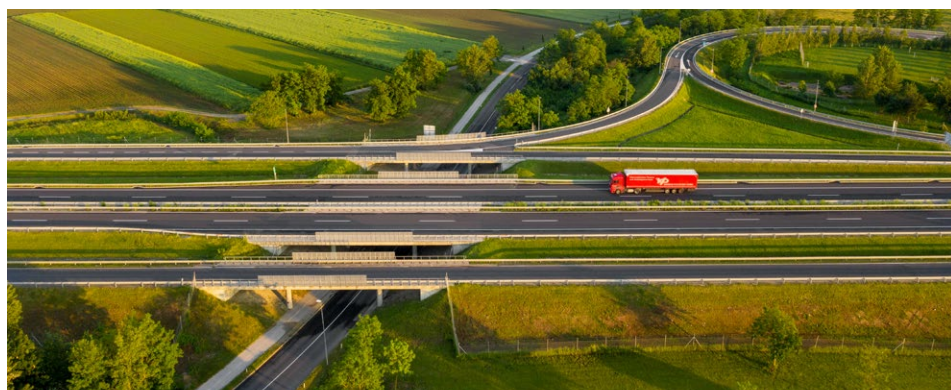


ANNUAL REPORT **2021**



DARS



Ljubljana, april 2022



I Business Report

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 |
| DD | Detailed 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

The members of the Management Board of DARS, responsible for the compilation of the Annual Report of DARS for 2021, certify herewith that, to the best of their knowledge, this Annual Report, including the Corporate Governance Statement, has been compiled and published in compliance with the Companies Act, the Market in Financial Instruments Act and the Slovenian Accounting Standards.

The Annual Report of DARS for 2021, along with the financial statements and notes, provides a true and fair presentation of the assets and liabilities, financial situation and profit or loss of DARS.

Furthermore, the Management Board declares that the Company's financial statements have been prepared under the assumption of a going concern, that the selected accounting policies have been used consistently, and that any amendments to them have been disclosed.

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

Valentin Hajdinjak, MSc
Chairman of the Board



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, 5 April 2022

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 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 is the Republic of Slovenia, which is represented by the Slovenian Sovereign Holding (SSH) pursuant to the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014; ZSDH-1). DARS operates in compliance with the Corporate Governance Code for State-Owned Enterprises as adopted by the SSH, the Slovenian Corporate Governance Code for Listed Companies, and SSH Recommendations and Expectations as the manager of State capital assets, which are aimed at improving the corporate governance system for the capital assets of the State, company organisation and, consequently, company performance.

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

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

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

Table 1: Key performance data by year

| Key performance data by year | 2017 | 2018 | 2019 | 2020 | 2021 | 2021/2020 index |
|--|---------------|---------------|---------------|---------------|---------------|-----------------|
| Revenue | 458,871,408 | 495,428,367 | 523,120,872 | 416,754,677 | 489,290,314 | 117 |
| Expenses | 285,046,526 | 308,286,955 | 350,751,597 | 344,149,420 | 350,817,714 | 102 |
| Net sales revenues | 442,244,312 | 465,605,859 | 480,750,876 | 398,581,556 | 469,535,406 | 118 |
| Operating revenue | 453,654,877 | 489,380,078 | 522,055,233 | 416,199,166 | 487,309,052 | 117 |
| Operating expenses | 242,973,453 | 266,985,138 | 311,065,228 | 307,244,219 | 318,141,965 | 104 |
| Operating profit or loss | 210,681,424 | 222,394,940 | 210,990,006 | 108,954,947 | 169,167,087 | 155 |
| EBITDA | 371,822,312 | 397,476,660 | 422,009,626 | 321,804,934 | 390,145,355 | 121 |
| Net profit or loss for the accounting period | 141,145,144 | 154,421,963 | 139,611,455 | 59,526,614 | 112,703,369 | 189 |
| Share capital | 2,322,284,140 | 2,322,284,140 | 2,086,559,144 | 2,086,559,144 | 2,086,559,144 | 100 |
| Equity as at 31 December | 2,811,184,886 | 2,963,264,000 | 2,863,136,410 | 2,922,963,531 | 3,041,652,197 | 104 |
| Total assets as at 31 December | 5,751,989,678 | 5,656,311,816 | 5,307,039,906 | 5,175,871,112 | 5,092,759,905 | 98 |
| Debt as at 31 December | 2,464,024,512 | 2,269,468,973 | 2,056,619,825 | 1,895,258,439 | 1,711,633,087 | 90 |
| Debt repayment – principal | 203,008,406 | 219,555,539 | 212,849,148 | 238,361,387 | 183,625,351 | 77 |
| Payment of interest* | 40,414,027 | 40,624,860 | 37,889,189 | 35,786,115 | 32,283,754 | 90 |
| No. of employees | 1,240 | 1,232 | 1,257 | 1,269 | 1,234 | 97 |
| Operating margin | 47.6% | 47.8% | 44.1% | 27.3% | 36.0% | 132 |
| EBITDA margin | 84.1% | 85.4% | 87.8% | 80.7% | 83.1% | 103 |
| Net margin | 31.9% | 33.2% | 29.2% | 14.9% | 24.0% | 161 |
| Return on equity (ROE) | 5.2% | 5.3% | 4.8% | 2.1% | 3.8% | 184 |

* 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 2017–2021

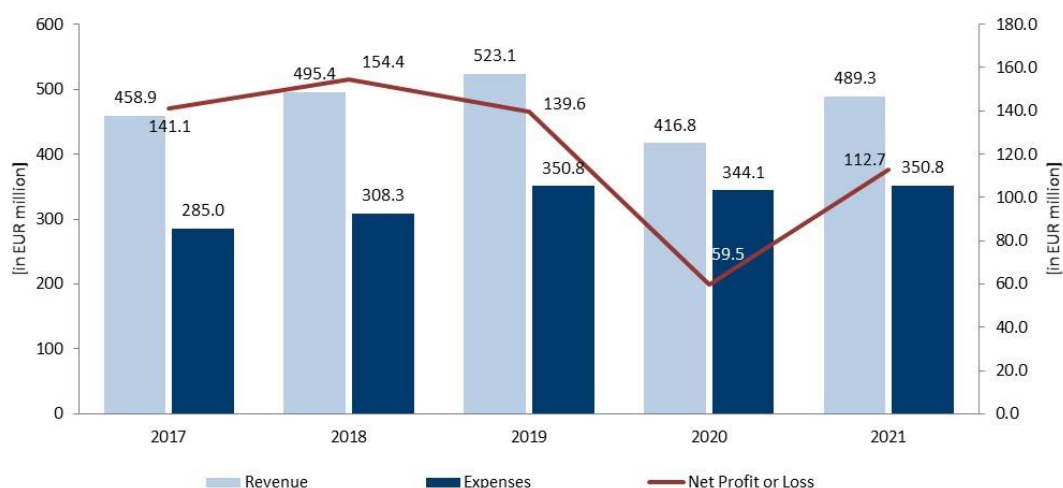


Figure 2: Net sales revenues and cash flow from operating activities (EBITDA) for 2017–2021

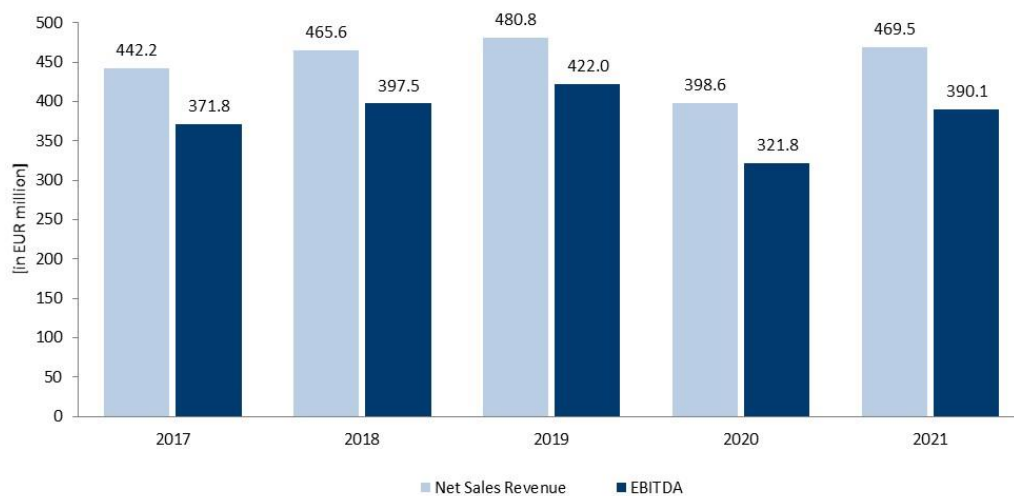


Figure 3: Debt as at 31 December, principal repayment and interest payments for 2017–2021

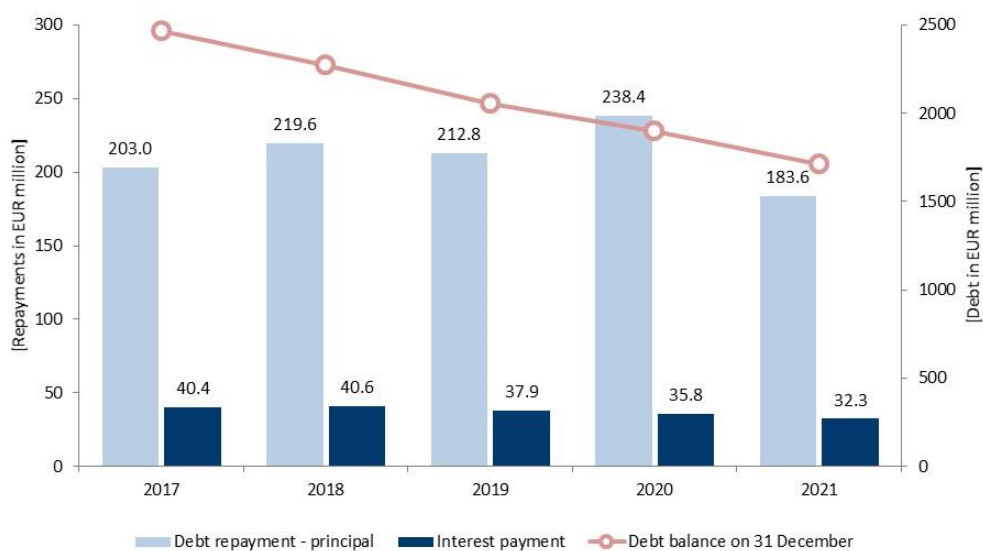


Figure 4: DARS revenues in 2020

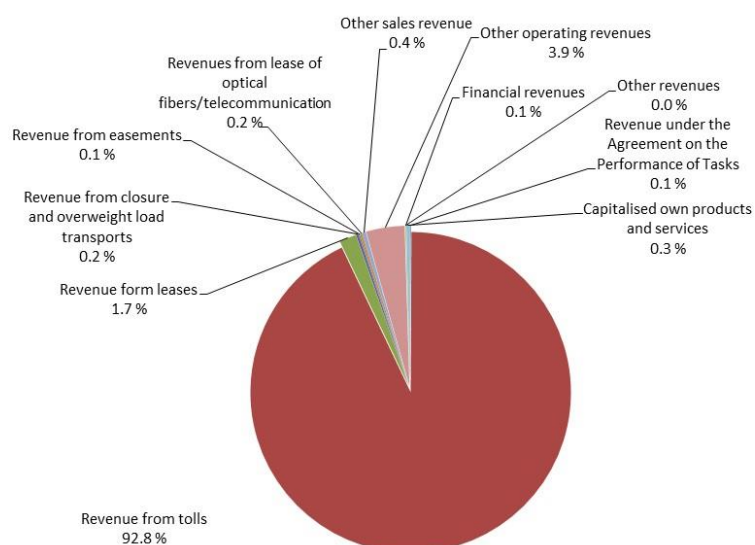


Figure 5: DARS revenues in 2021

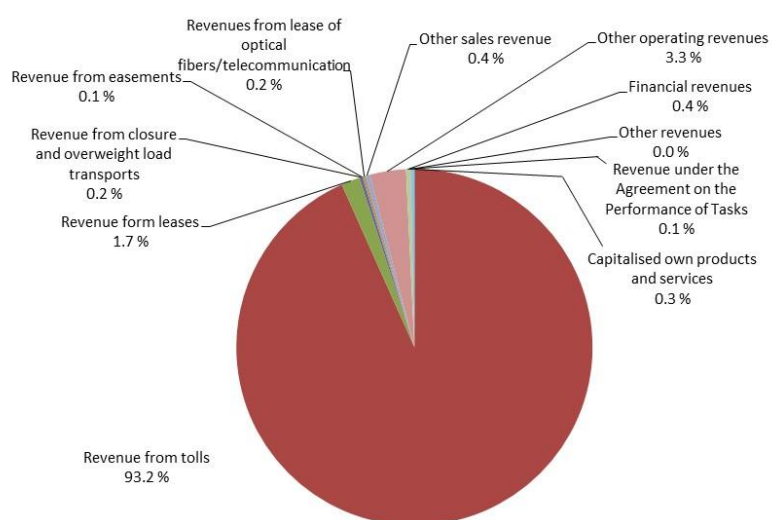


Figure 6: DARS revenues excluding tolls in 2021

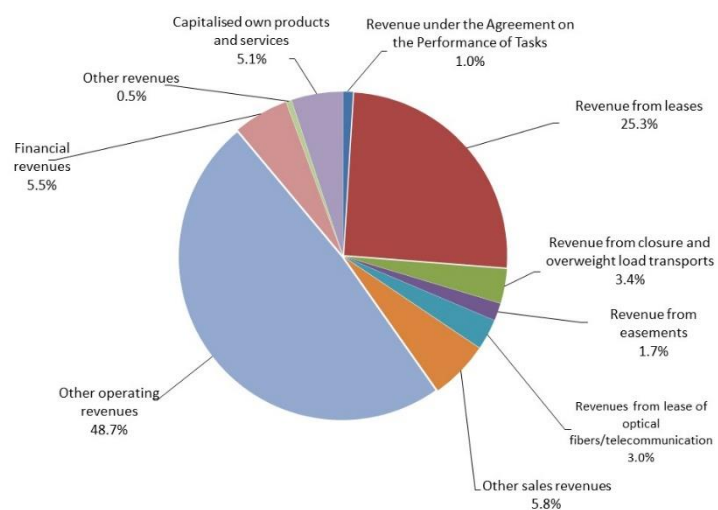


Figure 7: DARS expenses in 2020

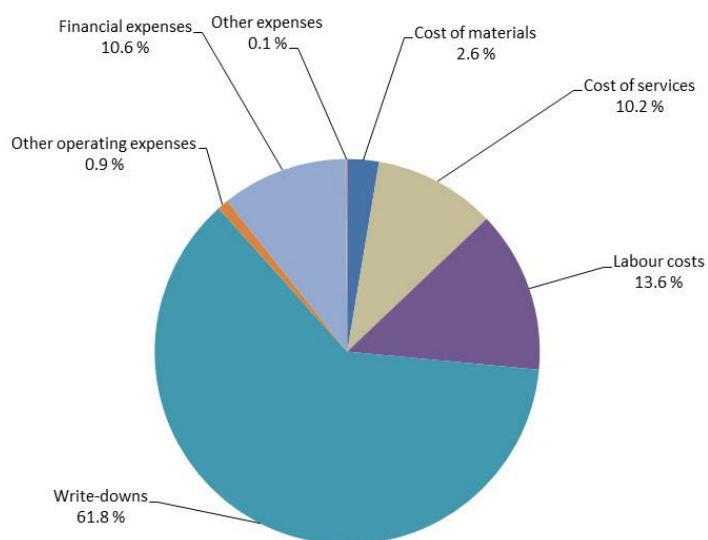
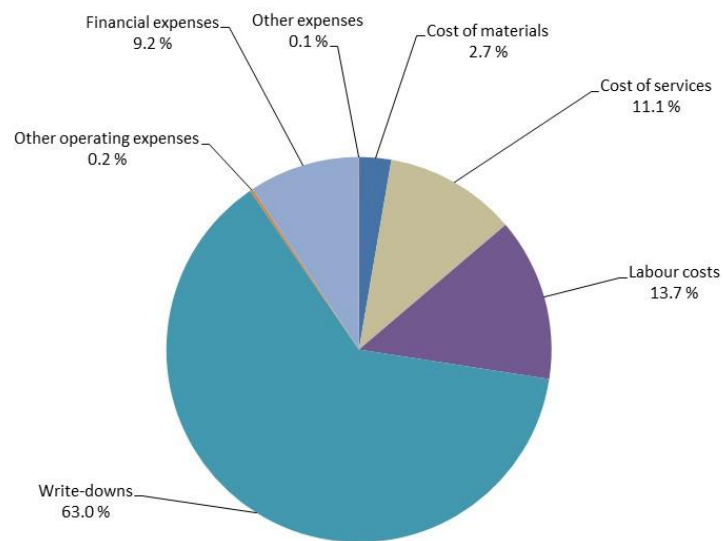


Figure 8: DARS expenses in 2021



I.2 Letter from the Management



Dear all,

the COVID-19 epidemic impacted the operations of DARS in 2021 to a lesser extent than in 2020 when the unexpected situation that arose negatively reflected on traffic and logistics, among others. We managed to adapt to the changed circumstances quickly and effectively.

By successfully realising the business plan, the Company improved all the key performance indicators in 2021. In the 2021 financial year, the revenues of DARS amounted to €489.3 million, which is 17% more than in the year before last. In 2021, the Company generated net sales revenues amounting to €469.5 million, EBITDA amounting to €390.1 million and a net profit of €112.7 million.

We succeeded in achieving our objectives thanks to our good financial condition and dedicated employees who excelled in these different times.

Last year was an important milestone in toll collection for DARS as on 1 December 2021, we introduced the electronic vignette system for vehicles with a maximum permissible weight up to 3.5 tonnes. This is a more user-friendly way to pay tolls that also applies to light vehicles and that has replaced the vignette stickers after 13 years. With this, we have successfully implemented yet another major digitalisation project, which follows 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.

DARS maintains 625 kilometres of motorways and expressways, 143 kilometres of junctions, 22 kilometres of intersections, 41 kilometres of other roads, over 1200 bridging structures and 23 tunnels. The extent of the maintenance and reconstruction works that are necessary is increasing due to the increasing traffic loads, the ageing of constructed motorways and the additional construction of the motorway network. In the last period, between 50 and 60 kilometres of carriageways have been reconstructed annually. In 2021, we allocated almost 68 million euros for construction works in motorway reconstruction, and carried out the reconstruction and resurfacing of carriageways in an overall length of as much as 70 km. Adequate traffic fluidity was ensured at all times during the extensive reconstruction work done on parts of our motorway network where the traffic loads are higher (reconstruction of the eastern tube of the Golovec motorway tunnel in Ljubljana and resurfacing of the Kozina–Črni Kal–Sermin section of the Primorska motorway branch).

Our two largest investment projects were also well on track. The first involves continuing the excavation of the second, eastern tube of the Karavanke tunnel, where the work went exceedingly well and according to the general schedule.

The second project is the third development axis. After construction of the expressway towards Koroška at the section between Velenje and

Slovenj Gradec was successfully launched in 2020, work in 2021 began on two construction lots – Gaberke and Jenina. Public tenders for the selection of contractors for four additional lots were carried out and we also obtained building permits. We also want to launch the construction of the third development axis in the south, from Novo mesto to the Bela krajina region. We succeeded in obtaining a building permit for the first section between Novo mesto and Osrednek in autumn 2021. However, civil society initiatives filed lawsuits against the building permit, which thus did not become final. This, unfortunately, means that our plans to begin construction on this section as early as spring 2022 have been delayed. At the same time, we actively worked on the project to establish a third lane on the radial roads to Ljubljana from the direction of Primorska and Štajerska, and procedures for obtaining a building permit for the road connection between Gorišnica and Markovci were also underway.

As for routine motorway and expressway maintenance in 2021, we intensified our efforts in terms of mowing during the night with a view to ensuring greater traffic fluidity. All maintenance works that could cause prolonged congestion are planned carefully in cooperation with DARS divisions and services, while routine maintenance works are tailored to traffic flows and rush hours, making the effects of our works on traffic fluidity on motorways minimal, whereas such works are also suspended, if necessary, in the event of unexpected excessive traffic congestion.

DARS invests heavily into infrastructural improvements, road equipment and devices, thereby improving traffic safety. We also invest funds into preventive campaigns to raise drivers' awareness regarding proper driving on motorways and expressways. Among other steps taken in 2021 to prevent wrong-way driving, 3D floor markings were added on certain junctions. These create the illusion of a raised platform warning drivers that they are driving in the wrong direction. With a view

to increasing traffic safety, we also replaced the existing crash barriers with new ones that offer a higher level of containment.

One of our more important objectives is to establish order on the Slovenian motorway network. As such, a ban on overtaking for heavy goods vehicles was introduced for the entire motorway network. The ban contributes to the better safety and flow of motorway traffic. Furthermore, we equipped motorway rest areas with signs indicating that heavy goods vehicles may park there for up to 25 hours. We want bus and truck drivers to be able to get the rest they need in order to do their job safely and stay healthy. The aim of this restriction is to prevent users from occupying the parking places in motorway rest areas unnecessarily as their number is limited. We are especially pleased with the fact that the motorway police started operating in the middle of last year. 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. DARS financially supported this project with considerable funds.

The Company's medium-term strategic plan also includes the goals of optimising traffic fluidity and providing the maximum level of safety on the Slovenian motorway network. These goals will continue to be realised with the most modern approaches possible and responsibility to the environment.

Together with our colleagues in motorway maintenance and management, tolling, investments and support expert services we will make sure that the journeys users take on our motorway network will continue to be safe, reliable and comfortable.

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

Vision

Connected to the future

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

The Company vision is focused on:

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

Core values

Safety

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

Responsibility

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

Sustainability

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

Reliability

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

Cooperation

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

Leadership by example

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

Strategic policies of DARS

Figure 9: Strategy map of DARS



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

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

Long-term business stability and sustainability

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

Engaged and competent employees

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

Integrated management system policy

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

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

The management system policy is pursued in the following manner:

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

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

I.4 Corporate Governance Statement of DARS



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

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is an integral part of the Annual Report for 2021 and is accessible for the period from 1 January 2021 to the date of publication in 2022 in electronic form on the website of the Ljubljana Stock Exchange (SEOnet) and on the official website of DARS (www.dars.si).

1. Reference to the Corporate Governance Code and the Recommendations

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

- Corporate Governance Code for 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, March 2021, accessible on the website of the Slovenian Sovereign Holding (SSH) at <http://www.sdh.si>; and

- Recommendations and Expectations of the 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 2021, while any deviations from specific recommendations are explained below. In its operations, DARS observes its internal acts and the DARS Code of Ethics and strives to improve its corporate governance practices.

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

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

a) Corporate Governance Code for Listed Companies

Corporate governance framework

Point 1: The Company 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 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'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 ⅓ of all voting rights, supervisory boards do not form special committees competent for the execution of procedures to search for and assess candidates for supervisory board members, except where provided otherwise by special legislation. In such companies, the recruitment channel 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 ⅓ of all voting rights, supervisory boards do not form special committees competent for the execution of procedures to search for and assess candidates for supervisory board members. In such companies, the recruitment channel 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 14.4: 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, Rules on professional secrecy, 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 for 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 ⅓ of all voting rights, supervisory boards do not form special committees competent for the execution of procedures to search for and assess candidates for supervisory board members, except where provided otherwise by special legislation. In such companies, the recruitment channel 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.

Adoption of the Code of Ethics

Point 10.1.1: The Code of Ethics will be amended in 2022.

c) Recommendations and Expectations of the SSH

Commissioning of goods and services, sponsorship and donations

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

Point 3.7: This is partly taken into account. Data from the public procurement portal is regularly published at <https://ejn.gov.si/statist> where the value can be displayed in a structured manner according to the type of transaction. For below-threshold contracts, the total value of the services is published once per year on the public

procurement portal, the list of contracts indicating the subject of the contract is published once per year on the DARS website in line with Article 106 of the Public Procurement Act (ZJN-3), but without showing the value in a structured manner according to the type of transaction.

Point 3.8: This is partly taken into account. The Company has adopted a sectoral Instruction on the implementation of procedures for dealing with sponsorships and donations at DARS, but since this is an internal act it is not published on the Company's public website.

Point 3.11: This is partly taken into account. Sponsorship funds were allocated to four professional events: the Meeting of Transport Families and Companies of Slovenia organised by the Transport Section at OZS and the Transport Association at CCIS, the 18th Colloquium on Asphalt, Bitumen and Pavement organised by the Slovenian Asphalt Pavement Association, the *"Inženirji za zeleno, digitalno in varno gradnjo"* (Engineers for Green, Digital and Safe Construction) Strategic Forum organised by the Slovenian Chamber of Engineers and the 13th International Tunnelling and Underground Structures Conference organised by the Slovenian Society for Underground Structures.

General Meetings of companies

Point 6.1: The sole shareholder of DARS is the Republic of Slovenia, which is represented by the Slovenian Sovereign Holding (SSH) pursuant to Article 18 of the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014). Since the General Meeting is universal, the provisions of the ZGD-1 regarding the deadline for convening and publishing the agenda for the General Meeting need not be observed.

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

Respect for human rights in business

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 will continue to follow the recommendations of the Slovenian Corporate Governance Code for Listed Companies, the Corporate Governance Code for State-Owned

Enterprises and the Recommendations and Expectations of the SSH, thereby realising its corporate governance system.

3. Compliance and integrity system

Compliance and Integrity has the following powers and responsibilities:

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

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

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

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

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

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

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

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

- control of the accuracy of accounting data, which is provided in different ways, e.g. by harmonising items with customers and suppliers;
- control of the completeness of data capture (e.g. sequence of documents, numbering of documents);
- control of the delineation of duties and responsibilities (e.g. separate record-keeping and payment);
- control of access restriction (the right to access accounting records is granted on a selective basis);
- control of supervision.

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

The Risk Management chapter in the Business Report presents in detail the risk management and control mechanisms in relation to the assessment of each type of risk. We believe that the current control system at DARS ensured the efficient and successful attainment of the business goals in 2021, actions compliant with the legal provisions,

and fair and transparent reporting in every significant aspect.

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

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

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

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

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

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

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

Management Board

The composition and activities of the Management Board are defined in detail in the Articles of Association of DARS, under 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. 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 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, the Supervisory Board comprises nine members, three of whom are employee representatives.

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

The Supervisory Board must be convened at least once in every quarter. The Supervisory Board has a quorum if at least two-thirds of the Members are

present at a meeting, including the Chairperson or Vice-Chair of the Supervisory Board.

In accordance with the Articles of Association of DARS, the Supervisory Board supervises the management of transactions; decides on the appointment and dismissal of the Management Board and their remuneration; convenes general meetings; reviews and examines the ledgers and documentation of the Company, its cash in hand, securities and inventory of goods and other items; grants the Management Board prior consent for the transactions referred to in point 7.2.12 of the Company's Articles of Association; is familiarised with the Management Board's decisions on the establishment and/or termination of subsidiaries; submits proposals to the General Meeting for the appointment of the auditor; appoints the Audit Committee of the Supervisory Board, as well as the other committees under the ZGD-1; is familiarised with the decisions of the Management Board on the purchase and disposal of stakes or shares in other companies; grants consent to the Company's annual Business Plan and 3-year Business and Financial Plans, as well as to other planning documents; aligns the text of the Articles of Association with the valid resolutions of the General Meeting; notifies the Company bodies and shareholder about its positions and proposals; and discusses and makes decisions on all other matters within its competence under the law, other regulations and under the authority of the General Meeting and the Company's Articles of Association.

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

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

Composition of the Supervisory Board in the 2021 financial year

| First and last name | Function | First appointment to the office | Termination of office/man date | 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 2021 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 | 13/14 | Male | Slovenian | 1973 | University graduate in law | YES | NO | / | Audit Committee | Member and Chairman | 8/8 |
| Jožef Zimšek | Member | 12/09/2019 | 12/09/2023 | 14/14 | Male | Slovenian | 1944 | University graduate in civil engineering | YES | NO | AMZS, d.d. | Audit Committee, Investment Committee | Member, Chairman | 8/8 11/11 |
| Martin Stožir | Member | 09/05/2019 05/06/2020 new term | 05/06/2024 | 14/14 | Male | Slovenian | 1983 | Master's degree in logistics | YES | NO | / | Remuneration Committee | Member | 2/2 |
| Nataša Ivančević | Member | 04/07/2020 | 04/07/2024 | 14/14 | Female | Slovenian | 1974 | Senior economist | YES | NO | / | / | / | / |
| Branko Švigelj | Member | 04/07/2020 | 04/07/2024 | 11/14 | Male | Slovenian | 1964 | Professional driver | YES | NO | / | / | / | / |
| Pavle Hevka | Member Chairman | 24/06/2020 06/07/2020 | 06/07/2020 24/06/2024 | 14/14 | Male | Slovenian | 1968 | Civ. eng., master's degree in economics and business | YES | NO | Holding Kobilarna Lipica, d. o. o | / | / | / |
| Robert Rožič, PhD | Member, Vice-Chair | 24/06/2020 06/07/2020 | 06/07/2020 24/06/2024 | 13/14 | Male | Slovenian | 1968 | PhD | YES | NO | 2TDK, d.o.o. | Remuneration Committee | Member | 2/2 |
| Štefan Šumah, PhD | Member | 24/06/2020 | 24/06/2024 | 13/14 | Male | Slovenian | 1965 | PhD | YES | NO | JP Komunala Ravne na Koroškem (letter of resignation dated 05/02) | Remuneration Committee | Chairman | 2/2 |
| Anton Guzej | Member | 24/06/2020 | 24/06/2024 | 13/14 | Male | Slovenian | 1952 | University graduate in economics | YES | NO | Šmarje pri Jelšah Municipality, Terme Olimia d.d. (as of 11/09) | Audit Committee, Investment Committee | Member | 8/8 11/11 |

Composition of the Management Board in the 2021 financial year

| First and last name | Function | Area of work in the Management Board (as at 31/12/2021) | First appointment to the office | Termination of office/mandate | Gender | Nationality | Year of birth | Education | Professional profile | Membership in supervisory bodies of non-related companies |
|--------------------------------|-----------------------|---|---------------------------------|-------------------------------|--------|-------------|---------------|--|--|---|
| Rožle Podboršek | Member/Labour Manager | HR and social affairs, health and safety at work, the organisation of employee meetings | 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 its services, the business division, management consultants, managers of divisions | 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., THERMANA Laško (from 25/08/2021) |
| Peter Gašperšič, PhD | Member | Road 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. |
| 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., Farne Ihan, d.d. (from 14/07/2021) |
| Romana Fišer, MSc | Member | Finance and accounting, 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. |

Ljubljana, 5 April 2022

Supervisory Board of DARS

Pavle Hevka
Chairman
of the Supervisory Board



Management Board of DARS

Valentin Hajdinjak, MSc
Chairman of the Management Board



Romana Fišer, MSc
Member of the Board



Boštjan Rigler
Member of the Board



Peter Gašpersič, PhD
Member of the Board



Rožle Podboršek
Member of the Board /
Labour Manager



I.5 Non-financial reporting at DARS

The independent Sustainability Report of DARS for 2021 will contain the “Statement on Non-Financial Operations”, which we as a public company are required to publish on the basis of the Companies Act (Official Gazette of the Republic of Slovenia, No. 42/2006 as amended). In Sustainability Reports, the Company follows the Global Reporting Initiative Global Standards (GRI GS), core option.

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

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

The Sustainability Report of the Company for 2021 will be published by 30 June 2022 on the website of DARS pursuant to the Companies Act.



I.6 Analysis of business performance

DARS revenue

Table 2: Overview of DARS revenues

| Type of revenue | 2020 (in €) | 2021 (in €) | 2021/2020 index | Structural shares for 2021 |
|---|--------------------|--------------------|--------------------|-------------------------------|
| Revenue under the performance contract | 333,607 | 321,312 | 96 | 0.1% |
| Toll revenue | 386,955,494 | 456,235,915 | 118 | 93.2% |
| – vignettes | 144,430,710 | 179,466,634 | 124 | 36.7% |
| – freight traffic | 231,450,564 | 262,765,664 | 114 | 53.7% |
| – Karavanke tunnel | 11,074,220 | 14,003,616 | 126 | 2.9% |
| Revenue from leases | 7,136,120 | 8,347,355 | 117 | 1.7% |
| Revenue from closures and overweight load transport | 984,520 | 1,130,221 | 115 | 0.2% |
| Revenue from easements | 593,084 | 572,513 | 97 | 0.1% |
| Revenues from the lease of fibre optics | 984,782 | 1,003,149 | 102 | 0.2% |
| Other sales revenues | 1,593,950 | 1,924,942 | 121 | 0.4% |
| Other operating revenue | 16,161,707 | 16,091,935 | 100 | 3.3% |
| Financial revenue | 453,667 | 1,803,311 | 397 | 0.4% |
| Other revenue | 101,844 | 177,951 | 175 | 0.0% |
| Capitalised own products and services | 1,455,903 | 1,681,712 | 116 | 0.3% |
| TOTAL REVENUES | 416,754,677 | 489,290,314 | 117 | 100.0% |

In the 2021 financial year, the revenues of DARS amounted to €489.3 million, which is 17 percentage points more than in 2020.

Toll revenue accounted for 93.2% of the total Company revenue and amounted to €456.2 million in 2021, which is 18% more than in 2020. Following the drop in 2020 resulting from the COVID-19 epidemic, toll revenue increased again in 2021, missing 2019 levels by only 2 percent. Toll revenue from vehicles with a maximum permissible weight exceeding 3.5 tonnes (heavy vehicles) amounted to €262.8 million, revenue from the sale of vignettes amounted to €179.5 million and toll revenue from the Karavanke tunnel amounted to €14.0 million. In 2021, the number of vignettes sold reached 6,736,810, which is a 24% increase. Revenue growth from the sale of short-term vignettes was particularly high – as much as 70 percent.

Financial revenue is higher due to the revaluation of financial derivatives.

Other revenues account for minor shares of the total revenues.

DARS expenses

Table 3: Overview of DARS expenses

| Type of expense | 2020 (in €) | 2021 (in €) | 2021/2020 index | Structural shares for 2021 |
|--------------------------|--------------------|--------------------|--------------------|-------------------------------|
| Cost of material | 9,116,897 | 9,472,198 | 104 | 2.7% |
| Cost of services | 35,252,803 | 38,878,394 | 110 | 11.1% |
| Labour costs | 46,832,708 | 47,936,062 | 102 | 13.7% |
| Write-downs | 212,849,987 | 220,978,268 | 104 | 63.0% |
| Other operating expenses | 3,191,823 | 877,044 | 27 | 0.2% |
| Financial expenses | 36,417,566 | 32,442,664 | 89 | 9.2% |
| Other expenses | 487,636 | 233,086 | 48 | 0.1% |
| TOTAL EXPENSES | 344,149,420 | 350,817,714 | 102 | 100.0% |

The expenses of DARS in 2021 amounted to €350.8 million and increased by 2% compared to 2020.

The cost of materials, services and labour, as well as write-downs, increased in 2021. Write-downs account for the largest, 63% share of expenses.

The costs of services are higher compared to the previous year primarily due to the higher volume of vignettes sold, which increased the costs of commission fees for vignettes sold.

Labour costs increased by two percentage points compared to 2020 and were lower than planned.

Year-over-year write-downs in 2021 increased primarily due to the accounted depreciation of property, plant and equipment – motorways, which were activated in the last quarter of 2020, and due to operating expenses from revaluation.

Profit or loss

The net profit of DARS for the period from 1 January to 31 December 2021 amounts to €112.7 million and increased by 89% compared to the net profit in 2020.

Table 4: Performance indicators

| | | 31/12/ 2019 | 31/12/ 2020 | 31/12/ 2021 |
|---|--|----------------|----------------|----------------|
| Financing ratios | | | | |
| Equity financing ratio in % | $\frac{\text{Equity}}{\text{Liabilities}}$ | 53.95 | 56.47 | 59.73 |
| Long-term financing ratio in % | $\frac{\text{Equity} + \text{provisions} + \text{long-term liabilities}}{\text{Liabilities}}$ | 94.39 | 93.16 | 94.42 |
| Short-term financing ratio in % | $\frac{\text{Short-term liabilities (including short-term accrued costs and deferred revenue)}}{\text{Liabilities}}$ | 6.84 | 6.06 | 5.58 |
| Investment ratios | | | | |
| Fixed asset investment ratio in % | $\frac{\text{Fixed assets (at carrying amount)}}{\text{Assets}}$ | 91.03 | 91.50 | 91.08 |
| Long-term investment ratio in % | $\frac{\text{Fixed assets} + \text{investment property} + \text{long-term inv.} + \text{long-term op. rec.}}{\text{Assets}}$ | 92.71 | 93.62 | 94.37 |
| Horizontal financial structure ratios | | | | |
| Quick ratio in % (taking into account accrued costs and deferred revenue) | $\frac{\text{Liquid assets} + \text{short-term receivables}}{\text{Short-term liabilities}}$ | 29.63 | 34.89 | 37.59 |
| Current ratio in % | $\frac{\text{Short-term assets} + \text{short-term deferred costs and accrued revenue}}{\text{Short-term liabilities} + \text{short-term accrued costs and deferred revenue}}$ | 105.19 | 103.26 | 98.59 |
| Operating efficiency ratios | | | | |
| Operating efficiency ratio in % | $\frac{\text{Operating revenue}}{\text{Operating expenses}}$ | 167.83 | 135.46 | 153.17 |
| Operating profit margin ratio in % | $\frac{\text{Operating profit}}{\text{Operating revenue}}$ | 40.42 | 26.18 | 34.71 |
| Net profit margin in % | $\frac{\text{Net profit}}{\text{Revenues}}$ | 26.69 | 14.28 | 23.03 |
| Profitability ratio | | | | |
| Net return on equity | $\frac{\text{Net profit for the period}}{\text{Average equity (excluding net profit for the period)}}$ | 0.05 | 0.02 | 0.04 |

I.7 Significant business events in the 2021 financial year



January

The ban on overtaking for heavy goods vehicles on the A1 motorway between Šentilj and Koper came into force.

February

The Ministry of Infrastructure, the Vodice Municipality and DARS signed an agreement on co-financing the construction of the Vodice bypass. DARS will co-finance the rearrangement of the eastern part of the motorway junction from the direction of Ljubljana towards Kranj.

March

Reconstruction of the eastern tube of the Golovec MW tunnel in Ljubljana.

April

The Supervisory Board discussed and approved the audited Annual Report for 2020.

Based on the provisions of the Ljubljana Stock Exchange Rules and applicable legislation, the Company published the audited Annual Report of DARS for 2020.

The Motorway Police Administration started operating in Postojna.

May

Construction works in the eastern tube of the Golovec tunnel on the Ljubljana motorway ring were completed successfully and within the foreseen 2-month period.

Upon the conclusion of a contract between DARS and the Slovak company SkyToll, contractual periods to deploy the electronic vignette system started running.

June

On the basis of the Decision amending the Decision introducing the mark-up on tolls for the use of certain toll roads (Official Gazette of the Republic of Slovenia, No. 70/2021), the mark-up on tolls was somewhat reduced for all toll rate categories as of 1 June 2021.

The first out of five foreseen Specialised Motorway Police Units (SEAP) started operating in Ljubljana.

A General Meeting of DARS was held, where the owner was informed about the audited Annual Report of DARS for 2020, the Auditor's Report and the Report of the Supervisory Board on the review of the Annual Report of DARS for 2020 containing the Auditor's Report.

Based on the provisions of the Ljubljana Stock Exchange Rules and applicable legislation, the Company published the Sustainability Report for 2020.

July

DARS and the consortium of domestic construction companies concluded a contract for the construction of the Jenina section near Slovenj Gradec. This was a new step toward the continued construction of the expressway to the Koroška region.

August

The construction of the Jenina section on the third development axis between Velenje and Slovenj Gradec was launched.

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 2021.

September

At the end of the tourist season, DARS launched the last extensive reconstruction on the motorway network planned for 2021, specifically the resurfacing of the carriageway of the Kozina–Črni Kal–Sermin sections on the Primorska motorway branch.

The laying of the foundation stone marked the beginning of construction of the new DARS office building located next to the western Ljubljana bypass (Koseze–Kozarje).

October

A building permit was issued to DARS for the first section of the expressway on the southern part of the third development axis between the junctions Novo mesto East and Osredek.

November

On 1 November 2021, the ban on overtaking for heavy goods vehicles between 6.00 and 18.00 on the entire network of Slovenian motorways and expressways came into force. Overtaking is still allowed on sections with three lanes and at night.

DARS began equipping motorway rest areas with signs indicating that heavy goods vehicles may park there for no more than 25 hours.

December

The electronic vignette system became operational. Starting on 1 December, users of Slovenian motorways and expressways could purchase and use the yearly e-vignette, which replaced the vignette sticker after 13 years.

I.8 Risk management



I.8.1 Business risks

DARS 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 in 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 2021. 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 these 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 Strategy, we revise or amend the operational goals supporting the strategic goals, based on which

strategic risks are identified. The system is reviewed and supplemented on an ongoing basis, so that the risks the Company is exposed to are identified, evaluated and managed in due time.

We adopted a 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 measures to reduce 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 of the comprehensive intentions and orientations of the Company 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 need to identify in due time and adequately manage.

Measurable goals in risk management in 2021 included:

- 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 to assess risks is explained in the text and figures below. The probability of occurrence is assessed using a five-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 and very high).

Figure 10: Risk assessment methodology

| R I S K C O N S E Q U E N C E S | | | Probability of occurrence/event | | | | |
|---|--|-------|---------------------------------|-----------------------------|----------------------------|----------------------------|-------------------------------|
| | | | HIGHLY UNLIKELY (10–20 yrs) | VERY UNLIKELY (5–10 yrs) | FAIRLY LIKELY (1–5 yrs) | VERY LIKELY (1 mo–1 yr) | HIGHLY LIKELY (1 day–1 mo) |
| Consequences in terms of value (in EUR) | Consequences expressed semi-qualitatively - impact on key stakeholder (user) | GRADE | 1 | 2 | 3 | 4 | 5 |
| VERY HIGH (50–100 million) | Very high/very strong impact | 5 | 5 | 10 | 15 | 20 | 25 |
| HIGH (10–50 m) | High/strong impact | 4 | 4 | 8 | 12 | 16 | 20 |
| MEDIUM-HIGH (1–10 m) | Medium-high/medium impact | 3 | 3 | 6 | 9 | 12 | 15 |
| MODERATE (0.1 to 1 m) | Moderate/partial impact | 2 | 2 | 4 | 6 | 8 | 10 |
| LOW (<0.1 m) | Low/no consequ., no impact | 1 | 1 | 2 | 3 | 4 | 5 |

| LEGEND | |
|---|---|
| | Extremely high level of risk (unacceptable) = 17–25 |
| | High level of risk (unacceptable) = 9–16 |
| | Medium level of risk (tolerable, acceptable) = 5–8 |
| | Low level of risk (acceptable) = 1–4 |

Risks have been identified based on the strategic and operational goals set at the highest level in the DARS Strategy for 2021–2025 and at lower levels compared to the performance goals set within the scope of each process. 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 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 have been implemented. In the risk register, 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, 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 in assets,
- revenue risk,
- loss of competent or key staff (undesired fluctuation) and an increased share of actively non-engaged employees,
- concern for employees' health and safety at work, and
- environmental protection.

The pandemic

We have closely and continuously monitored the spread of COVID-19 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 COVID-19 Coordination Team is a concern for the health and safety of employees and motorway and expressway users.

The Management Board of DARS and the competent expert services began providing information and warnings on the behaviour and conduct of employees and preventive measures at the Company regarding COVID-19 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 settings or, rather, the current business processes.

Upon the declaration of the COVID-19 epidemic in Slovenia, DARS 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 winter service in the event of a coronavirus outbreak within the Maintenance organisational units, 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 the economic environment in which the Company operates, including measures already adopted by the Slovenian Government. All necessary routine work has 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 COVID-19. 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 best practices that will provide the basis for all activities during future emergency conditions.

It has been found that the measures adopted due to COVID-19 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 COVID-19 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 (2022–2024) 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 the 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 meet the needs expressed in the relevant document.

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

Special emphasis 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 and infrastructural systems, provide sufficient capacities for the transmission and exchange of information, to manage huge amounts of data and to prepare appropriate software environments for such implementation.

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

The underlying mission of DARS, including during the pandemic, is to keep the motorways passable without restrictions, which can 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 the good practice examples and studies conducted, we carry out various projects relating to traffic safety, the use of advanced IT and the introduction of smart infrastructure. Projects within the scope of which efforts are devoted mostly to:

- design solutions improving road throughput and reducing the number of conflict points;
- the good condition of the road infrastructure, which is required for safe driving (optimum carriageways, the visibility of road markings and traffic signs);

- the use of road furniture mitigating the consequences in the event of a driver's error, thus reducing the number of fatalities or injuries;
- the preparation of motions for amendments and supplements to the statutory and implementing regulations providing the introduction of modern technical traffic solutions and the use of more efficient road furniture.

While keeping track of new developments abroad and efficiently utilising in-house knowledge, everything indicated provides conditions for improved traffic safety. In the overall concept of designing and building new sections, reconstructions, maintenance, new ITS technologies and traffic management, safety has improved in relation to increased traffic. Positive results have been shown in the areas of information provision to users, coordination (carried out from control centres, primarily in case of actions by operative teams on-site and in incidents) and the provision of measures tailored to traffic and weather conditions. Furthermore, efforts have been made to implement safety campaigns on an ongoing basis and to cooperate actively with stakeholders to promote traffic safety. Crisis communication in incidents is very important.

Traffic safety deteriorated in 2021 and returned to the pre-pandemic levels. The most notable were traffic accidents involving rear-end collisions into stopped vehicles in traffic jams. Traffic loads are also gradually approaching the values from 2019, resulting in an increased likelihood of accidents.

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 and made improvements at the system level.

We reviewed the achievement of the service level for the last quarter of the third year of system operation and the first and part of the second quarter of the fourth year of system operation. By collecting data on system operations and by implementing our own methodological model for assessing the 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 the payment of the contract value to the provider for technical system operation and efficiency; the payment of the contract value depends on elements tied to the quality level that the provider is required to achieve during system operation. By measuring the service level, we ensure a higher quality of 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 has taken over a data warehouse, where data from the source information systems needed for tolling will be transferred and with the help of which the contracting authority will be able to conduct analyses intended for the comprehensive monitoring and control of the DarsGo system operation.

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 using 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 that 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 external assessment of the ISO system was conducted in respect of the DarsGo system, a managerial review of the SUVI and SUNP systems, along with some actions deriving from the managerial review and a business continuity drill. The system was stable and ensured the foreseen 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, the risks were kept within manageable limits. Through the 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. We manage a user service network by providing toll user points that are accessible to users of DarsGo services; we established a new point of sale in Ilirska Bistrica and equipped and set up our own mobile point of sale. We also increased the number of suitably trained mobile toll inspection units to increase the extent of identified offences related to tolls collected. For the same reason, we concluded Annex 14 to the DarsGo agreement and began activities to set up two additional control gantries on two radial roads into the country. In the last quarter, we harmonised the solutions for setting up new DarsGo gantries (Srmin radial road, third development axis north and south, Markovci–Gorišnica) and for the reconstruction of the existing (Zadobrova – LJ (Šmartinska)). We established a point of sale at the Petrol service station in Dolga vas to ensure faster DarsGo service provision for users entering the country. In light of the global shortage of semiconductors, we started ordering DarsGo units for 2023 with a view to ensuring that we will have a sufficient number of units available on time.

During the reporting period, we agreed with the contractor on the activities necessary for the implementation of the DarsGo system into the e-vignette system so that the sale of e-vignettes will proceed on schedule.

Failure of key information systems

A failure of key information systems is managed with the ongoing monitoring of the information systems and an immediate response to incidents. A system ensuring the uninterrupted operation of the information system has been established (duplication of the most vital parts of the IT equipment) and safety measures have been introduced to protect and safeguard information systems from unauthorised interference and loss of data.

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 risks. The identified threats and risks that could affect the confidentiality, integrity or availability of information systems and information infrastructure are managed through the maintenance of the IT risk assessment and the implementation of relevant risk mitigation measures. We have established appropriate controls pursuant to the requirements of the ISO 27001 standard and we regularly maintain all our information systems, both software and hardware. This includes making backups, firewall and antivirus software maintenance and the updating of security policies. We also place a great deal of emphasis on raising users' awareness about information security. The execution of a clear development vision for the Company's information system is also essential.

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 in assets

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

damage. In 2021, we used the BMS DARS expert management system to plan measures for bridging structures for the first time.

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

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

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 permissible tolls are made in line with the applicable methodology.

The COVID-19 pandemic caused our toll revenue to decrease by 17% in 2020 and it continued to have an effect in 2019 as well, although our toll revenue nearly reached the 2019 levels mostly due to increased traffic of heavy goods vehicles.

Tolls collected in relation to vehicles with a maximum permissible weight exceeding 3.5 tonnes are generally decreasing if the toll per kilometre travelled remains unchanged, i.e. due to vehicle fleet modernisations providing lower toll payments for vehicles in higher EURO emission classes. The initiatives put forth to the MI by DARS in 2020 and 2021 to index toll and vignette prices on the toll road network were not accepted.

All amendments to the implementing regulations referring to toll collection and toll prices must be approved by the Ministry of Infrastructure. DARS 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. The sale of electronic vignettes within the e-vignette system was launched on 1 December 2021. Only the yearly vignette was available in electronic form at first, however, the selection was expanded to include short-term vignettes in January 2022. By the end of January 2022, the sale of all types of vignette stickers was finally discontinued. The yearly vignette is valid for 365 days from the date of purchase, which means a partial loss of revenue compared to the current yearly vignette validity system (until 31 January).

DARS actively participated in 2021 in the development and evaluation of proposals for amending the Eurovignette Directive (1999/62/EC) while the proposal was being adopted by EU bodies and competent committees. Our proposals were sent to the competent ministry and the ASECAP association of motorway operators. New risks brought by the Directive include mandatory price ratios for yearly and short-term vignettes, the mandatory introduction of a daily vignette, the distinction between toll prices with respect to CO₂ emissions, the mandatory introduction of a fee for external air and noise pollution costs, the option that toll revenue should be invested in the transport sector, but outside the motorway network, and the possibility of toll exemption and reduction for parts of a network and new vehicle categories. Following the 8-year transition period, when the prescribed ratios between the yearly and short-term vignette prices will have to be observed, the price of the yearly vignette will need to be increased (by €20 to €40) to avoid a significant loss of revenue (estimated at €30 to €50 million per annum). Furthermore, the adoption of the amended Directive will increase development costs for the DarsGo system and toll inspection costs.

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

The risk of the loss of competent or key staff at DARS and of an increasing share of actively non-engaged employees is managed with the provision of a creative, safe and 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.

The organisational climate and employee satisfaction are measured every year. The 2021 results do not show any significant negative deviations in the organisational climate and employee satisfaction; instead, they show a greater degree of employee engagement than in previous years.

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

We conducted annual development interviews with employees. They were offered the chance to attend various internal and external training, which mostly took place digitally due to the COVID-19 epidemic. For the same reason, business largely took place in the digital world using modern information tools. In order to ensure that employees are well trained for work with digital tools, we tested their digital competencies and will use the results as the basis for their further targeted training.

Employees can also choose in-service training with the co-funding of their tuition fees and are granted paid leave of absence for study obligations. New employment contracts were concluded with employees whose nature of work enables them to work from home; they can now work from home even during normal operations. There are also a variety of measures available to help employees reconcile their work and family responsibilities, to demonstrate respect for their personal lives and to help them in times of need.

Leadership has a major impact on the undesirable fluctuation and the engagement of employees, which is why leaders attended various workshops, training and coaching sessions to improve their leadership competencies.

Activities in the field of HR in 2021 were again largely marked by extensive work organisation emergency measures for curbing the spread of COVID-19 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

We entered 2021 with a continued COVID-19 pandemic situation, which only subsided in the summer months. That is why most occupational safety and health activities were intended for the implementation of measures to prevent the spread of the virus among Company employees. Employees who were able to work from home only arrived at work in emergency cases that could not be handled from home. Maintenance and tolling staff performed work in standing teams (bubbles). Most meetings and training courses during the epidemic took place remotely via electronic media. Prior to face-to-face meetings, preventive testing was provided with rapid antigen tests. Occupational Health and Safety, in cooperation with the head of the relevant organisational unit, conducted an epidemiological investigation upon each infection of a Company employee and referred employees in high-risk contact with the infected person to quarantine.

Employees were informed about the situation in Slovenia, changes in the regulations and the number of persons infected at the Company and warned about compliance with the preventive measures (19 notifications in total). In January, we also held a short video presentation on COVID-19, necessary preventive measures, actions to be taken upon suspected infection, and the importance of vaccination to stop the pandemic. Since we expected the Government to list DARS as a critical infrastructure operator, i.e. a priority group as laid down in the National Vaccination Strategy against COVID-19, we invited employees to register for vaccination within our organisation. We received 440 applications; however, our Company was not listed as a critical infrastructure operator. The Company therefore reached out to local vaccination centres, but they could only vaccinate Company employees in early May. By that time, many Company employees in priority groups had already been vaccinated, while some of them recovered from COVID-19. In the end, Occupational Health and Safety organised vaccinations for 260

employees at the start of May at eight vaccination centres. We offered a financial incentive for vaccination and by the end of the year, 72% of all employees were vaccinated.

In the summer months, the number of people absent due to COVID-19 decreased, with almost half of them already recovered from the disease or been vaccinated. This meant that the minimum conditions were met for work in larger groups and the implementation of activities that could not be conducted during the epidemic. In May and June and then in September and October, Occupational Health and Safety carried out training sessions and periodically tested the maintenance crews for safe work in large areas (garages used for heavy goods vehicles), taking into account social distancing, wearing masks and ventilating the premises on an ongoing basis; afterwards they also monitored compliance with the measures in the field.

As the fourth wave of the pandemic began and the number of infections increased in the autumn, we reintroduced additional measures to prevent the spread of COVID-19 according to the criteria from the Action Plan and tightened control over the implementation of these measures. When the recovered/vaccinated/tested rule became mandatory for all employees, we informed them about their obligations and organised regular verification of this rule three times weekly. With the introduction of this rule, 623 employees were required to perform self-testing, though their number decreased to 367 in the first week of October and then to 285 by the end of the year.

In addition to the above, Occupational Health and Safety provided non-stop (24 hours per day, 365 days of the year) advice to managers in adopting necessary measures in the event of a suspected infection, made daily reports about absent employees to the Management Board and to members of the working group for preventing the spread of infections, provided the necessary personal protective equipment (10,940 FFP2 masks, 42,300 surgical masks, 7,800 pairs of single-use disposable gloves), disinfectants (738 litres of hand sanitiser, 398 litres for vehicle disinfection, 100 kg for workplace disinfection), 1600 rapid antigen tests for testing by medical staff and 19,000 self-testing kits.

Environmental protection

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

The DARS Strategy for 2022–2025 includes operational goals relating to environmental and energy aspects and, consequently, also measures to mitigate environmental risks. In 2021, the management system was further improved through the realisation of measures to mitigate environmental impacts and, therefore, environmental aspects, supplementing new and optimising existing environmental and energy objectives and programmes, while their realisation was monitored within the scope of the Company management review. The central theme of the environmental management system includes the assessment and analysis of environmental impacts and aspects, taking into account the stages of the service life cycle that are defined in the register of environmental aspects. To reduce environmental impacts, the Company laid down indicative and operational environmental and energy targets and programmes that will be used to achieve such targets.

The risks referring to the timely monitoring and enforcement of legislative requirements 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 increasingly important. The Company continued the activities already initiated for environmental protection. The systematic management of environmental risks reflects the environmental awareness of employees. Accidents on motorways can have a negative impact on the environment; this is why it is important to reduce risks that emerge through accidents and react quickly and effectively when they do occur to minimise negative consequences for the environment. All employees in such workplaces are informed and trained to act quickly and effectively in terms of environmental protection should such a situation arise.

The likelihood of incidents is also reduced through preventive measures. Training aimed at learning to react quickly, properly and efficiently ensures that the impacts of any incidents on the environment are kept to a

minimum. By implementing appropriate activities within the scope of motorway maintenance, such as the cleaning and regular maintenance of retention basins to ensure their flawless functioning, implementing the Annual Programme of the Operational Monitoring of rainwater (APOM), etc., the collecting, sorting and controlled disposal of waste, implementing measures to reduce light pollution and constantly controlling carbon monoxide concentrations and visibility in tunnels, we have significantly contributed to reducing 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 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 can be expected to be low due to long-term absence from work and particularly due to reduced traffic and the 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 plans to carry out anti-noise measures based on the results of the conducted operational noise monitoring. The measures are designed to cover areas with a large number of overly affected buildings or inhabitants and areas of individual overly affected facilities along the motorway and expressway alignment.

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

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

For the purposes of preparing the set of measures that are included in the draft revision of the 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. The document discusses existing anti-noise measures that are deemed inadequate considering the current noise pollution and sets out three types of measures (renovation, upgrade and both 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. The Ministry of the Environment and Spatial Planning in cooperation with the Ministry of Health and the Ministry of Infrastructure and other stakeholders, including DARS, have launched a revision of the Noise Action Programme. Substantively, the draft revision is based on the expert bases for the Noise Action Programme, which is why it includes all the priority areas envisaged in the expert bases. The draft document has already passed an inter-ministerial coordination, public discussion and another inter-ministerial coordination. It is expected that the Government will adopt the revised Noise Action Programme in early 2022.

1.8.2 Financial operations and the management of financial risks

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

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

The Company sees interest rate, credit and liquidity risks as the crucial types of financial risks. By managing such financial risks, the Company strives to achieve the optimal stability of operations and to reduce 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 | | | Risk management (control) |
|----------|-----------------------|--------------------------------|---------------------------------|---------------|--|
| | | Probability of risk occurrence | Implications of risk occurrence | Level of risk | |
| 1 | 2 | 3 | 4 | 5 = 3 x 4 | 6 |
| 1 | Foreign exchange risk | 1 | 1 | 1 | Use of natural protection to match cash flows, the regular monitoring of foreign exchange markets, hedging with appropriate financial instruments |
| 2 | Interest rate risk | 2 | 3 | 6 | Monitoring interest rate changes, negotiations with credit institutions, hedging with appropriate financial instruments |
| 3 | Credit risk | 2 | 2 | 4 | Monitoring 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 the euro currency, but such payments have been scarce since the deployment of the electronic tolling system. Despite that, the Company regularly monitors developments on foreign exchange markets.

Interest rate risk

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

The 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 2021, the 6-month EURIBOR rate fluctuated between -0.505 and -0.554%. The total interest rate at which DARS borrows funds (average pondered interest rate) as at 31 December 2021 amounted to 1.71%.

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 in 2021 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 and maturity of debt principals with variable interest rates. In the past five years, the Company strengthened the share of loans with a fixed interest rate or insured them with financial derivatives. As at 31 December 2021, their share accounted for 81.1% of the Company's credit portfolio, while the remaining 18.2% share is exposed to a variable interest rate and 0.7% constitutes an interest-free debt.

Taking into account the interest-free debt, the Company has secured 81.8% of its credit portfolio against interest rate risks.

The simulation of the effect of interest rate variability on financial expenses, considering the balance of the Company debt and the interest rate structure as at 31 December 2021, shows that an increase in the EURIBOR by one percentage point would cause an increase in financial expenses of around €3.1 million annually. Changes to the EURIBOR, therefore, have a significant impact on the Company's net profit or loss.

Credit risk

Special attention was placed on credit risk, which includes all risks reducing the economic benefits of the Company due to unsettled contractual obligations by business partners. DARS regularly monitors outstanding receivables due from individual business partners and, if necessary, takes appropriate action. The main risk has been identified in the payment of tolls in the DarsGo system for vehicles with a maximum permissible weight exceeding 3.5 tonnes where payment is made for the previous month on the basis of a consolidated monthly invoice issued to contractual post-payers or payment card issuers. Furthermore, the Company has identified a risk in the sale of vignettes through sales representatives. 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 (tolls) 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 inspection 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 is managed by monitoring their credit ratings and, if below-average, requesting adequate bank guarantees. In case of late payment, a redemption procedure is activated and the DarsGo units for all the vehicles of such a client are ranked into the pre-payment of tolls. All new contractual post-payers have to submit a bank guarantee for the first two years of cooperation irrespective of their credit rating.

An additional risk relating to toll payments for vehicles with a maximum permissible weight exceeding 3.5 tonnes may also be the failure of roadside equipment (toll and control gantries). In case of the failure of a large number of gantries, tolls cannot be collected even if all the vehicles are equipped with DarsGo units and have sufficient financial coverage. In the event of a failure of one or two consecutive toll gantries, tolls are charged through so-called gap bridging. There are also mechanisms in place to monitor the functioning of roadside equipment on a daily basis, verify the quality of service provision (SLA assessment) by a dedicated department, and 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 operation 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 inspection. Along with the introduction of the electronic vignette, we are also redesigning toll inspection, with the key difference being in that the unreliable personal detection and identification of offenders will be replaced by cameras, specifically stationary (on gantries and poles), portable, mobile (on toll inspection vehicles) and hand-held devices (for inspection at rest areas). The introduction of the system is still underway, so assessing its effectiveness is not yet possible, but initial data shows that the cameras offer superior performance and that the system operation will be stable. The second part of toll inspection (the minor offence proceedings) will continue to be carried out mostly in the field, primarily in order to be able to effectively sanction foreign offenders, who represent over 95% of all offenders. We will also be able to process domestic offenders remotely.

Liquidity risk

Solvency risk includes risks related to insufficient available financial sources and, consequently, the Company's inability to settle its liabilities in due time. Due to successful operations, effective asset management and the

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

The annual liabilities for debt repayment use up a significant share of the cash flow from operating activities, 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 to actively manage the existing debt, restructure its loan portfolio and provide all necessary sources of funds for settling due liabilities arising from the existing debt in due time. For the purposes of refinancing the existing debt, the Company can borrow with a 100% government guarantee. In 2021, the Company reduced its debt by €183.6 million. The plan for 2021 was to refinance loan principals that fall due in 2021 provided that a need occurs in 2021 for additional liquidity funds. Since the need did not arise, the refinancing was not carried out in 2021.

One of the major projects is the construction of the 2nd tube of the Karavanke tunnel, which is an international project. To finance the construction works, a long-term loan has been obtained from the EIB in the amount of up to 50% of the estimated investment value (under a guarantee with the EFSI mechanism). The loan agreement with the EIB in the amount of €90 million was signed in February 2020 with an option to draw the loan gradually in line with the schedule of works, maturity of 22 years and 3-year drawing period. In 2022, it is planned to partially draw the loan pursuant to 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 to finance the construction of two sections, namely one in the northern part of the third development axis (Velenje–Slovenj Gradec) and the other in the southern part (Novo mesto East–Osrednek) in the total value of €360 million, which will ensure the acquisition of funds for the foreseen schedule of execution. Due to Eurostat rules, the State cannot provide a guarantee for more than 50% of the value.

A proposal for a new Guarantee Act was prepared for investment projects on the third development axis (south, stages 3 and 4, and the Šentrupert–Velenje South section), sections Markovci–Gorišnica, Gorišnica–Ormož and Koseze–Kozarje (expansion into a 6-lane road), for which a government guarantee has been foreseen. The total estimated value of the investments at current prices (excluding VAT and financing costs) amounts to €784.89 million. Taking into account the mentioned rules, DARS would require a government guarantee in the amount of 50% of the investment value or €392.44 million (50% of €784.89 million is €392.44 million) for the execution of the project.

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. Figures relating to vehicle passages and monthly vignette sales are monitored on a daily basis (the amount is beyond the Company's control, as it depends solely on traffic) and based on that information, forecasts of Company revenues can be adjusted accordingly and, as a result, actions may be taken to manage other Company risks. The COVID-19 epidemic is a new element that has forced all companies to be better prepared for the management of future liquidity risks. DARS was suitably prepared for such an event with its conservative approach to cash flow management and, consequently, a sound liquidity position.

By keeping a liquidity reserve in the form of deposits and obtained long-term credit lines, we have provided a high level of liquidity, thus enabling the Company to settle all due liabilities at any moment. To achieve sustainable Company operations in the long term, it will be required, in addition to refinancing, to adjust the 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 for 2021–2025, the key document for the strategic planning of the long-term successful development of DARS.

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 aspects;
- environmental compatibility and a significant decrease in adverse effects on the environment resulting from various forms of traffic;
- active continuation of activities pertaining to traffic digitalisation, infrastructure monitoring and Company operations;
- 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 in 2022 are:

- Introduction of the electronic vignette.
- Introduction of at least two EETS service providers in the DarsGo system.
- Construction of the second tube of the Karavanke tunnel in line with the time schedule.
- Continuation of activities for the third development axis north and south, within the scope of the Company's financial capacities, which also includes the adoption of a guarantee act for investment projects.
- 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 branches.
- The continued implementation of measures to ensure safety and comfort, and to optimise traffic fluidity.
- Setting up the first section speed control system and new variable message signs on all radial roads to Ljubljana, including the Ljubljana ring road.
- Finalising the establishment of Motorway Police units throughout the motorway network.
- Investments in the modernisation of the existing network, the improved quality of carriageways and structures, and of traffic management and control systems.
- Financially sustainable motorway and expressway construction within the scope of the fulfilled requirements laid down in the ReNPRP30 (DARS investments are limited exclusively to investments in toll roads, the adoption of guarantee acts and an appropriate mechanism to adjust the toll prices that will provide uninterrupted debt servicing).
- Further pursuit of measures to optimise operating costs and ensure systemically effective asset management.

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

I.9.2 Tolling

Toll revenue accounted for 93.2% of the total Company revenue and amounted to €456.24 million in 2021, which is 18% more than in 2020. Following the drop in 2020 resulting from the COVID-19 epidemic, toll revenue increased again in 2021, missing 2019 levels by only 2 percent. Toll revenue from vehicles with a maximum permissible weight exceeding 3.5 tonnes (heavy vehicles) amounted to €262.77 million, revenue from the sale of vignettes amounted to €179.47 million and toll revenue from the Karavanke tunnel amounted to €14.0 million. In 2021, the number of vignettes sold reached 6,736,810, which is a 24% increase. Revenue growth from the sale of short-term vignettes was particularly high – as much as 70 percent.

Vignette prices and infrastructure charges for heavy vehicles in 2021 remained the same as in 2020, as did the toll for the use of the Karavanke road tunnel. Users who pay tolls in relation to petrol cards generated 66% of revenue, followed by users who have concluded contracts on the deferred payment of tolls with DARS (25%), while the rest pay tolls using a pre-payment plan.

In 2021, 1,069,558,496 toll kilometres were generated on toll roads (the Karavanke tunnel excluded), 13.9% more than in 2020, while the value of passages of tolling points reached €262,913,764 million, 12.3% more than in 2020. The growth in the value of passages is lagging behind the growth of toll kilometres due to the decreasing number of toll kilometres travelled by vehicles in lower EURO 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. The average infrastructure charge has decreased in all toll-rate categories. In 2021, the charge in the R4 category was 1.0% lower year-over-year, and by 1.5% in the R3 category, while the average annual infrastructure charge for two-axle vehicles decreased by 8.9%. This means that the average infrastructure charge continues to inch towards the lowest toll set for the EURO VI emission class, considering that the price of the infrastructure charge for R4 and R3 categories was last harmonised on 1 April 2018.

In 2021, vignette sales increased by 24.0% year-over-year in terms of value and by 53% in terms of quantity, with 6,736,810 vignettes sold. Vignette sales were still lower than in 2019, exclusively due to the COVID-19 epidemic. For the same reason, toll revenue from the Karavanke tunnel in 2021 did not reach 2019 levels, but did grow by 11% (to €14.0 million) in 2020.

Following its successful introduction in 2018, the DarsGo system continued to operate in a stable and efficient manner in 2021. 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 2021 evaluation of the Slovenian motorway users' satisfaction, the DarsGo system received the highest average satisfaction rating of all the services. At the end of 2021, the DarsGo system had 110,530 registered customers from 74 countries and 436,713 heavy vehicles. We have issued 513,679 DarsGo units since the system became operational. The majority of the registered vehicles are from Poland, followed by Romanian, Slovenian, German and Hungarian vehicles.

The sale of electronic vignettes within the e-vignette system was launched on 1 December 2021. After initially only selling yearly electronic vignettes, the sale of short-term vignettes was launched in January 2022. By the end of January 2022, the sale of all types of vignette stickers was finally discontinued. Sales were modest in the beginning, but they rose sharply once the yearly vignette stickers expired on 31 January 2022. 74,741 e-vignettes were sold by 31 December 2021. Over the rest of the year, we will deal with the initial problems and optimise the e-vignette system.

In 2020, toll inspectors issued 68,224 penalty notices (57,992 of which were due to a failure to pay the toll for vignette vehicles, 7,311 due to a failure to pay the toll for goods vehicles, 2,886 under the Road Traffic Rules Act, and 35 under the Roads Act). The number of penalty notices issued was 28.9% higher than in 2020. The field of toll inspection in 2021 upgraded its methodologies of inspection focused on goods vehicles and applied the findings and good practices in the planning and preparation of inspection for the eVinjeta (e-Vignette) project.

I.9.3 Maintenance of motorways and expressways

The Maintenance Division maintains 625 kilometres of motorways and expressways with the associated facilities (tunnels, bridging structures, sanitary facilities at minor rest areas, MMC facilities, etc.), junctions, intersections and other connecting roads. The basic legal foundation for the implementation of maintenance activities includes the Roads Act – ZCes-1 (Official Gazette of the Republic of Slovenia, Nos. 109/10, 48/12, 36/14 – CC dec., 46/15 and 10/18) and the Rules on the regular maintenance of public roads (Official Gazette of the Republic of Slovenia, No. 38/2016).

2021 again brought major challenges for the Maintenance Division in relation to managing risks from the category “undermanned working teams due to COVID-19” and other issues resulting from the coronavirus crisis (procurement of materials).

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

- The annual plan for motorway and expressway maintenance that applies from 15 March to 15 November of the year and includes annual maintenance works.
- The implementation programme for winter service that applies from 15 November to 15 March of the following year and sets out the winter maintenance duties in detail.

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

We are responsible for the maintenance of over 1,400 machines and equipment used in MW/EW maintenance and over 160 goods vehicles and 40 special work vehicles.

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

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

Annual maintenance

Annual MW/EW maintenance includes the following tasks:

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

We intensified our efforts in 2021 in terms of mowing during the night with a view to ensuring greater traffic fluidity. All maintenance works that could cause prolonged congestion are planned carefully in cooperation with other DARS divisions and services, while routine maintenance works are tailored to traffic flows and rush hours, making the effects of our works on traffic fluidity on motorways and expressways minimal, whereas such works are also suspended, if necessary, in the event of unexpected excessive traffic congestion. Some of the more demanding annual maintenance tasks are carried out with the help of subcontractors (asphalt works, special works on expansion joints and supports of bridging structures, cutting of vegetation in hard-to-reach areas, vehicle renovation, major machinery repairs, maintenance of SCS, ATD, etc.).

In terms of scope, the maintenance works done in 2021 can be broken down as follows:

- investment maintenance works covering 300,219 square metres under two contracts in 198 working days and in the total amount of €10,545,128.29;
- patching and reconstructing of 8,640 square metres of roads following incidents under four contracts in 17 working days and in the total amount of €328,313.55;
- reconstruction of concrete road pavements in tunnels in the total amount of €426,575.32;
- restoration of road grooving covering 5,015 metres in the total amount of €40,122.20;
- routine maintenance of drainage structures and equipment in the total amount of €508,769.15;
- routine maintenance and reconstruction of the concrete surfaces of bridging structures in the total amount of €148,267.62;
- routine and intervention maintenance of the expansion joints and supports of bridging structures in the total amount of €147,402.54;
- sealing cracks and crevices over 92,677 metres in the total amount of €133,455.16;
- roughening of 17,460 square metres of carriageways in the total amount of €69,441.14.

Winter maintenance

Winter maintenance primarily includes the following tasks:

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

Within the framework of preparations for the 2021/2022 winter season, we held several operational meetings with stakeholders related to winter service provision (control centres, Toll Enforcement, police), meetings with representatives of the Chamber of Craft and Small Business and the Slovenian Chamber of Commerce and Industry, and we appointed a Motorway Maintenance Base Management Support representative to the main control centre to supervise the ongoing performance of each winter service activity. It was agreed with all stakeholders that in the event of heavy snowfall we would exclude goods vehicles from traffic preventively, in order to manage traffic in a controlled manner. With a view to improving the response of winter service, we coordinated assistance among the motorway maintenance centres.

We signed contracts with gritting material suppliers before the winter season. Due to the enormous price hike on the energy products market, we had to invest a lot of effort into ensuring the uninterrupted supply of strategic resources, considering that the supply of gritting material was even stopped altogether in December.

The Company continued the project to optimise the preventive wet salting of roads and also set up an automatic mixing device for saline preparation in 2021 at MMC Slovenske Konjice. The pilot project involving an automatic spraying system was launched at the Goli Vrh viaduct.

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 assets (road infrastructure, devices, rest areas and other real estate owned by DARS) 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 the system itself was upgraded from version 8 to version 9.5 and moved to the baseline year of 2021.

In 2021, the Company continued regular coordination for the ongoing monitoring of the realisation of expert tasks based on a contract concluded with DRI for expert services in the management of road infrastructure, devices and traffic safety. Based on the contract, DRI prepared expert bases for the amendment of the Action Plan for motorway infrastructure and equipment in the 2022–2024 period. That draft plan was later actively harmonised with the Renovation service until it was aligned and approved by the Management Board.

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

Based on a contract concluded in 2015 for geotechnical monitoring that will last eight years and covers the entire motorway network (other than the Rebrnice area, where monitoring is already underway), all the necessary measurements on geotechnical structures and the monitoring of conditions on complex structures were carried out in 2021. We closely monitored the condition of motorway facilities after the latest earthquakes in Croatia.

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

Several agreements have been concluded with municipalities to cooperate in the restoration of some bridging structures that are in poor condition. Based on reports, several non-routine inspections of bridging structures (the Maribor two-storey bridge, the Blagovica viaduct) were performed. At the Blagovica viaduct, we continuously monitored the damaged exterior cabling and carried out additional examinations ordered by the expert group for damage analysis.

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

Measures to reduce electricity consumption

In 2021, an implementation plan to replace stage V lighting was prepared, within the scope of which a replacement of 2000 lamps is planned in 2021, meaning that nearly all road lighting will feature LED technology. The Golovec tunnel was equipped with LED lighting. The City Municipality of Maribor and DARS drew up documentation and an agreement for the distribution/arrangement of take-off points along the old expressway through Maribor. Both the economic analysis and technical documentation to equip the roofs of DARS buildings with solar power stations were drawn up.

Rest areas

In 2021, we carried out a call for the selection of a contractor for the redesign of 12 minor rest areas. A contractor has been selected and confirmed by Company management, the finality of the decision is pending.

Real estate management

In 2021, we continued to process the received applications or enquiries for the sale of excess real estate managed or owned by DARS, to notify interested parties, to identify excess land and other real estate, and to define possible ways to dispose of real estate located outside the motorway alignment.

We confirmed 37 programmes for the sale of excess real estate owned by DARS. We published three public notices for the sale of excess real estate owned by DARS.

In 2021, a total of 23 sale/purchase contracts for the sale of excess real estate owned by DARS with a combined value of €723,167.00 were concluded. Based on the sales procedures started in 2021, a further seven sales contracts are in the process of being concluded, with a total value of €226,421.00.

In 2021, in line with the resolution adopted by the Management Board and the instructions to carry out the sale and rent or lease of real estate owned by DARS, the Company sold a residential unit owned by DARS in Hrušica. The total sales value or the proceeds generated from the sale were €119,000.00. We actively participated in the preparation or restoration of the DARS premises to be used by the Motorway Police at the former TS Kompolje site, as well as in the final stage of the restoration and the establishment of conditions for work processes at TS Hrušica.

We thoroughly renovated the vacation accommodation units in Čatež and Izola and selected a project designer for drawing up a conceptual design and project for a new unit at Rogla.

Easements

In 2021, the Company received 105 applications to establish easement on real estate owned or managed by DARS, which is about the same as in the previous year. The Company concluded 85 easement contracts in 76 cases. Despite the continuing country-wide health crisis in 2021, the number of investments remained high, leading to the need to establish an easement.

Easement for consideration was granted in 2021 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 2021. The total value of considerations for the awarded easement for consideration in 2021 amounted to €50,647.

In many cases, an easement was awarded free of charge 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 – official consolidated text, 65/20, 158/20 – ZURE, 121/21 – ZSROVE, 172/21 – ZOEE and 204/21 – ZOP). The estimated loss of easement compensation for such works amounts to €272,026.

Based on easement contracts concluded in previous years, under which easement compensations fall due periodically (i.e. once a year), another €16,052 was charged.

The costs charged for procedures to establish easement and prepare easement contracts according to the applicable Company service price list and for the reimbursement of the cost of the notarisation of signatures in such contracts amounted to €26,721.

Telecommunication marketing

In 2021, the Company signed eight new contracts with Telemach, Peter's Teleurh, Softnet, Finmond, Celesta, OMV, SkyLabs and the Ministry of Infrastructure. We also signed a new annex with A1.

46 tenders for telecommunication services were submitted. To interested parties and customers, the Company offered the services of fibre optics lease, Internet access, equipment collocation options and Wi-Fi access at rest areas.

Internet access is marketed to business users at 60 locations along the motorways. Broadband Wi-Fi access is available at 29 rest areas and at one new location in 2021. Wi-Fi coupons are available at Petrol and OMV service stations and at the “DarsGo servis” office in Maribor.

Through lease contracts for dark fibre optics signed with Vahta, Telemach, Softnet, Peter's Teleurh and the Ministry of Infrastructure, we leased about 800 km of new routes, fibre pairs in most cases.

Revenue from telecommunications increased by 2% compared to 2020. Revenue related to the awarding of easement or to setting up infrastructure for the needs of mobile telecommunications base stations remained almost the same compared to 2020.

Traffic safety

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

In the area of traffic safety, the Company carried out two major investments in 2021:

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

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

- replacement of signposts at motorway exit points;
- installation of missing crash cushions and
- running traffic safety simulations for DARS projects.

In addition to the two major investments, some smaller measures related to traffic safety were implemented:

- a pilot project involving 3D horizontal traffic signs on junctions to prevent wrong-way driving;
- installation of traffic signs prohibiting overtaking for goods vehicles heavier than 7.5 tonnes between 6.00 and 18.00 on the entire motorway network;
- replacement of broken-down traffic signs;
- introduction of traffic signs at rest areas in order to control the duration and correctness of vehicle parking.

Activities for setting up systems for section speed control continued on nine motorway sections. The public contract will be published in early 2022.

In 2021, a total of 1,891 traffic accidents occurred on motorways and expressways. 17 people lost their lives, which is the highest since 2018, and 34 were seriously injured, which is more than in 2020 (27) and less than in 2019 (52). 448 people were lightly injured, which is 25% more than in 2020 and 25% less than in 2019.

June 2021 saw the launch of the Motorway Police, specifically the Ljubljana Specialised Motorway Police Unit. The increased supervision in the first months of operation of this unit has already resulted in improved traffic safety trends. We are particularly pleased that the number of violations involving overloaded goods vehicles has decreased, as they cause the most damage to our infrastructure, resulting in more frequent investment in its reconstruction that we as the operator must make. The Maribor, Novo mesto, Celje and Koper Specialised Motorway Police Units will be formed in 2022, further increasing the level of supervision.

Having well-trained employees is vital for achieving better traffic safety and fluidity, which is why in 2021, DARS acquired a simulator for traffic control and management systems (TCMS) on which the traffic supervisors of all control centres were trained. Training on the TCMS and tunnel simulators is scheduled for every year in order to achieve better response times in emergencies and to ensure that control centre employees know how to react.

1.9.5 Investments

In accordance with its business plan, DARS organised and managed projects involving the construction and reconstruction of motorway sections in 2021.

Siting activities were carried out in nine projects in 2021 in the field of **spatial planning and the siting of motorways** and expressways. Key projects in 2021 were:

Slovenj Gradec–Dravograd EW

- The siting of the section continued.
- The preliminary design and all required expert bases were amended.
- Optimisations to the alignment at the Bukovska vas water protection area were made.
- On-site geological investigations were conducted and the geological and geomechanical study was being created.
- A hydrological and hydraulic study was being created.
- The preliminary design and the expert bases were reviewed.
- A road safety audit (RSA) was performed.
- Solutions were coordinated with the Slovenian Water Agency's projects in order to reduce the flood risk of the Mislinja and the Homščica.
- Solutions were coordinated with the Slovenian Water Agency's developments in the area of Pameče.
- We coordinated with the City Municipality of Slovenj Gradec in regard to the connection of the southern Slovenj Gradec bypass to the Slovenj Gradec South junction.

Otiški vrh–Holmec EW

- Expert bases for the variant study were produced (a structural engineering study, urban development study, traffic study, economic study, hydrological and hydraulic study and an environmental report).
- A variant study and a pre-investment study were produced.
- The hydrological and hydraulic study was confirmed by the Slovenian Water Agency.
- The VS/PIS and the ER were publicly displayed between 24 February and 26 March 2021.
- National SPAs issued positive opinions on the VS/PIS, while protection SPAs issued positive opinions on the ER.
- We adopted positions on the remarks and proposals from the public display of the VS/PIS and the ER issued by the Spatial Planning, Construction and Housing Directorate at the Ministry of the Environment and Spatial Planning, and the Land Transport Directorate at the Ministry of Infrastructure.
- On 7 October 2021, the Government adopted a decision agreeing to the most suitable proposed solution regarding the route of the alignment.
- We drew up the terms of reference and tender documents in order to carry out a public procurement procedure for the selection of producers of NSP and ER expert bases.
- A public contract was published for a producer of land surveying bases and for the production of an NSP.

Ptuj–Markovci section

- As part of the production of a VS/PIS and an ER, the study of potential variant solutions was supplemented for consideration by the inter-ministerial working group.
- Amended SPA guidelines were obtained.
- The guidelines for five variants were analysed: J2 opt, J2 opt south, SS, S5 and S4 opt.
- Coordination was carried out at the inter-ministerial working group level regarding the selection of variants for evaluation within the VS/PIS.
- Optimisations/rationalisations of the S5 variant started to be made.

Podgora–Letuš connecting road

- A Government decision on national spatial planning was adopted.
- A public contract was prepared and awarded for the "Production of an environmental report and variant study / pre-investment study for the Podgora–Letuš public road / connection to the northern part of the third development axis".
- As part of the variant study, materials for obtaining supplemented SPA guidelines were produced.

- Supplementary SPA guidelines were obtained for variant 3 (citizens' proposal), which was not considered in the initiative.

Postojna/Divača–Jelšane MW

- As part of the 2nd round of the variant study, materials for obtaining supplemented SPA guidelines were produced.
- Amended SPA guidelines were obtained.
- An analysis of the (supplemented) SPA guidelines was being prepared.
- The Company thoroughly coordinated with the Institute of the Republic of Slovenia for Nature Conservation.
- Optimisations of solutions were produced on the basis of the received guidelines.
- Expert bases were produced according to Annex 4 to the general guidelines of the Slovenian Water Agency (hydrological starting points).
- A study on the management of excess material was being produced.

Koper–Dragonja EW

- The MI confirmed the PIS.
- The City Municipality of Koper was consulted in relation to the preparation of positions on the remarks and proposals from the public display (the overburden of the EW alignment in the area of the Šalara settlement).
- The Piran Municipality was consulted in relation to the preparation of positions on the remarks and proposals from the public consultation (the overburden of the EW alignment in the area of the Dragonja settlement).
- The positions regarding remarks and proposals from the public display of the draft NSP were coordinated and confirmed.
- We coordinated with the Energy Directorate, the Ministry of Infrastructure regarding the Griža quarry for the purpose of depositing excess material into the ground.
- The hydrological and hydraulic study and the CD for the Pradisjol retention basin were amended according to the remarks of the Slovenian Water Agency.
- We conducted preliminary activities related to public contracts for the production of amended expert bases and NSP following the public display (coordination of the terms of reference).

Ecoduct at the Unec–Postojna MW section

- An initiative / investment project identification document – DIIP was produced and submitted for public consultation.
- SPA guidelines and the opinions and proposals of the interested public were obtained and the public was notified of the initiative.
- An analysis of the SPA guidelines and the proposals of the public was being prepared.

Expansion of the Ljubljana motorway ring and the radial roads

- The Ministry of Infrastructure, the Ministry of the Environment and Spatial Planning and DARS coordinated regarding the continuation of the project.

Karavanke platform

- The SPA guidelines and the opinions of the interested public were analysed.
- A Government decision on national spatial planning was adopted.
- A public contract was prepared for the "Production of an environmental report, variant study / pre-investment study and NSP for the Karavanke platform".

Šentrupert–Velenje

- Efforts to obtain an EC continued.
- SPAs issued positive opinions on the EIA.
- Clarifications regarding the remarks of accessory participants were prepared.
- An application was being supplemented at the request of the Slovenian Environment Agency within the MESP.
- A soil analysis was being prepared.
- Rehabilitation plans for affected agricultural holdings were being drawn up.
- The accessory participants were notified of the supplementation of the application.

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 coordination was needed in relation to the new Spatial Planning Act (ZUreP-3), Building Act, Environmental Protection Act (ZVO-2) and the Act Amending the Agricultural Land Act. Furthermore, other tasks assigned by the Ministry of Infrastructure were carried out, e.g. the production of a traffic study with a macroscopic 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, the production of technical solutions with estimated investment costs, and spatial and environmental reviews of these solutions, as well as the production of an initiative / investment project identification document for the new Kranj North motorway junction.

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**:

- the preparation of guidelines, opinions, design conditions and consents in cases where DARS is the spatial planning or consent authority;
- the production of a traffic analysis study and the spatial and environmental reviews for the new Jagodje–Lucija road connection according to the PIKA proposal (Jagodje–Lucija/Padna);
- activities related to ensuring safe and secure parking spaces at the Lom, Barje and Maribor rest areas and at the Razdrto junction (defining platforms, carrying out public procurement for the production of the CD);
- activities related to the preliminary procedure for the project to establish a third lane on the Štajerska radial road (the production of expert bases for the preliminary procedure, the submission of an application to the Slovenian Environment Agency, extensive coordination with the Slovenian Environment Agency or the MESP, the Slovenian Water Agency and the National Institute of Public Health) and activities related to the environmental impact assessment procedure for the Primorska radial road (the substantive definition of the expert bases for EIAs and the EIAs themselves, activities related to amending the Decree on the Ljubljansko barje Landscape Park).

In terms of design documents, the following main activities were carried out in 2021:

Jagodje–Lucija section

The BD/DD documents have been mostly produced and partially reviewed. The lengthy design engineering has resulted in the partial misalignment of the design documents with the DARS instructions adopted in the meantime. An environmental impact report was created, based on which an environmental consent was obtained. The application for the issue of an environmental consent was rejected after it was supplemented several times. We signed the Agreement on the termination of contract by mutual consent with the producer PRO LOCO d. o. o. on 13 May 2021. In addition to the missing environmental consent, we also failed to obtain the consent of the Piran Municipality and the Slovenian Water Agency.

Due to changes in construction legislation, we will need to submit a new application for a building permit according to the integrated procedure, and amend the design documents before that.

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 DD and an extract from the tender documents (PZR) as a result of legislative amendments have 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 integrated procedure. Activities to seek opinions were carried out. All the opinions were obtained except for that of the Institute of the Republic of Slovenia for Nature Conservation, which issued a negative opinion because it believes that the mitigating measures would not be enough due to the cumulative impacts on the Gorišnica–Ormož section. Talks are underway to increase the convergence of our positions on a re-evaluation of the adequacy of the materials until a final positive opinion.

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 and reviewed. On 24 December 2020, an application to issue the BP according to the integrated procedure was submitted to the MESP. On 30 November 2021, the City Municipality of Ljubljana received a request for the supplementation of the BP application. 96% of the land needed for construction was obtained. Negotiations were held in September for additional work on the contract for drafting the design documents. We coordinated with the City Municipality of Ljubljana regarding temporary easement on plots needed for access. The investment programme that was previously discussed at two KIOP meetings in June and November has been completed. The Ministry of Infrastructure confirmed the preliminary design on 8 December 2021.

Dragomer junction

DD design documents were prepared and are now in the review and traffic safety audit process. The BP application was supplemented three times at the request of the MESP. The public display of the documents for the issue of a building permit was held in April and the oral hearing with the accessory participant was conducted in July. 99% of the land needed for construction was obtained. An investment programme has been prepared and was discussed by a DARS committee in November.

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

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 DD are being performed.

The DGD documents for Lot A were being created and will be completed in early 2022. In regard to Lot B and H, all opinions regarding the DGD have been obtained. No archaeological investigations are planned for this section. All geological and geomechanical investigations within Lot C – Škale have been completed. A request for the issue of a building permit is being prepared. Construction work is being carried out within Lot D. DGD documents within Lot E were completed in November 2021 and a request for the issue of a building permit was submitted on 6 December 2021. Construction work is being carried out within Lot F. DGD and DD documents are being prepared within Lot G – Podgorje. All geological and geomechanical studies have been submitted for review.

An investment programme was created and confirmed in 2019. Due to changes at the contact point between the sections Šentrupert–Velenje and Velenje–Slovenj Gradec, in the area of the Velenje South junction, expert bases are being created to notify a change of activities affecting the environment for Lot A – Velenje. The contract with the producer of expert bases was signed in November.

Third development axis – north, the Šentrupert–Velenje section

The production of DGD and DD design documents is still underway. DD documents are being prepared and submitted for interim review. A contract was signed with the revisor of complex bridging structures. The contact point between sections 1 and 2 of the third development axis – north is being harmonised. A proposal to abandon the delevelling in the area of Gora Oljka was prepared and confirmed. The EIA and expert bases for assessing the impact of the intervention affecting water and coastal land are being prepared. The contract with the producer of the EIA and expert bases for water was signed in November. The investment programme that was previously discussed at two KIOP meetings in April and November has been completed. The Ministry of Infrastructure confirmed the preliminary design on 8 December 2021.

1st and 2nd stage of the third development axis – south (from the Novo mesto East junction to the Osrednek junction)

All BD and DD documents have been produced and submitted. On 20 October 2021, the building permit for the alignment and the two bridges was issued; four lawsuits were brought against it before the Administrative Court. The building permit for the relocation of the gas pipeline became final in June 2021. The Agreement with the City Municipality of Novo mesto was being coordinated. The Company signed agreements with Elektro Ljubljana, Istrabenz and Plinovodi.

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

The Novo mesto regional geodetic office issued decisions for the transfer of the line and boundaries into the field in six cadastral municipalities. One decision was appealed, which was upheld by the MESP and another discussion regarding the boundaries was held. At the first stage, land allotment for about 60% of the alignment was

conducted. On 11 November 2021, the contractor began work on the majority of the remaining alignment, and after the data on the boundary of the building plot was added or changed, the contractor again began work on 15 December 2021.

Real estate valuations of structures were performed and individual valuations of commercial premises are being amended according to the instructions of the contracting authority. Valuations of the agricultural, forest and building land in c. m. Gotna vas were prepared.

A contract for the acquisition and for the property ownership arrangements of the real estate needed for the construction of the section was signed on 17 February 2021. 30 offers with sales contracts were submitted to owners on 15 December 2021 and 15 on 27 December 2021. Initial meetings with the owners of buildings scheduled for demolition were held on 4 May 2021 and on 19 May 2021. The valuations are ready and the sales contracts are being drawn up. An offer was submitted to the owner of a structure on 15 December 2021. Three offers were submitted to owners on 27 December 2021, while 3 contracts are being initialled by the contracting authority.

The investment programme was confirmed on 8 December 2021 by resolution of the minister No. 411-17/2020/47. Following review, the PD for the Poganci junction was supplemented and submitted on 8 September 2021. The surveying plan was supplemented pursuant to the requirements of the review report from 8 April 2021. The terms of reference of the competent opinion givers, except the Ministry of Defence, have been obtained. Meetings were held with Elektro LJ, Telekom Slovenije and Komunala Novo mesto. The following items were submitted for interim review: the 6-02 Koroška vas viaduct and the 3-02 Dolnja Težka Voda underpass, the CD for the Težka Voda East and West service stations, a part of the geological and geomechanical studies for structures, the study on pavement dimensioning and the study on noise pollution with a proposal for noise protection. The items submitted for review included: the OK-NC2-01 (Promico), the geological and geomechanical study for the 4-02 overpass and the geological and geomechanical study OK-NC2-01 and the EP-2 study encompassing a review of additional retaining and supporting structures. The review of the pavement dimensioning, the study on noise pollution with a proposal for noise protection, the operating risk analysis with proposals for necessary measures and of the active noise protection design study was completed on 25 November 2021.

Geological and geomechanical investigations were conducted on-site. An analysis and review of all performed field and laboratory investigations is underway for the purposes of calculating stability, load-bearing capacity, subsidence and coordination with project designers regarding the final gradients of cuts and side slopes on the EW alignment, deviations and access roads. Geological and geomechanical studies for structures are being finalised.

We carried out a public contract-awarding procedure to select a contractor to carry out preliminary archaeological investigations. On 3 November 2021, the contract award decision was submitted to the Management Board for signature. A contract is being drawn up with the selected contractor Arhej, d.o.o.

The public contract for the review of the complex works was published on the public procurement portal on 19 November 2021. Two tenders were received by the time limit for the submission of tenders (23 December 2021).

The decision on the awarding of the contract for the preparation of the IZP (conceptual design for obtaining project conditions), DGD and DD documents for MMC Novo mesto was published on 16 December 2021. The decision to award the contract to Sava-projekt, d.d. became final. A contract is being signed.

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

We carried out a public procurement procedure to select a producer of design documents – a project implementation study and a pre-investment study in order to examine the implementation of the 2nd section of the third development axis while taking into account the traffic, construction, technical, economic and environmental aspect. In October, a contract was signed with the selected contractor which immediately began making a traffic study.

We organised the awarding of a contract for the provision of expert consultancy services for the production of the DGD/DD documents, land acquisition and the acquisition of all permits for construction. The conclusion of a contract is scheduled for January 2022.

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

In 2017, an arrangement and agreement were signed between the Ministry of Infrastructure, DARS, SIA and the City 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 tender documents for which will be prepared by DARS. DARS is not a co-funder for sections 2 and 3. There are currently no activities on section 1.

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

An agreement on the expansion of the Bertoki radial road into a 4-lane road was reached between the Ministry of Infrastructure, DARS, SIA and the City 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. After their submission by the City Municipality of Koper on 18 December 2020, the design documents were submitted to the reviewer for review on 7 January 2021, which was completed in February 2021. The review discussions were held in April and May. The DD is currently being supplemented in line with the review. According to the legal opinion DARS obtained, a revision of the bridging structures is not necessary. The production of the investment documents continued on 21 April 2021, when the contract with the producer was signed. An investment project identification document was produced and subsequently confirmed by all the co-funders (DARS, SIA, City Municipality of Koper). A co-funding agreement is being drawn up. A contract for engineering consultancy was signed on 12 May 2021 and the engineer began work on 9 June 2021. All land needed for construction has been acquired.

Srmin radial road

The BD/DD 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. On 8 May 2020, the ARSO adopted a decision stating that the project does not require an environmental impact assessment. The contract with the existing producer of design documents was terminated by mutual agreement on 21 January 2021. A new contract for the amendment and supplementation of the DGD/DD projects was signed with the contractor on 24 August 2021 and the induction of the project designer was completed on 27 September 2021. The relevant documents are being created. December saw the launch of procedures for CEF-2 funding, which DARS will try to obtain together with the Port of Koper; the application deadline was 19 December 2021. All the activities of the first part of the archaeological excavations in the area of future construction have been completed.

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 2021.

Karavanke project

By 31 December 2021, work on the Karavanke tunnel excavation and the support elements progressed as follows:

- up to 1,658 m of the top heading (up to 1,420 m in 2021);
- up to 1,621 m of the bench (up to 1,420 m in 2021);
- up to 1,580 m of the inverted arch (made of shotcrete) (of which, the following sections totalling 697 m were completed in 2021: from 172 m to 292 m, from 736 m to 1,078 m and from 1,345 m to 1,580).

In addition to the above, the following was carried out in the tunnel:

- base of the inner lining – west and east side, up to 1,416.3 m (2021 total – 2,712 m);
- up to 853 m of the invert arch (cast concrete) (all in 2021);

- up to 840 m of the lean concrete (all in 2021).

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

All works on the M-2 bridge and the 1-3 deviation with the access roads (the Hrušica site) were completed along with all the planned relocations of the public utility lines over the new bridge; after traffic was redirected, the old bridge was removed. Documents for the technical inspection were created. An application for the issue of an operating permit was submitted to the MESP.

At the M-1 bridge construction site, the foundation, concreting of the superstructure and tensioning of the cables from stage 1 were carried out, followed by the gradual removal of the formwork of the facility and the installation of the supporting structure and formwork for the lintel slab for the construction of the facility – stage 2.

Initial works were carried out (access road, transport route, topsoil stripping, etc.) at the excess material deposit site designated "G".

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

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

Third development axis – north, the Šentrupert–Velenje section

The building permits have not yet been acquired due to the state of progress of the project design and EIA acquisition, which is why no construction-related activities were launched in 2021.

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

Public procurement activities were carried out to obtain contractors to construct the Velenje–Slovenj Gradec section by individual lots. Following the publication of the public contract in December 2020, 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 E. The public contract for Lot E was published in October 2021. Following the publication of the decision on the qualitative selection of tenderers in January 2021, Lot F entered the second stage (invitation to tender) of the public procurement procedure. A contract was signed with the selected contractor. A contract was also signed with the provider of external quality control for Lot F that was selected in accordance with the public procurement procedure. Construction works on Lot D – Gaberke continued in 2021. Construction of the overpass at the regional road deviation over the expressway at the Gaberke junction continued, along with the construction of the secant pile wall by the regional road deviation and the construction of the deviation of the regional road and others. Traffic was redirected over the regional road deviation in December 2021. The first construction works on Lot F – Jenina were launched. The works included cutting trees, clearing the terrain, preparing and arranging access routes for construction and construction plateaus. Deep foundations for the Jenina viaduct were being constructed and preparatory works for constructing the Visočnik viaduct abutment were carried out.

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

A public contract for the selection of a construction contractor was published (stage 2) after the building permit was obtained in October 2021. A tender for a provider of external quality control was also being prepared. The second stage of the public contract award procedure has been suspended until the building permit becomes final. The procedure for a provider of external quality control was suspended.

Elimination of defects within the warranty period

In 2021, we carried out activities related to eliminating defects within the warranty period, settling land register matters, archiving design documents and post-archaeological treatments at the following MW and EW sections: Pluska–Ponikve, Ponikve–Hrastje, Lešnica–Kronovo, Kronovo–Smednik, Krška–Obrežje, Hoče–Arja vas, Šentilj–

Pesnica, Spodnja Senarska–Cogetinci, Vučja vas–Beltinci, Slivnica–Draženci, Draženci–Gruškovje, Koper–Izola, Bertoki radial road, Vrba–Peračica, Peračica–Podtabor, Šentvid–Koseze.

Šentjakob–Malence MW

In 2021, rehabilitation works on the concrete arch, renovation of the carriageway structure and upgrading of the electrical and mechanical equipment were carried out in the eastern tube of the Golovec tunnel (the western tube was rehabilitated in 2020). The final operating permit for the Zaloška–Malence section was obtained in December 2021.

Razdrto–Vipava–Ajdovščina EW

The design documents were amended on the basis of the final report on the measurements of the bora wind at the wind barrier test fields. Activities related to the completion of the contractual obligations relating to the production of test fields were carried out. A certificate of completion was issued and a final settlement was made. At the end of 2021, we initiated activities to launch a public procurement procedure to obtain a provider of wind barriers for the remaining locations on the H4 Razdrto–Vipava–Ajdovščina expressway.

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. On 14 April 2021, the Committee drew up a final report on the applications for the public contract and prepared a draft decision. On 5 May 2021, the Management Board confirmed the draft qualitative selection, against which the unsuccessful tenderers appealed. Upon another review of the applications, the contracting authority again rejected one of the tenderers.

The rejected tenderer did not agree with the contracting authority's decision and appealed again. The DKOM also rejected the tenderer's appeal, thus ending the qualitative selection procedure (the first stage).

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. On 14 April 2021, the Committee drew up a final report on the applications for the public contract and prepared a draft decision. On 5 May 2021, the Management Board confirmed the draft qualitative selection, against which the unsuccessful tenderers appealed. Upon another review of the applications, the contracting authority again rejected one of the tenderers. Again, the rejected tenderer did not agree with the contracting authority's decision and appealed again. The DKOM also rejected the tenderer's appeal, thus ending the qualitative selection procedure (the first stage).

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.

A public procurement procedure is underway for the construction of additional parking spaces for the purposes of vignette sales at IBC Gruškovje. The public contract was published on the portal on 21 October, the time limit for the submission of tenders was 18 November 2021. As no tenders were received, the public procurement procedure had to be repeated. Activities to repeat the public procurement and launch the second stage of the procedure are underway – preparation of the implementation plan documents.

Archaeological sites

The post-excavation treatment of site archives continued in 2021 on the basis of a multi-annual contract concluded on 12 August 2016 regarding rescue archaeological excavations on motorway sections and individual excavation sites, where the post-excavation treatment has not been carried out yet, along with the treatment of pottery obtained through extensive and intensive archaeological field surveys. The following sites were treated:

Col 1, Školarice, Mokrice-Na špici, Velike Njive, Ribnica na Dolenjskem, Malečnik, Slivnica 2B, Spodnje Hoče, Jaušina, Lavše, Med cestami-Šikole, Med cestami south-Šikole junction, Gorica, Draženci EW, Turnišče EW, Žutreki, Ribnica na Dolenjskem, Draženci, Turnišče, Medvedjek, Šušec, Bela cerkev, Mokrice na Špici-Jaušina, Loka pri Beli cerkvi, Boško, Zadruga, Valmarin, Veliki dol, Zemono 2, Radvanje, Pečina-G. Skopice, Velike njive and Obrežje.

Malence dry basin

The operating permit was obtained in April 2021.

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

In 2021, 71.19 kilometres of section and junction carriageways were reconstructed, which includes the resurfacing of a part of the Drnovo-Brežice-Obrežje, Kozina-Črni kal-Srmin and Gabrk-Sežana E-Sežana W-Fernetiči sections and the reconstruction of parts of the Sv. Jurij ob Ščavnici-Vučja vas-Murska Sobota-Lipovci, LJ (Šmartinska cesta)-Tomačevo-Dunajska and the continuation of reconstruction on part of the Selo-Vogrsko section.

A total of 39 bridging structures were reconstructed and 9 viaducts, 5 bridges and 19 other smaller bridging structures were partially reconstructed. Both Kresnice viaducts were rehabilitated and the expansion joints, waterproofing and asphalt on the Žepina viaduct were replaced. The expansion joints were also replaced on both Gabrk viaducts, at which time we also set up safety barriers with a higher level of containment, and on the Bivje viaduct in the direction of Koper.

The landslide-affected banks at the Slovenska Bistrica-Slovenske Konjice section were redeveloped and the storm sewers and culverts at the Grosuplje-Iv. Gorica-Bič section were rehabilitated. 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:

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

- DD documents for the renovation of the carriageway and facilities at parts of the expressway sections H4/0379 and 0779 Vogrsko–Šempeter, 0380 and 0780 Šempeter–Vrtojba, the 0445 Šempeter pri Gorici junction and at the 1467 Vrtojba truck road.

In terms of anti-noise measures, the Company obtained the design documents for the renovation of the existing noise protection barriers and carried out a public procurement procedure for the first set of renovations of noise protection barriers, which are scheduled for 2022. Noise pollution studies with proposed anti-noise measures were produced for the five sets envisaged for inclusion in the next Noise Action Programme, which is under preparation.

In 2021, within the Demolition of toll stations and re-arrangement of toll platforms project, the second half of the motorway at the former Dragotinci toll station was reconstructed, completing the entire project of toll station demolition and re-arrangement following the introduction of the DarsGo system; at the same time, activities to complete all works and eliminate deficiencies under the remaining contracts were undertaken.

In regard to the reconstruction of the Leskovškova and Letališka junctions, a new pedestrian overpass was constructed at the Letališka junction for the purposes of the PST and the reconstruction of the Leskovškova junction was launched and is set to continue in 2022. At the same time, activities involving the conclusion of an external quality control contract and land acquisition were carried out.

Electrical and mechanical works and ITS

In 2021, the electrical and mechanical equipment of the left tube of the Golovec tunnel was rehabilitated. We equipped the tunnel with ventilation fans and LED lighting, replaced its variable message signs (VMS), updated its control equipment and upgraded its electrical and mechanical system and its surveillance control system – the SCADA SCS.

The Strmec cut-and-cover was equipped with LED lighting and LED studs for visual traffic guidance and its SCADA SCS was upgraded.

A system for the periodic two-way management of traffic in the Markovec tunnel was established. We upgraded the fire safety systems and the SCADA SCS that manages the forced ventilation system of both tunnel tubes. The automatic traffic detection system was upgraded from one-way to two-way operation.

The digital radio system (DAB+) was established in the Šentvid tunnel, offering a large number of radio stations and featuring a public announcement system for broadcasting messages in the event of an incident in the tunnel. The SCADA SCS of the fire safety system was harmonised and the operation and management of the LED studs for visual traffic guidance was modernised.

The hydrant network of the Kastelec and Dekani tunnels was upgraded with anti-freezing protection for the fire-fighting water supply. We replaced and upgraded the variable message signs (VMS) in the Kastelec, Dekani, Mali vrh, Debeli hrib tunnels and in the Medvedjek 1 and Medvedjek 2 cut-and-cover tunnels. We began modernising the Pletovarje and Golo Rebro tunnel systems and replacing old video detection equipment.

Ten new thermographic surveillance cameras were installed along with six road weather stations for the monitoring of traffic and weather incidents on the Primorska motorway branch.

An overhaul of the emergency call system and cable ducts from the Golovec tunnel to the Trebnje West junction was launched. We also began works involved in the installation of a new communication fibre optic cable at the Blagovica–Slovenske Konjice section.

Public lighting at the Lenart junction was rehabilitated and the broken-down electrical enclosures at MMC Kozina were replaced. We renovated the public lighting at the northern Ljubljana ring road, between the Šmartinska junction and the Tomačevo roundabout, and modernised the traffic lights by upgrading the video detection system.

We set up the server and upgraded the software so that camera images are uploaded directly to the Promet.si website and the Kažipot app. We established and organised access to the video equipment at the Karavanke platform, the Lukovica and Ravbarkomanda rest areas and at the Mlake viaduct.

Pilot projects were implemented for a Bluetooth-based queue detection system at the Obrežje border crossing. We also implemented pilot projects for the detection of available parking spaces for goods vehicles at rest areas.

The integration of new variable message signs at the traffic control centres was completed. We began setting up control points at motorway rest areas and new variable message signs on the A3 motorway. We signed a contract for a traffic management project involving the radial roads to Ljubljana that envisages using automatic speed limitation in this area to slow down traffic. The control centre in Dragomelj was equipped with a computer simulator where traffic supervisors from regional control centres will be able to train.

Sustainable mobility and alternative fuels

DARS follows the trends for the development of electrical mobility in its own vehicle fleet and the related supply of energy to electrical vehicles. For this purpose, DARS equipped 17 of its operating locations with 20 three-phase AC electric charging stations with a rated power of 22 kW.

I.9.6 Debt repayment

DARS is in a period of high annual liabilities arising from debt repayment. In 2022 to 2027, €1.006 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 the Obligations of DARS d.d. for Loans and Debt Securities Raised or Issued for Refinancing Existing Debts of DARS d.d. (ZPKROD) depends on the generated liquidity reserves (deposits) and future liabilities deriving from the so-called 6-year operational plan for investments. The balance of funds in the form of deposits in 2021 did not reflect a need for refinancing. The Company therefore repaid principals amounting to €183.63 million and interest amounting to €32.28 million. The €90 million loan taken out in 2020 from the European Investment Bank (EIB) to finance the construction of the second tube of the Karavanke tunnel has not yet been drawn. The total Company debt decreased to €1,711 million (balance as at 31 December 2021). In the last five years, the total Company debt reduced by €856 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 the operation and maintenance of all constructed motorways, as well as infrastructural facilities and devices on them. DARS thus received the 198.8 kilometres of 2-lane and 4-lane motorways and expressways and 67.5 kilometres of junctions constructed so far.

Through the implementation of the NMCP, the motorway network managed and maintained by DARS gradually expanded. At the end of 2021, DARS was responsible for the operation of 624.9 kilometres of motorways, 143.4 kilometres of junctions, 22.3 kilometres of interchanges and 40.8 kilometres of other roads.

Table 5: Length of the network operated and maintained by DARS as at 31 December 2021

| | Balance as of 31 December 2021 (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 | 57.842 | 14.920 |
| A2 | Karavanke tunnel–Lesce–Podtabor–Kranj–Ljubljana (Kozarje)–on A1–Malence–Ivančna Gorica–Bič–Pluska–Trebnje–Hrastje–Novo mesto–Kronovo–Drnovo–Obrežje | 175.472 | 4.929 | 41.030 | 11.700 |
| A3 | Divača (Gabrk)–Sežana East–Fernetiči | 12.246 | 0.000 | 3.779 | 4.383 |
| A4 | Slivnica–Draženci–Gruškovje–R Croatia | 34.609 | 4.450 | 7.485 | 3.552 |
| A5 | Maribor (Dragučova)–Lenart–Senarska–Vučja vas–Murska Sobota–Dolga vas–Lendava–Pince | 79.574 | 1.099 | 13.005 | 3.466 |
| R2-430 | Pesnica–Maribor (Tezno) | 8.792 | 0.000 | 3.590 | 0.000 |
| H3 | Ljubljana (Zadobrova–Tomačevo–Koseze) | 10.222 | 0.000 | 6.849 | 0.000 |
| H4 | Razdrto (Nanos)–Vipava–Ajdovščina–Selo–Šempeter–Vrtojba | 42.127 | 0.000 | 3.871 | 2.636 |
| H5 | Škofije–Koper (Škocjan)–[Dragonja*] | 7.833 | 0.000 | 2.756 | 0.162 |
| H6 | Koper (Škocjan)–Izola–[Lucija*] | 5.236 | 0.000 | 2.257 | 0.000 |
| H7 | MW A5–Dolga vas | 3.526 | 0.000 | 0.950 | 0.000 |
| Total of MW and EW | | 624.903 | 22.260 | 143.414 | 40.819 |

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.

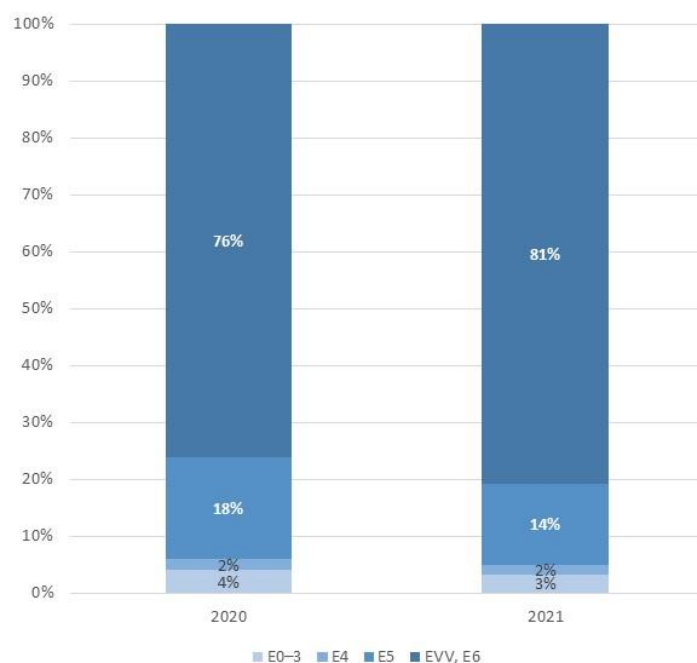
In 2021, the total number of toll kilometres driven by goods vehicles on the network of toll roads (excluding the Karavanke tunnel) increased by 13.9% compared to 2020. The main reason for this is the relaxation of the measures to curb the spread of the COVID-19 epidemic. Compared to the previous year, the number of toll kilometres driven was lower in the first two months, when the COVID-19 epidemic was yet to appear in 2020, and much higher in the remaining months of 2021. The highest increase in the number of toll kilometres driven (18%) was recorded in the R3 toll-rate category. The number of toll kilometres driven was higher compared to 2019 as well – 3.2%.

Figure 11: Monthly index of toll km driven by R2, R3 and R4 vehicles in 2020/2021 throughout the MW network (w/o the Karavanke tunnel)



The number of goods vehicles in the low emission classes (EURO 0–3) 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 rate.

Figure 12: Share of toll km by EURO emission class in 2020 and 2021



In 2021, the value of goods vehicle passages increased by 12.3%, which is 1.6 percentage points less than the increase in the number of toll kilometres driven.

Figure 13: Monthly index of the value of passages of R2, R3 and R4 vehicles in 2021/2020 throughout the MW network (w/o the Karavanke tunnel)



The structure of payment methods in 2021 is similar to 2020. The largest share (66%) is attributed to the post-payment of tolls using payment cards, while 25% are users who have concluded contracts on the deferred payment of tolls with DARS. Prepayments account for 9% of the value of passages.

Figure 14: Share of the value of passages by payment method in 2021

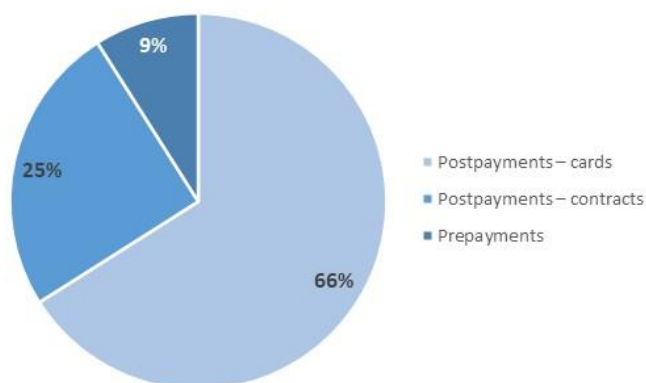
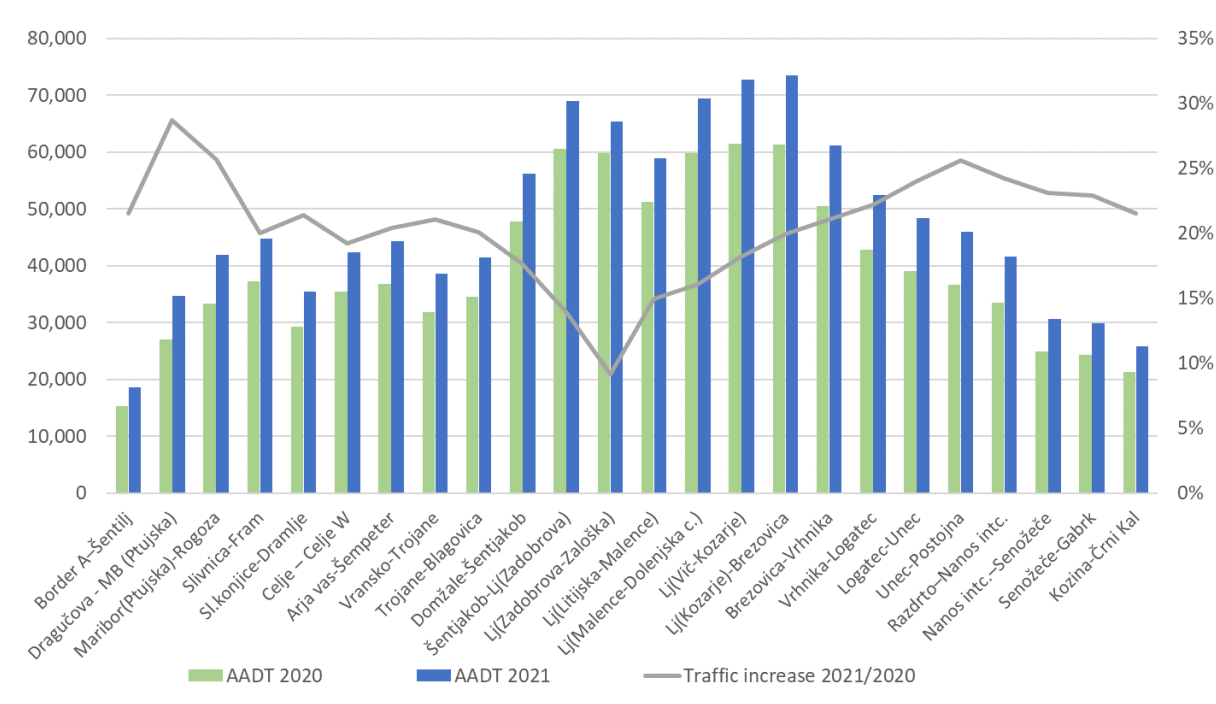
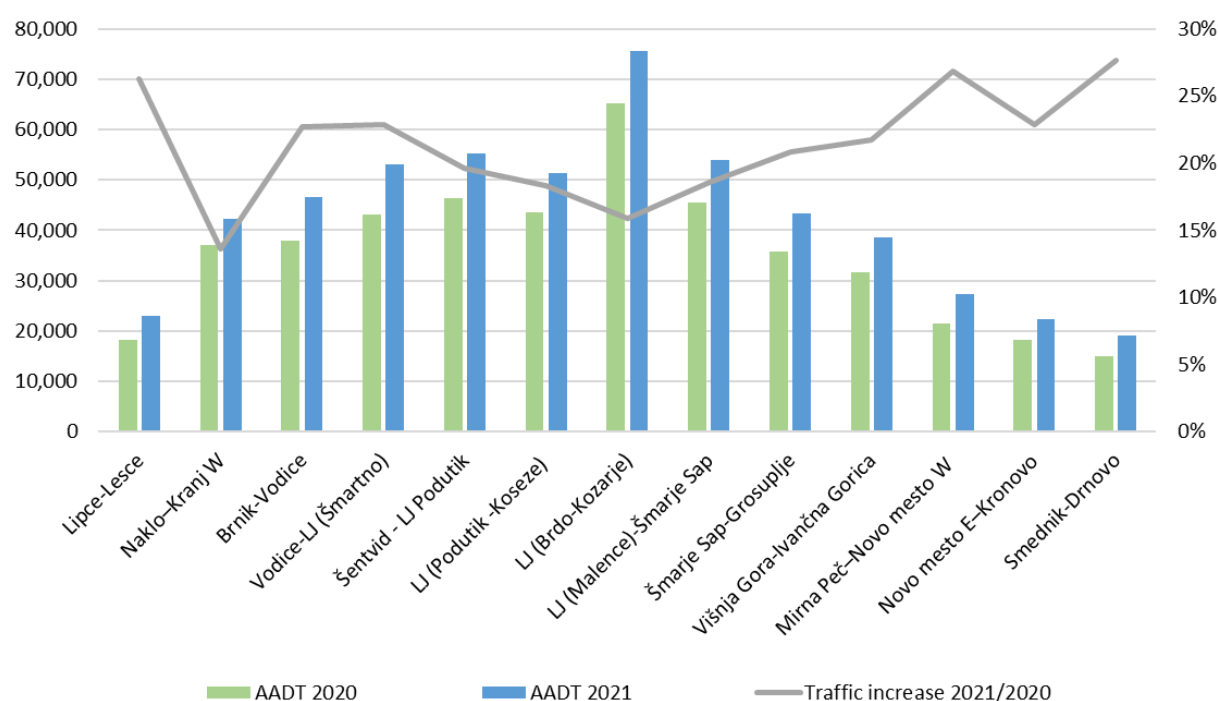


Figure 15: AADT comparison in 2020 and 2021 at selected A1 MW sections



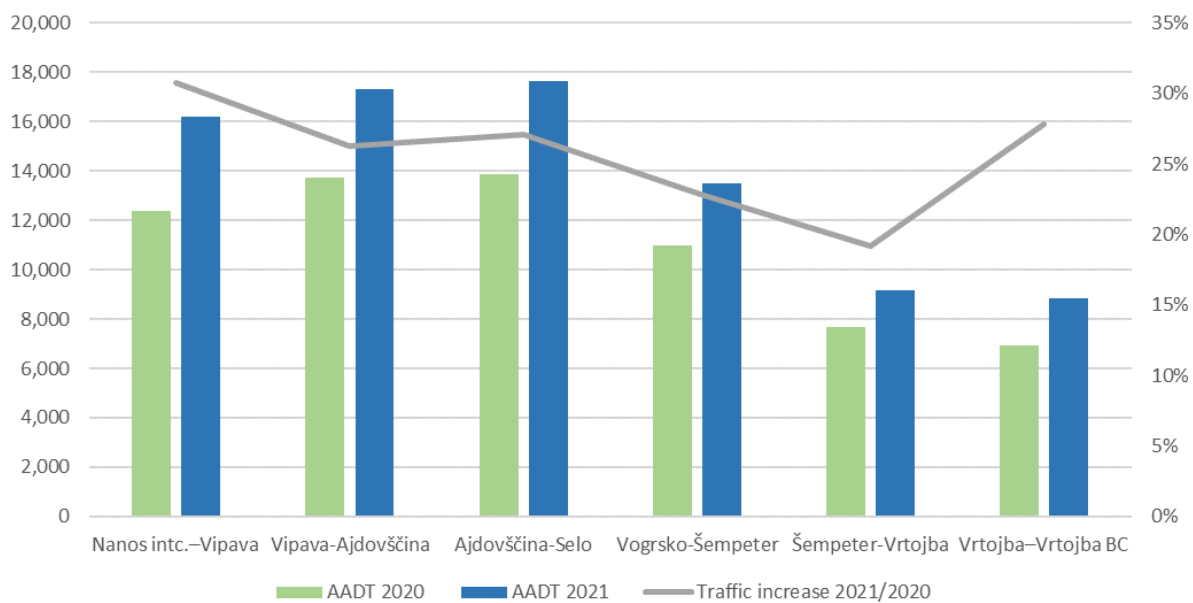
Traffic at A1 increased in all sections. On average, the AADT in 2021 increased by about 20% compared to 2020. However, traffic was on average still 9% lower than in 2019.

Figure 16: AADT comparison in 2020 and 2021 at selected A2 MW sections



At the A2, traffic increased similarly to the A1, by about 20%. However, compared to 2019, traffic was 8% lower. The smallest decrease in traffic compared to 2019 was in the area of Ljubljana, while a relatively larger decrease happened at the Gorenjska motorway.

Figure 17: AADT comparison in 2020 and 2021 at selected H4 EW sections



Traffic at the H4 expressway grew by over 25%, but it still failed to reach the record year 2019 by about 8%. The largest decrease compared to 2019 was observed at the section between Šempeter and the Vrtojba border crossing.

Figure 18: Motorway system in the Republic of Slovenia, December 2021



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 pursuant to Article 4 of the ZDARS-1 in the name and on behalf of the Republic of Slovenia. These tasks were realised in the amount of €9.7 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 | 1,496,814 |
| Real estate acquisition | 8,186,611 |
| Total spatial planning documents and real estate acquisition | 9,683,425 |

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

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

In 2021, investment activities were performed in accordance with the ability to secure financial sources. The value of motorway section construction and reconstruction in 2021 amounted to €123.9 million.

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

| Motorway development | Turnover |
|---|--------------------|
| DarsGo system | 2,843,024 |
| E-vignette | 3,764,169 |
| Design documents | 7,219,794 |
| Commencement of construction | 7,758,424 |
| Construction of sections for which design documents were prepared in 2021 | 15,552 |
| Continuation of construction | 17,737,778 |
| Finishing works on motorways opened for traffic up to and including 2020 | 836,932 |
| Other items | 5,193,171 |
| Motorway reconstruction works | 62,153,771 |
| Electrical and mechanical works and ITS | 5,198,573 |
| Traffic safety improvement | 2,502,930 |
| Rearrangement of minor rest areas on the Slovenian MW network | 20,767 |
| Investments in road management and maintenance | 8,609,892 |
| Motorway Police – equipment, facilities and motorway infrastructure | 70,170 |
| Total development and reconstruction of motorways | 123,924,948 |

I.12 International cooperation and the acquisition of European grants

DARS has been systematically building ever better international connections for a number of years in line with its commitment to the Company vision, which is focused on integration in various areas. In 2021, bilateral cooperation with neighbouring countries, as well as cooperation within international associations and platforms, was strengthened again after the decline in the first year of the pandemic. DARS representatives participated in several international events and thus contributed to the greater recognisability of the Company while also gaining information in a wide variety of areas.

Through our cooperation in the ASECAP international association, where we are active in various committees and working groups for tolling, sustainable business, traffic safety and smart mobility, we co-develop the Association's plans of work and help prepare European legislation related to our field. In the World Road Association (PIARC), we participate in the Winter Service and the Finance and Procurement technical committees and we are also a part of the EETS Facilitation Platform (EFP). In addition to formal membership, we are also present at events organised by other professional associations and platforms, such as the IRF (International Road Federation), IBTTA (International Bridge Tunnel and Turnpike Association) and CEDR (Conference of European Networks and Roads).

DARS received a total of €10,923,324.68 of European grants in 2021. We received funds under the Connecting Europe Facility (CEF) for the cross-border Karavanke road tunnel construction project, i.e. we received €1,766,637.59, which represents 10% of eligible costs. In cross-border cooperation and the harmonisation of ITS applications, the Company received €202,598.22 for the Crocodile 3 project, which is 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 €277,746.53, as well as €336,052.50 for the C-Roads Slovenia 2 project, which is the continuation of the original project.

In 2021, the production of documentation needed for the construction of the expressway for the 2nd section of the third development axis – north, from the Velenje South junction to the Slovenj Gradec South junction, was included as a replacement project in the programme for the implementation of the European Cohesion Policy 2014–2020. We received €8,340,289.84 of funds from the European Regional Development Fund, which represents 80% of the eligible costs, for the works that have been completed from the launch of the project in 2018 to October 2021.

I.13 Self-assessment using the EFQM Excellence Model



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

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

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

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

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 ISO 45001 standard, the energy management aspect according to the ISO 50001 standard, and the information security aspect according to the ISO/IEC 27001 standard. Together, these aspects form a unified management system as described in the Rules of Procedure for the Management System and related documents.

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

In 2021, the Company started establishing a business continuity system as per the requirements of the ISO 22301 standard.

To ensure the credibility of the quality management 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, ISO 45001 and ISO 50001 standards, these are successfully approved every year by an external accredited institution.

I.15 Internal Audit

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

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

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

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

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

At the start of 2021, the internal audit of the investment project initiated in 2020 was concluded, after which internal audits and consultancy services pursuant to the confirmed annual plan of work were carried out. 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. Internal Audit's work was impacted by the COVID-19 epidemic and the unplanned absences of auditees and internal auditors, resulting in some of its activities being postponed to 2022. Assurances were provided for the areas audited stating that the internal control system was in place, operative and efficient. Individual shortcomings or possibilities for improvement were found during auditing, which were highlighted and for which recommendations were given to establish or improve controls. The Management Board and Audit Committee were kept informed of the realisation of recommendations on a quarterly basis. We also provided advice on the realisation of recommendations. A great deal of time was also dedicated to consultancy, active cooperation in the renewal of system documents and the development of Internal Audit. 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 Report of DARS for 2021, which will be published as a separate document, will provide information on the economic, environmental, social and governance effects and the results of Company operations. The Strategy of DARS pursues long-term goals focused on sustainable development and steers the Company towards socially responsible future operations. With reports on its sustainable development, on the one hand, the Company provides quality information on its socially responsible actions to its stakeholders and, on the other, makes decisions on future socially responsible actions based on cooperation and the identification of stakeholders' needs and interests. Our key motto is the connectivity of our business operations with all stakeholders.

I.16.1 Strategic management of sustainable development at DARS

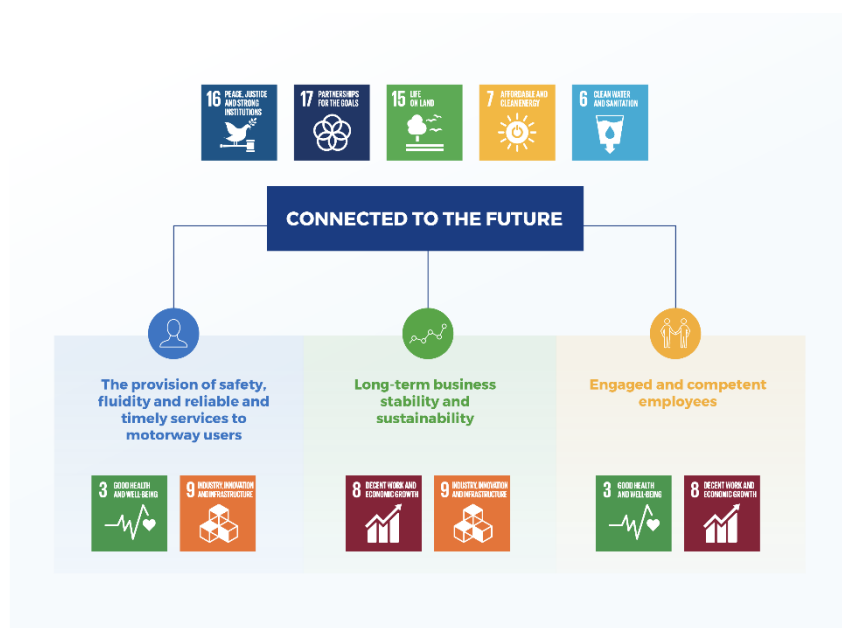
DARS is well aware of its responsibility to people, the environment and society. Therefore, it exercises social responsibility in a sustainable manner in all projects and long-term plans at all levels. Ambitious and clearly defined goals ensure that the public will continue to identify DARS as a responsible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

The DARS Strategy for 2021–2025, which integrates the Company vision and its stakeholders with three key strategic guidelines of DARS, is evident from the figure "Strategy Map of DARS" in chapter I.3 Mission, vision, values and strategic policies. The central focus is on stable operations and sustainability in the long term, which also significantly relates in content and strategic goals to the realisation of the first strategic policy (Provision of safety, fluidity, and reliable and timely services 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 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 strives to contribute to eight sustainable development goals; the connectivity of the vision and strategic goals of DARS is evident from the figure below.

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

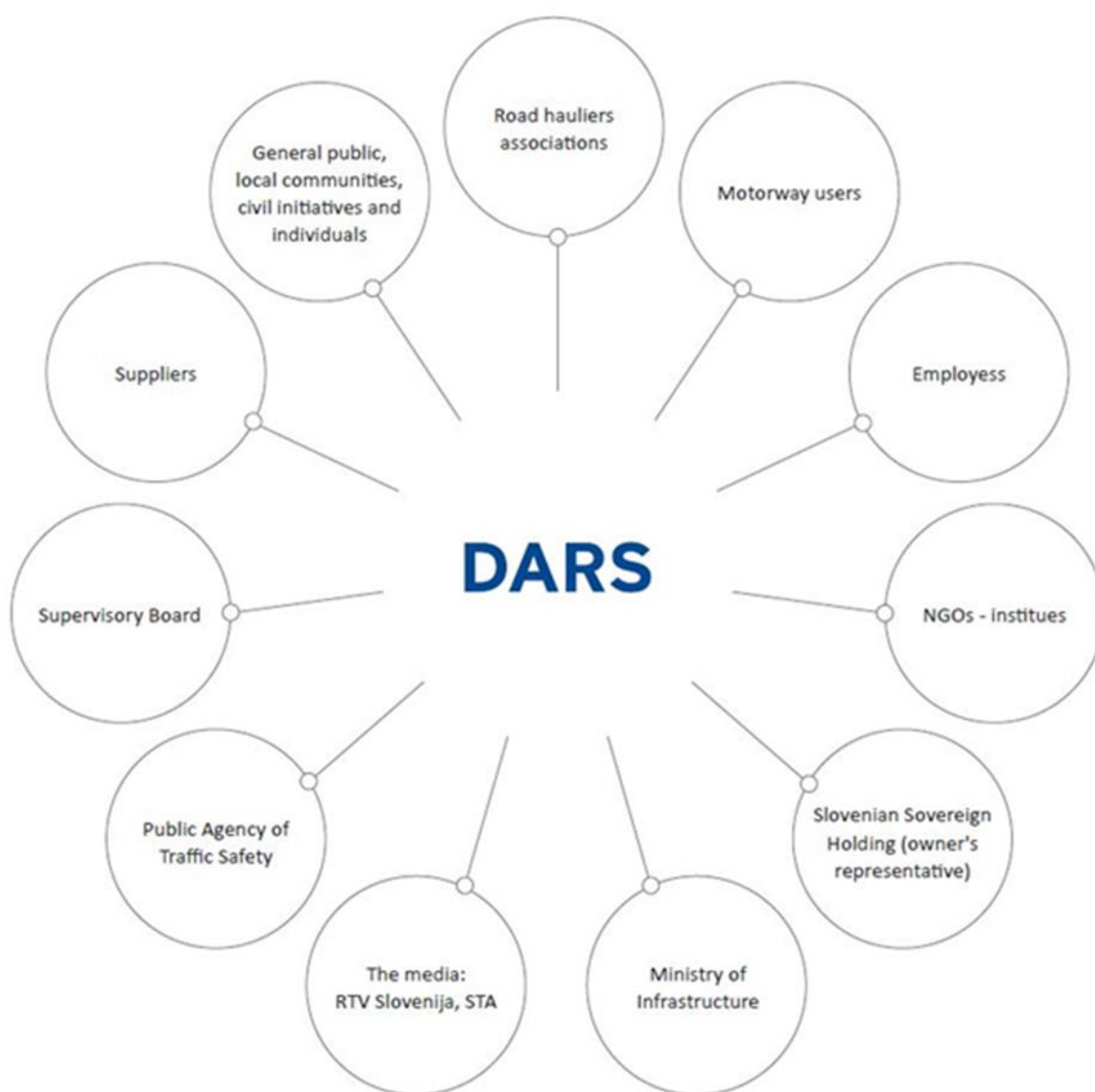


I.16.1.1 DARS and its stakeholders

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

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

Figure 20: DARS's relationship with stakeholders



I.16.2 Research and development activities

In 2021, DARS carried out 32 projects and 10 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 2021, DARS continued implementing the road management project for the roads it operates. The PMS DARS expert system (PMS: Pavement Management System), which operates using the dTIMS_CT software tool (Deighton's Total Infrastructure Management System with Concurrent Transformation) was updated from version 8 to version 9.5 in 2021 and now offers the easier adding of new sections, an improved graphic display and the option to manage archival pavement data. In 2021, we successfully applied the results of BMS DARS (BMS: Bridge Management System) to plan measures for bridging structures.

In 2021, we launched the development project entailing the satellite monitoring of road structure movements, which is aimed at verifying the possibility of determining road structure movements using satellite data, and the development project entailing the digitalisation of monitoring the condition of bridging structures, which is aimed at verifying the possibility of using drones and modern data capture technologies to monitor the condition of bridging structures.

DARS launched two pilot projects in 2021 with the purpose of testing the ground-penetrating radar technology to detect and pinpoint underground lines. At its test sections, DARS tested the portable ground-penetrating radar, which has been found suitable for conducting measurements near barriers and outside paved surfaces, and the mobile ground-penetrating radar, which successfully detected underground lines running underneath the emergency or driving lane during driving. Findings from the pilot projects showed that a combination of the two systems could be used to improve the data on underground lines running along the entire motorway network managed by DARS. Such comprehensive measurements would make our data records more reliable and knowing exactly where the underground lines are located could reduce the number of cases where these lines are damaged due to various works or interventions on or near the road infrastructure.

In the 2016–2021 period, DARS was part of the international C-Roads project, which is aimed at improving traffic and transport conditions through the implementation of internationally coordinated applied ITS solutions on the corridor road network. In 2021, the first part of the C-ITS cooperative systems pilot projects 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 and cross-border tests in terms of interoperability were conducted. We will continue the C-Roads 2 project involving the integration of existing systems into the C-ITS and the expansion of the scope of C-ITS technology.

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

We launched pilot projects that will be the basis for the digitalisation of roads and autonomous driving in the future. Projects 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 Corporate integrity

Compliance with the regulations, codes and recommendations

Inspections and minor offence proceedings

In relation to the overall business of DARS in 2021, five decisions were issued as a result of inspections for compliance with environmental laws and other regulations. Due to a violation relating to the use of plant protection products, minor offence proceedings were initiated and closed with a fine.

Review procedures at DKOM

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

The table indicating the published and awarded public contracts shows that, in 2021 DARS published 137 and awarded 168 public contracts. Based on the Legal Protection in Public Procurement Procedures Act (Official Gazette of the Republic of Slovenia, No. 43/11, 60/11 – ZTPD, 63/13, 90/14 – ZDU-1I, 60/17 and 72/19), 19 review requests were considered in 2021 and 17 decisions were issued by DKOM (table indicating review procedures at DKOM). DKOM has yet to decide in two proceedings.

Table 8: Published and awarded public contracts on the eNaročanje portal

| | 2018 | 2019 | 2020 | 2021 |
|-----------------------------------|------|------|------|------|
| No. of published public contracts | 176 | 162 | 189 | 137 |
| No. of awarded public contracts | 281 | 313 | 194 | 168 |

The data has been taken from: <https://ejn.gov.si/statist>, <https://www.enarocanje.si/>

Table 9: Review procedures at DKOM

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

The data has been taken from: www.dkom.si

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

Deviations from the individual provisions of codes and recommendations that apply to DARS are explained in the Corporate Governance Statement.

System for dealing with reports of alleged corporate integrity irregularities

The Corporate Governance Code for State-Owned Enterprises (hereinafter the "SSH Code"), inter alia, recommends that large enterprises set up an internal alert system for suspected irregularities and illegalities within the company, also specifying the method of protection for whistleblowers. Taking into account the recommendations from the SSH Code, the Company enforced the Rules of procedure for handling alleged irregularities in corporate integrity as of 1 April 2021, a mandate for the execution of such tasks was awarded to the corporate integrity officer and a committee was appointed for the consideration of reports of alleged irregularities in corporate integrity. The Rules were adopted in order to strengthen the integrity of DARS and to improve its overall business performance and bolster its reputation. The Rules also set out the measures ensuring that DARS is a work environment where employees who file a report in good faith are protected. The Committee discussed one report in 2021.

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

Conflict of interest

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

I.16.4 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 of the Company's sales revenues (97.2% in 2021).

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 not only achieving a single market and the non-discriminatory movement of goods, services and people in the EU, but also environmental goals through the amount of the tolls and the 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 when setting DARS 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 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 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 2021, Slovenian roads carried over 95% 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 the wear and tear of older vehicles, tightened standards and business motives, whereby the toll pricing policy also contributes to the speed of upgrades. The price difference in various emission classes indeed implies a certain risk for the stability of DARS toll revenue and calls for the regulation of revenue in such conditions with occasional price increases.

Customers and their satisfaction with Company services

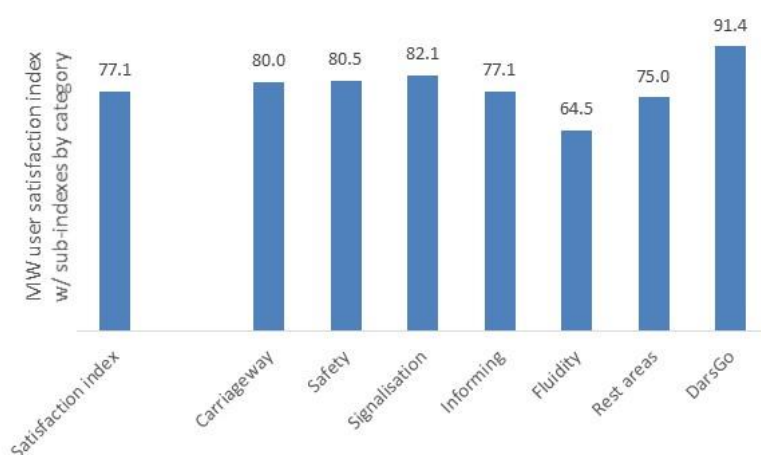
In addition to the motorway infrastructure itself, a component part of the overall experience in the use of toll roads includes safety, fluidity and comfort in the use of the motorway infrastructure. These are also our strategic

goals and our promise to users – our customers. For orientation in determining the necessary activities, DARS conducts the annual survey “Measuring the satisfaction of motorway users in Slovenia”.

The data for the survey in 2021 was collected in the spring and autumn rounds. The survey was conducted by Episcenter and included 1526 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 DarsGo 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 77.1, which is a high level of user satisfaction.

Figure 21: Satisfaction by category



The results show a certain correlation between the volume of traffic and the height of the index, if there are no other extraordinary factors. In the first half of 2021, the volume of traffic was lower than in 2019, while in the second half of the year it was already at the same level as in 2019. In the first spring measurement, the index was 78.7 and is almost exactly the same as in 2020, when traffic was also reduced due to the epidemic (78.8). The autumn measurement revealed a slightly lower satisfaction, 75.9, which affected the lower overall index this year.

Foreign drivers remain more satisfied than domestic drivers. Foreign passenger car drivers are the most satisfied, while domestic passenger car drivers are the least satisfied, although the satisfaction of this group has been growing since 2019.

Traffic fluidity is the weakest point in the users' opinion, resulting in a sub-index of 64.5. Domestic passenger car drivers are the most critical in this field. Domestic passenger car drivers are particularly dissatisfied in terms of motorway fluidity or passability during maintenance and reconstruction works. This group of drivers also poorly rated the toilet facilities, with domestic passenger car drivers giving them an average of just 3.2.

The highest-rated this time again, as every year before, is the DarsGo electronic tolling system. This sub-index has the highest rating of all the fields (91.4). There are no significant differences between domestic and foreign goods vehicle drivers in terms of their ratings of the two items.

Satisfaction with traffic signs and safety remains high.

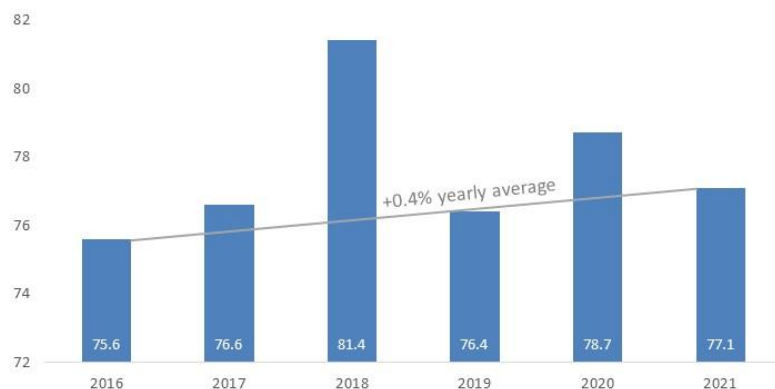
For the first time, we surveyed drivers regarding their vehicles' engine type and passenger car drivers regarding their satisfaction with the electric vehicle charging stations. As expected, diesel is the predominant choice in all engine type categories. This is followed by petrol, which is more used by domestic passenger car drivers, and

electric, which is more used by foreign passenger car drivers. Over 60% of drivers are satisfied with the electric vehicle charging stations on the motorway network, including over 80% of foreign drivers.

Among the motorway branches, the Štajerska motorway branch was again the best rated (with an index of 82). In addition to DarsGo (sub-index of 95), traffic signalisation is the highest-rated field here. The Primorska motorway branch is rated worst with a satisfaction index of 73. The worst-rated field of this branch is fluidity (sub-index of 58.6).

The motorway user satisfaction index has been growing by an average of 0.4% per year since 2016.

Figure 22: Motorway user satisfaction index



I.16.5 Traffic and concern for safety

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

Compared to 2020, the number of incidents increased by 24% along with the number of goods vehicles, which are a major indicator in the generation of incidents.

Figure 23: Comparison of incidents by year

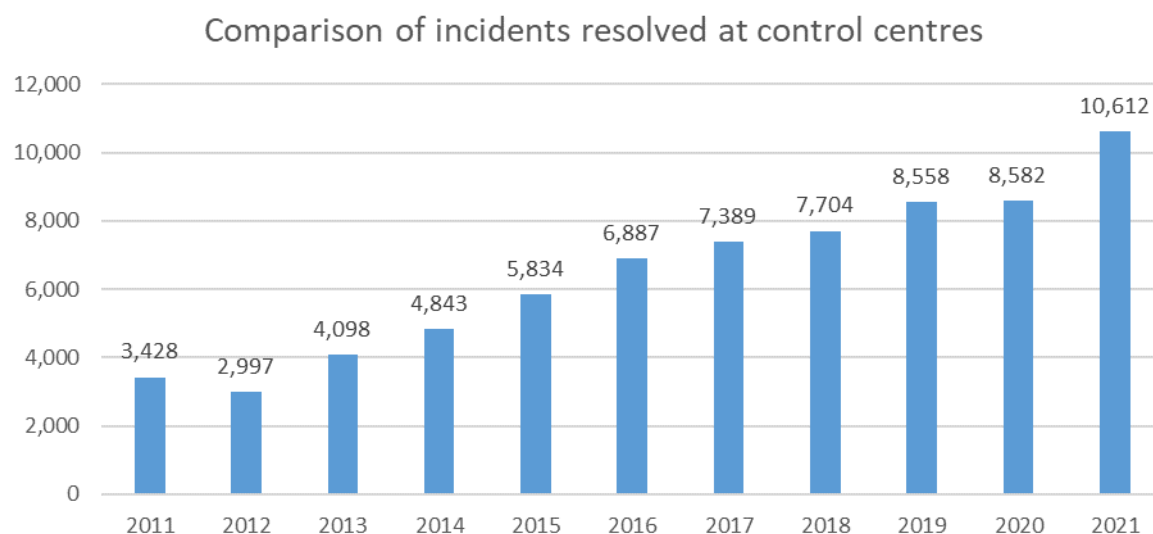
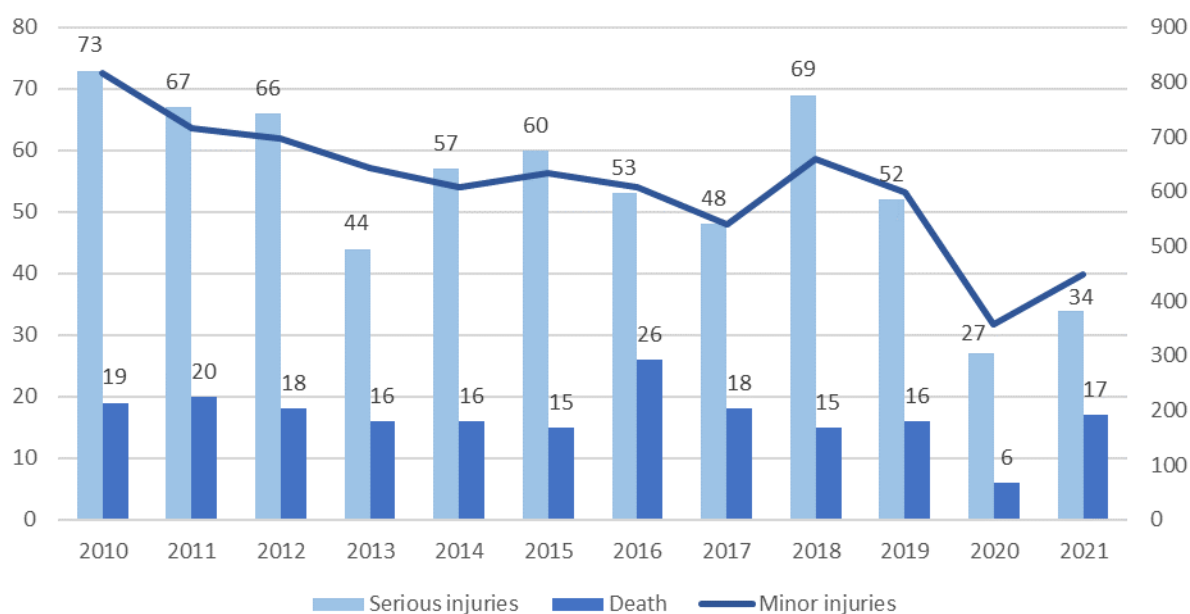


Figure 24: Consequences of traffic accidents on MWs and EWs by year



I.16.6 Safety in tunnels

Incidents

There were a total of 48 accidents and incidents in tunnels longer than 500 metres in 2021, where emergency services were needed along with the temporary closure of the whole tunnel or a part of it. There were a number of different primary causes of the events (31%), most of which involved overheight vehicles (27%), followed by vehicle breakdowns (27%), and by category I or II accidents (23%). Two fire events were recorded due to the self-ignition of passenger cars. Tunnel traffic had to be temporarily closed, partially or fully, for a total of over 42 hours. Passenger cars were involved in more than half of the events (56%), while goods vehicles were involved in 31% of the events. The events only caused material damage.

The competent services of DARS and the external emergency services and the police responded effectively to the events. For example, in each of the two fire events, it only took about an hour for the tunnel tube where the fire occurred to be reopened for traffic. We should also mention the well-coordinated action of the Slovenian and Austrian services at the unexpected failure of the main and auxiliary server of the Karavanke tunnel

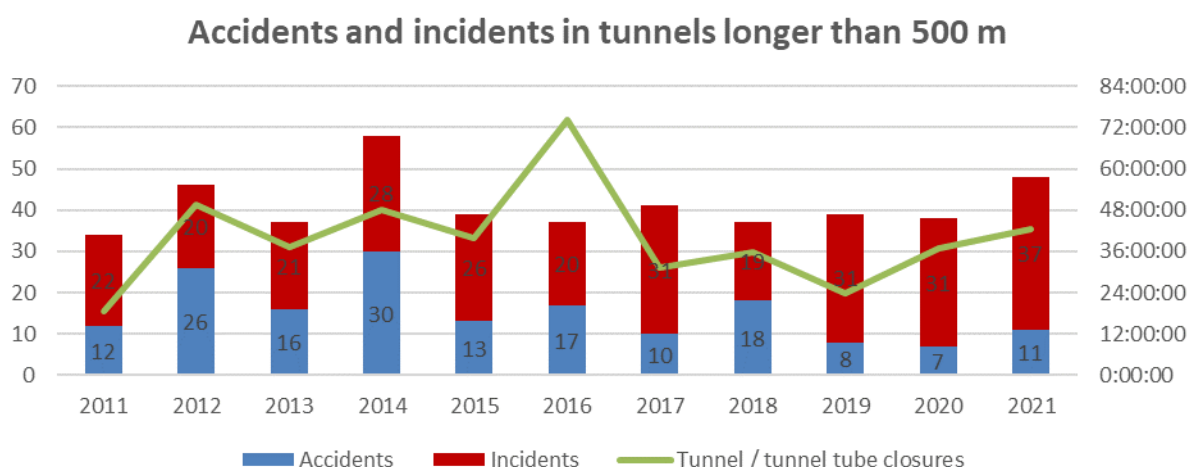
surveillance and control system due to a factory defect in the SSDs. A special operating regime had to be established in the tunnel for nearly 17 hours before the defect could be eliminated.

In addition to the above events, the left tube of the Kastelec tunnel had to be preventively closed twice for a total of 30 hours in October due to the bora wind.

We find that:

- the number of events is relatively small and at a level comparable to recent years;
- these events were mostly caused by the actions of users, which is something that is practically beyond the control of DARS, while the hard drive failure event at the Karavanke resulted in internal corrective action being launched by ASFINAG and DARS;
- the participants were not injured due to the events and the direct damage to the tunnels and the installed equipment was minimal;
- no increases in the number of events were found with the exception of the Primorska motorway branch tunnels, where overheight vehicles drive to/from the Port of Koper, but they are stopped by the tunnel systems before entering the tunnel;
- the operation of tunnel safety systems and the response of the competent services to incidents was efficient.

Figure 25: Accidents and incidents in tunnels longer than 500 m from 2011 to 2021



Rescue drills and employee training for incidents in tunnels

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

Seven rescue drills were planned for 2021, four of them central and three practical. Due to the COVID-19 epidemic, only the drill for the Karavanke tunnel was postponed to 2022 at the request of ASFINAG. All drills were conducted under special epidemic measures and all participants showed a responsible and professional attitude.

Most of the planned training for DARS units and joint training for heads of rescue services was carried out. All unperformed activities are carried over to 2022.

The following will be carried out in 2022:

- training for DARS employees responsible for taking action in incidents (traffic supervisors);
- regular drills (three practical, four central).

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

I.16.7 Projects in traffic management and concern for user safety

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

I.16.7.1 Traffic control and management

24/7 traffic control and management

The Kozina, Ljubljana, Vransko, Slovenske Konjice and Hrušica Control Centres and the Main Control Centre (MCC) with their teams of traffic supervisors see to uninterrupted traffic control and 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 traffic control and management at the national and international levels, ensuring that international traffic management plans are implemented without interruptions. In addition to coordinating the regional control centres, the MCC also coordinates other DARS divisions and external intervention services during major events, whereby we have established a high level of cooperation with the new Ljubljana Specialised Motorway Police Unit.

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 2021, 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 Enforcement, etc.).

In 2021, the MCC successfully ran and coordinated all the major activities for ensuring traffic safety and fluidity at the motorways and expressways. Among other things, we should mention the two most important events, specifically the implementation of the winter service and the transport of protected persons within the framework of the Slovenian Presidency of the Council of the European Union.

Motorway traffic is controlled by qualified certified traffic supervisors

In 2021, the training of traffic supervisors continued with the aim of obtaining the national vocational qualification for a 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.

In 2021, DARS acquired a simulator for traffic control and management systems (TCMS) on which the traffic supervisors of all control centres were trained. Periodic training on the TCMS and tunnel simulators is scheduled for every year in order to achieve better response times in emergencies and to ensure that control centre employees know how to react. In addition to the training, we also plan other training and education courses on the topic of traffic and traffic safety.

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

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

The following activities and preventive campaigns (available at https://www.dars.si/Sporocila_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 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”, “Speed” and “Telephone” by the Slovenian Traffic Safety Agency. Their primary aim was to appeal to drivers to not drink and drive and to reduce/adjust their speed on the road.

Measures in traffic management and concern for user safety

- Curbing speed and increasing fluidity
- Replacement of safety barriers and traffic signs
- 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

- Implementation of six road weather stations
- Implementation of ten new thermographic cameras for video detection
- Integration of new variable message signs at the traffic control centres
- Traffic management project involving the radial roads to Ljubljana
- Modernisation of the traffic lights by upgrading the video detection system at the Tomačevo roundabout
- Implementation of the C-ITS pilot project

I.16.7.2 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 age and type of transport means) use different communication channels.

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

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

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

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

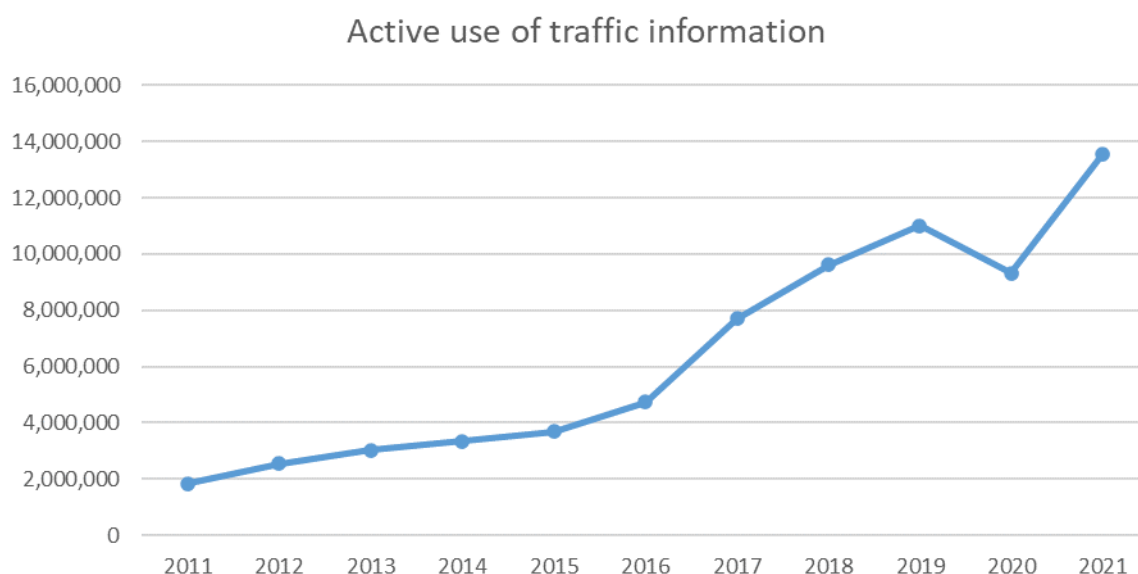
It is now possible to create your own user account (My Profile/Login), through which the user may subscribe to information by email, e.g. weekly traffic forecasts, special warnings for trucks, etc.

In the past 15 years, the Traffic Information Centre:

- sent over 530,000 pieces of information on events occurring on the national road network: on average, 35,515 a year, 2,959 a month and 98 a day,
- received over 1,000,000 calls in the last eight years alone, while the website was visited by over 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 COVID-19 crisis has caused a decrease in the number of events in 2020 and 2021, but that number increased rapidly in 2021 compared to 2020 and is already nearly at 2019 levels. This means that the need for traffic information is increasing again. Despite the lower number of events, the information channels were used to a greater extent than in 2019. The activities of the Traffic Information Centre and the PR department of DARS are a major factor in the promotion of traffic information.

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

Due to the COVID-19 epidemic situation, the active use of traffic information provided by the TIC in 2020 decreased to the level from 2018. Although the decrease was much more pronounced in traditional media, it managed to increase above the 2019 levels in 2021, a result of the use of new tools, the improvement of existing tools and promotion, among other things.

International traffic management (TMP)

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

In 2021, motorway operators in Slovenia (DARS MCC) and the neighbouring countries used the TMP system several times to notify each other and coordinate actions. It has proven to be a good tool that improves and speeds up mutual communication. However, advancements in digitalisation dictate the continuous adaptation and upgrading of the system.

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

Motorway network traffic management (Slovenian TMP)

In 2021, we successfully completed the national traffic management plans designed to improve actions and traffic redirection operations in the event of motorway closure. They were harmonised with the SIA and the police, and the experience gained in drafting international plans has been a great help in their production. The national plans were tested at the end of 2021 and will serve as a basic guide for road operators in cases where traffic is redirected to a parallel road network due to emergencies.

I.16.8 Human resources management

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

- the constant strengthening of employee competencies and engagement;
- leadership development and
- the provision of occupational safety and the promotion of employees' health.

Compliance with labour law and occupational health regulations is a fundamental guideline of our Company in working with employees, and we continuously provide a work environment where employees can take full advantage of their potential and talents and thus contribute to excellent business results. The Company is always developing new innovative and modern approaches to increase respectful conduct and communication in the workplace and in relation to business partners with a view to fostering an awareness and culture that contributes to bringing out the best in every Company employee.

DARS has zero tolerance for any form of human rights violation, and compliance with human rights regulations and good practices is a fundamental guideline of the Company in working with employees. Human rights are consistently observed by taking into account the applicable legislation (Constitution of the Republic of Slovenia, ILO Conventions, Protection Against Discrimination Act, Employment Relationships Act), DARS Code of Conduct and internal Company acts dealing primarily with discrimination in the workplace, workplace harassment and fundamental economic and social human rights.

Employees at DARS

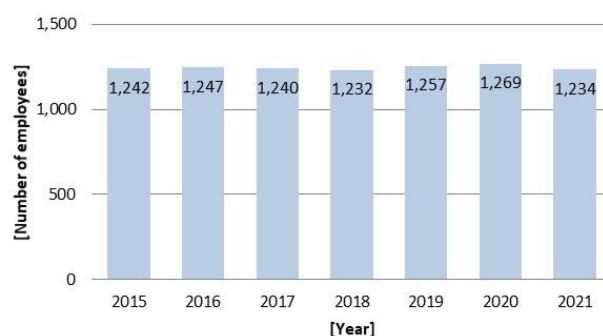
Table 10: Key data on DARS employees for 2020 and 2021

| | 2020 | 2021 |
|--|------------|------------|
| Status of employees at DARS | | |
| Number of employees at DARS - incl. replacements | 1269 | 1234 |
| Number of employees at DARS - excl. replacements | 1263 | 1233 |
| Demographic data on employees | | |
| Average age of employees | 46.4 years | 46.9 years |
| Percentage of women employed | 25.5% | 25.2% |
| Employee educational structure | | |
| Percentage of employees with up to level 4 education | 35.5% | 35.3% |
| Percentage of employees with level 5 education | 32.2% | 31.8% |
| Percentage of employees with level 6 education | 18.7% | 18.9% |
| Percentage of employees with level 7 or higher education | 13.6% | 14.0% |
| Social security of DARS employees | | |
| Number of solidarity benefits granted | 53 | 58 |
| Number of employees with disability status | 46 | 48 |
| Number of procedures introduced for disability recognition | 19 | 27 |
| Number registered in voluntary pension insurance | 52 | 23 |
| Sick leave rate | 6.56% | 6.76% |
| Employee development – education and training | | |
| Scope of education in hours per employee | 10 | 9 |
| Value of education per employee | 131 | 111 |
| Number of participants in education | 1786 | 1781 |

Recruitment

In order to achieve the set business objectives for 2021 and uninterrupted operations, the Company recruited new people pursuant to the adopted Operative implementation section of the HR plan for 2021. A total of 41 external and 12 in-house vacancy notices were published in 2021, i.e. a total of 53 vacancies. DARS hired 25 workers, while 60 workers terminated their employment.

Figure 28: Number of employees at DARS from 2015 to 2021



Concern for employee social security

In accordance with the applicable legislation and the adopted internal acts of the employer, DARS continues to implement the established good practices that considerably contribute to improving the social security of employees and future retired persons.

In 2021, 58 solidarity benefits were paid to employees. 144 employees were eligible for jubilee benefits. All employees who entered into an employment relationship with the Company were given a chance to choose a collective supplementary pension insurance scheme offered by three pension fund managers, which is an important element in ensuring their social security after retirement.

In 2021, there were 27 disability procedures pending, eight more than in 2020, of which eight employees were granted a disability category anew, and four employees with a recognised disability category had their employment terminated in this year. The number of employees with a disability category is increasing. In 2021, the Company employed on average 46 employees with a recognised disability category, which is an average of 8.5 disabled persons over the statutory quota, which is why we could seek a reward for exceeding the disability quota and an exemption from the payment of the pension and disability insurance contributions from the Public Guarantee, Maintenance and Disability Fund of the Republic of Slovenia.

The employer continued its initiatives for retirement with additional severance pay and possibilities for retired persons to perform temporary or occasional work. In 2021, 30 employees retired and 32 employees continued to work after meeting the conditions for retirement. This year, 16 contracts for the temporary or occasional work of retired persons were drafted, and 14 of them were signed.

In 2021, the share of justified absence from work with respect to regular work amounted to 6.76% and was the highest to date. It was 0.20 percentage points or 3.04% higher than in 2020. The average number of days lost due to justified absence from work was 17.75 working days per employee. This is the second year in a row that this area was profoundly impacted by the COVID-19 epidemic. To mitigate the consequences, the government adopted several legal bases, which envisaged new absences due to isolation, quarantine, force majeure, furlough and others. There were 13.14% of such absences in 2021.

Considering the increasing difficulty and complexity of the working processes and work itself, the highest share of justified absences from work, the high number of employees with a changed capacity for work who were evaluated by the disability committee of the Pension and Disability Insurance Institute of Slovenia, the rising average age and the extended working life, special attention must be paid to the planning of human resources.

HR development

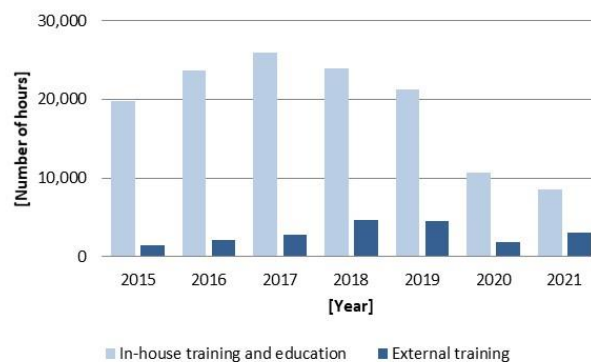
In accordance with the strategic goals of DARS, the SSH guidelines and the HR development and training plan for 2021, our efforts in HR development were largely focused on conducting annual development interviews with employees, measuring digital competencies and developing leaders.

The COVID-19 epidemic in 2021 again significantly affected the scope of education and training courses and how they were carried out. A total of 11,650 training hours were carried out, 7% fewer than the year before. In-house training represented the greatest share – 74%. A total of 1,781 employees were included in training in 2021, which is similar to the previous year.

Due to epidemiological measures, education and training were largely conducted 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. A range of expert educational courses was provided, covering motorway maintenance, project management, information security, personal data protection and the implementation of 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, coaching for leaders, safe driving training, etc.

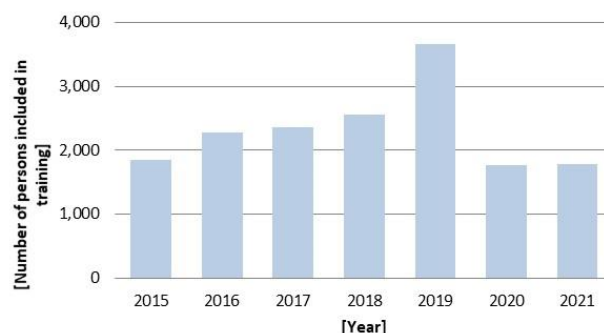
In 2021, a total of 246 employees (about 28% more than in 2020) attended external training for keeping track of professional development, technological and legislative changes. External training included a total of 3,085 training hours, which is 62% more than in 2020.

Figure 29: Overview of training hours for 2015–2021



The virtual environment became the new learning environment during the COVID-19 epidemic and it was well-received, but the need to meet in person is palpable among employees. As the meeting participants interact, they directly share their opinions and experience, fostering their know-how and skills. Restrictions related to measures to contain the COVID-19 epidemic most profoundly impacted the implementation of education sessions designed for employees who do not work behind a computer.

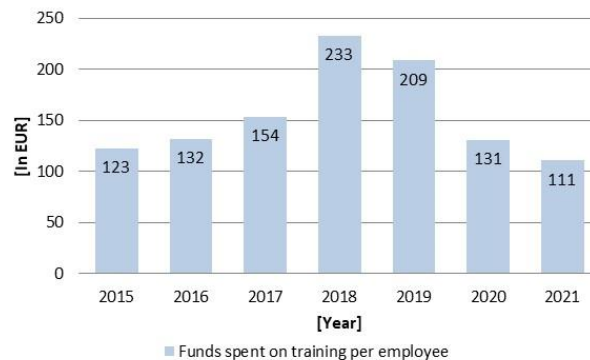
Figure 30: Number of persons included in training in the 2015–2021 period



A total of 9% more funds than the year before were spent on the training and education of DARS employees in 2021. 57% of the funds were spent on in-house training, while 43% was spent on external education. The total

number of training hours per employee in 2021 equals 9.34 hours and is 7% lower than in 2020. The value of training per employee is 15% lower compared to the year before and equals €111.

Figure 31: Value of funds spent on training per employee in the 2015–2021 period



HRM projects

Despite the measures that limited the provision of training and education sessions, many activities within various projects were carried out at DARS in 2021, contributing to better human resource management.

HR information system: In 2021, with a view to providing digital support to HR processes, we actively worked on setting up an HR information system and succeeded in establishing it by the end of the year. It now offers comprehensive support for employee management and unites all HR processes in one place. The new HR information system provides up-to-date and quickly accessible information for the work of HR, as well as for every employee, manager and member of the management in their business decision-making.

Implementation of annual development interviews: Annual development interviews with employees are a foundation for successful employee management and development, as they enable the identification of ambitions, and the guidance and development of employee potential. After the managers had been trained in how to carry them out properly, the implementation of the interviews began. We conducted annual development interviews with 561 employees. The scope is smaller than expected due to the COVID-19 epidemic.

Preparation of development plans: In accordance with the adopted HR development and training plan for 2021, the preparation of employee development plans was started, specifically for key employees who significantly contribute to the realisation of DARS's strategy and business objectives. In order to prepare the development plans, we organised a measurement of the leadership and social competencies of key staff, which serves as the foundation in the preparation of development plans in conjunction with the results of other measurements and each employee's career interests.

Measurement of the organisational climate and employee satisfaction: As every year, the organisational climate and employee satisfaction were measured in 2021, but this was the first time that this was done exclusively in electronic form. Compared to the previous year, the results show a slightly lower assessment of the organisational climate and employee satisfaction, but greater engagement. Work done well is praised, each employee's opinion is respected, employees strive to do quality work and they care about other employees. The challenges in the field of employee satisfaction remain the same as last year and relate to opportunities for promotion, salaries and internal communication.

Partnership project with KoC LOGINS: DARS 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 2021, we managed to carry out €14,391.42 worth of training through the in-house training provided.

Measurement of digital competencies: Modern information technology requires knowledge for the use of various new digital tools. In order to check the employees' level of digital competencies, a measurement of the digital competencies of all employees who work on a computer was performed at the end of 2021. 284

employees participated in the measurement of digital competencies and the results will be used in the preparation of short targeted training sessions in 2022 designed to effectively upgrade their existing knowledge and increase their performance and productivity at work.



DARS is a family-friendly company: Based on the adopted measures deriving from the acquired full Family-Friendly Company certificate, activities continued in 2021 that make it easier for employees to coordinate their job duties and family life.

I.16.8.1 Development of a safe working environment

At DARS, we take the requirements for a functional and safe use of working spaces into account as early as when making the terms of reference. Our project solutions (for working spaces and motorways) not only ensure safe use, but also safety to workers performing maintenance. We know that bad solutions are the most expensive, because of the high costs of maintenance and in terms of ensuring the satisfaction of users and our employees. Solutions that are developed through complaints and bad practices (work injuries of maintenance staff) in the period following construction are difficult, sometimes even impossible to fix. This is why we include occupational health and safety professionals in projects that aim to introduce new features into our work processes.

In 2021, members of Occupational Health and Safety were actively involved in the preparations for setting up e-vignette inspection devices. They examined the arrangements for access to traffic control gantries and submitted reports with the necessary measures to Maintenance and Management. They carried out internal inspections of compliance with safety requirements during maintenance works and prepared reports for the management with proposed measures. Upon analysing the circumstances of work accidents, they presented the shortcomings they found to the heads and workers at Maintenance at periodic safe work training. This was done along with the prescribed safe work training tests as the epidemic was waning (in May, June, September and October). They made sure that all work equipment in 2021 was regularly inspected despite the COVID-19 epidemic. Throughout the year, they conducted service inspections of fire extinguishers and hydrants, as well as the maintenance of active fire protection systems.

Measurements of employees' exposure to harmful chemicals during the construction of road surface markings and exhaust gases during toll inspection were also performed. The threshold values were not exceeded anywhere. In line with the regulations (the Decree on the national radon programme), the authorised institution ZVD d.d. performed the prescribed measurements of radon in buildings located in areas with elevated radon levels (MMC Kozina, MMC Postojna, Dob branch, MMC Novo mesto). As excessive radon concentrations were found in a room at MMC Kozina, the measurements there had to be repeated. Experts from the Jožef Stefan Institute are helping us to draft a proposal to rehabilitate the situation.

Due to the epidemic (when occupational medicine was suspended), the employees went for medical examinations by certified occupational medicine specialists with a slight delay.



Accidents at work

There were 31 workplace accidents resulting in worker injury recorded at the Company in 2021. As usual, the majority of the injured were maintenance technicians (28), including two toll inspectors and one Toll User Centre employee. The injuries did not result in workers' disability, two workers took prolonged sick leave of over 30 days, and in three cases the workers only sustained minor injuries and did not need sick leave. By the end of the year, two workers who were injured in December had not yet completed treatment.

I.16.9 Responsibility to the natural environment

In light of its mission, the Company has built and operates a motorway network that is closely linked with the natural environment in the stages of siting, operation and the future development of the motorway network.

The Company is committed to environmentally friendly actions in all stages of operations and the continuous reduction of adverse environmental impacts.

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

DARS ranks among the large energy consumers in Slovenia with an annual energy consumption of 44.61 GWh (in 2021). 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 the heating of facilities (9.9%).

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

- To reduce the share of energy use by 5% per MW and EW km managed by 2025 with respect to 2019.
- To reduce the share of CO₂ emissions per MW and EW km managed by 10% by 2025 with respect to 2019.

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

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

Total energy consumption

The table below shows the energy consumption and trends in energy consumption by energy product. A comprehensive approach to managing energy and pertaining measures allows the Company to reduce energy consumption in relation to heating and electricity. Reasons for the increased consumption in 2021 compared to the year before include, in terms of electricity, the construction of the second tube of the Karavanke tunnel and other reconstruction works, while in terms of heating, the reasons include more degree-days and the longer heating season than in 2020.

Table 11: Energy consumption

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

Other detailed data and demonstrations of responsible actions in respect of the environment will be indicated in the Sustainability Report for 2021, which is an independent document.

I.16.10 Inclusion in the wider society

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

Recognitions and awards

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

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

Commitments to external initiatives

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

Membership in international associations

DARS 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. DARS is also a member of the EETS Facilitation Platform (EFP) and an associate member of the EasyGo service. In addition to formal membership, we are present at events organised by other professional associations and platforms, such as the IRF Global (International Road Federation) and CEDR (Conference of European Networks and Roads). 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 motorways and expressways operated and maintained by the Company.

Sponsorships and donations

In accordance with our mission, we donate funds to projects involving preventive actions in traffic and expert meetings related to traffic and its fluidity and safety, as well as to the construction, maintenance and operation of motorways and expressways. Support is often provided to volunteer fire brigades intervening in emergencies on the motorway network operated by the Company.

Funds are only used for sponsorships as an exception, primarily for events or projects involving the fields in which DARS operates.

The list of concluded sponsorship and donation agreements is published on our website.

Personal data protection

DARS devotes special attention to personal data processing pursuant to the personal data protection regulations. The data protection officer at the Company has been appointed.

The legality of processing and personal data protection are provided by:

- responsible and authorised persons,
- defined method of data processing,
- defined purpose of data processing,
- legal bases for data processing, and
- personal data users.

Our technical solutions for personal data processing comply with the personal data protection regulations. Hardware, software and application software are protected in line with the internal acts and principles for managing access to information sources.

Different forms of employee training and awareness-building concerning personal data protection are carried out, contributing to the compliance of personal data processing at the Company.

I.16.11 Responsibility to suppliers/contractors

In 2021, DARS 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 the awarding of a public contract

When procuring goods, services and construction works, DARS is bound to observe the Public Procurement Act (Official Gazette of the Republic of Slovenia, Nos. 91/15, 14/18 and 121/21). Criteria for awarding a public contract are laid down in detail in Article 84 of the Public Procurement Act and require a contracting authority to award a public contract based on the most economically advantageous tender. The Decree on green public procurement (Official Gazette of the Republic of Slovenia, Nos. 51/17, 64/19 and 121/21) prescribes that green public procurement is mandatory for 22 product groups of 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 2021 shows that 1,022 contracting authorities awarded public contracts in the total amount of €5,157,461,827.16 (excluding VAT). The total number of published invitations to tender was 7,062, while 7,753 public contracts were awarded. The environmental aspect was taken into account in 1,486 or 19.17% of the contracts awarded.

Changes in the total public contracts awarded by DARS and the public contract value in which the environmental aspect was observed from 2013 to 2021 (in € million) are shown below.

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

Figure 32: All public contracts and environmental public contracts from 2013 to 2021



The data for 2021 shows that DARS awarded public contracts in the total amount of €185,842,633.70 (excluding VAT). The total number of published invitations to tender was 137, while 168 public contracts were awarded. The environmental aspect was taken into account in 26 or 14.29% of the contracts awarded, which in terms of value means €26.557 million or 15.48%.

I.16.12 Communication

Communication strategy

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

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

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

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

We know how vitally important having a social media presence is for a company. The active use of Facebook and Twitter gives us effective access to a wide range of motorway users. We offer them interesting news about the activities of DARS related to the construction, maintenance and management of motorways and raise their awareness about safe behaviour in road traffic and the consequences of risky behaviour. Our social media channels, from where we also redirect visitors to our website, again saw an increase in the number of followers in 2021, their number exceeding 50,000.

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

Publication of business reports and statements

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



I.17 Report of the Supervisory Board for 2021

In 2021, the Supervisory Board Members acting as owner's representatives were:

- Pavle Hevka (Chair)
- Robert Rožič, PhD (Vice-Chair)
- Jože Oberstar (Member)
- Jožef Zimšek (Member)
- Štefan Šumah, PhD (Member)
- Anton Guzej (Member)

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

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

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 2021, all but two decisions were 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 as successful. The Chairman of the Supervisory Board and of the Management Board worked together, including outside the official sessions.

The work performed by Supervisory Board Members, including work in Committees, was professional and directed towards the efficient performance of a function. The work performed by the Supervisory Board was effectively backed in content by proposals put forth by Supervisory Board Committees. 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 2021, the Supervisory Board of DARS met at nine regular meetings and five correspondence meetings, at which it discussed the regular reports on Company operations and other current matters and important issues. At the sessions, it also discussed and decided on other matters for which it is responsible under the law, other regulations and the Articles of Association. The implementation of the Supervisory Board resolutions was regularly monitored.

Among other things, the Supervisory Board of DARS:

- gave consent to the DARS Strategy for 2021–2025,
- gave consent to the amended Business Plan for 2021,
- gave consent to the Business Plan for 2022,
- gave consent for the Refinancing Programme (attached) to the Business Plan for 2022,
- gave consent to the Rules of Procedure of the Management Board,
- issued consents for transactions in excess of €1 million (excluding VAT) as per the resolution dated 27 August 2020,
- regularly kept track of the status of the following projects: Karavanke, third development axis, electronic vignettes, expansion of the third lane, Grič office building,
- regularly kept track of the status of public procurement procedures,

- took note of the Report on the implementation of the national programme, which regulates motorway construction for 2020,
- confirmed the Sustainability Report of the Company for 2020,
- gave consent to the Internal Audit Annual Plan for 2021, the Internal Audit Strategic Plan for 2021–2025 and familiarised itself with the Internal Audit Work Report for 2020,
- discussed and confirmed the Annual Report for 2020,
- adopted a report on its activities for the previous year,
- discussed and confirmed propositions for adopting resolutions at the General Meeting,
- made decisions on remuneration for the Management Board,
- proposed that the General Meeting grant discharge to the Management and Supervisory Boards for the 2020 financial year and agreed with the proposal for the distribution of the available profit according to the balance as at 31 December 2020,
- acquainted itself with the non-audited semi-annual report,
- discussed the Risk Management Report,
- regularly kept track of reports of Supervisory Board committees,
- monitored the realisation of self-assessment measures using the EFQM excellence model,
- discussed the report made by the Workers' Council for 2020,
- adopted the Supervisory Board's annual plan of work,
- discussed reports concerning regular motorway maintenance,
- was kept informed about other information (including the issue of the towing service and reorganisation).

In November, the Supervisory Board initiated a self-assessment procedure that was completed in December.

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

Committees of the Supervisory Board of DARS

Three committees provided expert support to the Supervisory Board. They regularly reported and

gave advice to the Supervisory Board, which had full decision-making power.

The Audit Committee met in eight regular 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 Internal Audit Work Report for 2020, the Internal Audit Semi-Annual Work Report for 2021, the Internal Audit Work Plan for 2021, the Internal Audit Strategic Plan for 2021–2025 and put forth a proposal to the Supervisory Board to issue consent to the Internal Audit Work Plan and Strategic Plan. Furthermore, it regularly monitored and discussed reports and recommendations given by Internal Audit. The Committee was also regularly informed about the reports of the regular internal audits carried out. It was informed about the external quality assessment report on the operations of Internal Audit. The Committee was regularly informed of reports on Company operations, which also contained information on COVID-19 epidemic control, regularly followed the realisation of Committee resolutions, discussed the Sustainability Report, DARS Strategy, amended Business Plan, toll pricing policy, Company digitalisation, reorganisation, and risk management reports, and adopted its plan of work for 2021. It also acquainted itself with the plan of work and regular activities in corporate compliance and integrity. 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 then performed another self-assessment.

The Supervisory Board Committee for Remuneration and Management Board Assessments met at two regular sessions. It discussed the report on the satisfaction of employees and motorway users, and the proposal for the variable remuneration of the Management Board for 2020. The Committee also discussed other issues and topics falling within its competencies.

The Investment Committee met at eleven regular meetings where it discussed investment projects

and gave its opinion to the Supervisory Board prior to deciding.

Pursuant to paragraph 2 of Article 282 of the Companies Act, the Supervisory Board prepared a written report on the findings of the review of the Company's Annual Report for 2021 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 Annual Report for 2021

The Management Board submitted the Annual Report for 2021 including the business report and audited financial statements along with the auditor's opinion to the Supervisory Board in April. The Supervisory Board discussed the Annual Report of DARS for 2021 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 2021 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. Upon careful examination of the audited Annual Report for the 2021 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 2021 and assessed that it reflected the actual state in Company governance in 2021.

Pavle Hevka

Chairman of the Supervisory Board





II Financial Report

II Financial Report

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II.1 Financial statements of DARS

Balance as at 31 December 2021

| In € (excl. cents) | Notes | 31/12/2021 | 31/12/2020 |
|---|------------------|----------------------|----------------------|
| ASSETS | | 5,092,759,905 | 5,175,871,112 |
| A. LONG-TERM ASSETS | | 4,812,583,475 | 4,851,947,655 |
| I. Intangible assets and long-term deferred costs and accrued revenue | II.4.1.1 | 30,411,543 | 28,745,098 |
| 1. Long-term property rights | | 30,395,690 | 28,726,363 |
| 5. Other long-term deferred costs and accrued revenue | | 15,853 | 18,735 |
| II. Property, plant and equipment | II.4.1.2 | 4,607,913,423 | 4,707,256,276 |
| 1. Land and buildings | | 4,452,608,096 | 4,565,086,891 |
| a) Land | | 180,304,799 | 184,970,029 |
| b) Buildings | | 4,272,303,297 | 4,380,116,862 |
| 3. Other plant and equipment | | 44,406,585 | 46,400,773 |
| 4. Property, plant and equipment being acquired | | 110,898,742 | 95,768,612 |
| a) Property, plant and equipment under construction and manufacture | | 110,898,742 | 95,768,612 |
| III. Investment property | II.4.1.3 | 5,138,209 | 4,324,425 |
| IV. Long-term investments | II.4.1.5 | 153,000,964 | 93,000,964 |
| 1. Long-term investments other than loans | | 964 | 964 |
| a) Shares and interests in Group companies | | 0 | 0 |
| c) Other shares and interests | | 964 | 964 |
| 2. Long-term loans | | 153,000,000 | 93,000,000 |
| b) Long-term loans to others | | 153,000,000 | 93,000,000 |
| V. Long-term operating receivables | II.4.1.6 | 9,749,182 | 12,410,271 |
| 2. Long-term trade receivables | | 0 | 0 |
| 3. Long-term operating receivables from others | | 9,749,182 | 12,410,271 |
| | II.4.1.7 | | |
| VI. Deferred tax assets | | 6,370,154 | 6,210,621 |
| B. CURRENT ASSETS | | 279,460,367 | 323,142,813 |
| I. Assets (of the disposal group) held for sale | II.4.1.8 | 416,605 | 472,657 |
| II. Inventories | II.4.1.9 | 4,215,695 | 5,235,657 |
| 1. Material | | 3,706,197 | 3,916,524 |
| 3. Products and merchandise | | 509,498 | 1,319,133 |
| III. Short-term investments | II.4.1.10 | 168,000,000 | 208,000,000 |
| 1. Short-term investments other than loans | | 0 | 0 |
| c) Other short-term investments | | 0 | 0 |
| 2. Short-term loans | | 168,000,000 | 208,000,000 |
| b) Short-term loans to others | | 168,000,000 | 208,000,000 |
| IV. Short-term operating receivables | II.4.1.11 | 54,250,745 | 47,126,939 |
| 1. Short-term operating receivables from Group companies | | 0 | 0 |
| 2. Short-term trade receivables | | 31,186,958 | 22,053,330 |
| 3. Short-term operating receivables from others | | 23,063,787 | 25,073,609 |
| V. Cash and cash equivalents | II.4.1.12 | 52,577,322 | 62,307,559 |
| C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE | II.4.1.13 | 716,063 | 780,644 |

| In € (excl. cents) | Notes | 31/12/2021 | 31/12/2020 |
|---|------------------|----------------------|----------------------|
| LIABILITIES | | 5,092,759,905 | 5,175,871,112 |
| A. EQUITY | II.4.1.14 | 3,041,652,197 | 2,922,963,531 |
| 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 | | 28,868,850 | 28,491,168 |
| III. Profit reserves | | 893,457,395 | 799,714,840 |
| 1. Legal reserves | | 48,327,649 | 42,693,436 |
| 4. Statutory reserves | | 199,639,640 | 172,877,124 |
| 5. Other profit reserves | | 645,490,106 | 584,144,280 |
| V. Fair value reserves | | -7,376,966 | -13,003,673 |
| VI. Retained net profit or loss | | 0 | 0 |
| VII. Net profit or loss for the financial year | | 40,143,774 | 21,202,052 |
| B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE | II.4.1.15 | 155,279,738 | 156,655,027 |
| 1. Provisions for pensions and similar liabilities | | 4,442,008 | 4,509,692 |
| 2. Other provisions | | 785,662 | 4,393,577 |
| 3. Long-term accrued costs and deferred revenue | | 150,052,068 | 147,751,758 |
| C. LONG-TERM LIABILITIES | | 1,611,634,596 | 1,782,570,540 |
| I. Long-term financial liabilities | II.4.1.16 | 1,557,868,963 | 1,713,799,524 |
| 2. Long-term financial liabilities to banks | II.4.1.17 | 1,290,983,980 | 1,443,312,299 |
| 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 | 149,084,016 | 152,686,258 |
| II. Long-term operating liabilities | II.4.1.20 | 53,765,633 | 68,771,016 |
| 2. Long-term trade liabilities | | 0 | 0 |
| 5. Other long-term operating liabilities | | 53,765,633 | 68,771,016 |
| D. SHORT-TERM LIABILITIES | | 267,600,721 | 295,278,784 |
| II. Short-term financial liabilities | II.4.1.21 | 177,942,384 | 214,689,802 |
| 2. Short-term financial liabilities to banks | | 157,793,581 | 186,238,030 |
| 3. Short-term financial liabilities for bonds | | 3,117,571 | 3,112,385 |
| 4. Other short-term financial liabilities | | 17,031,232 | 25,339,387 |
| III. Short-term operating liabilities | II.4.1.22 | 89,658,337 | 80,588,983 |
| 1. Short-term operating liabilities to Group companies | | 0 | 0 |
| 2. Short-term trade liabilities | | 37,531,572 | 37,219,572 |
| 4. Short-term operating liabilities for advances | | 30,114 | 10,500 |
| 5. Other short-term operating liabilities | | 52,096,651 | 43,358,911 |
| E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE | II.4.1.23 | 16,592,653 | 18,403,229 |

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

Income Statement for the period from 1 January to 31 December 2021 (version I)

| In € (excl. cents) | Notes | 01/01–31/12/2021 | 01/01–31/12/2020 |
|--|-----------|---------------------|---------------------|
| 1. Net sales revenues | II.4.2.1 | 469,535,406 | 398,581,556 |
| Toll revenue | | 456,235,915 | 386,955,494 |
| Revenue from rest area leases | | 8,347,355 | 7,136,120 |
| Revenue from closures and overweight load transport | | 1,130,221 | 984,520 |
| Revenue from easements for base stations and other | | 572,513 | 593,084 |
| Revenue under the performance contract | | 321,312 | 333,607 |
| Revenues from the lease of fibre optics | | 1,003,149 | 984,782 |
| Other sales revenues | | 1,924,942 | 1,593,950 |
| 3. Capitalised own products and services | II.4.2.2 | 1,681,712 | 1,455,903 |
| 4. Other operating revenue | II.4.2.3 | 16,091,935 | 16,161,707 |
| 5. Cost of goods, material and services | II.4.2.4 | -48,350,592 | -44,369,700 |
| a) Cost of goods and material sold and costs of material used | | -9,472,198 | -9,116,897 |
| b) Cost of services | | -38,878,394 | -35,252,803 |
| 6. Labour costs | II.4.2.5 | -47,936,062 | -46,832,708 |
| a) Salaries and wages | | -35,188,562 | -34,420,960 |
| b) Social security costs | | -6,907,359 | -6,693,218 |
| c) Other labour costs | | -5,840,140 | -5,718,531 |
| 7. Write-downs | II.4.2.6 | -220,978,268 | -212,849,987 |
| a) Depreciation/amortisation | | -189,378,633 | -185,784,386 |
| Operating expenses for the revaluation of intangible assets and | | | |
| b) property, plant and equipment | | -31,481,217 | -26,717,740 |
| c) Operating expenses from the revaluation of current assets | | -118,418 | -347,862 |
| 8. Other operating expenses | II.4.2.7 | -877,044 | -3,191,823 |
| 10. Financial revenue from loans given | II.4.2.8 | 1,748,859 | 338,768 |
| b) Financial revenue from loans to others | | 1,748,859 | 338,768 |
| 11. Financial revenue from operating receivables | II.4.2.9 | 54,451 | 114,900 |
| b) Financial revenue from operating receivables due from others | | 54,451 | 114,900 |
| 12. Financial expenses for investment impairment and write-down | | 0 | -706,048 |
| 13. Financial expenses for financial liabilities | | -32,403,784 | -35,695,463 |
| b) Financial expenses for loans received from banks | II.4.2.10 | -18,536,250 | -21,180,164 |
| c) Financial expenses for bonds issued | II.4.2.11 | -5,633,924 | -7,049,945 |
| d) Financial expenses for other financial liabilities | II.4.2.12 | -8,233,609 | -7,465,354 |
| 14. Financial expenses for operating liabilities | II.4.2.13 | -38,880 | -16,056 |
| b) Financial expenses for trade liabilities and bills payable | | -5,370 | -250 |
| c) Financial expenses for other operating liabilities | | -33,511 | -15,805 |
| 15. Other revenues | II.4.2.14 | 177,951 | 101,844 |
| 16. Other expenses | II.4.2.15 | -233,086 | -487,636 |
| 17. Corporate income tax | II.4.2.16 | -27,237,468 | -14,104,581 |
| 18. Deferred tax | | 1,468,237 | 1,025,938 |
| 19. Net profit or loss for the accounting period | | 112,703,369 | 59,526,614 |

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

Statement of Other Comprehensive Income for the period from 1 January to 31 December 2021

| In € (excl. cents) | 2021 | 2020 |
|---|--------------------|-------------------|
| 19. Net profit or loss for the financial year | 112,703,369 | 59,526,614 |
| The effective part of changes in the fair value of the hedging instrument against interest rate variability | 6,887,916 | –1,592,855 |
| Change in deferred taxes | –1,308,704 | 302,642 |
| Other comprehensive income to be recognised in the income statement in the future | 5,579,212 | –1,290,212 |
| Actuarial gains/losses from severance pay upon retirement | 28,403 | 40,318 |
| Other comprehensive income not to be recognised in the income statement in the future | 28,403 | 40,318 |
| 23. Other elements of comprehensive income | 5,607,614 | –1,249,894 |
| 24. Total comprehensive income for the accounting period | 118,310,984 | 58,276,720 |

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

Cash Flow Statement for the period from 1 January to 31 December 2021

| In € (excl. cents) | 2021 | 2020 |
|--|---------------------|---------------------|
| A. Cash flows from operating activities | | |
| a) Income statement items | | |
| Operating revenues (except for revaluation) and financial revenue from operating receivables | 485,237,576 | 413,809,576 |
| Operating expenses excluding amortisation/depreciation (except for revaluation) and financial expenses for operating liabilities | -95,872,369 | -93,442,019 |
| Corporate income tax and other taxes not included in operating expenses | -26,151,242 | -13,381,285 |
| | 363,213,965 | 306,986,272 |
| 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 | -4,511,693 | 29,460,835 |
| Opening less closing deferred costs and accrued revenues | 64,581 | 275,725 |
| Opening less closing deferred tax assets | -159,533 | -1,328,580 |
| Opening less closing assets (of the disposal group) held for sale | 56,052 | 133,477 |
| Opening less closing inventories | 1,019,962 | -888,849 |
| Closing less opening operating liabilities | -5,682,732 | -20,948,416 |
| Closing less opening accrued costs and deferred revenue and provisions | -3,185,865 | -10,262,290 |
| Closing less opening deferred tax liabilities | 0 | 0 |
| | -12,399,227 | -3,558,097 |
| c) Positive or negative cash flow from operating activities (a + b) | 350,814,738 | 303,428,175 |
| B. Cash flow from investing activities | | |
| a) Receipts from investing activities | | |
| Inflows from interest received and shares in profit received relating to investing activities | 264,903 | 460,435 |
| Receipts from the disposal of property, plant and equipment | 603,900 | 2,438,887 |
| Receipts from the disposal of investment property | 322,765 | 0 |
| Receipts from the disposal of investments | 92,000,000 | 265,000,000 |
| | 93,191,568 | 287,899,322 |
| b) Cash disbursements for investing activities | | |
| Disbursements for the acquisition of intangible assets | -6,138,883 | -3,534,432 |
| Disbursements for the acquisition of property, plant and equipment | -117,786,065 | -115,337,633 |
| Disbursements for the acquisition of investment property | -371,945 | 0 |
| Cash disbursements for the acquisition of investments | -112,000,000 | -228,000,000 |
| | -236,296,892 | -346,872,065 |
| c) Positive or negative cash flow from investing activities (a + b) | -143,105,325 | -78,972,744 |
| C. Cash flows from financing activities | | |
| a) Receipts from financing activities | | |
| Receipts from the increase of financial liabilities | 0 | 77,993,308 |
| | 0 | 77,993,308 |
| b) Disbursements for financing activities | | |
| Interest paid on financing activities | -32,657,081 | -36,035,773 |
| Disbursements for repayment of financial liabilities | -184,782,569 | -239,490,804 |
| | -217,439,650 | -275,526,577 |
| c) Positive or negative cash flow from financing activities (a + b) | -217,439,650 | -197,533,269 |
| D. Closing balance of cash and cash equivalents | 52,577,322 | 62,307,559 |
| x) Net cash flow in the period (sum of net Ac, Bc and Cc) | -9,730,237 | 26,922,162 |
| y) Opening balance of cash and cash equivalents | 62,307,559 | 35,385,398 |

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

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

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

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 | | | Fair value reserves | Retained earnings | Net profit or loss for the financial year | |
| | 1. Share capital | | 1. Legal reserves | 4. Statutory reserves | 5. Other revenue reserves | | 1. Retained earnings/losses | 1. Net profit for the fin. year | |
| A1. Balance as at 31/12/2019 | 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 the 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 conjunction with them.

Statement of available profit for 2021

| In € (excl. cents) | 31/12/2021 | 31/12/2020 |
|---|--------------------|-------------------|
| A. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR | 112,703,369 | 59,526,614 |
| B. RETAINED EARNINGS/LOSSES | -19,093 | -12,083 |
| C. INCREASE IN PROFIT RESERVES UNDER THE DECISION OF THE MANAGEMENT BOARD | | |
| – Legal reserves | 5,634,214 | 2,975,727 |
| – Statutory reserves | 26,762,516 | 14,134,701 |
| – Other profit reserves | 40,143,774 | 21,202,052 |
| AVAILABLE PROFIT as at 31/12 | 40,143,774 | 21,202,052 |

The net profit or loss for 2021 amounted to €112,703,369. Upon the compilation of the Company's Annual Report, legal reserves amounting to €5,634,214, statutory reserves amounting to €26,762,516 and other profit reserves amounting to €40,143,774 were formed pursuant to the Company's Articles of Association and Articles 64 and 230 of the Companies Act.

The available profit of DARS as at 31 December 2021 amounted to €40,143,774. The General Meeting of DARS will decide on the distribution of the available profit pursuant to the Companies Act.

In line with Article 69 of the Companies Act, the Management and Supervisory Board of the Company propose that the available profit for 2021 amounting to €40,143,774 should be distributed to other profit reserves.

II.2 Reporting company

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

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

The Company compiles the financial statements and reports defined in paragraph 1 of Article 60 of the Companies Act in accordance with the Slovenian Accounting Standards (SAS). The Management Board of the Company approved the financial statements for publication on 31 March 2022.

II.3 Important accounting policies

Basis for the preparation of the financial statements

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

The financial statements are compiled as separate financial statements of the Company intended for general requirements. The financial statements were compiled for the reporting period that started on 1 January 2021 and ended on 31 December 2021, i.e. in accordance with the Slovenian Accounting Standards 2016. The Company consistently applies the accounting policies set out below for all the periods presented in the accompanying financial statements. In selecting accounting policies, i.e. the rules and procedures to be followed and applied in the compilation of financial statements and all accounting, the Company took into account the principle of prudence, content over form and event importance.

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

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

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

Intangible assets and long-term deferred costs and accrued revenue

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

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

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

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

Property, plant and equipment

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

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

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

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

The cost of property, plant and equipment also comprises the borrowing costs related to the acquisition of property, plant and equipment until it is purposed for use. Borrowing costs include:

- interest,
- other Company costs connected to borrowing funds.

Borrowing costs that can be directly ascribed to the purchase, construction or manufacture of a fixed asset in preparation can be capitalised as part of the purchase value of that asset. Other borrowing costs are recognised as an expense in the period when they emerge. Costs directly connected to borrowing and intended for financing motorway construction increase the purchase value of motorways as long as the motorway sections for which the loans were taken are under construction (until they can be used). The Company ceases to capitalise borrowing costs when motorway sections are opened to traffic.

The cost of an item of property, plant and equipment that is built or made by the Company includes direct costs incurred in its construction or production and any indirect costs of its construction or production that can be attributed to it.

Repairs or maintenance of property, plant and equipment are intended for restoring or maintaining the future economic benefits expected from the originally estimated level of asset performance. Expenses are recognised as expenses when incurred.

If the cost of an item of property, plant and equipment is relevant, it is broken down into its components. If such components have different useful lives and/or usage patterns that are relevant in relation to the entire cost of the item, each part is considered separately.

Property, plant and equipment are derecognised upon disposal or if future economic benefits are no longer expected from their use or disposal.

The difference between the net proceeds on disposal and the carrying amount of a company-owned item of property, plant and equipment disposed of is recognised as operating revenue from revaluation if the former exceeds the latter, or as operating expenses from revaluation if the latter exceeds the former.

The Company annually verifies the book value of property, plant and equipment in order to ascertain whether there are any signs of impairment. Should such signs exist, the recoverable amount of the asset is assessed. The recoverable value of an asset is considered to be the net sales value or value in use, whichever is higher. The impairment of an asset is recognised when its book value exceeds the recoverable amount. Impairments are

disclosed in the Income Statement. If the Company operates with an adequate profit and within the scope of the business plans, there is no need for impairment. On the basis of the calculated required rate of return on assets, we find that an asset impairment is not necessary.

The Company keeps track of progress in projects and investments on a monthly basis through project and investment administrators. If it is found that a project would not be completed, a write-down is made.

If the Company reasonably assumes that an item of property, plant and equipment will be sold in the next 12 months, it is reallocated to non-current assets held for sale.

Pursuant to the ZGD-1 and SAS 2016, the Company keeps its right of superficies under the item Land.

Pursuant to the ZDARS-1, the right of superficies was established to the benefit of DARS on the land owned by the Republic of Slovenia over which the motorways run as structures that had been built or started to be built prior to the enforcement of the ZDARS-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. The Fiscal Balance Act made the right of superficies payable; therefore, annual compensation is paid for it in accordance with the annual performance contract pursuant to Article 4 of the ZDARS-1.

The right of superficies, as one of the rights to real estate, is initially recognised at cost. The right of superficies has a definite useful life and is amortised during that period, i.e. the period for which it had been established. The useful life of the right of superficies is the period during which the Company has a legal right to utilise it. The Company applies the straight-line depreciation method.

Investment property

The Company owns investment property for lease purposes. Pursuant to the SAS 6.2., which stipulates that investment property also includes land for which the Company did not determine future use, land acquired under indent 3 of Article 14 of the ZDARS-1 has also been recorded under investment property. This is real estate acquired for motorway construction, which was partially or not entirely used for the construction of motorways or for the management or maintenance of motorways.

Investment property is initially recognised at cost. The cost of investment property comprises the purchase price and all directly attributable costs. After initial recognition, investment property is valued at cost decreased by the accumulated amortisation allowance and impairment loss.

The useful life of investment property is the same as for property, plant and equipment of the same kind. The Company checks for signs of impairments in the same manner as for property, plant and equipment.

Depreciation/amortisation

The cost of property, plant and equipment and intangible assets is decreased by depreciation or amortisation, respectively. The basis for the assessment of the depreciation of property, plant and equipment and the amortisation of intangible assets is the total cost of an asset. Following activation, all subsequent investments that increase the future benefits of the fixed asset or enable a longer fixed asset service period (e.g. investment maintenance, the reconstruction of roads and facilities) are included in the basis.

The Company independently determines the annual depreciation/amortisation rates with regard to the estimated useful life of an item of property, plant and equipment and intangible fixed asset. The useful life depends on:

- expected physical use,
- expected technical obsolescence,
- expected economic obsolescence,
- expected legal or other restrictions of use.

The useful life of an individual asset is deemed to be the shortest useful life with respect to each of the mentioned factors.

The Company checks the adequacy of the defined estimated useful lives of motorway infrastructure every five years and the depreciation/amortisation rates are then recalculated for current and future periods if the expectations substantially differ from the estimated. As at 31 December 2019, the Company assessed the adequacy of the defined estimated useful life of the motorway infrastructure superstructure and assessed that the estimated useful life was appropriate. In 2021, there were no factors on the basis of which the Company would assess that the estimated useful life is not adequate.

Depreciation of property, plant and equipment and the amortisation of intangible fixed assets are calculated for each asset separately using the straight-line depreciation method. An item of property, plant and equipment starts to depreciate on the first day of the month after it is put into service. Property, plant and equipment – motorways – start to be used on the day they are opened for traffic, though it is not necessary that the investment is completed and that all deficiencies have been eliminated. The amortisation/depreciation of leased assets is adjusted to the amortisation/depreciation of similar assets owned by the Company or, if it is shorter, to the lease term.

Depreciation/amortisation rates for property, plant and equipment and intangible assets

| Groups of fixed assets | Amortisation/depreciation rates in 2021 (%) |
|---|---|
| Motorway superstructure with the associated road infrastructure (barriers, drainage devices) | 2.95–14.81 |
| Traffic signalisation and traffic equipment (vertical and horizontal signalisation, road lighting, emergency call system, RWS, cable ducts, gantries, etc.) | 3.40–17.22 |
| Motorway structures (viaducts, bridges, tunnels, overpasses, underpasses, retaining walls, etc.) | 2.72–23.49 |
| Buildings | 1.21–18.44 |
| Right of superficies | 2.06 |
| Transport means | 0.01–20.00 |
| Other equipment and devices | 0.06–50.03 |
| Computers and computer equipment | 0.01–50.06 |
| Software, licences | 2.05–50.00 |
| Easement right | 3.34–10.00 |
| Land – leases | 10.00 |
| Buildings – leases | 10.00–40.00 |
| Equipment – leases | 9.87–36.36 |

Amortisation allowance does not appear in relation to:

- land,
- property, plant and equipment under construction or in production,
- property, plant and equipment of cultural, historical or artistic significance,
- motorway substructure including construction works (preparatory works, earthworks), landscaping costs, archaeological excavation costs, demolition costs, etc.

Amortisation/depreciation is accounted even if an asset is no longer in use or has been removed from use until it is fully amortised/depreciated.

The costs of the amortisation of assets acquired through government grants or donations are offset to the benefit of operating revenue and an appropriate decrease in long-term deferred revenue.

Leases

As at 31 December 2021, the Company only discloses leased assets as right-of-use assets under property, plant and equipment.

Pursuant to the SAS 1.27, the Company recognised a right-of-use item of property, plant and equipment and lease obligations as at the start date of the lease. An item of property, plant and equipment obtained on the

basis of a lease is, therefore, an integral part of the Company's property, plant and equipment, and its cost includes (SAS 1.27):

- a) the amount of the initial measurement of lease obligations;
- b) payments of rent made on the start date of the lease or earlier decreased by the received lease incentives;
- c) initial direct costs;
- d) an estimate of costs that will be incurred by the lessee in the dismantling or removal of an asset that is the subject of the lease, the renovation of the place where it is located or the restoration of an asset that is the subject of the lease to the condition prescribed by the terms of lease, unless such costs were incurred in the production of inventories.

As at the start date of the lease, the Company measured the lease obligation at the present value of rents that have not been settled by that day. When calculating the present value of the minimum sum of rents, the discount rate is a lease-related discount rate if it can be determined, otherwise the interest rate is the presumed borrowing rate that must be paid by the lessee. The Company selected the presumed borrowing rate as the discount rate.

The rents covered as at the initial date when measuring outstanding lease liabilities include the following payments for the right to use an asset that is the subject of the lease as at the start date of the lease in the period of lease:

- a) fixed rents reduced by receivables for lease incentives;
- b) variable rents that depend on the index or rate and are initially measured using the index or rate applicable as at the start date of the lease;
- c) amounts that are expected to be paid by the lessee based on guarantees for residual value;
- d) completion price for the option of purchase if it is fairly likely that the lessee would use that option, and
- e) payments of penalties for the cancellation of the lease if the term of the lease shows that the lessee would use the option of lease cancellation.

Pursuant to the SAS 1.27, the Company assesses upon the conclusion of a lease contract whether it is a lease contract or whether the contract includes a lease. A contract is a lease contract or includes a lease if it is used to transfer the right to manage the use of the identified asset for the specified period in exchange for consideration. In doing so, the Company accounts all lease components as a single lease component. When assessing whether a contract transfers the right to the use of an identified asset for the specified period, the Company assesses whether it has simultaneously throughout the term of use:

- a) the right to obtain all relevant economic benefits from the use of the identified asset and
- b) the right to direct the use of the identified asset.

If the Company has the right to manage the use of an identified asset for only part of the term of the contract, the contract includes a lease for that part of the term of the contract.

An asset is ordinarily deemed to be identified if it is expressly specified in a contract. It may also be identified by way of implicit specification when the Company receives it in use. The Company has no right to use an identified asset if the lessor has the material right to replace the asset throughout the term of use, meaning that it has the actual option to replace alternative assets throughout the term of use and would also have economic benefits.

The Company only has the right to direct the use of an identified asset throughout the term if:

- a) it has the right to direct the method and purpose of the use of the asset throughout the term of use or
- b) important decisions on the method and intended use of the asset are specified in advance and:
 - the Company has the right to use the asset throughout the term of use, whereby the lessor has no right to change the 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 leased fixed asset is disclosed separately from other such assets. The amortisation of leased fixed assets must be aligned with the amortisation of other similar assets. If there is no justified assurance that the lessee will assume ownership by the end of the lease, such assets are fully amortised either during the term of the lease or during its useful life, whichever is earlier. Depreciation costs for property, plant and equipment acquired through lease are accounted separately.

The essential assumptions used to calculate the right to use the assets are:

- the assumed discount rate 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 pursuant to Article 14 of the ZDARS-1 (subsequent contributions are identified by the Management Board with a resolution).

Legal reserves are set aside pursuant to the Companies Act. The Company must form legal reserves in such an amount that the sum total of the legal reserves and the capital surplus from points 1 to 3 of paragraph 1 of Article 64 of the ZGD-1 accounts for at least 10% of the Company's share capital. If the total of the legal reserves and capital surplus referred to in points 1 to 3 of paragraph 1 of Article 64 of the Companies Act fail to achieve a 10% share of the Company's share capital and the Company discloses a net profit for the financial year, 5% of the net profit decreased by the amount used for covering losses from previous periods must be allocated to the legal reserves during the compilation of the balance sheet.

The Company sets aside statutory reserves of up to 25% of its share capital. Statutory reserves are formed using 25% of the net profit remaining after settling any losses brought forward and setting aside legal reserves and

reserves for own business interests to form statutory reserves until these reach 25% of the share capital. These reserves are not distributable.

Pursuant to paragraph 3 of Article 230 of the ZGD-1, managing and supervisory bodies may, at the adoption of the annual report, form other reserves from profit from the amount of the net profit remaining after the utilisation of the net profit for the purposes defined in paragraph 1 of Article 230 of the ZGD-1; however, they may not utilise for this purpose more than one half of the net profit amount that remains after the utilisation of the profit for the purposes defined in paragraph 1 of the indicated Article.

Other revenue reserves comprise non-nominal capital and are increased annually through the appropriation of net profit.

Fair value reserves comprise:

- actuarial gains and losses related to provisions for severance pay upon retirement as per the actuarial calculation, and
- the 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 the bonds were issued is acquired. Following the fixed asset being commissioned, the payment of coupons from issued bonds represents a financial expense.

The Company incurs debt on its own behalf and for its own account. 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 2021 and charged interest as at 31 December 2021 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 the deferred costs of commission for vignette sales agents and deferred costs of vignette printing, which are recognised in the relevant share of each recognised revenue amount from the vignettes sold.

Accrued and deferred liability items comprise accrued costs and short-term deferred revenue.

Accrued costs are costs that are debited to the profit or loss for the period. The obligation for payment is envisaged in the next accounting period. Accrued costs also include costs associated with business performance bonuses for the Management Board and executive officers.

Short-term deferred revenue arises when the services charged or even paid for have not yet been rendered. Short-term deferred revenue was formed for:

- revenue from the sale of tolls in the form of a credit balance on DarsGo units. DarsGo units apply to vehicles with a maximum permissible weight exceeding 3.5 tonnes as of 1 April 2018, when electronic tolling in free traffic flow entered into force. Revenues will be deferred until service users make toll crossings.
- for yearly and half-year electronic vignettes charged in 2021 that are valid for the use of motorways partly or entirely in 2022. Yearly electronic vignettes are valid from the date of purchase or from and including the date set by the toll user upon purchase until the end of the day with the same number twelve months after the date of purchase or the set validity start date, or if there is no such date in the

twelfth month, until the end of the last day of the twelfth month. Half-year electronic vignettes are valid from the date of purchase or from and including the date set by the toll user upon purchase until the end of the day with the same number six months after the date of purchase or the set validity start date, or if there is no such date in the sixth month, until the end of the last day of the sixth month.

- for half-year one-track vignettes charged in 2021 that are valid for the use of motorways partly or entirely in 2022 (a half-year vignette is valid for six months from the date of purchase).

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 2021 financial year. A toll is paid for each use of a toll road or toll section and toll road structure, except by vehicles exempted from toll payment under the Road Tolling Act.

Tolls for the use of toll roads are charged for vehicles with over 3.5 tonnes of maximum permissible weight based on the distance travelled along the toll road (distance-based toll – DarsGo system) and for vehicles with up to 3.5 tonnes of maximum permissible weight based on the duration of the use of the toll road (time-based toll – vignette system).

The toll rate is prescribed by the Government, taking into account:

a) for distance-based tolls:

- the type of vehicle or toll-rate category of the vehicle used for transport on the toll road, EURO emission class.

The payment of tolls based on the distance travelled is conducted using the electronic tolling system in free traffic flow (DarsGo). To pay tolls, a customer obtains a DarsGo unit and installs it in the vehicle before entering a toll road.

Before the initial use of the DarsGo system, it is necessary to provide adequate financial coverage for toll payment. Tolls may be paid by way of credit in the vehicle account (prepayment mode) or subsequent payment based on an issued invoice (postpayment mode).

In prepayment mode, it is necessary to top up credit to the vehicle account before the use of the DarsGo unit. During the use of toll roads, the credit in the vehicle account is reduced with respect to the distance travelled and revenue from the spent credit is recognised.

In postpayment mode through the conclusion of a contract on deferred toll payment, a customer is issued a monthly invoice for tolls and revenue is recognised based on the distance travelled in the relevant monthly period.

On 13 December 2018, the Government adopted a decision introducing a toll mark-up on certain sections of the motorway network, which is paid by toll payers within the scope of the DarsGo system. DARS, as the operator of toll roads, charges the mark-up on certain toll road sections as of 1 January 2019. The funds collected are intended to provide funds for financing the construction of the second track of the Divača–Koper railway section. The charged toll mark-up is not disclosed as part of Company revenue, but as a liability to the Republic of Slovenia.

b) for time-based tolls:

- the type or toll-rate category of the vehicle;
- the period of toll road use (weekly, monthly, half-year and yearly vignette).

Revenue from the sale of yearly vignette stickers 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 half-year vignette stickers is recognised in a manner where 1/6 of the value of the half-year vignette (excluding VAT) is transferred to revenue in the month of the sale, while the remaining 5/6 of the value of a half-year 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 half-year vignette value (excluding VAT) is transferred each month.

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

As of 1 December 2021, yearly and half-year vignette stickers were replaced with yearly and half-year electronic vignettes.

Yearly electronic vignettes are valid from the date of purchase or from and including the date set by the toll user upon purchase until the end of the day with the same number twelve months after the date of purchase or the set validity start date, or if there is no such date in the twelfth month, until the end of the last day of the twelfth month.

Half-year electronic vignettes are valid from the date of purchase or from and including the date set by the toll user upon purchase until the end of the day with the same number six months after the date of purchase or the

set validity start date, or if there is no such date in the sixth month, until the end of the last day of the sixth month.

Electronic vignettes can be purchased in advance, i.e. with a validity start date other than the date of purchase. The validity start date for individual vignettes can be set up to 30 days from the date of purchase (a maximum of 30 days before they become valid).

If, upon the purchase of the electronic vignette, the toll user sets a validity start date other than the date of purchase, the toll user may withdraw from the sales agreement and request a refund of the purchase price before the purchased electronic vignette becomes valid. In accordance with the provisions of the Road Tolling Act, the toll user has the right to a refund of the proportional electronic vignette value under certain conditions.

Revenues from electronic vignettes are recognised according to the electronic vignette validity period, in an individual monthly accounting period in proportion to the days of validity of the electronic vignette. Pursuant to the requirements of SAS 15 and in compliance with the provisions of the Road Tolling Act, the electronic vignette validity start date is the event when revenues from the sale of electronic vignettes begin to be recognised.

Capitalised own products and services apply to capitalised own services rendered on motorways (various investments and investments in increasing motorway traffic safety). The purchase value of an asset produced by the Company includes the costs of materials, the direct labour costs and other costs that can be directly attributed to the goal of preparing the asset for use.

Other operating revenue related to business effects are subsidies, government grants, recourse, offsets, premiums and similar revenues. Government grants received for the acquisition of fixed assets or for covering certain costs are provisionally kept under deferred revenue and are transferred to operating revenue pursuant to the depreciation of the fixed assets acquired or the occurrence of the costs they are intended to cover.

Revenue from charged default interest and therewith related receivables is recognised when incurred if it is likely that economic benefits related to the transaction will flow into the Company.

The amounts collected to the benefit of third parties, such as the calculated value-added tax and other duties, are not part of 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 2021, wages and salaries were paid in line with the Corporate Collective Agreement of DARS, while the salaries of the Management Board of DARS were also paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, No. 21/2010, "ZPPOGD"). The Company had no service costs related to recruitment agencies in 2021. 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 2021 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 2020 and 31 December 2021, the Income Statement for 2021 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 2021

| In € (excl. cents) | Computer software | Intangible fixed assets under construction | Total |
|--------------------------------------|-------------------|--|-------------------|
| Cost | | | |
| Balance as at 31/12/2020 | 44,051,232 | 1,732,722 | 45,783,954 |
| Acquisitions | 0 | 6,138,883 | 6,138,883 |
| Movements between items | 375,753 | 0 | 375,753 |
| Activation | 7,778,725 | -7,778,725 | 0 |
| Eliminations (disposals, write-offs) | -49,138 | 0 | -49,138 |
| Balance as at 31/12/2021 | 52,156,572 | 92,880 | 52,249,452 |
| Allowance | | | |
| Balance as at 31/12/2020 | 17,057,591 | 0 | 17,057,591 |
| Depreciation/amortisation | 4,698,339 | 0 | 4,698,339 |
| Movements between items | 146,969 | 0 | 146,969 |
| Eliminations (disposals, write-offs) | -49,138 | 0 | -49,138 |
| Balance as at 31/12/2021 | 21,853,761 | 0 | 21,853,761 |
| Present value | | | |
| Balance as at 31/12/2020 | 26,993,641 | 1,732,722 | 28,726,363 |
| Balance as at 31/12/2021 | 30,302,811 | 92,880 | 30,395,691 |

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 |
| Acquisitions | 0 | 3,534,432 | 3,534,432 |
| Activation | 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 |

The following major intangible fixed assets were upgraded and activated in 2021:

- software for the electronic vignette project: the e-VIN central, sales and control system in the amount of €3,748,629,
- the tunnel surveillance and control system software at the Kozina Control Centre in the amount of €374,042,
- the Simulator software in the amount of €300,123,
- software licence for the motorway video cameras in the amount of €216,125,
- ETS DWH data mart application in the amount of €255,074,
- software for the C-ITS mobile communication tool in the amount of €126,008,
- upgrade of the DarsGo software in the amount of €211,826, and
- upgrade of the KAŽIPOT II software in the amount of €146,758.

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

As at 31 December 2021, 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 €794,316 as at 31 December 2021 and predominantly refer to the purchase of software and licences.

Long-term deferred costs and accrued revenue amounting to €15,853 refer to the remaining cost of the development and registration of the DarsGo brand. For the purposes of identifying the electronic tolling system in free traffic flow and the units that will be installed in heavy vehicle cabins, DARS developed and registered its own DarsGo brand at the Intellectual Property Office with a validity term until June 2027. Since the created brand cannot be recognised by the organisation as an intangible asset, the total cost of development and registration has been entered under long-term deferred costs and accrued revenue and will be transferred to costs on a proportionate monthly basis throughout its validity.

II.4.1.2 Property, plant and equipment

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

Land applies to the land used for motorway maintenance centres, business and residential buildings, rest areas and surplus land alongside motorways, as well as real estate rights.

Pursuant to the ZDARS-1, the right of superficies was established to the benefit of DARS on the land owned by the Republic of Slovenia over which motorways run as structures that had been built or started to be built prior to the enforcement of the ZDARS-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. The Fiscal Balance Act made the right of superficies payable, which is why annual compensation is paid for it in accordance with the annual performance contract pursuant to Article 4 of the ZDARS-1.

The right of superficies has a definite useful life and is amortised during the period for which it had been established. The useful life of the right of superficies is the period during which the Company has a legal right to utilise it.

On 29 February 2016, at the request of the Ministry of Infrastructure, a certified real estate valuer supplemented the Report on the appraisal of a charge for the establishment of the right of superficies as at 31 May 2012, which now amounts to €190,760,000, excluding VAT. DARS adjusted the value of the right of superficies to the newly assessed value, which is now €50,787 lower than originally assessed. On 31 December 2021, the carrying amount of the right of superficies equalled €153,127,868.

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, DarsGo units are owned by the operator of the toll roads. DARS may request the return and replacement of a DarsGo unit at any time.

As at 31 December 2021, the cost of DarsGo units stood at €5,190,701 and the book value amounted to €2,473,454. A DarsGo unit is transferred from the inventory of goods to fixed assets upon its first handover to a toll user.

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 2021:

- investments in motorways and other buildings in the amount of €93,028,560,
- 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 €8,267,009,
- investments in equipment of the DarsGo system in the amount of €477,010 and
- DarsGo units in the amount of €808,880.

The following major property, plant and equipment were eliminated in 2021:

- reconstructions of motorway sections at a cost amounting to €42,266,742,
- reconstructions and renovations of buildings at a cost amounting to €2,161,283,
- permanent exclusions of fixed assets from use by removal to public waste disposal sites due to dilapidation, damage and obsolescence at a cost amounting to €1,852,386,
- exclusion of leased assets returned on the expiry of the lease contracts at a cost amounting to €257,456 and
- exclusion of DarsGo units due to loss and dilapidation at a cost amounting to €188,562.

In 2021, we carried out movements between individual property, plant and equipment items, specifically:

- movements from the Motorways item to the Buildings item relating primarily to the reallocation to the Hrušica toll station and its division into components. We carried out movements from the Motorways item to the Equipment and small tools and the Intangible fixed assets items totalling €3,409,922,
- 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 €794,298. 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) 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 were pledged as security for liabilities as at 31 December 2021. With the exception of two loans, the entire debt for financing property, plant and equipment belonging to DARS is secured by a guarantee of the Republic of Slovenia. The loan granted by the European Investment Bank for the deployment of the DarsGo system (ETS) in the amount of €51 million 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).

No borrowing costs were attributed to property, plant and equipment activated in 2021. Borrowing costs attributed to property, plant and equipment being acquired amounted to €75,750 in 2021, while the total borrowing costs for property, plant and equipment being acquired amounted to €4,609,167 as at 31 December 2021.

Property, plant and equipment in 2021

| In € (excl. cents) | Land | | Buildings – LEASES | Motorways (substructures, superstructures, structures, other motorway infrastructure) | Buildings (MM centres, toll stations, an 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 | |
|---|------------|---------------|--------------------|---|---|--|---------------------------|--------------------|--|------------|----------------------|
| | Land | Land – LEASES | | | | | | | | | Right of superficies |
| Cost | | | | | | | | | | | |
| 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 |
| Acquisitions in 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 108,170,094 | 0 | 0 | 8,812,827 | 117,791,802 |
| Write-off of investments in progress | 0 | 0 | 0 | 0 | 0 | 0 | –19,300 | 0 | 0 | 0 | –19,300 |
| Movements between items | –794,298 | 0 | 0 | 0 | –3,409,922 | 1,633,894 | 0 | 1,400,276 | 0 | 0 | –1,170,050 |
| Activations | 60,915 | 0 | 0 | 50,353 | 83,805,889 | 9,172,318 | –93,089,475 | 8,889,437 | 663,462 | –9,552,899 | 0 |
| Eliminations/disposals/write-offs in 2021 | –1,866 | 0 | 0 | 0 | –42,266,742 | –2,161,283 | 0 | –2,623,752 | –257,456 | 0 | –47,311,099 |
| Balance as at 31/12/2021 | 27,151,555 | 36,250 | 190,760,000 | 2,728,025 | 5,785,765,454 | 74,504,796 | 110,340,906 | 158,554,489 | 2,718,420 | 557,835 | 6,353,117,730 |
| Allowance | | | | | | | | | | | |
| 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 |
| Depreciation in 2021 | 0 | 3,625 | 3,926,356 | 513,244 | 165,753,524 | 2,702,328 | 0 | 11,162,715 | 588,808 | 0 | 184,650,600 |
| Impairment in 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,661 | 0 | 0 | 2,661 |
| Movements between items | 0 | 0 | 0 | 0 | –1,539,012 | 524,787 | 0 | 867,257 | 0 | 0 | –146,969 |
| Eliminations/disposals/write-offs in 2021 | 0 | 0 | 0 | 0 | –12,639,615 | –677,185 | 0 | –2,297,830 | –257,456 | 0 | –15,872,086 |
| Balance as at 31/12/2021 | 0 | 10,875 | 37,632,132 | 1,529,405 | 1,567,486,410 | 21,679,162 | 0 | 115,684,860 | 1,181,464 | 0 | 1,745,204,307 |
| Present value | | | | | | | | | | | |
| 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 |
| Balance as at 31/12/2021 | 27,151,555 | 25,375 | 153,127,868 | 1,198,620 | 4,218,279,044 | 52,825,634 | 110,340,906 | 42,869,629 | 1,536,956 | 557,835 | 4,607,913,423 |

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, an 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 |

II.4.1.3 Investment property

Investment property in 2021

| In € (excl. cents) | Land – leases | Land – w/o determined future use | Buildings – leases | Total |
|---------------------------------|------------------|----------------------------------|--------------------|------------------|
| Cost | | | | |
| Balance as at 31/12/2020 | 1,363,906 | 2,072,190 | 989,781 | 4,425,877 |
| Increases | 0 | 371,945 | 0 | 371,945 |
| Movements between items | 0 | 794,297 | 0 | 794,297 |
| Decrease | 0 | –322,765 | 0 | –322,765 |
| Balance as at 31/12/2021 | 1,363,906 | 2,915,667 | 989,781 | 5,269,354 |
| Allowance | | | | |
| Balance as at 31/12/2020 | 0 | 0 | 101,452 | 101,452 |
| Depreciation/amortisation | 0 | 0 | 29,693 | 29,693 |
| Balance as at 31/12/2021 | 0 | 0 | 131,145 | 131,145 |
| Present value | | | | |
| Balance as at 31/12/2020 | 1,363,906 | 2,072,190 | 888,329 | 4,324,425 |
| Balance as at 31/12/2021 | 1,363,906 | 2,915,667 | 858,636 | 5,138,209 |

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 |

The purpose of acquired investment property is to generate revenue from rent. Revenue from the rent of investment property amounted to €26,162 in 2021. 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 that will be held for sale and for which the Company does not determine a future use are also classified under investment property. Land totalling €794,297 that is held for sale and without a determined future use was classified under investment property in 2021. 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 4.9 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 2021

| In € (excl. cents) | Land | Buildings | Equipment and small tools | Total |
|---------------------------------|---------------|------------------|---------------------------|------------------|
| Cost | | | | |
| Balance as at 31/12/2020 | 36,250 | 2,677,672 | 2,312,414 | 5,026,336 |
| Acquisitions in 2021 | 0 | 50,353 | 663,462 | 713,815 |
| Eliminations in 2021 | 0 | 0 | -257,456 | -257,456 |
| Balance as at 31/12/2021 | 36,250 | 2,728,025 | 2,718,420 | 5,482,695 |
| Allowance | | | | |
| Balance as at 31/12/2020 | 7,250 | 1,016,161 | 850,112 | 1,873,523 |
| Depreciation in 2021 | 3,625 | 513,244 | 588,808 | 1,105,677 |
| Eliminations in 2021 | 0 | 0 | -257,456 | -257,456 |
| Balance as at 31/12/2021 | 10,875 | 1,529,405 | 1,181,465 | 2,721,744 |
| Present value | | | | |
| Balance as at 31/12/2020 | 29,000 | 1,661,511 | 1,462,302 | 3,152,813 |
| Balance as at 31/12/2021 | 25,375 | 1,198,620 | 1,536,956 | 2,760,951 |

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 |

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 2021, DARS had liabilities amounting to €41,273 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 €1,152,521 in 2021.

Impact of leases on the Income Statement in 2021:

| In € (excl. cents) | 2021 | 2020 |
|--|-------------------|-------------------|
| Depreciation of the right to use an asset | -1,105,677 | -1,032,238 |
| Expenses for interest on lease liabilities | -58,338 | -64,863 |
| Decrease in rents due to COVID-19 | 0 | 4,015 |
| Revenues generated at the end of the lease | 54,789 | 18,838 |
| Costs generated at the end of the lease | -6,024 | -7,844 |
| Cost of leasing in relation to short-term leases | -2,420 | -5,980 |
| Cost of leasing in relation to low-value leases | -49,813 | -94,299 |
| Total | -1,167,484 | -1,182,371 |

The Company has concluded no contracts involving variable rent, which is why all the amounts indicated above reflect fixed contracts for 2021. The Company generated no revenue in 2021 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 2021, long-term loans to others amounted to €153,000,000 and included:

- long-term bank deposits in the amount of €153,000,000, with maturity between 393 and 941 days and a weighted average interest rate of 0.08%.

| In € (excl. cents) | 2021 | 2020 |
|--------------------------------------|--------------------|-------------------|
| Balance as at 01/01 | 93,000,000 | 70,000,000 |
| Acquisition of new deposits | 112,000,000 | 183,000,000 |
| Transfer from short-term investments | 116,000,000 | 15,000,000 |
| Transfers to short-term investments | 168,000,000 | 175,000,000 |
| Balance as at 31/12 | 153,000,000 | 93,000,000 |

Long-term investments are not exposed to credit risk or, rather, there is only a minimum risk that a counterparty will not fulfil its obligations. The book value of long-term investments in others equals fair value.

II.4.1.6 Long-term operating receivables

Long-term operating receivables due from others:

- €9,693,094 refers to the long-term share of receivables for input VAT deriving from the charge for the establishment of the right of superficies, and
- €56,088 refers to the accrued interest on long-term bank deposits.

II.4.1.7 Deferred tax assets

Deferred tax assets in 2021

| In € (excl. cents) | 31/12/2020 | Recognised in the Income Statement | Recognised in the Statement of Other Comprehensive Income | 31/12/2021 |
|---|------------------|------------------------------------|---|------------------|
| Provisions for severance pay and jubilee benefits | 397,069 | -2,905 | 0 | 394,164 |
| Cash flow hedging related to interest swaps | 2,991,854 | 0 | -1,308,704 | 1,683,150 |
| Allowance for receivables | 11,538 | -6,773 | 0 | 4,765 |
| Fixed assets | 2,810,160 | 1,477,916 | 0 | 4,288,075 |
| | 6,210,621 | 1,468,237 | -1,308,704 | 6,370,154 |

Deferred tax assets in 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 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 €416,605 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 2021

| In € (excl. cents) | Land | Buildings | Total |
|---|----------------|-----------|----------------|
| Balance as at 31/12/2020 | 453,379 | 19,278 | 472,657 |
| Reallocation to assets held for sale | 287,622 | 18,000 | 305,622 |
| Sale | 324,396 | 37,278 | 361,674 |
| Reallocation to fixed assets or investment property | 0 | 0 | 0 |
| Balance as at 31/12/2021 | 416,605 | 0 | 416,605 |

II.4.1.9 Inventories

Inventories of material include inventories of material, spare parts, small tools and packaging. Inventories of materials account for the largest, 67% share of inventories, within the scope of which inventories of gritting materials account for 45%, inventories of barriers account for 15%, and inventories of fuel account for 14% of the inventories of materials.

| In € (excl. cents) | 31/12/2021 | Share | 31/12/2020 | Index |
|---------------------------|------------------|-------------|------------------|-----------|
| Material | 2,819,432 | 67% | 3,047,556 | 93 |
| Spare parts | 478,123 | 11% | 419,201 | 114 |
| Small tools and packaging | 408,641 | 10% | 449,768 | 91 |
| Merchandise | 509,499 | 12% | 1,319,132.86 | 39 |
| Total | 4,215,695 | 100% | 5,235,657 | 81 |

The sale of vignettes for 2021 for passenger and motor vehicles concluded on 30 November 2021. In accordance with the SAS 4.41, the inventory of unsold 2021 vignettes was written-off to the debit of operating expenses for revaluation in the amount of €82,308, which represents the cost of the vignettes.

During the annual materials stocktaking and the stocktaking of small tools, the Company discovered a deficit of €66,389 and a surplus of €145,116 with an ullage of €601.

Inventories of merchandise, among other things, include:

- inventories of DarsGo units in the amount of €503,612 and
- inventories of DarsGo unit holders in the amount of €4,145.

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

The inventories of DARS are current inventories and were not pledged as security for liabilities as at 31 December 2021. 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 2021, short-term loans to others amount to €168,000,000 and include:

- short-term bank deposits in the amount of €168,000,000 with maturity between 31 and 349 days and the weighted average interest rate of 0.04%.

| In € (excl. cents) | 2021 | 2020 |
|--------------------------------------|--------------------|--------------------|
| Balance as at 01/01 | 208,000,000 | 268,000,000 |
| Acquisition of new deposits | 0 | 45,000,000 |
| Returns of deposits | 92,000,000 | 265,000,000 |
| Transfers from long-term investments | 168,000,000 | 175,000,000 |
| Transfer to long-term investments | 116,000,000 | 15,000,000 |
| Balance as at 31/12 | 168,000,000 | 208,000,000 |

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

II.4.1.11 Short-term operating receivables

| In € (excl. cents) | 31/12/2021 | Share in % | 31/12/2020 | Index |
|---|------------|------------|------------|-------|
| Short-term trade receivables: | 31,186,958 | 57% | 22,053,330 | 47% |
| - toll receivables | 29,737,748 | 55% | 21,301,845 | 45% |
| - receivables from the use of motorway service areas | 770,153 | 1% | 121,630 | 0% |
| - receivables from motorway closures | 61,206 | 1% | 50,863 | 0% |
| - other short-term receivables | 642,930 | 1% | 639,718 | 1% |
| - allowance for short-term trade receivables | -25,078 | 0% | -60,726 | 0% |
| Short-term operating receivables due from others: | 23,063,787 | 43% | 25,073,609 | 53% |
| - for advances given for current assets | 1,586 | 0% | 10,602 | 0% |
| - short-term operating receivables from operations for third party accounts | 15,663,512 | 29% | 17,949,955 | 38% |
| - allowance for short-term receivables for third party accounts | 0 | 0% | 0 | 0% |
| - short-term receivables from financial revenue | 115,479 | 0% | 164,454 | 0% |

| In € (excl. cents) | 31/12/2021 | Share in % | 31/12/2020 | Index |
|--|-------------------|-------------|-------------------|-------------|
| - input VAT receivables | 4,656,969 | 9% | 5,228,310 | 11% |
| - other short-term receivables due from state institutions | 2,038,414 | 4% | 403,532 | 1% |
| - other short-term receivables | 2,312,608 | 4% | 3,041,536 | 6% |
| - allowance for other short-term receivables | -1,724,781 | -3% | -1,724,781 | -4% |
| Total | 54,250,745 | 100% | 47,126,939 | 100% |

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

- receivables due from domestic commission agents and foreign sales agents in the amount of €11,091,788 and
- receivables due from the Republic of Slovenia totalling €3,934,494, 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 €3,873,974 and to the fee from the performance contract in the amount of €60,520. Based on Article 4 of the ZDARS-1, DARS does business on behalf of and for the account of the State. Such transactions are disclosed in the books of account as transactions for third party accounts. They involve tasks related to spatial planning and the siting of motorways in the physical space, and to real estate acquisition for the purposes of motorway construction, which the Company performs pursuant to the performance contract. DARS records receivables due from the Republic of Slovenia for the transactions executed. Funds for such transactions are guaranteed from the Republic of Slovenia budget pursuant to Article 10 of the ZDARS-1.

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 | 12,593,079 | 2,191,189 | 879,245 | 15,663,512 |
| Allowances for operating receivables for third party accounts | 0 | 0 | 0 | 0 |
| Short-term trade receivables | 30,841,018 | 132,414 | 238,604 | 31,212,036 |
| Allowances for trade receivables | -10,109 | 0 | -14,970 | -25,078 |
| Other receivables | 7,386,738 | 1,633 | 1,736,684 | 9,125,056 |
| Allowances for other receivables | | | -1,724,781 | -1,724,781 |

In 2021, the Company formed an allowance for short-term operating receivables in the amount of €10,109. The assessment method for making an allowance for receivables in 2021 remained unchanged.

| In € (excl. cents) | 31/12/2021 | 31/12/2020 |
|----------------------------|------------------|------------------|
| Balance as at 01/01 | 1,785,507 | 1,777,083 |
| Write-down of receivables | 45,756 | 0 |
| Reversal of allowances | 0 | 0 |
| Formation | 10,109 | 8,424 |
| Balance as at 31/12 | 1,749,859 | 1,785,507 |

No receivables of DARS were pledged as security for liabilities as at 31 December 2021. The short-term operating receivables of DARS include current Company receivables and they have been secured with bank guarantees and enforcement drafts in the amount of €8,801,626.

II.4.1.12 Cash and cash equivalents

| In € (excl. cents) | 31/12/2021 | Share | 31/12/2020 | Index |
|--|-------------------|-------------|-------------------|-----------|
| Cash at bank | 31,836,153 | 61% | 31,577,231 | 101 |
| Deposit redeemable at notice | 20,000,000 | 38% | 30,000,000 | 67 |
| Overnight bank deposit | 26,263 | 0% | 366,545 | 7 |
| Cash on hand and cheques received | 795 | 0% | 1,032 | 77 |
| Cash in hand at toll booths | 304,810 | 1% | 269,750 | 113 |
| Cash in transit | 260,507 | 0% | 93,001 | 280 |
| Funds in the PayPal account | 148,795 | 0% | 0 | - |
| Total cash and cash equivalents | 52,577,322 | 100% | 62,307,559 | 84 |

Deposits redeemable at notice are deposits that can be redeemed at any time. The interest rate on deposits redeemable at notice amounts to -0.5%. Overnight bank deposits are short-term bank deposits tied overnight in the amount of €26,263 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 2021, 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) | 31/12/2021 | Share | 31/12/2020 | Index |
|---|----------------|-------------|----------------|-----------|
| Short-term deferred costs – other | 583,463 | 81% | 460,609 | 127 |
| Short-term deferred costs – sales commission from vignettes sold for 2021 | 131,070 | 18% | 308,877 | 42 |
| Short-term deferred costs – cost of vignettes sold for 2021 | 30 | 0% | 11,158 | 0 |
| Short-term accrued revenue | 1,500 | 0% | 0 | - |
| Total | 716,063 | 100% | 780,644 | 92 |

II.4.1.14 Equity

The movement in equity is shown in the Statement of Changes in Equity for the period from 1 January 2021 to 31 December 2021 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 2021 was €54.66. It is calculated as the ratio between the total equity value and the number of shares.

Capital surplus

Capital surplus in the amount of €28,868,850 includes:

- the amount transferred to real property for motorway operation and maintenance tasks that was provided by the Republic of Slovenia upon the restructuring of the Company in 2004 in the amount of €26,202,240,
- general equity revaluation allowance in the amount of €225,817, which was transferred to capital surplus on 1 January 2006 upon transition to the SAS 2006,
- surplus assets, which represent the difference between the in-kind contribution made by the Republic of Slovenia in 2010 and the value of newly issued Company shares, in the amount of €27,
- differences upon the merger of the subsidiary DELKOM d.o.o. in 2015 in the amount of €148,410,
- surplus assets, which represent the difference between the in-kind contribution made by the Republic of Slovenia in 2017 and the value of the newly issued Company shares, in the amount of €35, and

- amounts of subsequent pay-ups by the Republic of Slovenia to the Company capital based on Government decisions issued on the basis of Article 16 of the ZDARS-1, thus identifying and specifying real estate that was owned by the Republic of Slovenia and that is to be obtained by DARS pursuant to Article 14 of the ZDARS-1 in the amount of €2,292,321. Subsequent payments are established by the Company Management Board with a resolution.

Fair value reserves

Fair value reserves amounting to €7,376,966 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 2021, the revaluation surplus amounted to €201,433;
- 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 €7,175,533 at the end of 2021 (less deferred tax).
Financial derivatives are disclosed in detail in the policies and notes on short-term financial liabilities.

Changes in individual surplus components in 2021 are shown in the statement of other comprehensive income for 2021.

Retained earnings

At the 20th General Meeting of DARS held on 8 June 2021, the shareholders adopted a resolution on the use of the 2020 available profit in the amount of €21,202,052, which was distributed to other profit reserves according to the resolution.

Other changes in retained earnings in the amount of €19,093 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 2021 amounted to €112,703,369. Upon the compilation of the Company's Annual Report, legal reserves amounting to €5,634,214, statutory reserves amounting to €26,762,516 and other profit reserves amounting to €40,143,774 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) | 31/12/2021 | 31/12/2020 |
|--|-------------|-------------|
| Net profit or loss for the accounting period | 112,703,369 | 59,526,614 |
| Total No. of shares | 55,650,231 | 55,650,231 |
| No. of ordinary shares | 55,650,231 | 55,650,231 |
| Basic and diluted earnings per share | 2.03 | 1.07 |

The basic net earnings per share has been calculated by dividing the net profit or loss for the period with the weighted average number of ordinary shares.

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

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

Provisions and long-term accrued costs and deferred revenue in 2021

| In € (excl. cents) | Balance as at 31/12/2020 | Utilisation in 2021 | Reversal in 2021 | Additional creation in 2021 | Balance as at 31/12/2021 |
|--|--------------------------|---------------------|------------------|-----------------------------|--------------------------|
| Provisions for severance pay upon retirement | 3,016,734 | 187,168 | 28,403 | 210,904 | 3,012,068 |
| Provisions for employee jubilee benefits | 1,484,256 | 124,635 | 46,102 | 116,421 | 1,429,940 |
| Provisions for voluntary pension insurance | 8,702 | 8,702 | 0 | 0 | 0 |
| Provisions for employment-related claims | 21,995 | 0 | 0 | 6,179 | 28,174 |

| In € (excl. cents) | Balance as at 31/12/2020 | Utilisation in 2021 | Reversal in 2021 | Additional creation in 2021 | Balance as at 31/12/2021 |
|--|-----------------------------|------------------------|---------------------|--------------------------------|-----------------------------|
| Provisions for legal claims related to construction and reconstruction | 4,371,583 | 573,453 | 3,125,842 | 85,200 | 757,488 |
| Free-of-charge acquisition of fixed assets | 235,191 | 22,120 | 0 | 0 | 213,071 |
| Lease of fibre optics | 401,004 | 82,948 | 0 | 36,232 | 354,288 |
| Guarantees drawn | 3,786,816 | 39,952 | 0 | 0 | 3,746,864 |
| EU grants and co-funding | 143,328,747 | 8,565,085 | 0 | 10,974,184 | 145,737,846 |
| Total | 156,655,027 | 9,604,063 | 3,200,346 | 11,429,120 | 155,279,738 |

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 2021 was performed for each employee taking into account the costs of severance pay upon retirement and the cost of all the expected jubilee benefits until retirement. Provisions are formed in the amount of the estimated future payments for severance and jubilee benefits, discounted at the end of the reporting period. The actuarial calculation took into account the following assumptions:

- the nominal long-term interest rate is evaluated at 0.55% with respect to the average maturity at the Company, i.e. 14.4 years;
- the currently applicable amount of severance pay upon retirement and jubilee benefits as set out in the internal rules;
- the expected long-term growth of jubilee benefits and non-taxable amounts in the calculation amounts to 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 2% per annum.

Based on an actuarial calculation, provisions were set aside as at 31 December 2021 for jubilee benefits in the amount of €1,429,940 along with provisions for severance pay upon retirement in the amount of €3,012,068.

Based on the legal opinions obtained and the management's assessment, the Company discloses provisions amounting to €757,488 for lawsuits related to construction and reconstruction and €28,174 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 2021, free-of-charge acquisitions of fixed assets amounted to €213,071.

The Company also shows long-term deferred revenue from advance payments for fibre optic leases by users in the amount of €354,288 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 2021, the bond amounts drawn amounted to €3,746,864.

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 31/12/2020 | Increases | Decreases | Balance as at 31/12/2021 |
|--|-----------------------------|-------------------|------------------|-----------------------------|
| EU Cohesion Fund: Slivnica–Draženci | 3,645,667 | 0 | 267,351 | 3,378,316 |
| EU Cohesion Fund: Pluska–Ponikve | 21,743,656 | 0 | 1,328,236 | 20,415,421 |
| EU Cohesion Fund: Ponikve–Hrastje | 9,579,563 | 0 | 595,934 | 8,983,629 |
| EU Cohesion Fund: Construction of noise barriers | 18,972,631 | 0 | 1,507,555 | 17,465,076 |
| EU Cohesion Fund: Reconstruction of MW sections | 17,191,991 | 0 | 966,808 | 16,225,183 |
| EU Cohesion Fund: Draženci MW–IBC Gruškovje | 55,918,782 | 0 | 2,522,100 | 53,396,682 |
| Other European funds: TEMPO – connect (ITS, developer MzP) and EasyWay – stages I and II | 852,055 | 0 | 113,836 | 738,219 |
| Other European funds: TEN T: Draženci–Gruškovje BD and DD | 2,541,067 | 0 | 83,949 | 2,457,118 |
| Other European funds: TEN T: CROCODILE I | 745,685 | 0 | 69,670 | 676,015 |
| Other European funds: CEF BD/DD Karavanke | 2,646,415 | 0 | 0 | 2,646,415 |
| Other European funds: CEF CROCODILE 2 | 709,086 | 0 | 107,419 | 601,668 |
| Other European funds: CEF C-Roads | 682,401 | 613,799 | 149,514 | 1,146,687 |
| Other European funds: CEF CROCODILE 3 | 292,512 | 202,598 | 59,401 | 435,710 |
| Other European funds: CEF MW Karavanke tunnel, construction of the 2nd tube | 473,533 | 1,766,638 | 0 | 2,240,170 |
| ERDF_3 DA Lot D – Gaberke and F – Jenine | 0 | 8,340,290 | 0 | 8,340,290 |
| Other co-funding | 7,333,703 | 0 | 742,454 | 6,591,249 |
| Total: | 143,328,747 | 10,923,325 | 8,514,226 | 145,737,846 |

II.4.1.16 Long-term financial liabilities

| In € (excl. cents) | 31/12/2021 | 31/12/2020 |
|--|----------------------|----------------------|
| Long-term financial liabilities relating to motorway construction and reconstruction | 1,556,119,813 | 1,711,633,087 |
| Long-term lease liabilities | 1,749,151 | 2,166,437 |
| Total | 1,557,868,964 | 1,713,799,524 |

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).

Interest rates and methods to charge interest on loans hired are set in contracts and represent professional secrecy. The weighted annual interest rate on the total Company debt amounted to 1.71% as at 31 December 2021. The interest rate on the total Company debt as at 31 December 2021 ranged from 0 to 4.96%.

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

| In € (excl. cents) | 31/12/2021 | Share |
|--|-------------|-------|
| Long-term loans acquired from domestic banks | 557,614,050 | 36% |

| In € (excl. cents) | 31/12/2021 | Share |
|--|----------------------|-------------|
| Long-term loans acquired from foreign banks | 733,369,930 | 47% |
| Long-term loans acquired from foreign entities | 9,554,866 | 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 | 8% |
| Total | 1,556,119,813 | 100% |

Long-term financial liabilities by maturity

| In € (excl. cents) | 31/12/2021 | Share |
|---|----------------------|-------------|
| Long-term financial liabilities with a maturity of up to 5 years | 591,517,798 | 38% |
| Long-term financial liabilities with a maturity longer than 5 years | 964,602,014 | 62% |
| Total | 1,556,119,813 | 100% |

Long-term financial liabilities in 2021

| Long-term financial liabilities | Balance as at 31/12/2020 | Increase in 2021 | Transfer to short-term financial liabilities in 2021 | Balance as at 31/12/2021 |
|---|--------------------------|------------------|--|--------------------------|
| European Investment Bank | 626,537,108 | 0 | 49,386,673 | 577,150,435 |
| Nova Ljubljanska banka | 284,462,820 | 0 | 38,778,205 | 245,684,615 |
| Kreditanstalt für Wiederaufbau | 167,890,625 | 0 | 22,385,417 | 145,505,209 |
| Consortium of Slovenian banks | 12,791,231 | 0 | 5,116,493 | 7,674,739 |
| Deutsche Pfandbriefbank | 17,857,143 | 0 | 7,142,857 | 10,714,286 |
| UniCredit Banka Slovenija (and Addiko Bank) | 15,636,704 | 0 | 8,338,675 | 7,298,029 |
| Addiko Bank | 0 | 0 | 0 | 0 |
| Regione Autonoma Friuli Venezia | 12,739,821 | 0 | 3,184,955 | 9,554,866 |
| Intesa Sanpaolo | 80,000,000 | 0 | 5,333,333 | 74,666,667 |
| Schuldschein | 37,780,000 | 0 | 0 | 37,780,000 |
| Nova KBM | 44,120,000 | 0 | 5,880,000 | 38,240,000 |
| SKB banka | 46,666,667 | 0 | 6,666,667 | 40,000,000 |
| Unicredit and Intesa Sanpaolo | 97,350,000 | 0 | 3,300,000 | 94,050,000 |
| SID Bank | 50,000,000 | 0 | 0 | 50,000,000 |
| NSV | 100,000,000 | 0 | 0 | 100,000,000 |
| Bonds | 117,800,967 | 0 | 0 | 117,800,967 |
| Total | 1,711,633,087 | 0 | 155,513,275 | 1,556,119,813 |

b) Long-term lease liabilities

| In € (excl. cents) | 31/12/2021 | 31/12/2020 |
|---|------------------|------------------|
| Long-term lease liabilities – principal | 1,794,956 | 2,230,514 |
| Long-term lease liabilities – interest | –45,805 | –64,077 |
| Total | 1,749,151 | 2,166,437 |

| In € (excl. cents) | 31/12/2021 | 31/12/2020 |
|--|------------------|------------------|
| Long-term lease liabilities – principal | 1,794,956 | 2,230,514 |
| Short-term lease liabilities – principal | 1,103,986 | 1,084,768 |
| Total | 2,898,941 | 3,315,282 |

Maturity of lease liabilities

| In € (excl. cents) | 31/12/2021 | 31/12/2020 |
|--------------------|------------------|------------------|
| Up to 1 year | 1,103,986 | 1,084,768 |
| From 1 to 5 years | 1,754,063 | 2,148,730 |
| Over 5 years | 40,892 | 81,784 |
| Total | 2,898,941 | 3,315,282 |

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 31/12/2021 | Share |
|---|--------------------------|-------------|
| Consortium of Slovenian banks | 7,674,739 | 1% |
| Addiko Bank | 0 | 0% |
| UniCredit Banka Slovenija (and Addiko Bank) | 7,298,029 | 1% |
| Intesa Sanpaolo | 74,666,667 | 6% |
| UniCredit Banka Slovenija and Intesa Sanpaolo | 94,050,000 | 7% |
| NLB | 245,684,615 | 19% |
| Nova KBM | 38,240,000 | 3% |
| SKB banka | 40,000,000 | 3% |
| SID Bank | 50,000,000 | 4% |
| European Investment Bank | 577,150,435 | 45% |
| Kreditanstalt für Wiederaufbau | 145,505,209 | 11% |
| Deutsche Pfandbriefbank | 10,714,286 | 1% |
| Total | 1,290,983,980 | 100% |

a) Loans from the Consortium of Slovenian Banks

DARS obtained seven loans from the Consortium of Slovenian Banks in the period from 1996 to 2004. These loans were paid off in 2020 in the total amount of €43,202,482. The loan taken from the Consortium of banks VI was repaid in full in 2021.

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

| Type | Repayment period | In € (excl. cents) |
|--------------|-------------------|--------------------|
| VI | from 2009 to 2021 | 0 |
| VII | from 2012 to 2024 | 7,674,739 |
| Total | | 7,674,739 |

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 2021 in the total amount of €6,669,505. On 30 December 2021, Addiko Bank transferred all its receivables under all three loan agreements to UniCredit Banka Slovenija.

Long-term liabilities to Addiko Bank and loan repayment periods

| Type | Repayment period | In € (excl. cents) |
|--------------|-------------------|--------------------|
| I | from 2011 to 2023 | 0 |
| II | from 2012 to 2024 | 0 |
| III | from 2014 to 2023 | 0 |
| Total | | 0 |

c) Loans from UniCredit Banka Slovenija

The Company took out two loans from UniCredit Banka Slovenija in 2005 and 2009. Loan I from UniCredit Banka Slovenija was paid off in 2021 in the total amount of €1,669,171. Loan II from UniCredit Banka Slovenija was repaid in full in 2021. On 31 December 2021, UniCredit Banka Slovenija took over Addiko Bank's receivables under the three loan agreements signed with Addiko Bank.

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

| Type | Repayment period | In € (excl. cents) |
|--------------|-------------------|--------------------|
| I | from 2011 to 2023 | 1,669,171 |
| II | from 2007 to 2021 | 0 |
| III | from 2011 to 2023 | 1,666,084 |
| IV | from 2012 to 2024 | 1,876,311 |
| V | from 2014 to 2023 | 2,086,463 |
| Total | | 7,298,029 |

d) Loan from Intesa Sanpaolo

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

Loan I from Intesa Sanpaolo was repaid in full in 2021.

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 | 74,666,667 |
| Total | | 74,666,667 |

e) Loans from NLB

In 2007, 2008 and 2013, DARS raised three loans with NLB, which were spent in full on financing motorway construction. In 2016, NLB I and NLB II loans were rescheduled to extend loan maturity. The loans from NLB were paid off in 2021 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 | 131,550,000 |
| II | from 2020 to 2025 | 64,134,615 |
| III | 2028 | 50,000,000 |
| Total | | 245,684,615 |

f) Loan from Nova KBM

In 2015, the Company took out a €50 million loan from Nova KBM (formerly Abanka) that was intended for the refinancing and early repayment of loans. The loan from NKBM was paid off in 2021 in the total amount of €5,880,000.

Long-term liability to Nova KBM (formerly Abanka) and loan repayment periods

| Type | Repayment period | In € (excl. cents) |
|--------------|-------------------|--------------------|
| I | from 2021 to 2029 | 38,240,000 |
| Total | | 38,240,000 |

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. The loan from SKB was paid off in 2021 in the total amount of €3,333,333.

Long-term liability to SKB and loan repayment period

| Type | Repayment period | In € (excl. cents) |
|--------------|-------------------|--------------------|
| I | from 2021 to 2028 | 40,000,000 |
| Total | | 40,000,000 |

h) Loan from UniCredit Banka Slovenija and Intesa Sanpaolo

In 2016, the Company took out a €99 million loan from UniCredit Banka Slovenija and Intesa Sanpaolo that was intended for the refinancing and early repayment of loans. The loan from UniCredit Banka Slovenija and Intesa Sanpaolo was paid off in 2021 in the total amount of €1,650,000.

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 | 94,050,000 |
| Total | | 94,050,000 |

i) Loan from SID

The Company took out a €50 million loan with SID Bank in 2016 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 were taken out in the period from 2003 to 2018; their final maturity is between 2027 and 2041. The loans from EIB were paid off in 2021 in the total amount of €45,668,724.

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

| Type | Repayment period | In € (excl. cents) |
|--------------|-------------------|--------------------|
| V | from 2007 to 2027 | 27,000,000 |
| VI | from 2012 to 2029 | 41,030,000 |
| VII | from 2014 to 2037 | 160,227,273 |
| VIII | from 2015 to 2034 | 172,611,111 |
| IX | from 2022 to 2041 | 141,282,052 |
| X | from 2019 to 2028 | 35,000,000 |
| Total | | 577,150,435 |

k) Loans from Kreditanstalt für Wiederaufbau (KfW)

In 2008, DARS took out a loan from Kreditanstalt für Wiederaufbau to finance motorway construction. In 2019, DARS took out a loan from Kreditanstalt für Wiederaufbau to establish the DarsGo system. These loans were paid off in 2021 in the amount of €22,385,417.

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

| Type | Repayment period | In € (excl. cents) |
|--------------|-------------------|--------------------|
| I | from 2013 to 2029 | 108,671,875 |
| II | from 2020 to 2029 | 36,833,334 |
| Total | | 145,505,209 |

I) Loans from Deutsche Pfandbriefbank

In 2006, DARS took out two loans from Deutsche Pfandbriefbank in the total amount of €225,000,000. Loan I from Deutsche Pfandbriefbank was paid off in 2021 in the total amount of €7,142,857. Loan II from Deutsche Pfandbriefbank was repaid in full in 2021.

Long-term liabilities to Deutsche Pfandbriefbank and loan repayment periods

| Type | Repayment period | In € (excl. cents) |
|--------------|-------------------|--------------------|
| I | from 2014 to 2024 | 10,714,286 |
| II | from 2013 to 2021 | 0 |
| Total | | 10,714,286 |

II.4.1.18 Long-term financial liabilities for bonds

The Company has issued two bonds for financing motorway construction and reconstruction. Liabilities arising from the bonds issued are secured with a government guarantee.

| Issue | Maturity | Issue size In € (excl. cents) |
|--------------|----------|----------------------------------|
| DRS1 | 2024 | 56,042,047 |
| DRS2 | 2025 | 61,758,920 |
| Total | | 117,800,967 |

a) DARS 1st Issue Bonds (DRS1)

In 2004, the bonds of first issue, designated DRS1, were issued in the aggregate nominal amount of €56,042,047. The principal is due in its total amount in 2024 and the annual coupon rate is 5.1%. The bonds are traded with on the Ljubljana Stock Exchange.

b) DARS 2nd Issue Bonds (DRS2)

In 2005, the bonds of second issue, designated DRS2, were issued in the aggregate nominal amount of €61,758,920. The principal is due in its total amount in 2025 and the annual coupon rate is 4.5%. The bonds are traded with on the Ljubljana Stock Exchange.

II.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 2021, 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 | 9,554,866 |
| Total | | 9,554,866 |

b) Loan on the basis of a Schuldschein promissory note

In 2015, DARS took out a loan on the basis of a "Schuldschein" promissory note for €37.78 million. The loan was taken out for a period of 15 years. A Schuldschein is an agreement on a loan that is not traded with on the regulated market.

Long-term liabilities for the Schuldschein promissory note and loan repayment period

| Type | Repayment period | In € (excl. cents) |
|--------------|------------------|--------------------|
| I | 2030 | 37,780,000 |
| Total | | 37,780,000 |

c) Namensschuldverschreibung (NSV or registered note) instrument

In 2017, DARS issued the Namensschuldverschreibung (NSV or registered note) instrument in the amount of €100 million. The principal falls due in the total amount in 2037. The instrument is not subject to trading on the stock market. A Namensschuldverschreibung is a registered note that is a hybrid between a bond and a loan, but closer to a bond. The organiser of the issue keeps a record of holders.

Long-term liabilities from the registered note and repayment period

| Type | Repayment period | In € (excl. cents) |
|--------------|------------------|--------------------|
| I | 2037 | 100,000,000 |
| Total | | 100,000,000 |

d) Long-term lease liabilities

| In € (excl. cents) | 2021 | 2020 |
|---|------------------|------------------|
| Balance as at 01/01 | 2,166,437 | 2,266,372 |
| Acquisition of new liabilities | 793,661 | 1,084,825 |
| Transfers to short-term financial liabilities | -1,210,947 | -1,184,760 |
| Balance as at 31/12 | 1,749,151 | 2,166,437 |

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 €53,752,613. Based on the annual performance contract (on the execution of contracts on the basis of Article 4 of the ZDARS-1 for 2022), 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 on the land owned by the Republic of Slovenia over which the motorways run as structures that had been built or started to be built prior to the enforcement of the ZDARS-1. The right of superficies is established for a 50-year period (from 4 December 2010 to 4 December 2060) free of charge. Pursuant to the Fiscal Balance Act, the right of superficies is subject to the payment of annual compensation in accordance with the annual performance contract pursuant to Article 4 of the ZDARS-1.

The value of the compensation was set at €190,810,787, excluding VAT, on the basis of an opinion provided by a certified real estate valuer on 7 June 2012. On 29 February 2016, the certified real estate valuer reappraised the right of superficies at the request of the Ministry of Infrastructure, i.e. to the amount of €190,760,000, excluding VAT. DARS adjusted the value of the right of superficies to the newly assessed value, which is now €50,787 lower than originally assessed.

Pursuant to the ZGD-1 and SAS 2016, the Company keeps its right of superficies under property, plant and equipment in the item land.

II.4.1.21 Short-term financial liabilities

Short-term financial liabilities in the total amount of €177,942,384 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 €176,882,059, and
- short-term lease liabilities in the amount of €1,060,325.

Short-term financial liabilities:

| | 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 | Short-term liabilities to banks for negative interest on deposits | Other short-term financial liabilities | Total |
|--------------------------------------|--|---|---|--|----------------------------------|---|---|---|---|--|--------------------|
| Balance as at 01/01/2021 | 180,440,397 | 0 | 3,184,955 | 5,797,633 | 18,918,262 | 3,112,385 | 1,550,582 | 653,480 | 0 | 1,032,108 | 214,689,802 |
| Increase | | | | 18,536,250 | | 5,633,924 | 3,732,592 | 4,501,017 | 62,945 | 1,131,101 | 33,597,830 |
| Transfers from long-term liabilities | 152,328,319 | | 3,184,955 | | | | | | | | 155,513,274 |
| Short-term repayments | –180,440,396 | 0 | –3,184,955 | –18,868,622 | | –5,628,738 | –3,730,103 | –4,429,618 | –54,333 | –1,102,884 | –217,439,650 |
| Other | | | | | –8,418,871 | | | | | | –8,418,871 |
| Balance as at 31/12/2021 | 152,328,319 | 0 | 3,184,955 | 5,465,262 | 10,499,391 | 3,117,571 | 1,553,070 | 724,879 | 8,611 | 1,060,325 | 177,942,384 |

| 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 €157,793,581 comprise:

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

| Lender | 31/12/2021 | In € (excl. cents) 31/12/2020 |
|--------------------------------------|------------|----------------------------------|
| 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 | 3,717,949 | 0 |
| European Investment Bank X | 5,368,421 | 5,368,421 |
| Kreditanstalt für Wiederaufbau 267.5 | 16,718,750 | 16,718,750 |
| Kreditanstalt für Wiederaufbau 51 | 5,666,667 | 5,666,667 |
| Deutsche Pfandbriefbank I | 7,142,857 | 7,142,857 |
| Deutsche Pfandbriefbank II | 0 | 16,666,667 |
| Intesa Sanpaolo I | 0 | 2,333,333 |
| Intesa Sanpaolo II | 5,333,333 | 0 |
| Consortium of banks VI | 0 | 16,480,026 |
| Consortium of banks VII | 5,116,493 | 5,116,493 |
| Addiko Bank I | 0 | 3,332,168 |
| Addiko Bank II | 0 | 1,250,874 |
| Addiko Bank III | 0 | 2,086,463 |
| Unicredit bank I | 1,669,170 | 1,669,170 |
| Unicredit bank II | 0 | 6,666,667 |
| Unicredit bank III | 3,332,168 | 0 |
| Unicredit bank IV | 1,250,874 | 0 |
| Unicredit bank V | 2,086,463 | 0 |

| Lender | In € (excl. cents) | |
|-------------------------------------|--------------------|--------------------|
| | 31/12/2021 | 31/12/2020 |
| Nova Ljubljanska banka I | 17,400,000 | 17,400,000 |
| Nova Ljubljanska banka II | 21,378,205 | 21,378,205 |
| Nova KBM (formerly Abanka) | 5,880,000 | 5,880,000 |
| SKB banka | 6,666,667 | 3,333,333 |
| UniCredit Banka and Intesa Sanpaolo | 3,300,000 | 1,650,000 |
| Total principals | 152,328,320 | 180,440,397 |

b. interest accrued on long-term bank loans as at 31 December 2021 in the amount of €5,465,262.

Short-term financial liabilities for interest refer to interest accrued until 31 December 2021. 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 2021.

Short-term financial liabilities for bonds in the amount of €3,117,571 refer to interest accrued up to 31 December 2021.

Other short-term financial liabilities in the amount of €17,031,231 refer to:

| In € (excl. cents) | 31/12/2021 | 31/12/2020 |
|--|-------------------|-------------------|
| Short-term share of the Regione Autonoma Friuli Venezia loan principal | 3,184,955 | 3,184,955 |
| Short-term financial liabilities for accrued interest from others | 1,553,070 | 1,550,582 |
| Interest on financial derivatives | 724,879 | 653,480 |
| Liabilities for financial derivatives | 10,499,391 | 18,918,262 |
| Short-term financial liabilities to others | 8,611 | 0 |
| Short-term lease liabilities – principal* | 1,103,986 | 1,084,768 |
| Short-term lease liabilities – interest | –43,660 | –52,660 |
| Total | 17,031,231 | 25,339,387 |

*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 2021, 39% of the Company's debt portfolio value was exposed to a variable interest rate, while 60% 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 18% and the share exposed to fixed interest rates stood at 81%. An interest-free loan accounts for the remaining 1%.

To hedge against interest rate risks, the Company uses financial derivatives (ordinary interest rate swap) to ensure the long-term stability of a certain share of variable interest rates. The purpose of hedging is to fix the interest rate, thus achieving a fixed cash flow. When concluding interest rate swaps, the Company observes the principle that interest rate swaps have comparable characteristics to a hedged item transaction (nominal amount, maturity and accounting period). Most financial derivatives are used to hedge against the risk of interest rate variability, where hedged items represent an efficient hedging relation.

The total fair value of interest rate swaps as at 31 December 2021 amounted to €10,499,391.

Short-term lease liabilities refer to a principal amount of €1,103,986, decreased by interest amounting to €43,660.

A detailed description of the financial derivatives concluded by the Company as at 31 December 2021 follows.

Interest rate hedging in the total amount of €150 million

In the second half of 2014, DARS concluded three interest rate hedge transactions in the total amount of €150,000,000 with a 10-year maturity. Each €50 million transaction allowed DARS 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 concluded two interest rate hedging transactions with a total value of €100,000,000 with a 10-year maturity. With individual €50 million transactions, DARS 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 concluded two interest rate hedging transactions with a total value of €99,500,000 with a 10-year maturity. With individual €50 and €49.5 million transactions, DARS 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 | |
|--------------------|--------------------------------------|-----------------------------------|--------------|
| | | 31/12/2021 | 31/12/2020 |
| Total | 349,500,000 | (10,499,391) | (18,918,262) |

The book value of the hedging instruments equals the fair value, which is calculated using the total average net present value method, pursuant to the amortisation schedule and taking into account market prices. Fair value is classified as level 2 in the fair value hierarchy.

| 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 |
|--------------------|--|---|
| | 31/12/2021 | 31/12/2020 |
| Total | 6,887,916 | (1,592,855) |

II.4.1.22 Short-term operating liabilities

| In € (excl. cents) | 31/12/2021 | Share in % | 31/12/2020 | Index |
|--|------------|------------|------------|-------|
| Short-term trade liabilities | 37,531,572 | 42% | 37,219,572 | 101 |
| Short-term liabilities for advances | 30,114 | 0% | 10,500 | 287 |
| Short-term employee payables | 4,771,621 | 5% | 4,622,709 | 103 |
| Short-term liabilities to the State | 45,747,463 | 51% | 37,136,300 | 123 |
| - corporate income tax liability | 14,308,269 | 16% | 4,111,921 | 348 |
| - VAT liability | 6,911,332 | 8% | 7,055,380 | 98 |
| - liabilities for payer's taxes and contributions arising from salary and other remuneration | 2,134,148 | 2% | 2,062,479 | 103 |
| - short-term liability for the right of superficies | 20,985,157 | 23% | 21,981,834 | 95 |
| - liabilities for the charged toll mark-up | 997,688 | 1% | 936,576 | 107 |
| - other liabilities to the State | 410,869 | 0% | 988,109 | 42 |
| Short-term liabilities to others | 247,479 | 0% | 423,755 | 58 |
| Short-term liabilities to subcontractors | 1,330,088 | 1% | 1,176,147 | 113 |
| Total | 89,658,337 | 100% | 80,588,983 | 111 |

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 the failure to submit documents that the contractors are obliged to enclose with the interim payment statement pursuant to the contract. This mostly involves a declaration by the contractors based on which payments are made directly to the subcontractors included in the execution of contractual works pursuant to the Public Procurement Act. Certain funds that are withheld from the contractor serve as collateral for the repayment of potential financial liabilities arising from claims received from subcontractors, which is subject to an agreement made with the contractor. The funds withheld pursuant to contracts concluded with contractors belong to the contractors or subcontractors and are remitted once they fulfil their contractual obligations and furnish the investor with the required documents. As at 31 December 2021, short-term trade liabilities based on withheld funds amounted to €16,267,599 and accounted for 43% of the total trade receivables.

Employee payables predominantly comprise accounted December salaries and salary compensation and the reimbursement of job-related costs to employees disbursed in January 2022.

Debts to Members of the Management and Supervisory Boards as at 31 December 2021 comprise the accounted December salaries / attendance fees and salary compensation and the reimbursement of job-related costs disbursed in January 2022.

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 2022 amounts to €20,985,157 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 users within the scope of the DarsGo system. DARS, 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 users 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 2021, the liability for the charged toll mark-up amounted to €997,697.

Short-term trade liabilities by maturity as at 31 December 2021

| In € (excl. cents) | Non-past-due | Up to 60 days | Over 60 days | Total |
|--|--------------|---------------|--------------|------------|
| Short-term trade liabilities (current liabilities) | 20,968,969 | 346,791 | –51,787 | 21,263,973 |
| Short-term trade liabilities (withheld amounts) | 16,267,599 | 0 | 0 | 16,267,599 |

Trade liabilities as at 31 December 2021

| In € (excl. cents) | 31/12/2021 | Share |
|--|------------|-------|
| KOLEKTOR CPG, d.o.o. | 4,320,838 | 11% |
| CENGIZ INSAAT SANAYI VE TICARET ANONIM SIRKETI, Podružnica Ljubljana | 2,833,575 | 8% |
| VOC Celje, d.o.o. | 2,689,874 | 7% |
| ALPINE BAU GMBH, Salzburg – Podružnica Celje - in bankruptcy | 1,888,452 | 5% |
| POMGRAD, d.d. | 1,789,438 | 5% |
| CPK, d.d. | 1,338,913 | 4% |
| DRI upravljanje investicij, d.o.o. | 1,178,103 | 3% |
| CGP, d.d. | 979,675 | 3% |
| Q-FREE NORGE AS | 887,641 | 2% |

| In € (excl. cents) | 31/12/2021 | Share |
|-------------------------|-------------------|-------------|
| TELEKOM SLOVENIJE, d.d. | 839,865 | 2% |
| Other suppliers | 18,785,198 | 50% |
| Total | 37,531,572 | 100% |

II.4.1.23 Short-term accrued costs and deferred revenue

| In € (excl. cents) | 31/12/2021 | Share | 31/12/2020 | Index |
|-----------------------------|-------------------|-------------|-------------------|-----------|
| Short-term accrued costs | 4,511,734 | 27% | 748,764 | 603 |
| Short-term deferred revenue | 12,080,919 | 73% | 17,654,465 | 68 |
| Total | 16,592,653 | 100% | 18,403,229 | 90 |

The Company's liabilities comprise accrued costs or expenses referring to accrued costs for the auditing of the 2021 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 2021 in the amount of €540, accrued costs for the supervising engineer for completed investment projects in the amount of €347,915, accrued costs for the variable remuneration of the Management Board in the amount of €573,608 and the variable share of the salaries paid to employees under executive contracts in the amount of €23,521. The accrued costs or expenses include the part of the investment into the establishment of the e-vignette system (€3,534,930) that was completed by the end of 2021 and which will be invoiced by the contractor pursuant to the contractual provisions.

Short-term deferred revenue arises when the services charged or even paid for have not yet been rendered. Short-term deferred revenue was formed for:

- for half-year one-track vignettes charged in 2021 that are valid for the use of motorways partly or entirely in 2022 (a half-year vignette is valid for six months from the date of purchase), in the total amount of €4,382;
- for yearly and half-year electronic vignettes charged in 2021 that are valid for the use of motorways partly or entirely in 2022, in the total amount of €6,835,188;
- the credit in DarsGo units amounting to €5,062,651, charged and paid in 2021, but not used in the same year. The revenue will be recognised as deferred until the 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 €33,423 relating to the application of the measures of force majeure and quarantine, and
- other short-term deferred revenue in the amount of €145,276.

II.4.1.24 Off-balance sheet items

As at 31 December 2021, the Company discloses the following items in off-balance-sheet records:

1. The amount of €141,025,507 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) | 31/12/2021 | 31/12/2020 |
|--|--------------------|--------------------|
| Performance bonds | 81,564,136 | 67,965,119 |
| Warranty bonds | 23,607,071 | 24,723,097 |
| Financial guarantees serving as performance guarantees and financial payment guarantee | 1,317,600 | 0 |
| Payment bonds | 16,456,000 | 15,161,844 |
| Tender bonds | 18,080,700 | 26,430,600 |
| Total | 141,025,507 | 134,280,660 |

2. The value of inventories of vignettes for the use of toll roads in the Republic of Austria that are sold by DARS amounts to €1,251,972.
3. As at the reporting date, lawsuits worth €33,985,341 (principal amounts) were lodged against the Company, 79.9% 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 €785,662 (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). As at 31 December 2021, potential liabilities for lawsuits estimated at 50% probability or less that the plaintiff will be successful amount to €33,318,730 (principal amounts). Furthermore, the amount of the liability arising from such lawsuits cannot be measured with adequate reliability. With respect to the course of proceedings, it is hard to predict when a particular case will be closed with an adequate degree of reliability.
4. The amount of €3,704,392 represents receivables where the probability of any payment from the bankruptcy estate to the benefit of ordinary creditors, which also include DARS receivables, is estimated to be minimum.
5. In February 2020, DARS concluded a €90 million loan agreement with the European Investment Bank (EIB), with an option to draw the loan gradually in line with the schedule of works, 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).

As at 31 December 2021, 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) | 2021 | Share | 2020 | 2021/2020 index |
|---|--------------------|-------------|--------------------|-----------------|
| Toll revenue | 456,235,915 | 97% | 386,955,494 | 118 |
| - revenue from vignette sales | 179,466,634 | 39% | 144,430,710 | 124 |
| - revenues from freight traffic tolls | 276,769,280 | 61% | 242,524,784 | 114 |
| Revenue from rest area leases | 8,347,355 | 2% | 7,136,120 | 117 |
| Revenue from closures and overweight load transport | 1,130,221 | 0% | 984,520 | 115 |
| Revenue from easements for base stations and other | 572,513 | 0% | 593,084 | 97 |
| Revenues from the lease of fibre optics | 1,003,149 | 0% | 984,782 | 102 |
| Revenue under the performance contract | 321,312 | 0% | 333,607 | 96 |
| Other sales revenues | 1,924,942 | 0% | 1,593,950 | 121 |
| Total net sales revenue | 469,535,406 | 100% | 398,581,556 | 118 |

Revenue from tolls collected in 2021 amounts to €456,235,915 and accounts for 97% of the total sales revenue, which is 18% more than in 2020. Revenue from the tolling of vehicles weighing under 3.5 tonnes (vignette system) amounted to €179,466,634 and accounts for 39% of the toll revenue, while revenue from the tolling of vehicles with a maximum weight exceeding 3.5 tonnes amounted to €276,769,280 or 61%. 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 €8,347,355 in 2021. Lease revenue is generated by leasing the right to use land plots along the motorway for the provision of catering services and the erection of petrol service stations. Revenue from leases increased by 17% compared to 2020. 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 transport in the amount of €1,130,221, revenue from the lease of fibre optics in the amount of €1,003,149 and revenue from easement charged in the amount of €572,513.

Revenue under the performance contract in 2021 amounted to €321,312. The revenue refers to the execution of tasks performed by DARS on behalf of and for the account of the RS based on an annual performance contract and Article 4 of the ZDARS-1. The tasks include spatial planning and motorway siting, as well as real estate acquisition for the purposes of motorway construction.

Other sales revenue in the amount of €1,924,942 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 2021, 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 €1,681,712 in 2021.

II.4.2.3 Other operating revenue

| In € (excl. cents) | 2021 | Share | 2020 | Index |
|--|-------------------|-------------|-------------------|------------|
| Reversal of long-term provisions | 3,537,789 | 22% | 610,520 | 579 |
| Insurance compensations | 1,867,275 | 12% | 1,987,021 | 94 |
| Revenue from the consumption of long-term deferred revenue | 8,590,776 | 53% | 9,705,140 | 89 |
| Revenue from the equipment and real estate sold | 624,143 | 4% | 1,150,430 | 54 |
| COVID-19 related State aid – exemption from disability and pension insurance contributions | 0 | 0% | 1,467,255 | - |
| COVID-19 related State aid – crisis allowance | 0 | 0% | 93,006 | - |
| COVID-19 related State aid – reimbursement of salary compensation – other | 225,606 | 1% | 83,667 | - |
| State aid – reimbursement of compensation for sick leave and other absences | 1,048,620 | 6% | 963,268 | - |
| Other operating revenue | 197,726 | 1% | 101,400 | 195 |
| Total other operating revenue | 16,091,935 | 100% | 16,161,707 | 100 |

The reversal of long-term provisions amounting to €3,537,789 includes the reversal of provisions for legal claims in the amount of €3,125,842, 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 €92,417, the reversal of provisions for unpaid severance pay and jubilee benefits in the amount of €46,102, and the reversal of provisions for unused annual leave in 2020 amounting to €273,428.

Insurance compensations include compensations received from insurance companies for the repair of damage on motorway sections and structures along the motorways. In 2021, that revenue amounted to €1,867,275.

Revenues from the consumption of long-term deferred revenues in the amount of €8,590,776 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 2021, the Company transferred to revenue €7,771,773 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 €780,151, received from the municipalities (City of Ljubljana), ELES and other project funders, to revenue. To cover the cost of rectifying defects made by contractors building and reconstructing motorways and other assigned costs, the Company spent €38,852 from the guarantees drawn.

II.4.2.4 Costs and operating expenses

Overview of costs and expenses

| In € (excl. cents) | 2021 | Share | 2020 | Index |
|---|--------------------|-------------|--------------------|------------|
| Cost of material | 9,472,198 | 3% | 9,116,897 | 104 |
| Cost of services | 38,878,394 | 12% | 35,252,803 | 110 |
| Labour costs | 47,936,062 | 15% | 46,832,708 | 102 |
| Depreciation/amortisation | 189,378,633 | 60% | 185,784,386 | 102 |
| Operating expenses for the revaluation of intangible fixed assets and property, plant and equipment | 31,481,217 | 10% | 26,717,740 | 118 |
| Operating expenses from the revaluation of current assets | 118,418 | 0% | 347,862 | 34 |
| Other operating expenses | 877,044 | 0% | 3,191,823 | 27 |
| Total operating expenses | 318,141,965 | 100% | 307,244,219 | 104 |

Breakdown of the costs of materials

| In € (excl. cents) | 2021 | Share | 2020 | Index |
|--------------------------|------------------|-------------|------------------|------------|
| Cost of material | 3,516,131 | 37% | 3,004,019 | 117 |
| Energy costs | 4,124,069 | 44% | 3,965,114 | 104 |
| Cost of spare parts | 684,657 | 7% | 569,853 | 120 |
| Write-off of small tools | 1,021,695 | 11% | 1,379,070 | 74 |
| Other costs of material | 125,645 | 1% | 198,841 | 63 |
| Total | 9,472,198 | 100% | 9,116,897 | 104 |

The cost of materials accounts for a 3% share of the total operating expenses and increased by 4% with respect to 2020.

Breakdown of the costs of services

| In € (excl. cents) | 2021 | Share | 2020 | Index |
|---|-------------------|-------------|-------------------|------------|
| Cost of the supervising engineer | 751,353 | 2% | 783,496 | 96 |
| Cost of fixed asset maintenance | 12,848,643 | 33% | 13,596,545 | 94 |
| Rent | 697,148 | 2% | 728,035 | 96 |
| Cost of payment transactions and insurance premiums | 3,749,458 | 10% | 3,517,372 | 107 |
| Commissions on vignettes sold | 6,941,296 | 18% | 5,086,758 | 136 |
| Costs of other services | 13,890,496 | 36% | 11,540,595 | 120 |
| Total | 38,878,394 | 100% | 35,252,803 | 110 |

The cost of services accounts for a 12% share of total operating expenses. Major services in 2021 included the cost of fixed asset maintenance (33%), commissions on vignettes sold (18%) and the cost of payment transactions and insurance premiums (10%).

Costs by functional group:

| In € (excl. cents) | 2021 | 2020 |
|---|--------------------|--------------------|
| Routine maintenance (incl. depreciation) | 47,887,366 | 46,809,650 |
| Tolling (incl. depreciation/amortisation) | 35,469,368 | 31,053,765 |
| Other (incl. depreciation/amortisation) | 202,308,552 | 199,123,379 |
| - of which motorway infrastructure depreciation | 165,753,524 | 162,228,172 |
| TOTAL | 285,665,286 | 276,986,794 |

II.4.2.5 Labour costs

Labour costs account for a 15% share of the total operating expenses of DARS. In 2021, they were two percent higher than in 2020.

| Type of labour costs | 2021 | Share | 2020 | Index |
|-----------------------------|-------------------|-------------|-------------------|------------|
| Salaries and wages | 35,188,562 | 73% | 34,420,960 | 102 |
| Pension insurance costs | 3,751,669 | 8% | 3,120,590 | 120 |
| Other social security costs | 3,155,690 | 7% | 3,572,628 | 88 |
| Other labour costs | 5,840,140 | 12% | 5,718,531 | 102 |
| Total | 47,936,061 | 100% | 46,832,709 | 102 |

Labour costs include the cost of supplementary pension insurance premiums in the amount of €960,185.

As at 31 December 2021, there were 1,234 workers employed by the Company. The average staff count in 2021 was 1,253 (computed on the basis of working hours).

In 2021, wages and salaries were paid in line with the Corporate Collective Agreement of DARS, while the salaries of the Management Board of DARS were also paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, No. 21/2010, "ZPPOGD").

Average salary at DARS in 2021 (in EUR)

| Average gross salary | 2021 | 2020 |
|----------------------|-------|-------|
| DARS | 2,337 | 2,263 |
| Republic of Slovenia | 1,970 | 1,856 |

The number of employees and the employee educational structure as of 31 December 2021 are presented in the business section of the Annual Report, under the chapter Human Resources Management (point I.16.8).

The total gross remuneration received by the Members of the Management Board of DARS in 2021 amounted to €776,181. The table below shows the remuneration received by the Members of the Management Board of DARS by individual member.

| in EUR (without cents) | Tomaž Vidic, PhD Chairman until 09/07/2020 | Vili Žavrlan Member until 09/07/2020 | Rožle Podboršek Member/Labour Manager from 09/05/2019 | Valentin Hajdinjak, MSc Chairman from 10/07/2020 | Peter Gašperšič, PhD Member from 10/07/2020 | Boštjan Rigler Member from 10/07/2020 | Romana Fišer, MSc Member from 10/07/2020 | TOTAL |
|---------------------------------|--|---|---|---|--|--|--|----------------|
| Gross salaries | | | 108,255 | 134,569 | 133,915 | 135,769 | 134,569 | 647,078 |
| Payment of variable income | 14,844 | 13,687 | 7,720 | 9,589 | 9,461 | 9,524 | 9,434 | 74,257 |
| Severance pay | | | | | | | | 0 |
| Payment in lieu of notice | | | | | | | | 0 |
| Payment for annual leave | | | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 8,500 |
| Benefits | | | 5,702 | 12,155 | 2,650 | 6,927 | 8,427 | 35,862 |
| Reimbursement of costs | | | 1,311 | 1,346 | 1,383 | 1,433 | 1,353 | 6,825 |
| Supplementary pension insurance | | | 591 | 801 | 965 | 501 | 801 | 3,660 |
| TOTAL | 14,844 | 13,687 | 125,280 | 160,160 | 150,074 | 155,854 | 156,284 | 776,181 |

The gross remuneration received by employees under executive employment contracts that is not subject to the Tariff Section of the Collective Agreement amounted to €715,477 in 2021.

The remuneration received by Members of the Supervisory Board in 2021 is shown below.

| Gross amount In € (excl. cents) | Remuneration for being a Supervisory Board Member | Supervisory Board meeting fees | Remuneration for being a member of the Audit Committee | Audit Committee meeting fees | Remuneration for being a member of the Remuneration Committee | Remuneration on Committee meeting fees | Remuneration for being a member of the Investment Committee | Investment Committee meeting fees | Travel expenses | Benefits | Total | Gross total excl. benefits and travel exp. |
|---------------------------------------|--|---|--|---------------------------------------|--|--|--|--|--------------------|--------------|----------------|--|
| Pavle Hevka | 19,500 | 3,575 | | | | | | | 464 | 297 | 23,836 | 23,075 |
| Robert Rožič, PhD | 14,300 | 3,300 | | | 3,250 | 440 | | | 117 | 169 | 21,576 | 21,290 |
| Anton Guzej | 13,000 | 3,300 | 3,250 | 1,760 | | | 3,250 | 2,420 | 1,775 | 169 | 28,924 | 26,980 |
| Jožef Zimšek | 13,000 | 3,575 | 2,708 | 1,760 | | | 3,792 | 2,420 | 1,405 | 169 | 28,829 | 27,255 |
| Jože Oberstar | 13,000 | 3,300 | 4,875 | 1,760 | | | | | 1,057 | 169 | 24,161 | 22,935 |
| Štefan Šumah, PhD | 13,000 | 3,300 | | | 4,875 | 440 | | | 959 | 297 | 22,871 | 21,615 |
| Nataša Ivančević | 13,000 | 3,575 | | | | | | | 450 | 169 | 17,194 | 16,575 |
| Stožir Martin | 13,000 | 3,575 | | | 3,250 | 440 | | | 859 | 297 | 21,421 | 20,265 |
| Branko Švigelj | 13,000 | 2,750 | | | | | | | 226 | 169 | 16,145 | 15,750 |
| Mojca Lahajner | | | 3,250 | 1,540 | | | | | 52 | 128 | 4,970 | 4,790 |
| Iztok Černoša | | | | | | | 3,250 | 1,760 | 0 | | 5,010 | 5,010 |
| Total | 124,800 | 30,250 | 14,083 | 6,820 | 11,375 | 1,320 | 10,292 | 6,600 | 7,366 | 2,033 | 214,938 | 205,540 |

As at 31 December 2021, 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 2022.

As at 31 December 2021, 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 2022.

II.4.2.6 Write-downs

| In € (excl. cents) | 2021 | Share | 2020 | Index |
|---|--------------------|-------------|--------------------|------------|
| Amortisation of intangible fixed assets | 4,698,339 | 2% | 4,176,770 | 112 |
| Depreciation of property, plant and equipment | 183,544,923 | 83% | 180,545,683 | 102 |
| Depreciation of investment property | 29,693 | 0% | 29,693 | 100 |
| Depreciation of leased fixed assets | 1,105,677 | 1% | 1,032,239 | 107 |
| Operating expenses for the revaluation of intangible fixed assets and PPE | 31,481,217 | 14% | 26,717,740 | 118 |
| Operating expenses from the revaluation of current assets | 118,418 | 0% | 347,862 | 34 |
| Total | 220,978,268 | 100% | 212,849,987 | 104 |

The depreciation of property, plant and equipment in 2021, which also includes the depreciation of the right of superficies, amounted to €3,926,356. Pursuant to the ZDARS-1, the right of superficies was established to the benefit of DARS on the land owned by the Republic of Slovenia over which the motorways run as structures that had been built or started to be built prior to the enforcement of the ZDARS-1. The right of superficies was established for the period of 50 years.

Year-over-year depreciation/amortisation in 2021 increased primarily due to the accounted depreciation of property, plant and equipment – motorways, which were activated in the last quarter of 2020 in the amount of €41,894,853.

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 €2,478,
- losses in the exclusion and identified shortages of fixed movable assets in the amount of €4,026,
- losses due to the impairment and destruction of DarsGo units in the amount of €76,439,
- the exclusion of motorway and steel safety barrier components upon the rearrangement of the Dragotinci toll station platform and the restoration of several motorway and expressway sections in the amount of €13,332,455,
- the exclusion of fixed asset components in the restoration of the Golovec tunnel in the amount of €456,883,
- the exclusion of motorway and expressway components upon reconstruction in the amount of €15,893,728,
- the exclusion of fixed asset components in the restoration of road signalisation in the tunnels Mali and Debeli hrib, Pletovarje, Golo rebro and the Medvedjek I cut-and-cover in the amount of €43,319,
- the exclusion of safety barriers and dug-in guardrail end terminals in the amount of €150,549,
- the exclusion of building components at the Izola and Čatež holiday facilities, MMC Ljubljana, MMC Hrušica, TS Hrušica and TS Kampilje due to restoration work in the amount of €1,466,937,
- the write-off of an ongoing investment in the amount of €19,300 and
- the revaluation of assets held for sale to fair value, decreased by selling costs, in the amount of €35,239.

Operating expenses for the revaluation of current assets mostly comprise the formation of allowances and write-offs of receivables in the amount of €33,566 and the revaluation of 2021 vignette inventories, the sale of which ended on 30 November 2021, i.e. in the amount of €82,308.

II.4.2.7 Other operating expenses

Other operating expenses of €877,044 (€3,191,823 in 2020) include:

- long-term accrued costs for expected losses related to tort claims for motorway construction and reconstruction in the amount of €85,200 (€2,525,047 in 2020) and for lawsuits related to labour disputes in the amount of €6,179 (€4,340 in 2020),
- costs amounting to €360,404 (€289,597 in 2020) incurred in relation to investments in other state non-toll roads that do not fall within the scope of the motorway and expressway network operated by DARS. Such investments yield no economic benefits for the Company, which is why they are not disclosed under property, plant and equipment. According to the Ministry of Infrastructure, the Fiscal Balance Act (ZUJF), which also encroached upon the Motorway Company in the Republic of Slovenia Act (ZDARS-1) with its amendments and supplements, lays down that DARS is also responsible for the construction of certain state roads other than motorways in terms of the Roads Act and implementing regulations governing categorisation, as planned in the Resolution on the National Motorway Construction Programme in the Republic of Slovenia (ReNPJA). Along with motorways and expressways, the Fiscal Balance Act also included other state roads planned in the National Programme governing motorway construction under the definition of "motorway".
- other operating expenses in the amount of €425,259 (€372,838 in 2020).

II.4.2.8 Financial revenue from loans given

Financial revenue from loans given in the amount of €1,748,859 (€338,768 in 2020) also includes revenue from the revaluation of financial derivatives in the amount of €1,530,955 and revenue from short-term surplus liquid funds deposited with banks in the amount of €215,927.

II.4.2.9 Financial revenue from operating receivables due from others

Financial revenue from operating receivables due from others in the amount of €54,451 (€114,900 in 2020) refers to financial revenue from operating receivables, charged default interest and exchange rate gains.

II.4.2.10 Financial expenses for loans received from banks

Financial expenses in the amount of €18,536,250 (€21,180,164 in 2020) include interest charged on long-term loans. The weighted average interest rate on long-term loans as at 31 December 2021 was 1.41%.

II.4.2.11 Financial expenses for bonds issued

Financial expenses in the amount of €5,633,924 (€7,049,945 in 2020) include interest charged on long-term securities issued. The weighted average interest rate on long-term securities as at 31 December 2021 was 4.55%.

II.4.2.12 Financial expenses for other financial liabilities

Financial expenses for other financial liabilities in the amount of €8,233,609 (€7,465,354 in 2020) also refer to:

- negative interest on financial derivatives amounting to €4,501,017, 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 €3,601,210,
- net interest on provisions for jubilee benefits and severance pay in the amount of €8,378,
- interest on leases in the amount of €58,338 and
- negative interest on deposits in the amount of €62,945.

II.4.2.13 Financial expenses for operating liabilities

Financial expenses for operating liabilities amounting to €38,880 (€16,056 in 2020) include, among other things, charged default interest amounting to €38,560 arising from liabilities that were settled late.

II.4.2.14 Other revenues

Other revenues in the amount of €177,951 (€101,844 in 2020) includes indemnities received under court decisions, charged contractual penalties and similar.

II.4.2.15 Other expenses

Other expenses in the amount of €233,086 (€487,636 in 2020) primarily comprise indemnities paid under court decisions, reimbursed costs in audit procedures according to the Public Procurement Act, donations given and similar.

II.4.2.16 Corporate income tax

Corporate income tax is calculated in accordance with the Corporate Income Tax Act (ZDDPO-2). Corporate income tax for 2021 is accounted at the 19% rate on the taxable profit generated by the Company in a tax year.

| In € (excl. cents) | 2021 | 2020 |
|---|-------------|-------------|
| 1 Revenue | 489,290,314 | 416,754,677 |
| 2 Expenses | 350,817,714 | 344,149,420 |
| 3 Total profit (1 – 2) | 138,472,599 | 72,605,257 |
| 4 Revenue decrease | 35,481 | 4 |
| 5 Revenue increase | 0 | 0 |
| 6 Expense decrease for provisions and receivable revaluation | 180,012 | 283,041 |
| 7 Expense decrease, other non-recognised expenses | 9,606,232 | 6,902,369 |
| 8 Increase in recognised expenses | 287,372 | 229,569 |
| 9 Difference between revenue and expenses recognised for tax purposes (1 – 2 – 4 + 5 + 6 + 7 – 8) | 147,935,991 | 79,561,094 |
| 10 Tax base (9) | 147,935,991 | 79,561,094 |
| 11 Change of tax base due to a change of accounting policies and error corrections | 14,201 | 20,159 |
| 12 Increase in the tax base by the amount of tax relief used | 10,459 | 24,610 |
| 13 Tax relief for investments | 3,135,644 | 3,975,592 |
| 14 Relief for the employment of disabled persons | 419,735 | 389,403 |
| 15 Relief for practical work in professional training | 1,747 | 1,475 |
| 16 Tax relief for supplementary pension insurance | 960,185 | 917,973 |
| 17 Tax relief for donations | 88,247 | 86,785 |
| 18 Tax base (10 + 11 + 12 – 13 – 14 – 15 – 16 – 17) | 143,355,092 | 74,234,634 |
| 19 Corporate income tax | 27,237,468 | 14,104,581 |

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) | 2021 | 2020 |
|---------------------------------|--------------------|--------------------|
| Calculated corporate income tax | –27,237,468 | –14,104,581 |
| Deferred tax | 1,468,237 | 1,025,938 |
| Taxes | –25,769,230 | –13,078,643 |

| In € (excl. cents) | 2021 | 2020 |
|---------------------------|---------------|---------------|
| Profit or loss before tax | 143,355,092 | 74,234,634 |
| Taxes | –25,769,230 | –13,078,643 |
| Effective tax rate | 17.98% | 17.62% |

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 2021 amounted to 17.98%.

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 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 2021, DARS made transactions worth €134,701,336 with companies in which the State has a direct or indirect dominant influence, i.e. from sales to such undertakings in the amount of €145,242,845 and from purchasing in the amount of €13,843,522. 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 2021, the Company disclosed receivables due from such undertakings in the amount of €9,908,817 and liabilities equalling €2,317,478.

All transactions between related parties are made at market prices.

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

II.7 Events after the balance sheet date

Significant business events after the balance sheet date are:

February 2022

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

Due to the war in Ukraine and the sanctions imposed on the Russian Federation, we expect a decrease in revenue from goods vehicle tolling and revenue from the sale of vignettes. We expect a direct decrease in the revenue from vehicles with Ukrainian and Russian registration plates, while the decline in freight traffic from the mentioned countries through Slovenian territory will indirectly result in lower revenue. Based on comparative figures on transport involving goods vehicles with Ukrainian and Russian registration plates for the same period of last year, we estimate that the revenue decrease will reach €58,000 per week.

Events that emerged after the balance sheet date did not impact the financial statements of DARS for 2021.

II.8 Audit of the Annual Report for 2021

The contractual price for auditing the Annual Report of DARS for 2021 is €45,024 (excluding VAT) and €4,000 (excluding VAT) for other assurance services. The audit was carried out by the audit firm KPMG SLOVENIJA, d.o.o., Ljubljana.

II.9 Auditor's Report



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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 2021;

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

- 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 2021, 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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TRR: SI56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
SI. reg. vl.: 08112062100
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 2021: EUR 456.235.915 (2020: EUR 386.955.494); short-term deferred revenue as at 31 December 2021: EUR 12.080.919 (31 December 2020: EUR 17.654.465)

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). As explained in note II.3 to the financial statements - Significant accounting policies, the electronic vignettes have been gradually introduced -</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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from 1. December 2021, users were able to purchase and use annual and semi-annual vignettes in electronic version. And by the end of January 2022, the sale of all types of vignettes in the form of labels was abolished. Revenue relating to the vignettes sold in the current financial period but to be used (valid) in the next is deferred.

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 2021, 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 2021: EUR 4,607,913,423 (31 December 2020: EUR 4,707,256,276); depreciation of PPE recognised in 2021: EUR 184,650,600 (2020: EUR 181,582,569).

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 2021. 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 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 financial reporting standards;

- On a sample basis, assessing the reasonableness of the allocation of property, plant and equipment-related expenditure capitalized in 2021 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 included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

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

With respect to the Business Report, we considered whether the Business Report includes the disclosures required by the Company's Act dated 4 May 2006 (official gazette of Republic of Slovenia No. 42/2006

with amendments - hereafter referred to as "the applicable legal requirements"). Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion, in all material respects:

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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

Report on the requirements of Regulation (EU) no. 537/2014 of the European parliament and of the of the Council (Regulation (EU) no. 537/2014)

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 2021. 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 5 April 2022;

- 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.

No other services were performed for the Company during the period covered by the financial statements other than the statutory audit services and those disclosed in the Annual Report and the Financial Statements.

Independent auditor's report on the compliance of the electronic financial statements with the delegated regulation 2019/815 on a single electronic reporting format

We have conducted an engagement to provide reasonable assurance as to whether the audited financial statements of the Company, for the financial year ended 31 December 2021 ('Audited Financial Statements') have been prepared in accordance with requirements of the Commission Delegated Regulation (EU)

2019/815 of 17 December 2018 on supplementing the Directive 2004/109/EC of the European Parliament and the Council with regard to regulatory technical standards for establishing a single electronic reporting format applicable for the year 2021 ("Delegated Regulation").

Responsibility of the Management and those charged with Governance

Management is responsible for the preparation and fair presentation of the electronic Audited Financial Statements in accordance with the Delegated Regulation, and for such internal control as management determines is necessary to enable the preparation of the electronic Audited Financial Statements that

are free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for overseeing the preparation of the electronic Audited Financial Statements in compliance with requirements of the Delegated Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the audited financial statements are prepared in accordance with requirements of the Delegated Regulation. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board. This standard requires that

we plan and perform the engagement to obtain reasonable assurance on whether the opinion is appropriate. We have acted in accordance with the independence and ethical requirements of the EU Regulation 537/2014 and the International Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accounting Professionals. The Code is based on the fundamental principles of integrity, objectivity, professional competence and due

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care, confidentiality and professional conduct. Our company operates in accordance with the International Standards on Quality Management (ISQM 1) and maintains a comprehensive quality management system,

Summary of Work Performed

Within the scope of our work, we performed the following audit procedures:

- identified and assessed the risks of material non-compliance of the Audited Financial Statements with the requirements of the Delegated Regulation, whether due to error or fraud;
- obtained an understanding of internal control relevant to the engagement in order to provide reasonable assurance for designing procedures that are appropriate in the circumstances, but not for the

including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

- purpose of expressing an opinion on the effectiveness of internal control;
- assessed whether the Audited Financial Statements hereof comply with the requirements of the Delegated Regulation applicable as of the reporting date;
- obtained reasonable assurance that the Audited Financial Statements of the issuer are presented in a correct XHTML electronic format.

We believe that the evidence obtained provides a sufficient and appropriate basis for our opinion.

Opinion

Based on the procedures performed and the evidence obtained, the Audited Financial Statements of the Company for the financial year ended 31 December 2021 are in our

opinion prepared, in all material respects, in accordance with the requirements of the Delegated Regulation.

On behalf of audit firm

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

Signed on the Slovenian original

Matej Vrčkovnik, FCCA
Certified Auditor

Ljubljana, 5 April 2022

Signed on the Slovenian original

Danilo Bukovec
Certified Auditor
Director

KPMG Slovenija, d.o.o.
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