans.

These loans were repaid in 2020 in the total amount of €2,333,333.

Long-term liability to Intesa Sanpaolo and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2007 to 2021	0
II	from 2021 to 2036	80,000,000
Total		80,000,000

e) Loans from NLB

In 2007, 2008 and 2013, DARS d.d. raised three loans with NLB, which were spent in full for 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 2020 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	148,950,000
II	from 2020 to 2025	85,512,821
III	2028	50,000,000
Total		284,462,821

f) Loan from Abanka

In 2015, the Company took out a €50 million loan from Abanka that was intended for the refinancing and early repayment of loans.

Long-term liability to Abanka and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2029	44,120,000
Total		44,120,000

g) Loan from SKB

The Company took out a €50 million loan with SKB in 2015 that was intended for the refinancing and early repayment of loans.

Long-term liability to SKB and loan repayment periods

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2028	46,666,667
Total		46,666,667

h) Loan from UniCredit Banka Slovenija and Intesa Sanpaolo

In 2016, the Company took out a €99 million loan from Unicredit and Intesa Sanpaolo that was intended for the refinancing and early repayment of loans.

Long-term liability to UniCredit Banka Slovenija and Intesa Sanpaolo and loan repayment period

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2036	97,350,000
Total		97,350,000

i) Loan from SID

In 2016, the Company took out a €50 million loan from SID Bank that was intended for the refinancing and 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

j) Loans from the European Investment Bank (EIB)

Loans from the European Investment Bank, taken out in the period from 1994 to 2006, were repaid in the amount of €66,966,970 in 2018. The final maturity of the loans is between 2019 and 2041.

In 2017, the Company took out a €51 million loan from the European Investment Bank that was intended for the financing of the DarsGo system project. The loan was fully drawn in 2020.

The loans from EIB were paid off in 2020 in the total amount of €42,931,882.

Long-term liabilities to the European Investment Bank and loan repayment periods

Type	Repayment period	In € (excl. cents)
V	from 2007 to 2027	33,000,000
VI	from 2012 to 2029	47,300,000
VII	from 2014 to 2037	171,590,909
VIII	from 2015 to 2034	189,277,778
IX	from 2022 to 2041	145,000,000
X	from 2019 to 2028	40,368,421
Total		626,537,108

k) Loans from Kreditanstalt für Wiederaufbau (KfW)

In 2008, DARS d.d. took out a loan from Kreditanstalt für Wiederaufbau to finance motorway construction. In 2019, DARS d.d. took out a loan from Kreditanstalt für Wiederaufbau to establish the DarsGo system. These loans were paid off in 2020 in the amount of €19,552,083.

Long-term liabilities to Kreditanstalt für Wiederaufbau and loan repayment periods

Type	Repayment period	In € (excl. cents)
II	from 2013 to 2029	125,390,625
IV	from 2020 to 2029	42,500,000
Total		167,890,625

l) Loans from Deutsche Pfandbriefbank

In 2006, DARS d.d. took out two loans from Deutsche Pfandbriefbank in the total amount of €225,000,000. The two Deutsche Pfandbriefbank loans were repaid in 2020 in the amount of €23,809,523.

Long-term liabilities to Deutsche Pfandbriefbank and loan repayment periods:

Type	Repayment period	In € (excl. cents)
I	from 2014 to 2024	17,857,143
II	from 2013 to 2021	0
Total		17,857,143

m) Loan from KA FINANZ AG (formerly Kommunalkredit)

In 2010, DARS d.d. obtained a loan from Kommunalkredit Austria AG (now KA FINANZ AG) in the amount of €70,000,000. The loan was taken out at a fixed interest rate. In 2020, the loan was paid off in full.

Long-term liabilities to KA FINANZ AG and loan repayment period

Type	Repayment period	In € (excl. cents)
I	from 2015 to 2020	0
Total		0

II.4.1.18 Long-term financial liabilities for bonds

DARS d.d. issued three series of bonds in 2004 and 2005 for the financing of motorway construction and reconstruction. Liabilities arising from the bonds issued are secured with a government guarantee. Bond DRS3 was fully repaid in 2020.

Issue	Maturity	Issue size In € (excl. cents)
DRS1	2024	56,042,047
DRS2	2025	61,758,920
DRS3	2020	0
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.4.1.19 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 2020, 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	12,739,821
Total		12,739,821

b) Loan on the basis of a Schuldschein promissory note

In 2015, DARS d.d. 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 d.d. 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)	2020	2019
Balance as at 01/01	2,266,372	3,334,618
Acquisition of new liabilities	1,084,825	842,671
Transfers to short-term financial liabilities	-1,184,760	1,910,917
Balance as at 31/12	2,166,437	2,266,372

II.4.1.20 Other long-term operating liabilities

Other long-term operating liabilities include a liability for the right of superficies compensation in the amount of €68,755,936. Based on the annual performance contract (on the execution of contracts on the basis of Article 4 of the ZDARS-1 for 2021), the short-term part of the long-term liability is transferred to short-term liabilities.

Pursuant to the ZDARS-1, the right of superficies was established to the benefit of DARS d.d. 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 d.d. 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.4.1.21 Short-term financial liabilities

Short-term financial liabilities in the total amount of €214,689,802 comprise:

- 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 €213,657,693, and
- short-term lease liabilities in the amount of €1,032,108.

Short-term financial liabilities:

In € (excl. cents)	Short-term financial liabilities to banks w/o interest	Short-term financial liabilities for bonds 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	Other short-term financial liabilities	Total
Balance as at 01/01/2020	189,779,518	42,563,580	3,184,955	5,869,861	16,619,360	3,411,653	1,552,391	620,485	974,278	264,576,081
Increase				21,441,649		7,049,945	3,387,150	3,816,719	1,203,459	36,898,922
Transfers from long-term liabilities	183,273,730		3,184,955							186,458,685
Short-term repayments	-192,612,851	-42,563,580	-3,184,955	-21,513,876		-7,349,213	-3,388,960	-3,783,724	-1,145,629	-275,542,788
Other					2,298,902					2,298,902
Balance as at 31/12/2020	180,440,397	0	3,184,955	5,797,633	18,918,262	3,112,385	1,550,582	653,480	1,032,108	214,689,802

Short-term financial liabilities to banks in the total amount of €186,238,030 comprise:

- the share of the principal of short-term bank loans for the purchase of property, plant and equipment that falls due in 2021;

Lender	In € (excl. cents)	
	31/12/2020	31/12/2019
European Investment Bank V	6,000,000	6,000,000
European Investment Bank VI	6,270,000	6,270,000
European Investment Bank VII	11,363,636	11,363,636
European Investment Bank VIII	16,666,667	16,666,667
European Investment Bank IX	0	0
European Investment Bank X	5,368,421	2,631,579
Kreditanstalt für Wiederaufbau 267.5	16,718,750	16,718,750
Kreditanstalt für Wiederaufbau 51	5,666,667	0
KA FINANZ	0	7,000,000
Deutsche Pfandbriefbank I	7,142,857	7,142,857
Deutsche Pfandbriefbank II	16,666,667	16,666,667
Intesa Sanpaolo I	2,333,333	2,333,333
Consortium of banks IV	0	10,332,489
Consortium of banks V	0	17,865,485
Consortium of banks VI	16,480,026	9,888,015
Consortium of banks VII	5,116,493	5,116,493

Lender	In € (excl. cents)	
	31/12/2020	31/12/2019
Addiko Bank I	3,332,168	3,332,168
Addiko Bank II	1,250,874	1,250,874
Addiko Bank III	2,086,463	2,086,463
Unicredit bank I	1,669,170	1,669,171
Unicredit bank II	6,666,667	6,666,667
Nova Ljubljanska banka I	17,400,000	17,400,000
Nova Ljubljanska banka II	21,378,205	21,378,205
Abanka	5,880,000	0
SKB	3,333,333	0
Unicredit + Intesa Sanpaolo	1,650,000	0
Total principals	180,440,397	189,779,518

b. interest accrued on long-term bank loans as at 31 December 2020 in the amount of €5,797,633.

Short-term financial liabilities for interest refer to interest accrued until 31 December 2020. 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 2020.

Short-term financial liabilities for bonds in the amount of €3,112,385 refer to interest accrued up to 31 December 2020.

Other short-term financial liabilities in the amount of €25,339,387 refer to:

In € (excl. cents)	31/12/2020	31/12/2019
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	1,550,582	1,552,391
Interest on financial derivatives	653,480	620,485
Liabilities for financial derivatives	18,918,262	16,619,360
Short-term lease liabilities – principal*	1,084,768	1,034,728
Short-term lease liabilities – interest	-52,660	-60,449
Total	25,339,387	22,951,470

*Lease liabilities are disclosed in the item Long-term financial liabilities.

The Company is exposed to interest rate risk, which is why it was decided in previous years to reduce exposure to the risk of interest rate variability on the market pursuant to the Company's active financial risk management policy. On 31 December 2020, 46% of the Company's debt portfolio value was exposed to a variable interest rate, while 53% was exposed to a fixed interest rate. Together with the concluded interest rate swaps, the share of the portfolio exposed to variable interest rates stood at 23% and the share exposed to fixed interest rates stood at 76%. Interest-free loans account for the remaining percent.

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, accounting period). Most financial derivatives are used to hedge against the risk of interest rate variability, where hedged items present an efficient hedging relation.

The total fair value of interest rate swaps as at 31 December 2020 amounted to €18,918,262.

Short-term lease liabilities refer to a principal amount of €1,084,768, decreased by interest amounting to €52,660.

A detailed description of the financial derivatives concluded by the Company as at 31 December 2020 follows.

Interest rate hedging in the total amount of €150 million

In the second half of 2014, DARS d.d. concluded three interest rate hedge transactions in the total amount of €150,000,000 with 10-year maturity. Each €50 million transaction allowed DARS d.d. to partially insure the loans taken out from KfW (KfW 267.5 loan) and NLB (loans for €245 million and €145 million). The loans were insured for 10 years at a fixed interest rate.

Interest rate hedging in the total amount of €100 million

In 2016, DARS d.d. concluded two interest rate hedging transactions with a total value of €100,000,000 with 10-year maturity. With individual €50 million transactions, DARS d.d. partially insured the loans from NLB (NLB 50 loan) and SKB (SKB 50 loan). The loans were insured for 10 years at a fixed interest rate.

Interest rate hedging in the total amount of €99.5 million

In 2017, DARS d.d. concluded two interest rate hedging transactions with a total value of €99,500,000 with 10-year maturity. With individual €50 and €49.5 million transactions, DARS d.d. partially insured the loans from KfW (KfW 267.5 loan) and Unicredit banka (Unicredit + Intesa Sanpaolo loan). The loans were insured for 10 years at a fixed interest rate.

Nominal and book value of interest rate hedging instruments

In € (excl. cents)	Nominal value of hedging instruments	Book value of hedging instruments	
		31/12/2020	31/12/2019
Total	349,500,000	(18,918,262)	(16,619,360)

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 to level 2 in the fair value hierarchy.

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
	31/12/2020	31/12/2020
Total	(1,592,855)	(706,048)

II.4.1.22 Short-term operating liabilities

In € (excl. cents)	31/12/2020	Share in %	31/12/2019	Index
Short-term trade liabilities	37,219,572	46%	37,347,137	100
Short-term liabilities for advances	10,500	0%	61,819	17
Short-term employee payables	4,622,709	6%	4,811,205	96
Short-term liabilities to the State	37,136,300	46%	32,656,639	114
- corporate income tax liability	4,111,921	5%	2,756,310	149
- VAT liability	7,055,380	9%	8,337,984	85
- liabilities for payer's taxes and contributions arising from salary and other remuneration	2,062,479	3%	2,207,874	93
- short-term liability for the right of superficies	21,981,834	27%	17,375,437	127
- liabilities for the charged toll mark-up	936,576	1%	954,005	98
- other liabilities to the State	988,109	1%	1,025,030	96
Short-term liabilities to others	423,755	1%	555,271	76
Short-term liabilities to subcontractors	1,176,147	1%	1,369,394	86
Total	80,588,983	100%	76,801,465	105

The Company 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 are, until the fulfilment of all the contractual obligations by the contractors (work acceptance, the rectification of all deficiencies and the handover of warranty bonds), withheld in the maximum amount of 5 or 2% of the contractual value. Funds are also withheld for 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. As at 31 December 2020, short-term trade liabilities based on withheld funds amounted to €18,814,818 and accounted for 51% of 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 2021.

Debts to Members of the Management and Supervisory Boards as at 31 December 2020 comprise the accounted December salaries / attendance fees and salary compensation and the reimbursement of job-related costs disbursed in January 2020.

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 2010 amounts to €21,981,834 in accordance with the annual performance contract based on Article 4 of the ZDARS-1.

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 d.d., as the operator of 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 payers driving a vehicle with a maximum permissible weight exceeding 3.5 tonnes who pass the toll sections between Koper and Ljubljana and between Ljubljana and Šentrupert. As at 31 December 2020, the liability for the charged toll mark-up amounted to €936,576.

Short-term trade liabilities by maturity as at 31 December 2020

In € (excl. cents)	Non-past-due	Up to 60 days	Over 60 days	Total
Short-term trade liabilities (current liabilities)	18,078,504	340,517	-14,268	18,404,753
Short-term trade liabilities (withheld amounts)	18,814,818	0	0	18,814,818

Trade liabilities as at 31 December 2020

In € (excl. cents)	31/12/2020	Share
KOLEKTOR CPG d.o.o.	5,342,372	14%
CPK d.d.	3,662,209	10%
ALPINE BAU GMBH, Salzburg – Celje subsidiary - in bankruptcy	2,761,075	7%
CGP d.d.	1,888,452	5%
POMGRAD d.d.	1,595,586	4%
VOC CELJE d.o.o.	1,371,083	4%
Q-FREE NORGE AS	1,182,201	3%
GORENJSKA GRADBENA DRUŽBA d.d.	1,140,658	3%
ISKRA d.o.o.	811,056	2%
DRI upravljanje investicij d.o.o.	763,124	2%
Other suppliers	16,701,756	45%
Total	37,219,572	100%

II.4.1.23 Short-term accrued costs and deferred revenue

In € (excl. cents)	31/12/2020	Share	31/12/2019	Index
Short-term accrued costs	748,764	4%	472,417	158
Short-term deferred revenue	17,654,465	96%	21,198,406	83
Total	18,403,229	100%	21,670,823	85

The Company's liabilities comprise accrued costs or expenses referring to accrued costs for the auditing of the 2020 financial statements in the amount of €31,219, costs for the actuarial calculation of the provisions for jubilee benefits and severance pay as at 31 December 2020 in the amount of €540, accrued costs for the supervising engineer for completed investment projects in the amount of €259,305, accrued cost for the variable remuneration of the Management Board in the amount of €434,178 and the variable share of the salaries paid to employees under executive contracts in the amount of €23,521.

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:

- annual vignettes charged in 2020 that will be valid in 2021 and for one-track half-year vignettes that will be partly or entirely valid in 2021 in the total amount of €12,863,459 (a half-year vignette is valid for six months from the date of purchase and the annual vignette for 2021 is valid from 1 December 2020 to 31 January 2022);
- the credit from the old tolling system transferred to the prepay toll media (DARS cards ABC tags) amounting to €100,000. As of 1 April 2018, vehicles with a maximum permissible weight exceeding 3.5 tonnes pay tolls electronically in free traffic flow, i.e. in the DarsGo system. Users of the old tolling system may request the reimbursement of the remaining credit balance on ABC tags and DARS cards;
- the credit in DarsGo units amounting to €4,382,208, charged and paid in 2020, but not used in the same year. The revenue will be recognised as deferred until service users use it;
- short-term deferred revenues arising from State aid to mitigate or eliminate the consequences of the COVID-19 epidemic in the amount of €103,542 relating to the application of the measures of force majeure and quarantine, and
- other short-term deferred revenue in the amount of €205,257.

II.4.1.24 Off-balance sheet items

As at 31 December 2020, the Company discloses the following items in off-balance-sheet records:

1. The amount of €134,280,660 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)	31/12/2020	31/12/2019
Performance bonds	67,965,119	48,509,722
Warranty bonds	24,723,097	24,988,183
Payment bonds	15,161,844	15,252,544
Tender bonds	26,430,600	17,387,600
Total	134,280,660	106,138,049

2. The value of inventories of vignettes for the use of toll roads in the Republic of Austria that are sold by DARS d.d. amounts to €1,052,789.
3. As at the reporting date, lawsuits worth €35,935,296 (principal amounts) were lodged against the Company, 80% 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 €4,393,577 (principals and default interest) based on the obtained legal opinions and the management's assessment (note II.4.1.15, Provisions and long-term accrued costs and deferred revenue). Potential liabilities for lawsuits that are assessed with 50% or less likelihood that the plaintiff will succeed amount to €32,592,721 (principal

amounts) as at 31 December 2020. The amount of the liability arising from these lawsuits also cannot be measured with sufficient 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 €3,704,392 represents receivables where the probability of any payment from the bankruptcy estate to the benefit of ordinary creditors, which also include DARS d.d. receivables, is estimated to be minimum.
5. In February 2020, DARS d.d. concluded a €90 million loan agreement with the European Investment Bank (EIB) to finance the Karavanke tunnel project with 22-year maturity and a 3-year drawdown period. The debt is secured by a guarantee from the EFSI (European Fund for Strategic Investments). The loan is expected to be drawn in June pursuant to the schedule from the Business Plan for 2021.

As at 31 December 2020, 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.4.2 Notes on the Income Statement

II.4.2.1 Net sales revenues

In € (excl. cents)	2020	Share	2019	2020/2019 index
Toll revenue	386,955,494	97%	466,611,271	83
- revenue from vignette sales	144,430,710	37%	195,280,372	74
- revenues from freight traffic tolls	242,524,784	63%	271,330,898	89
Revenue from rest area leases	7,136,120	2%	8,951,984	80
Revenue from closures and overweight load transport	984,520	0%	1,040,540	95
Revenue from easement for base stations and other	593,084	0%	864,655	69
Revenues from the lease of fibre optics	984,782	0%	996,843	99
Revenue under the performance contract	333,607	0%	326,820	102
Other sales revenues	1,593,950	0%	1,958,763	81
Total net sales revenue	398,581,556	100%	480,750,876	83

Revenue from tolls collected in 2020 amounts to €386,955,494 and accounts for 97% of the total sales revenue, which is 17% less than in 2019. Revenue from the tolling of vehicles weighing under 3.5 tonnes (vignette system) amounted to €144,430,710 and accounts for 37% of toll revenue, while revenue from the tolling of vehicles with a maximum weight exceeding 3.5 tonnes amounted to €242,524,784 or 63%. Toll revenue is explained in detail in chapters I.6, I.9.2 and I.10.

Toll revenue is followed by revenue from leases for rest areas, which amounted to €7,136,120 in 2020. 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 decreased by 20% compared to 2019. Lease revenue is explained in detail in chapters I.6 and I.9.4.

Sales revenues also include revenue from road closures and overweight road transports in the amount of €984,520, revenue from the lease of fibre optics in the amount of €984,782 and revenue from easement charged in the amount of €593,084.

Revenue under the performance contract in 2020 amounted to €333,607. The revenue refers to the execution of tasks performed by DARS d.d. 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 the siting of motorways in the physical space, as well as real estate acquisition for the purposes of motorway construction.

Other sales revenue in the amount of €1,593,950 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.4.2.2 Capitalised own products and services

In 2020, 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 €1,455,903 in 2020.

II.4.2.3 Other operating revenue

In € (excl. cents)	2020	Share	2019	Index
Reversal of long-term provisions	610,520	4%	21,577,606	3
Insurance compensations	1,987,021	12%	2,054,276	97
Revenue from the consumption of long-term deferred revenue	9,705,140	60%	11,508,171	84
Revenue from the equipment and real estate sold	1,150,430	7%	607,234	189
COVID-19 related State aid – exemption from disability and pension insurance contributions	1,467,255	9%	-	-
COVID-19 related State aid – crisis allowance	93,006	1%	-	-
COVID-19 related State aid – reimbursement of salary compensation – other	83,667	1%	-	-
State aid – reimbursement of compensation for sick leave and other absences	963,268	6%	-	-
Other operating revenue	101,400	1%	3,885,733	3
Total other operating revenue	16,161,707	100%	39,633,020	41

The reversal of long-term provisions amounting to €610,520 also includes the reversal of long-term deferred revenue for unused balances in ABC tags and DARS cards due to the transition from the old tolling system to electronic toll collection in the amount of €387,053, and the reversal of provisions for unused annual leave in 2019 amounting to €223,467.

Insurance compensations include compensations received from insurance companies for the repair of damage on motorway sections and structures along motorways. In 2020, that revenue amounted to €1,987,021.

Revenues from the consumption of long-term deferred revenues in the amount of €9,705,140 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 2020, the Company transferred to revenue €7,830,675 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 €635,037, received from the municipalities (City of Ljubljana), ELES and other project funders, to revenue. To cover the cost of the rectification of defects caused by contractors in motorway construction and reconstruction and other assigned costs, the Company spent €1,233,347 from the bonds drawn and €6,081 from withheld funds for contractors.

II.4.2.4 Costs and operating expenses

Overview of costs and expenses

In € (excl. cents)	2020	Share	2019	Index
Cost of material	9,116,897	3%	9,750,970	93
Cost of services	35,252,803	11%	40,632,033	87
Labour costs	46,832,708	15%	45,244,673	104
Depreciation/amortisation	185,784,386	60%	180,055,717	103
Operating expenses for the revaluation of intangible fixed assets and property, plant and equipment	26,717,740	9%	30,864,914	87
Operating expenses from the revaluation of current assets	347,862	0%	98,990	351
Other operating expenses	3,191,823	1%	4,417,931	72
Total operating expenses	307,244,219	100%	311,065,228	99

Breakdown of the costs of materials

In € (excl. cents)	2020	Share	2019	Index
Cost of material	3,004,019	33%	3,041,070	99
Energy costs	3,965,114	43%	4,483,512	88
Cost of spare parts	569,853	6%	680,569	84
Write-off of small tools	1,379,070	15%	1,370,033	101
Other costs of material	198,841	2%	175,786	113
Total	9,116,897	100%	9,750,970	93

The cost of materials accounts for a 3% share of the total operating expenses and fell by 7% with respect to 2019.

Breakdown of the costs of services

In € (excl. cents)	2020	Share	2019	Index
Cost of the supervising engineer	783,496	2%	940,734	83
Cost of fixed asset maintenance	13,596,545	39%	13,788,623	99
Rent	728,035	2%	565,164	129
Cost of payment transactions and insurance premiums	3,517,372	10%	3,467,958	101
Commissions on vignettes sold	5,086,758	14%	7,592,712	67
Costs of other services	11,540,595	33%	14,276,843	81
Total	35,252,803	100%	40,632,033	87

The cost of services accounts for an 11% share of total operating expenses. Major services in 2020 included the cost of fixed asset maintenance (39%), commissions on vignettes sold (14%) and the cost of payment transactions and insurance premiums (10%).

Costs by functional group:

In € (excl. cents)	2020	2019
Routine maintenance (incl. depreciation)	46,809,650	46,957,852
Tolling (incl. depreciation/amortisation)	31,053,765	36,653,003
Other (incl. depreciation/amortisation)	199,123,379	192,072,538
- of which motorway infrastructure depreciation	162,228,172	157,969,941
TOTAL	276,986,794	275,683,393

II.4.2.5 Labour costs

Labour costs account for a 15% share of the total operating expenses of DARS d.d. In 2020, they were 4% higher than in 2019.

Type of labour costs	2020	Share	2019	Index
Salaries and wages	34,420,960	73%	32,897,516	105
Pension insurance costs	3,120,590	7%	3,633,892	86
Other social security costs	3,572,628	8%	2,759,949	129
Other labour costs	5,718,531	12%	5,953,316	96
Total	46,832,708	100%	45,244,673	104

Labour costs include the cost of supplementary pension insurance premiums in the amount of €917,973.

As at 31 December 2020, there were 1,269 workers employed by the Company. The average staff count in 2020 was 1,261 (computed on the basis of working hours).

In 2020, wages and salaries were paid in line with the Corporate Collective Agreement of DARS d.d., while the salaries of the Management Board of DARS d.d. 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 d.d. in 2020 (in EUR)

Average gross salary	2020	2019
DARS d.d.	2,263	2,250
Republic of Slovenia	1,856	1,754

The number of employees and the employee educational structure as of 31 December 2020 are presented in the business section of the Annual Report, under the chapter Human Resources Management (point I.16.7).

The total gross remuneration received by the Members of the Management Board of DARS d.d. in 2020 amounted to €678,771. The table below shows the remuneration received by the Members of the Management Board of DARS d.d. by individual member.

in EUR (without cents)	Gašper Marc, Member until 09/07/2020	Tomaž Vidic, PhD, Chairman until 09/07/2020	Vili Žavrlan, Member until 09/07/2020	Rožle Podboršek, Member/Labour Manager since 09/05/2019	Valentin Hajdinjak, MSc, Chairman since 10/07/2020	Peter Gašperšič, PhD, Member since 10/07/2020	Boštjan Rigler, Member since 10/07/2020	Romana Fišer, MSc, Member since 10/07/2020	TOTAL
Gross salaries	71,119	70,804	70,699	107,638	63,925	63,070	63,490	62,890	573,636
Disbursement of variable income	21,441	8,445	7,580						37,466
Severance pay	2,250								2,250
Payment in lieu of notice			33,749						33,749
Payment for annual leave				277	277	277	277	277	1,384
Benefits	2,819	1,548	2,592	6,576	1,952	705	2,458	2,872	21,522
Reimbursement of costs	580	573	729	1,045	747	703	552	811	5,740
Supplementary pension insurance	256	337	381	564	388	472	238	388	3,024
TOTAL	98,465	81,707	115,731	116,100	67,288	65,228	67,015	67,237	678,771

The gross remuneration received by employees under executive employment contracts not subject to the Tariff Section of the Collective Agreement amounted to €213,000 in 2020.

The remuneration received by Members of the Supervisory Board in 2020 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 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.
Darko Kodrič	4,622	1,408			1,156	550			238	118	8,091	7,736
Stožir Martin	12,025	3,938	1,434	704	1,581	1,056			851	118	21,707	20,738
Igor Kolar	5,630	1,848			180				267	118	8,042	7,658
Nataša Ivančević	6,395	2,365							404		9,163	8,760
Branko Švigelj	6,395	2,365							354		9,114	8,760
Jože Oberstar	14,875	4,213	3,797	1,980					850	118	25,832	24,864
Boris Božičnik	5,800	1,848			1,318	550			48	246	9,809	9,516
Matej Čufer	5,272	1,848	1,978	924					22	118	10,162	10,022
Andrej Hudoklin, MSc	5,272	1,848			1,978	550			156	118	9,922	9,648
Jožef Zimšek	12,025	3,938	1,581	836			542		748	118	19,787	18,922
Pavle Hevka	9,915	2,365							398		12,678	12,280
Robert Rožič, PhD	7,385	2,365			1,581	1,056					12,387	12,387
Štefan Šumah, PhD	6,753	2,365			2,372	1,056			956		13,502	12,546
Anton Guzej	6,753	2,090	1,581	1,056			361		796		12,637	11,841
Mojca Lahajner			3,006	1,804					196		5,006	4,810
Iztok Černoša							361				361	361
Total	109,117	34,804	13,377	7,304	10,165	4,818	1,264	0	6,284	1,068	188,200	180,848

As at 31 December 2020, 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 2021.

As at 31 December 2020, 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 2021.

II.4.2.6 Write-downs

In € (excl. cents)	2020	Share	2019	Index
Amortisation of intangible fixed assets	4,176,770	2%	4,020,864	104
Depreciation of property, plant and equipment	180,545,683	85%	175,036,433	103
Depreciation of investment property	29,693	0%	29,693	100
Depreciation of leased fixed assets	1,032,239	0%	968,726	-
Operating expenses for the revaluation of intangible fixed assets and PPE	26,717,740	13%	30,864,914	87
Operating expenses from the revaluation of current assets	347,862	0%	98,990	351
Total	212,849,987	100%	211,019,620	101

The depreciation of property, plant and equipment in 2020, 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 d.d. 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.

Year-over-year depreciation/amortisation in 2020 increased primarily due to the accounted depreciation of property, plant and equipment – motorways, which were activated in the amount of €80,889,117 in December 2019.

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 €93,342,
- losses in the exclusion and identified shortages of fixed movable assets in the amount of €48,213,
- losses due to the impairment and destruction of DarsGo units in the amount of €78,456,
- the exclusion of building, motorway and steel safety barrier components upon the demolition and rearrangement of the Dragotinci toll station and the restoration of several motorway and expressway sections in the amount of €12,695,197,
- the exclusion of fixed asset components in the restoration of the Golovec tunnel in the amount of €717,174,
- the exclusion of fixed asset components due to the overhaul of the TCMS and variable message signs on several sections in the amount of €482,441,
- the exclusion of motorway and expressway components upon reconstruction in the amount of €11,933,526,
- the exclusion of fixed asset components as part of the restoration of linear fire alarms in the Dekani and Karavanke tunnels in the amount of €113,879,
- the exclusion of safety barriers and dug-in guardrail end terminals in the amount of €112,754,
- the exclusion of other fixed assets produced due to reconstruction in the amount of €338,153,
- the write-off of an ongoing investment in the amount of €22,522 and
- the revaluation of assets held for sale to fair value, decreased by selling costs, in the amount of €80,702.

Operating expenses for the revaluation of current assets mostly comprise the formation of allowances and write-offs of receivables in the amount of €21,583 and the revaluation of 2020 vignette inventories, the sale of which ended on 30 November 2020, i.e. in the amount of €321,265. Year-over-year, operating expenses for the revaluation of vignettes are €248,765 higher due to lower vignette sales resulting from the adopted COVID-19 measures, which prohibited movement within the country and the crossing of state borders.

II.4.2.7 Other operating expenses

Other operating expenses of €3,191,823 (€4,417,931 in 2019) include:

- long-term accrued costs for expected losses related to tort claims for motorway construction and reconstruction in the amount of €2,525,047 (€614,688 in 2019) and for lawsuits related to labour disputes in the amount of €4,340 (€651 in 2019),
- costs amounting to €289,597 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 to 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 d.d. 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 (ReNPIA). 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 €372,838 (€784,788 in 2019).

II.4.2.8 Financial revenue from loans given

Financial revenue from loans given in the amount of €338,768 (€780,838 in 2019) also includes revenue from short-term surplus liquid funds deposited with banks in the amount of €338,646.

II.4.2.9 Financial revenue from operating receivables due from others

Financial revenue from operating receivables due from others in the amount of €114,900 (€8,212 in 2019) refers to financial revenue from operating receivables, charged default interest and exchange rate gains.

II.4.2.10 Financial expenses for investment impairment and write-down

Financial expenses for the impairment of investments in the amount of €706,048 (€1,627,973 in 2019) refer to the revaluation of financial derivatives.

II.4.2.11 Financial expenses for loans received from banks

Financial expenses in the amount of €21,180,164 (€22,844,789 in 2019) include interest charged on long-term loans. The weighted average interest rate on long-term loans as at 31 December 2020 was 1.38%.

II.4.2.12 Financial expenses for bonds issued

Financial expenses in the amount of €7,049,945 (€7,335,306 in 2019) include interest charged on long-term securities issued. The weighted average interest rate on long-term securities as at 31 December 2020 was 4.55%.

II.4.2.13 Financial expenses for other financial liabilities

Financial expenses for other financial liabilities in the amount of €7,465,354 (€7,317,837 in 2019) also refer to:

- negative interest on financial derivatives amounting to €3,816,719, 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 €3,569,915,
- net interest on provisions for jubilee benefits and severance pay in the amount of €11,984 and
- interest on leases in the amount of €64,863.

II.4.2.14 Financial expenses for operating liabilities

Financial expenses for operating liabilities amounting to €16,056 (€65,389 in 2019) include, among other things, charged default interest amounting to €14,745 arising from liabilities that were settled late.

II.4.2.15 Other revenues

Other revenue in the amount of €101,844 (€276,588 in 2019) includes indemnities received under court decisions, charged contractual penalties and similar.

II.4.2.16 Other expenses

Other expenses in the amount of €487,636 (€495,076 in 2019) primarily comprise indemnities paid under court decisions, reimbursed costs in audit procedures according to the Public Procurement Act, donations given and similar.

II.4.2.17 Corporate income tax

Corporate income tax is calculated in accordance with the Corporate Income Tax Act (ZDDPO-2). Corporate income tax for 2020 is accounted at the 19% rate on the taxable profit generated by the Company in a tax year.

In € (excl. cents)	2020	2019
1 Revenue	416,754,677	523,120,872
2 Expenses	344,149,420	350,751,597
3 Total profit (1 – 2)	72,605,257	172,369,274
4 Revenue decrease	4	3,107,957
5 Revenue increase	0	0

In € (excl. cents)	2020	2019
6 Expense decrease for provisions and receivable revaluation	283,041	602,604
7 Expense decrease, other non-recognised expenses	6,902,369	7,987,872
8 Increase in recognised expenses	229,569	12,466,453
9 Difference between revenue and expenses recognised for tax purposes (1 – 2 – 4 + 5 + 6 + 7 – 8)	79,561,094	165,385,339
10 Tax base (9)	79,561,094	165,385,339
11 Change of tax base due to a change of accounting policies and error corrections	20,159	-115,035
12 Increase in tax base by the amount of tax relief used	24,610	57,229
13 Tax relief for investments	3,975,592	3,200,459
14 Relief for the employment of disabled persons	389,403	356,794
15 Relief for practical work in professional training	1,475	1,385
16 Tax relief for supplementary pension insurance	917,973	878,169
17 Tax relief for donations	86,785	90,616
18 Tax base (10 + 11 + 12 – 13 – 14 – 15 – 16 – 17)	74,234,634	160,800,109
19 Corporate income tax	14,104,581	30,552,021

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)	2020	2019
Calculated corporate income tax	-14,104,581	-30,552,021
Deferred tax	1,025,938	-2,205,799
Taxes	-13,078,643	-32,757,819

In € (excl. cents)	2020	2019
Profit or loss before tax	74,234,634	160,800,109
Taxes	-13,078,643	-32,757,819
Effective tax rate	17.62%	20.37%

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 2020 amounted to 17.62%.

II.5 Business risks

Business risks are presented in the business section of the Annual Report in chapter I.8.

II.6 Transactions with owners and related parties

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 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>).

In 2020, DARS d.d. made transactions worth €144,995,983 with companies in which the State has a direct or indirect dominant influence, i.e. from sales to such undertakings in the amount of €132,646,817 and from purchasing in the amount of €12,349,166. Most sales referred to services related to toll collection, while the

largest purchases referred to energy costs, commission on vignettes sold and insurance, and the purchase of assets within the scope of the DarsGo system. As at 31 December 2020, the Company disclosed receivables due from such undertakings in the amount of €11,558,595 and liabilities equalling €1,923,527.

All transactions between related parties are made at market prices.

Transactions between DARS d.d. and the Republic of Slovenia are disclosed within the scope of other notes.

II.7 Events after the balance sheet date

Significant business events after the balance sheet date are:

January 2021

On 15 January 2021, the ban on overtaking for heavy goods vehicles on the A1 motorway between Šentilj and Koper came into force, which will improve traffic safety and fluidity on the Slovenian motorway network. DARS d.d. decided on the ban on overtaking for trucks in collaboration with the Ministry of Infrastructure, and the measure was also harmonised with the Chamber of Commerce and Industry and the Chamber of Craft and Small Business.

February 2021

The Ministry of Infrastructure, the Vodice Municipality and DARS d.d. signed an agreement on co-financing the construction of the Vodice bypass. DARS d.d. will co-finance the redesign of the eastern part of the motorway junction from the direction of Ljubljana towards Kranj, thereby contributing to increased traffic fluidity and safety.

Events that emerged after the balance sheet date did not impact the financial statements of DARS d.d. for 2020.

II.8 Audit of the Annual Report for 2020

The contractual price of the audit of the 2020 Annual Report of DARS d.d. amounts to €39,024 (excluding VAT). The audit was carried out by the audit firm KPMG SLOVENIJA d.o.o., Ljubljana.

II.9 Auditor's Report



KPMG SLOVENIJA, podjetje za revidiranje, d.o.o.
Železna cesta 8a
SI-1000 Ljubljana
Slovenija

Telefon: +386 (0) 1 420 11 60
Internet: <http://www.kpmg.si>

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Independent Auditors' Report

To the owner of DRUŽBA ZA AVTOCESTE V REPUBLIKI SLOVENIJI D.D.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of DRUŽBA ZA AVTOCESTE V REPUBLIKI SLOVENIJI D.D. (the "Company"), which comprise:

- the balance sheet as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

- the income statement;
- the statement of other comprehensive income;
- the statement of changes in equity;
- the cash flow statement;

and

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards (2016).

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št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556



Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU 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 (OJ L 158, 27.5.2014, p. 77-112 - EU Regulation EU No 537/2014). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance

with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the 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 determined the following key audit matters:

Recognition of revenue

Revenue from vignette sales and toll revenue from freight traffic in 2020: EUR 386.955.494 (2019: EUR 466,611,271); short-term deferred revenue as at 31 December 2020: EUR 17.654.465 (31 December 2019: EUR 21,198,406)

We refer to the financial statements: Note II.3. Significant accounting policies, Revenue, Short-term deferred and accrued items (accounting policies), Note II.4.2.1. Revenue and Note II.4.1.23. Short-term deferred revenue (notes to the financial statements).

Key audit matter	Our response
<p>The Company's revenue is generated primarily from the distribution of time-based (weekly, monthly and annual) vignettes, and user charges associated with freight transport via electronic tolling system in the free traffic flow. Toll is collected upon passing through the gantry, which serves as basis for charging toll in that particular section.</p> <p>Revenue from the sales of vignettes is recognised based on data supplied by the Company's agents (such as gas stations or retail points operators) on actual sales of vignettes to drivers. The Company controls the transferred and registered vignettes by means of regular monthly reconciliations with the agents (including in respect of the vignettes returned as unsold). Revenue relating to the vignettes sold in the current financial period but to be used (valid) in the next is deferred.</p>	<p>Our audit procedures in the area included, among others:</p> <ul style="list-style-type: none"> • Updating our understanding of the revenue process, and testing the design, implementation and operating effectiveness of the Company's internal controls in the area of revenue recognition. This included, among other things: <ul style="list-style-type: none"> - Assessing the compliance of the revenue recognition policies applied with the relevant financial reporting standards; - Evaluating internal controls over the reconciliation of vignettes distributed to the agents to those registered and returned; - Testing internal controls over user charges and vignettes, including those over reconciliations of proceeds and cash collections.

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Revenue from user charges for freight transport is recognised based on the actual usage of the highways. Since a portion of these charges might be pre-prepaid, the Company defers related revenue to be then released to profit and loss once the actual use of the highways takes place.

The Company uses a complex information system for recording of truck passing through the gantry, which concurrently provides input data for toll and user charges and for deferral of related income.

In view of the above-mentioned factors, revenue recognition was considered by us to be associated with a significant risk of material misstatement. As such, it represented an area of our increased audit attention, and a key audit matter.

- Assisted by our own IT specialists, testing controls within the information system supporting the reporting of truck transitions through the gantry, such as, among other things, the controls over system access and program changes;
- Developing an independent estimate of the annual revenue from user charges and vignettes, based on the sold vignettes and the traffic volume data derived from the recording of truck transitions through the gantry and the publicly available pricing data per cargo vehicle and vignettes;
- For a sample of accounts receivable balances, obtaining independent counterparty confirmations as at 31 December 2020, and seeking explanations for any differences between the amounts confirmed and those recognized by the Company;
- Inspecting a statistical sample of issued invoices and assessing the existence and accuracy of recognised toll revenue from freight traffic by reconciling the recorded amounts with invoices issued and payments received;
- Evaluating on a statistical sample of transactions, whether vignette sales and toll revenue transactions were recognized in the appropriate period by means of comparing them to the date of service rendered on the invoice and reconciliation with sales report for particular service;
- Inspecting a sample of user charges-related credit notes issued after the reporting date in order to assess whether the related revenues were recognized in the appropriate accounting period;
- Inspecting the revenue-related manual journal entries throughout the year and after the reporting date, including the supporting documentation in order to assess the rationale for the above entries as well as their accuracy;
- Evaluating the adequacy and appropriateness of Company's disclosures related to revenue and deferred revenue against the relevant requirements of the financial reporting standards.

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Property, plant and equipment – component accounting and useful lives

The carrying amount of property, plant and equipment (PPE) as at 31 December 2020: EUR 4.707.256.276 (31 December 2019: EUR 4,801,622,371); depreciation of PPE recognised in 2020: EUR 181.577.922 (2019: EUR 176,005,159).

We refer to the financial statements: Note II.3 Significant Accounting Policies – PPE and Depreciation/amortisation (accounting policies), Note II.4.1.2. PPE and Note II.4.2.6. Depreciation of PPE (financial disclosure).

Key audit matter

Property, plant and equipment includes primarily motorways and related assets (structures, facilities and road infrastructure), and represents the most significant element of the total assets in the Company's balance sheet as at 31 December 2020. In the financial statements, property, plant and equipment is carried at cost less any accumulated depreciation, and any accumulated impairment losses. The Management Board regularly assesses which related expenditure represents regular maintenance of the motorways and related assets, and which should be recognized as an increase in the utility and consequently increase the carrying amount of the motorway-related assets.

Further, as motorway traffic has increased significantly in the recent years, one of the key aspects of accounting in the area is the determination of the useful lives of these assets, and consequently the depreciation rates applied. If an item of property, plant and equipment belonging to a significant asset category, such as motorways, comprises individual components for which different depreciation methods or rates are appropriate, then each such component is depreciated separately based on the Management Board's assessment of its individual useful life. The identification of such components and determination of their respective expected useful lives requires significant management judgement. To that end, the Company closely monitors and regularly reassesses the main drivers behind the life span of the major components of the motorway-related assets.

In view of the above-mentioned factors, accounting for PPE was considered by us to be associated with a significant risk of material misstatement. As such, it represented an area of our increased audit attention, and a key audit matter.

Our response

Our procedures in the area included, among others:

- Testing the design, implementation and operating effectiveness of controls over the accuracy and existence of additions to the carrying amount of PPE, including controls over the determination of whether the additions meet the relevant criteria for accounting as separate components, and over the appropriateness of the assets/components' assessed useful lives;
- Challenging the Management Board's assessment of which expenditure represents regular maintenance of motorways and which contributes towards the given asset's utility, and as such should increase the carrying amount of the motorways or related assets.

The procedure included, among other things, inspecting of a sample of recognised maintenance expense items and a sample additions to the carrying amounts of the motorways and related assets, and, by reference to our knowledge of the Company's business and underlying documentation, assessing those against the relevant capitalization / expensing criteria of the relevant financial reporting standards;
- On a sample basis, assessing the reasonableness of the allocation of property, plant and equipment-related expenditure capitalized in 2020 to significant components;
- Challenging the reasonableness of the estimates made in respect of the asset lives by means of:
 - Detailed inquiries of the Company's technical personnel;

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- By reference to our industry knowledge; and
 - An independent assessment of the historical accuracy of the Company's estimates in the area, which included, among other things, inspecting a sample of transactions for assets disposal, for any significant gains or losses on disposal that would be indicative of inaccurate estimated useful lives.
-

Other Information

Management is responsible for other information. The other information comprises the Business Report, which we obtained prior to the date of this auditors' report, and the Report of the Supervisory Board, which is expected to be made available to us after that date (but does not include the financial statements and our auditor's report thereon).

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

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

With respect to the Business Report, we have also considered whether the Business Report includes the disclosures required by the

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

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Slovene Accounting Standards (2016), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and EU Regulation (EU) No 537/2014 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 and EU Regulation (EU) No 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether

a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

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Report on Other Legal and Regulatory Requirements

We were appointed by the owners of the on the owners meeting dated 11 October 2017 to audit the financial statements of the Company for the year ended 31 December 2020. Our total uninterrupted period of engagement is 5 years.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit

Committee of the Company dated 31 March 2021;

- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the Company in conducting the audit.

For the period to which our statutory audit relates, we have not provided any other services to the Company.

On behalf of audit firm

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

Signed on the Slovenian original

Matej Vrčkovnik, ACCA
Certified Auditor

Ljubljana, 31 March 2021

Signed on the Slovenian original

Danilo Bukovec
Certified Auditor
Director

KPMG Slovenija, d.o.o.
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