

**Unaudited report on the operations  
of DARS d.d.  
in the first half of 2020**

**Ljubljana, August 2020**

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## Statement on the Management's responsibility

The Management Board of DARS d.d., responsible for the compilation of the unaudited report on the operations of DARS d.d. in the first half of 2020, hereby declares that the financial statements of DARS d.d. for the period ended on 30 June 2020 have been prepared so as to give a true and fair presentation of the Company's assets and liabilities, financial position and profit or loss. During the compilation of the statements for the first half of 2020, the same accounting assumptions were taken into account as for the annual financial statements of DARS d.d. for 2019. The accounting estimates have been prepared honestly and prudently and in line with the principles of due care and diligence, while taking into account the assumption of a going concern.

Members of the Management Board hereby certify that, to the best of their knowledge, this Unaudited Report has been compiled and published in compliance with the Companies Act, the Market in Financial Instruments Act and the Slovenian Accounting Standards.

The Management Board is responsible for the appropriacy of accounting, for the adoption of suitable measures to protect and preserve the value of Company assets, and for the prevention and detection of fraud and other irregularities or illegalities.

Celje, 7 August 2020

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Chairman of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board/ Labour Manager

## I.1 Company profile

NAME	Družba za avtoceste v Republiki Sloveniji d.d. (Motorway
ABBREVIATED NAME	DARS d.d.
REGISTERED OFFICE	Ulica XIV. divizije 4, 3000 Celje phone: +386 (0)3 426 4071 fax: +386 (0)3 544 2001
BRANCH OFFICE	Dunajska 7, 1000 Ljubljana phone: +386 (0)1 300 9900 fax: +386 (0)1 300 9901
WEBSITES	<a href="http://www.dars.si">www.dars.si</a> , <a href="http://www.promet.si">www.promet.si</a>
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
NO. OF SHARES ISSUED	55,650,231 ordinary no par value shares

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

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

- performs individual tasks relating to spatial planning and motorway siting, 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;
- operates and maintains motorway sections based on the granted construction concessions.

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

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

According to the ZUJF, which entered into force in 2012, the right of superficies established for the benefit of DARS d.d. is payable.

## I.2 Key performance data

Key performance data in €	I-VI 2020	I-VI 2019	2020/2019 index
Revenues	187,916,676	251,435,094	75
Expenses	152,860,063	154,898,185	99
Net sales revenues	179,671,746	223,693,760	80
Operating revenue	187,550,313	250,874,990	75
Operating expenses	133,945,960	134,029,708	100
EBIT	53,604,353	116,845,282	46
EBITDA	145,652,015	207,033,452	70
Net profit or loss for the accounting period	28,395,856	78,194,897	36
	30/6/2020	30/6/2019	2020/2019 index
Assets	5,283,607,361	5,615,657,802	94
Share capital	2,086,559,144	2,322,284,140	90
Equity	2,891,084,931	3,033,780,875	95
INDICATORS			
EBITDA in net sales revenues	81.07%	92.55%	
ROE <sup>1</sup>	1.97%	5.22%	
Number of employees	2020	2019	2020/2019 index
As at 30/6	1,254	1,251	100

## Highlights from operations

DARS d.d. achieved the following results in the period from January to June 2020:

- In the first half of 2020, DARS generated €187.9 million in operating revenue, which is a 25% decrease year-over-year.
- Net sales revenues reached €179.7 million. As a result of the coronavirus, the highest loss was recorded in toll revenue, which accounts for 97% of the net sales revenue.
- The operating expenses of DARS d.d. amounted to €133.9 million, which is comparable year-over-year.
- Earnings before interest and taxes (EBIT) reached €53.6 million in the first half of 2020, which is 54% less than in the same period last year.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached €145.7 million, which is 30% less than in the first half of 2019. The EBITDA margin accounts for 81% of the net sales revenues.
- DARS concluded the first half of 2020 with a net profit or loss of €28.4 million, which is a 64% decrease year-over-year.
- The declared epidemic has had a profound negative effect primarily on toll revenue, which accounts for 93% of the total Company revenues. Accordingly, the Company immediately adopted additional measures and started implementing them to further optimise and thus mitigate impacts on Company operations this year. In its initial assessments, DARS d.d. estimates that the epidemic will have a negative

<sup>1</sup> net profit recalculated for the entire year/average shareholders' equity in the period

impact of 4% on its earnings before interest, taxes, depreciation and amortisation (EBITDA) with respect to that planned for 2020. Furthermore, it is estimated that the implications of the epidemic will affect the attainment of the Company's business goals, but will not significantly endanger the Company's financial sustainability, operations and the assumption of a going concern. Developments related to the spread infections, their implications and associated measures are still unpredictable, which is why the Company management is closely monitoring events.

- By keeping a liquidity reserve in the form of deposits and obtained long-term credit lines, we have ensured 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 providing an adequate volume of revenue for the coverage of the total infrastructural costs and debt servicing.

## I.3 Business risks

DARS d.d. is aware of the severity of the consequences that might 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 management. The risk management process has become a strategic part of our business, so the Company is especially proud of its successful risk management in 2019. Risk management at DARS is carried out using three lines of defence. The first defence line is the management, which is responsible for the establishment and successful functioning of internal controls and the daily implementation of risk management procedures. The management is tasked with identifying and assessing risks while defining a proper response to the risks in line with the goals of the organisation. The second defence line includes those functions that carry out supervision over business processes and risks (quality, accounting controls, physical protection and similar controls, etc.). Employees in the mentioned functions are responsible for the proper introduction of the risk management system. The Company promotes the definition of exposure to individual risks, the monitoring of procedures to manage risks and the development of a risk reporting system. The third defence line is auditing, both external and internal. In November 2019, the DARS d.d. Strategy for 2017-2020 was revised for the second time, somewhat amending the operational goals that support the strategic goals, based on which the strategic risks were re-identified. The system is reviewed and supplemented on an ongoing basis, so that the key risks to which the Company is exposed are identified, evaluated and managed in due time.

Risks have been identified with the goals set at the highest level in the DARS d.d. Strategy for 2017-2020 (2nd amendment) and with the goals set at lower levels within the scope of each process. In 2019, the composition of the Risk Management Board changed. The methodology for risk assessment was amended in 2019. The probability of occurrence was assessed using a 5-level scale: highly unlikely (10-20 years), very unlikely (5-10 years), fairly likely (1-5 years), very likely (1 month to 1 year) and 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 over €10 million) or semi-qualitatively with grades of 1 to 5 (low, moderate, medium-high, high and very high).

Based on all the risks identified and evaluated, members of the Risk Management Board prepared a selection of key risks that require active engagement. An acceptable level of risk that the Company is still prepared to assume was determined for the selected risks. The upper risk limit is compliant with the Company's business strategy and risk appetite. In cases where the level of acceptable risk is lower than the level of the calculated risk, the resulting discrepancy between the actual and acceptable risk must be resolved during the management of the identified risks. The management of every process holding a risk has developed control mechanisms for the identified risks – activities to manage and reduce risks to or below an acceptable level – and the adopted control mechanisms are now subject to regular monitoring. Risk management is integrated at all levels of Company operations and regular checks are made for new threats and consequent risks, such as the pandemic in March 2020, based on which new measures and approaches were introduced.

The identified risks to which special attention has been paid are:

- the pandemic,
- limited funds available for investments in development,
- traffic accidents or the level of traffic safety,
- dependence on outsourcers,
- loss of income from the functioning of the DarsGo system,
- failure of key information systems,
- efficiency of DarsGo system operation,
- economic viability of investments,
- revenue risk,
- loss of competent or key staff (undesired fluctuation),
- increased share of actively non-engaged employees,
- insufficient sources to increase employee competence and thus the development of the target organisational culture,
- concern for health and safety at work and
- environmental protection.

### The pandemic

We have closely and continuously monitored the spread of the coronavirus since its occurrence in the EU, taking the necessary and suitable measures at all levels of the organisation of work in order to ensure uninterrupted and optimal operations. The central focus of the Management Board and newly established Coronavirus Coordination Team is a concern for the health and safety of employees and motorway users. The newly prepared "Instructions to prevent infections or the spread of the coronavirus" are continuously communicated to employees; the Company has also distributed to all employees a special issue of the Company newsletter containing information on Company operations during the current conditions.

The Management Board of DARS d.d. and the competent expert services started providing information and warnings on the behaviour and conduct of employees and preventive measures at the Company regarding the coronavirus before the epidemic was declared. Employees received protective equipment (protective masks, hand sanitisers and disinfectants for the work environment, protective goggles, etc.). The Company prepared an "Action plan laying down measures and procedures for the execution of work processes in all coronavirus scenarios", preventive measures by work environment and workplace and, upon the implementation of business processes, the execution of business activities under all foreseen impacts/forms of the coronavirus – in and outside the work environment – and the measures/tasks of DARS expert services to ensure the implementation of the Action Plan. The implementation of the latter is tailored to the needs and conditions in the work environments or, rather, the current business processes.

Upon the declaration of the coronavirus epidemic in Slovenia, DARS d.d. actively engaged in the action system of the Republic of Slovenia Crisis Unit and the State Staff of Civil Protection – reports on activities related to the coronavirus are made on a daily basis. Furthermore, daily reports about activities carried out on the motorways and expressways are delivered to the Slovenian Sovereign Holding. Since 13 March 2020, the Company has mostly carried out activities related to the coronavirus and activities within the scope of urgent regular works by area of operation.

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 the society and economic environment in which the Company operates, including measures already adopted by the Slovenian government. All necessary routine works have been adapted to the current conditions. The Company manages its financial position, which is why the fulfilment of its financial liabilities due to the coronavirus will not be jeopardised. A sound liquidity position allows us to service debts regularly. Furthermore, the fulfilment of financial commitments will not be at risk due to sufficient financial capacity.

The Company analyses all activities on an ongoing basis and has already established a system for documenting all actions taken. The goal of such activities is to identify the best practices that will provide the basis for all activities in future emergency conditions. It has been found that the measures adopted due to the coronavirus affect the attainment of the Company's business goals, but 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 ensured a high level of liquidity, thus enabling the Company to settle all due liabilities at any moment.

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

### Limited available funds 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 (2020-2022) that is based on the results obtained through infrastructure monitoring,



analyses of the expert system and expert groups, and through the expert assessments of proposed actions, thus providing bases for the proper planning of investment reconstruction works. The document lists all actions foreseen in the following three years, with the addition of indicative values for works, primarily to inform the relevant services in advance of the foreseen needs for the provision of funds for investments in the existing infrastructure. The competent services must adjust the planning of the funds required for investments in existing infrastructure to the needs expressed in the relevant document.

Funds for investments in existing infrastructure in 2020 have been provided through the reallocation of own funds from operations and funds obtained from borrowing procedures to refinance the existing debt.

As a result of the pandemic, traffic and special transport on the motorway network has reduced and, consequently, infrastructure deterioration has slowed down; however, the set pace for investment reconstruction must not slow down, which requires the provision of sufficient funds.

In the following period, large investments are planned for the development and modernisation of control centres, traffic control and management systems (TCMS), new C-ITS systems and new communication technologies that will be necessary for modern traffic control and management.

Investments in development are also necessary in machinery and maintenance, where we face more and more extreme weather conditions and increasing requirements for motorway fluidity (minimal disruptions to traffic due to maintenance). The underlying mission of DARS, including during the pandemic, is to make motorways passable without restrictions, which may only be provided with regular the delivery, maintenance and upgrades of machinery and vehicles.

#### An increased number of accidents or a decline in the level of safety

To prevent an increase in the number of traffic accidents or, rather, a decline in the level of 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. When implementing measures relating to traffic safety, the Company primarily observes the requirements of domestic legislation and the obligations imposed by European Directives, while carrying out various projects relating to traffic safety, the use of advanced IT and the introduction of smart infrastructure based on good practice examples and studies conducted. Projects where special attention is placed on:

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

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

This makes crisis communication upon emergency events very important. It is necessary to standardise communication channels from on-site to users. A uniform communication system must be provided along with uniform protocols and various scenarios with respect to the priority of an event.

During the pandemic, traffic safety has improved, which is the result of reduced traffic. As a result, there were fewer interventions (reduced fuel consumption and fewer hours worked) and less damage to the infrastructure.

Traffic on motorways and expressways has been monitored even more closely since the start of the pandemic. Data from traffic counters shows a major reduction in traffic loads, which has resulted in reduced congestion and therewith related traffic accidents (rear-end collisions), but also in increased travelling speed. The latter entails a significant increase of vehicles in the high-speed categories (over 180kmph). The data has been communicated to the Police and drivers are warned to observe the speed limit through variable message signs.

In discussions with the competent ministries and the Police, the rationality of section speed control systems, which proved to be highly efficient during the test stage, was again highlighted. Minimum funds have been provided in the Business Plan for 2020 to set up new systems, which will enable the start of activities in case of a successful agreement with the Police. In such a case, a public procurement procedure could be carried out in 2020 and the provider could be selected. Deployment costs for such systems will be incurred after the provider obtains all the necessary documents for system operation, which is expected to take at least 6 to 9 months. Hence, more funds will not be required until 2021.

#### Dependence on outsourcers

The risk of dependence on outsourcers is managed by the Company with the diligent monitoring of all information related to the operations of its business partners, the preparation of measures to prevent the impact of events 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 specified, quality negotiations are ensured, and adequate references are requested from successful providers. 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 a contract, during the execution of the transaction and all the way through to the expiry of the warranty period if foreseen. Furthermore, custodians may also monitor the validity of individual documents, e.g. guarantees, and are obliged to notify the competent services to revise them on an ongoing basis. The Company also recruits new competent human resources, who are further trained and directed to administer a certain area. Investment costs, both regular and those 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 is tasked with the overall management of a particular project. It is necessary to ensure the purchase of strategic materials (salt, oil, etc.) in such a manner that a reserve supplier is always available.

#### Efficiency of DarsGo system operation

After successfully deploying the system in 2018, the Company carried out activities in 2019 to ensure stable operations and eliminate deficiencies, introduced changes and upgrades to the system, primarily in terms of enhancing the user experience – for both customers and operators – and made improvements based on the findings in the first year of system operations. Regular meetings are held with the provider for inspections and monitoring system operations, as well as for the management of incidents and changes. The efficiency of system operations is regularly monitored with control methods that are independent of the provider, deviations are analysed and actions are taken as necessary.

#### Failure of key information systems

The risk of failure of key information systems is managed with the ongoing monitoring of IT systems and immediate reactions to emergency events. A system of uninterrupted operation of a part of the information system has been established (duplication of the most vital parts of IT equipment) and safety measures have been introduced to protect and safeguard information systems against unauthorised interference and loss of data.

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

In some key segments, the Company has already set up a 24/7 maintenance system. In certain key ITS systems, the Company started setting up applications in 2017 that allow automatic malfunction signalling. Errors are processed at control centres where employees are present at all times, thus allowing an immediate response to emergency events. Furthermore, on-call time for in-house personnel has been organised in telecommunications. Services for which the Company staff is inadequately qualified or insufficient are rendered with the help of outsourcers.

#### Loss of income during the operations of the new DarsGo system and the operation of the new DarsGo system

The deployment of the new DarsGo system was vital for DARS d.d., as it is necessary to ensure the payment of tolls for vehicles with a maximum authorised mass exceeding 3.5 tonnes, which is the largest and most important source of Company revenue. An important risk identified in the functioning of the new DarsGo system is the risk of revenue loss deriving from toll collection for heavy vehicles with a MAM exceeding 3.5 tonnes, which is why the Company has arranged suitable parameters with the contractor in Service Level Agreements (SLA) within the scope of the Contract on the deployment and operation of the DarsGo system. During the implementation stage of the DarsGo system, the Company carried out trials and tests of the functionality of the delivered solution together with contractual engineers. In cooperation with the outsourcer, which has experts in information system auditing, the Company conducted an audit of system operations. Furthermore, a quality control system was set up for system operation, with a new organisational unit for the technical supervision and analysis of DarsGo system operation established in 2017, which is responsible for monitoring the operation of the DarsGo system and continuous assessment of the scope and quality of services (and also the development and maintenance of the monitoring model) as defined in Service Level Agreements, which constitute integral parts of the contract with the contractor for the deployment of the DarsGo system. Based on a public contract, the Company also selected an independent contractual partner for the establishment of a quality control system.

Based on all the measures and procedures carried out in the stage of the DarsGo system introduction, the system was deployed successfully and caused no loss of revenue deriving from the tolling of vehicles with a maximum authorised mass exceeding 3.5 tonnes. In the first nine months of operations (1 April - 31 December 2018), 10% more kilometres were subject to toll compared to the same period in 2017, which is the result of the tolling of the entire network, while a part of the network had not been subject to tolls in the old system. In 2019, the number of kilometres subject to tolls increased by 6.3% compared to 2018, resulting in a 3.2% higher revenue.

The growth of revenue, however, fails to fully reflect the number of tolled kilometres. The deviation between the growth of toll kilometres and toll revenue may be attributed to the increased number of kilometres travelled by cleaner heavy goods vehicles, particularly in the EURO 6 emission class, and the reduced number of vehicles in lower EURO classes. This is the result of actual improvement in the EURO class structure of heavy goods vehicles on the one hand and mandatory registration in the DarsGo system on the other, where the actual EURO class is enforced for a vehicle, whereas in the past users who paid tolls at toll stations paid the full toll irrespective of the EURO class.

Hence, at the end of 2017, a full toll was paid by 28.7% of vehicles, at the end of 2018 by 8.2% and at the end of 2019 by only 6.4%. On the other hand, the minimum toll was paid by 40% of vehicles at the end of 2017, by 60.5% at the end of 2018, and by 68.6% at the end of 2019. The share of cleaner vehicles continues to grow, which will also need to be taken into account in the pricing policy by reducing discounts for cleaner vehicles.

In the first half of 2020, there was a loss of toll revenue from vehicles with a maximum authorised mass exceeding 3.5 tonnes, but solely due to the consequences of the COVID-19 pandemic. There are no measures that could have prevented the loss for that reason. The DarsGo system allows us to monitor vehicle passage values on a daily basis, based on which Company revenues are adjusted accordingly and, as a result, actions are taken to manage other Company risks.

#### Economic viability of investments

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

bridging structures, the Company continued a project to introduce the BMS DARS expert management system for such structures, which was initiated in 2017 and is planned to be put in full operation in 2020.

For projects related to the energy efficiency of the Company, the Company prepares cost-benefit analyses, which provide the basis for decision-making on the implementation of a particular measure; for IT 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 (a programme to plan the refurbishment of electrical and mechanical equipment is underway). For the purposes of managing the risk of the eligibility of investments in mechanical equipment, a comprehensive analysis of all machinery and mechanical equipment was performed in 2017 and a medium-term plan of investments in their refurbishment was created for the 2018-2022 period. Investments in new MW and EW sections are designed in all stages with the production of a pre-investment study or investment study and, during the production of the Building Permit (DGD) and Executive Design (PZI) 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 preparing future revenue forecasts as realistically as possible, identifying any deviations from the business plan and by planning measures that would overcome any gap. All amendments to implementing regulations referring to toll collection and toll prices must be approved by the Ministry of Infrastructure, which prepares a proposal for government decisions that provide the basis for the implementation of amendments. 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. In 2019, DARS d.d. put forth various initiatives to manage the risk of reduced revenue from the tolling of vehicles with a maximum permissible mass exceeding 3.5 tonnes, which is in that respect the most dynamic, since the price varies with respect to the vehicle emission class, while such vehicles also hold the greatest weight in the coverage of toll road costs with respect to their traffic load. The initiative involving the indexation of tolls for the use of the Karavanke tunnel for vehicles with a MAM not exceeding 3,500kg was accepted, while all other initiatives were rejected (abolition of rebates, toll indexation on the toll road network, indexation of vignette prices, the introduction of a toll class for two-axle vehicles with a MAM exceeding 3,500kg). DARS actively cooperates with the Ministry of Infrastructure and ASECAP in the development and assessment of proposals to amend the Eurovignette Directive, which may incur revenue risk.

Due to the COVID-19 pandemic, the Company has recorded a loss of toll revenue (vignette and heavy goods vehicles). 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 Slovenian Government has approved a change of toll prices, thus abolishing rebates for users with deferred toll payment contracts as of 1 September 2020. The annual savings are estimated at €4 million. On the other hand, a new toll category for two-axle vehicles with MAM exceeding 3.5 tonnes is being introduced, where a €1.8 million annual loss of revenue is expected.

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

The risk of the loss of competent or key staff at DARS d.d. and of a growing share of actively non-engaged employees is managed with the provision of a creative, safe and interesting work environment, which is the Company's strategic goal. To this end, the HR Management Strategy 2020 has been prepared, which lays down specific activities that the organisation carries out in HR development, thus reducing the identified HR risks. To manage such risks, the emphasis was placed in the first half of 2020 on activities to identify key workplaces and key staff, while preparing foundations for the implementation of the succession policy. In addition to the timely provision of expert and competent successors at key workplaces, the latter also represents an important element of possible career development for employees and the establishment of employee engagement.

In addition to activities, such risks are also managed with measures that are carried out within the scope of the full Family-Friendly Company certificate, making it easier for employees to coordinate their work and family duties and allowing them to stay healthy by engaging in sports and recreation. The first half of 2020 was also characterised by extensive urgent HR measures to limit the spread of the COVID-19 epidemic, which contributed to the containment of risks for the spread of infections among employees, while ensuring the efficient execution of work processes.

#### Concern for employee safety and health at work

In the first quarter, most activities were carried out with the aim of protecting employees' health due to the coronavirus. The Management Board appointed a special coordination team to manage risks upon the coronavirus outbreak.

On 24 February, before the first infection was identified in Slovenia, the first protective masks, disposable gloves and hand sanitisers were distributed to employees who come into close contact with road users at work (toll supervisors and maintenance officers on call). Upon the distribution of equipment, instructions for safe work were also prepared, updated several times and communicated to all employees upon the declaration of the epidemic.

Department managers prepared action plans to organise work in case of an infection. The necessary resources for employee protection and disinfection of vehicles and business premises were provided. Later during the epidemic, measures were escalated pursuant to the instructions provided by the National Institute of Public Health and government regulations.

Work from home was introduced, where possible, on 16 March. Teams of other employees (maintenance officers, operators at control centres, toll supervisors) were reduced to the minimum required for the execution of emergency works. Other employees stayed at home on stand-by in the event of an infection. Some used up overtime or leave of absence and some were laid off temporarily. The work of contractors at the Company's business premises (regular servicing and inspections of the work and fire-fighting equipment) was suspended during the epidemic.

On 18 May, the Company re-established regular work in full attendance at all Company locations. Work in offices was set up, so that employees sitting opposite one another were protected with plexiglass partitions. Upon return to work, employees were again warned in writing of their obligation to observe the basic preventive measures to prevent infection. Company contractors were also informed of the instructions. So far, there has been no confirmed infection among Company employees.

#### Environmental protection

In accordance with its role as an entity operating and maintaining motorways and expressways, DARS d.d. implemented an environmental management system in previous years and an energy management system in 2017 that are used to consistently implement its environmental protection and energy management policy at all levels of its operations.

Based on the executed strategic conference, the DARS D.D. STRATEGY FOR 2017-2020 was amended (second amendment), which included the supplementation of new and the optimisation of existing operative goals referring to environmental and energy aspects, and consequently also measures to reduce environmental risks. In 2019, the management system was subject to continuous improvements with the realisation of measures to reduce environmental impacts and, consequently, environmental aspects, with the supplementation of new measures and the optimisation of existing environmental and energy goals and programmes, the realisation of which has been monitored within the scope of the managerial 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 set out indicative and operational environmental and energy targets and programmes that will be used to achieve such goals. 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 the legislative amendment refers to. Environmental risks, which includes the risk of inappropriate waste management with a special emphasis placed on hazardous waste, the risk of environmental

pollution and the risk associated with the protection of areas of influence, have become increasingly important. The Company continued the activities already initiated for environmental protection. The systematic management of environmental risks reflects the environmental awareness of employees. Accidents on motorways can have a negative impact on the environment; this is why it is important to reduce risks that emerge through accidents and react quickly and effectively when they do occur to minimise the negative consequences for the environment. To that end, all employees in such workplaces are informed and trained to act quickly and efficiently in terms of environmental protection should such a situation arise. The likelihood of emergencies is also reduced through preventive measures. Training aimed at learning to react quickly, properly and efficiently ensures that the impacts of any emergency events on the environment are kept to a minimum. By implementing appropriate activities within the scope of motorway maintenance, such as the cleaning and regular maintenance of retention basins to ensure their flawless functioning, implementing the Annual Programme of Operational Monitoring of rainwater (APOM), etc., the collecting, sorting and controlled disposal of waste, implementing measures to reduce light pollution and by constantly controlling carbon monoxide concentrations and visibility in tunnels, we have significantly contributed to reducing negative impacts on the environment and controlling the risks emerging in the environment. Upon the COVID-19 pandemic, the volumes of generated waste protective products, primarily gloves and masks, which are disposed of as mixed municipal waste, and of the generated waste alcohol-based sanitiser packaging, which is disposed of as waste packaging, are expected to increase. In 2020, the volume of collected fractions of municipal waste may be expected to be low at the level of the entire Company, namely due to long-term absence from work and primarily due to reduced traffic and controlled stopping of heavy goods vehicles, which is related to the closure of minor rest areas. Reduced traffic is also expected to result in lower emissions of substances in the drainage of run-off wastewater from the roads operated by DARS. It is assumed that the existing municipal infrastructure provides sufficient capacities to collect municipal waste, which is why no need has been expressed for additional containers for separate waste collection.

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

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

In line with the law, DARS d.d. carried out operational noise monitoring for the motorway and expressway network in 1018/2019. Noise protection measures were planned on the basis of those results and included in expert bases for the Noise Action Programme in affected areas. Furthermore, the expert bases for the Noise Action Programme provide guidelines for protection against the noise produced by road traffic, also setting out criteria for assessing the economic viability and proportionality of noise protection measures, guidelines for passive protection design and guidelines for noise barrier design in order to make the measures as efficient and acceptable as possible with respect to the funds invested.

For the purposes of preparing a set of measures to reduce noise pollution that will be included in the revised Noise Action Programme, the Company prepared expert bases in cooperation with an outsourcer for the renovation of noise protection barriers and expert bases. In 2020, it is expected that the Noise Action Programme will be revised for the 2018-2023 period.



## I.4 Financial operations and management of financial risks

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

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

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

Seq. No.	Description of risk	Risk assessment		Level of risk	Risk management (control)
		Probability of risk occurrence	Implications of risk occurrence		
1	2	3	4	5 = 3 x 4	6
1	Foreign exchange risk	1	1	1	Use of natural protection to match cash flows, the regular monitoring of foreign exchange markets, hedging with appropriate financial instruments
2	Interest rate risk	2	3	6	Monitoring interest rate changes, negotiations with credit institutions, hedging with appropriate financial instruments
3	Credit risk	2	2	4	Monitoring the exposure to an individual partner and its credit and financial rating
4	Liquidity risk	2	2	4	Monitoring cash flows; planning needs for liquid assets; pre-arranged credits lines; the monitoring and regular analysis of financial sustainability

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

Implications: 1 – good, 2 – moderate, 3 – bad

### Foreign exchange risk

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

### Interest rate risk

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

The 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%) have also remained unchanged. In the first half of 2020, the 6-month

EURIBOR rate fluctuated between -0.11 and -0.44%. The total interest rate at which DARS borrows funds (average pondered interest rate) as at 30 June 2020 amounted to 1.73% and slightly increased with respect to 31 December 2019 (1.69%).

Interest rate risk is unpredictable and may have a considerable impact on the Company's profit or loss with respect to the amount of its debt. A share of variable interest rates on long-term loans has been hedged with appropriate financial derivatives, which changed a floating interest rate 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 their increase seems to be slipping away, there has been no need to conclude new interest rate hedging transactions.

The Company also reduces its exposure to interest rate risk in the period of low interest rates through new borrowing at a fixed interest rate. In 2019 and the first half of 2020, the Company strengthened the share of loans with a fixed interest rate or insured them with financial derivatives. Their share as at 30 June 2020 accounted for 73.9% of the Company's credit portfolio, 25.1% of the portfolio is exposed to variable interest rates, while an interest-free loan accounts for 1%. Taking into account the interest-free loan, the Company has altogether hedged 74.9% of its credit portfolio against interest rate risks.

A simulation of the risk of interest rate variability on financial expenses with respect to the balance of the Company's debt and interest rate structure as at 30 June 2020 shows that an annual increase of the EURIBOR by 1 percentage point would imply an increase in financial expenses of some €5 million. Changes to the EURIBOR, therefore, have a significant impact on the Company's net profit or loss.

#### Credit risk

Special attention has been placed on credit risk, which includes all risks reducing the economic benefits of the Company due to unsettled contractual obligations by business partners. DARS d.d. regularly monitors outstanding receivables due from individual business partners and, if necessary, takes appropriate actions. The main risk has been identified in toll payment within the scope of the DarsGo system for vehicles with a MAM exceeding 3,500kg, where payment is made for the previous month on the basis of a 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, insolvency proceedings). In the event of unacceptable credit risks, contractually agreed mechanisms are used (e.g. discontinuation of service provision (toll) and 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 to pay tolls at toll stations resulted in a risk of default in the sense of heavy vehicle drivers using motorways without a DarsGo unit or without proper financial coverage in the driver's account. An assurance to prevent that from happening or, rather, to minimise the scope of it is to organise toll supervision in a proper manner. An additional measure to manage the risk of default is to promote the post-payment of tolls using petrol cards, where most of the risk is assumed by the petrol card issuer. The risk of default in the post-payment of tolls by business partners who conclude post-payment contracts directly with DARS d.d. is managed by monitoring their credit ratings and, if the latter are below average, by requesting a suitable bank guarantee. In case of late payment, the redemption procedure is activated and the DarsGo units for all vehicles of such a client are ranked into the pre-payment of tolls. All new contractual post-payers must submit a bank guarantee for the first two years of cooperation irrespective of their credit rating.

An additional risk in toll payment for vehicles with a maximum authorised mass exceeding 3,500 kilograms 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 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.



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

Annual liabilities for debt repayment until 2021 use up a significant part of the cash flow from operating activities, which is why it will be necessary to refinance a share of the debt. To that end, the Act Regulating the Guarantee of the Republic of Slovenia for the Obligations of DARS d.d. for Loans and Debt Securities Raised or Issued for Refinancing Existing Debts of DARS d.d. (Official Gazette of the Republic of Slovenia, No. 30/15) was adopted in 2015. The Act enables DARS d.d. to actively manage the existing debt, restructure its loan portfolio and provide in due time all necessary sources of funds for settling due liabilities arising from the existing debt. For the purposes of refinancing the existing debt, the Company can borrow with 100% government guarantee. The Company debt reduced in the first half of 2020 by €102.56 million. Due to the coronavirus epidemic and based on the measures adopted to prevent the spread of infections, DARS d.d. has recorded a loss of revenue in the first half of 2020, which is why it has been planned to compensate for the loss of such revenue by refinancing a share of the existing debt.

To fund the deployment of the DarsGo system, a new contract was concluded with the EIB in November 2017 for a loan amounting to €51 million, which is covered by a guarantee of the European Union or, rather, the European Fund for Strategic Investments. In 2020, the last tranche of the loan amounting to €26 million will be drawn. To close the financial structure of the project to establish the electronic tolling system, the Company started a new borrowing procedure in 2018, i.e. without a government guarantee. Borrowing terms have been adjusted to the terms and conditions laid down in the loan agreement concluded with the EIB. The €51 million loan agreement was signed on 25 April 2019 and the loan was drawn in full in the first half of 2020.

New infrastructural projects already lie ahead of us. One of the more important projects is the construction of the second tube of the Karavanke tunnel, where procedures to obtain funds within the scope of the EFSI guarantee commenced in 2018. During 2019, all contract documents for the €90 million loan were harmonised with the EIB. The agreement was signed on 13 February 2020 and includes the option to draw the loan gradually pursuant to the dynamics of works.

Due to the implementation of future investment plans under ReNPRP30, the National Assembly of the Republic of Slovenia adopted a guarantee act on 18 December 2019 laying down the award of the state guarantee to DARS d.d. to finance the construction of two sections of the 3rd development axis north (Velenje - Slovenj Gradec) and a section of the 3rd development axis south (Novo mesto East - Osrednek) with a total value of up to €360 million, which will ensure the acquisition of funds for the planned dynamics of the execution. Due to Eurostat rules, a Member State cannot provide a guarantee for more than 50% of the value of funds. Investment programmes for both sections that are the subject of the mentioned act have already been approved. To close the financial structure of the projects, the EFSI guarantee (a guarantee given by the European Union to the EIB for 50% of the value of eligible project costs) will be used to the maximum possible extent, while activities to obtain EU grants are already underway.

A great deal of attention is placed on cash flow management, including in the planning of inflows from tolls, which is the fundamental source for the settlement of liabilities deriving from borrowing. The Company currently faces reduced revenues due to a factor that could not have been foreseen in advance. This mostly involves a loss of toll revenue from goods vehicles and short-term vignette sales. For the mentioned reasons, figures relating to vehicle passages and monthly vignette sales are monitored on a daily basis (the amount is beyond the Company's control, as it depends solely on traffic) and based on that information, forecasts of Company revenues may be

adjusted accordingly and, as a result, actions may be taken to manage other Company risks. The coronavirus epidemic is a new moment that has forced all companies to be better prepared for the management of future liquidity risks. DARS d.d. was suitably prepared for such an event with its conservative approach to cash flow management and, consequently, a sound liquidity position.

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

## I.5 Analysis of business performance

### DARS d.d. revenue

Type of revenue	I-VI 2020 in €	I-VI 2019 in €	Index 2020/2019	Structural shares I-VI 2020 in %
Revenue under the performance contract	167,607	158,492	106	0
Toll revenue	174,451,147	217,155,969	80	93
- vignettes	61,098,561	81,916,871	75	33
- freight traffic	108,831,233	128,648,114	85	58
- tolls from the Karavanke tunnel	4,521,353	6,590,984	69	2
Revenue from rest area leases	3,158,356	4,205,678	75	2
Revenue from closures and overweight load transport	450,760	443,599	102	0
Revenue from easement for base stations and other	295,523	356,791	83	0
Revenues from the lease of optical fibres	467,842	490,906	95	0
Other sales revenue	680,512	882,325	77	0
Other operating revenue	7,338,486	26,960,938	27	4
Financial revenue	290,548	432,697	67	0
Other revenues	75,815	127,407	60	0
Capitalised own products and services	540,081	220,292	245	0
<b>Total</b>	<b>187,916,676</b>	<b>251,435,094</b>	<b>75</b>	<b>100</b>

In the first half of 2020, Company revenues amounted to €187.9 million and decreased by 25% compared to the previous period.

Despite a good start in 2020, when an increase in toll revenue was recorded, the declaration of the pandemic and measures to contain COVID-19 led to a severe economic downturn, which in turn caused a major decline in traffic and thus toll revenue.

Toll revenue in the relevant period amounted to €217.2 million and accounts for 93% of total Company revenues. Revenue from vignettes accounted for 35% of toll revenue, revenue from heavy vehicle tolls accounted for 62% and revenue from the Karavanke tunnel tolls accounted for 3%.

The main risk identified was a loss of toll revenue from heavy goods vehicles and passenger vehicles. In respect of heavy goods vehicles, the economic downturn throughout Europe (the main factor in the volume of heavy goods transport) caused a 15% decrease in toll revenue.

In respect of vignettes, the first major loss in the sale of weekly and monthly vignettes was recorded during the Easter holidays and later during May Day and other holidays in EU Member States. As regards vignettes, revenue from annual vignettes has mostly been secured (sales from December 2019 to March 2020), which accounts for a major share of vignette revenue (revenue from annual vignettes accounted for 46% of total vignette revenue in 2019). By the end of June, the sales volume of 2020 vignettes decreased by 1,276,348 pieces or 34% year-over-year.

It is estimated that the situation will affect the attainment of the Company's business goals, but will not significantly endanger the Company's financial sustainability, operations and the assumption of a going concern.

As regards leases for rest areas, the Company revenue is related to the turnover generated by lessees or, rather, fuel price regulation. The COVID-19 epidemic and the drop in the turnover resulted in reduced margins for lessees and, consequently, lower revenue from rest area leases.

Other operating revenue is in line with the plan, but lower than that realised in the past due to the reversal of the long-term accrued costs of contingent losses on claims for damages related to motorway construction and reconstruction in the first half of 2019.

**DARS d.d. expenses**

Type of expense	I-VI 2020 in €	I-VI 2019 in €	Index 2020/2019	Structural shares I-VI 2020 in %
Cost of material	4,284,910	4,997,547	86	3
Cost of services	15,987,861	17,101,366	93	10
Labour costs	21,249,729	20,016,198	106	14
Write-downs	92,047,662	90,188,170	102	60
Other operating expenses	375,798	1,726,427	22	0
Financial expenses	18,524,321	20,706,668	89	12
Other expenses	389,782	161,810	241	0
<b>Total</b>	<b>152,860,063</b>	<b>154,898,185</b>	<b>99</b>	<b>100</b>

The expenses of DARS d.d. in the period from January to June 2020 amounted to €152.9 million and decreased by 1% compared to the same period in 2019.

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

Write-downs of fixed assets in the relevant period amounted to €92 million (or 60% of total Company expenses) and increased by 2% compared to the realisation in the previous period. Depreciation/amortisation increased due to increased investments in intangible fixed assets, major investments and investments in DarsGo equipment.

**Profit or loss**

The total profit or loss of DARS d.d. for the period from 1 January to 30 June 2020 amounted to €28.4 million and decreased by 64% compared to the profit or loss for the first half of 2019.

## I.6 Significant events from 1 January 2020 to 30 June 2020

### January

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

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

### February

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

### March

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

### April

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

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

### June

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

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

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

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

## I.7 Events after the balance sheet date

### July

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

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

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

On 16 July 2020, the Slovenian Government adopted some changes concerning the tolling of vehicles with a maximum authorised mass exceeding 3,500kg. The changes will enter into force on 1 September 2020.

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

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

Events after the balance-sheet date had no impact on the financial statements of DARS d.d. for the period from January to June 2020.

## I.8 Summary of the unaudited financial report

### Financial statements of DARS d.d.

#### Balance Sheet as at 30 June 2020

In € (excl. cents)	30/6/2020	30/6/2019
<b>ASSETS</b>	<b>5,283,607,361</b>	<b>5,615,657,802</b>
<b>A. LONG-TERM ASSETS</b>	<b>4,907,318,469</b>	<b>5,201,176,315</b>
I. Intangible assets and long-term deferred costs and accrued revenues	27,950,134	30,677,537
1. Long-term property rights	27,929,958	30,654,478
5. Other long-term deferred costs and accrued revenue	20,176	23,058
II. Property, plant and equipment	4,750,245,661	5,083,532,485
1. Land and buildings	4,597,249,303	4,938,366,471
a) Land	188,576,234	193,828,746
b) Buildings	4,408,673,069	4,744,537,726
3. Other machines and equipment	37,341,972	36,760,395
4. Property, plant and equipment being acquired	115,654,386	108,405,619
a) Property, plant and equipment under construction and manufacture	115,654,386	108,405,619
III. Investment property	2,267,081	2,296,775
IV. Long-term investments	105,000,964	57,000,964
1. Long-term investments other than loans	964	964
c) Other shares and interests	964	964
2. Long-term loans	105,000,000	57,000,000
b) Long-term loans to others	105,000,000	57,000,000
V. Long-term operating receivables	16,972,588	21,542,786
2. Long-term trade receivables	30,754	30,757
3. Long-term operating receivables from others	16,941,834	21,512,028
VI. Deferred tax assets	4,882,040	6,125,768
<b>B. CURRENT ASSETS</b>	<b>374,339,965</b>	<b>412,497,777</b>
I. Assets (of disposal group) held for sale	1,655,500	150,074
II. Inventories	5,537,031	4,892,286
1. Material	3,957,389	3,796,666
3. Products and merchandise	1,579,643	1,095,619
III. Short-term investments	268,000,000	293,000,000
2. Short-term loans	268,000,000	293,000,000
b) Short-term loans to others	268,000,000	293,000,000
IV. Short-term operating receivables	49,794,975	55,684,912
2. Short-term trade receivables	27,938,442	35,433,237
3. Short-term operating receivables from others	21,856,533	20,251,675
V. Cash and cash equivalents	49,352,459	58,770,506
<b>C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE</b>	<b>1,948,927</b>	<b>1,983,710</b>

In € (excl. cents)	30/6/2020	30/6/2019
<b>LIABILITIES</b>	<b>5,283,607,361</b>	<b>5,615,657,802</b>
<b>A. EQUITY</b>	<b>2,891,084,931</b>	<b>3,033,780,875</b>
I. Called-up capital	2,086,559,144	2,322,284,140
1. Share capital	2,086,559,144	2,322,284,140
II. Capital surplus	28,462,160	26,576,528
III. Profit reserves	761,402,361	566,797,337
1. Legal reserves	39,717,709	32,737,888
4. Statutory reserves	158,742,423	125,588,272
5. Other profit reserves	562,942,229	408,471,176
V. Fair value reserves	-13,734,590	-15,080,625
VI. Retained earnings	0	55,008,600
VII. Net profit or loss for the financial year	28,395,856	78,194,897
<b>B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE</b>	<b>158,009,502</b>	<b>166,631,305</b>
1. Provisions for pensions and similar liabilities	4,285,844	3,314,139
2. Other provisions	1,864,190	2,862,325
3. Long-term accrued costs and deferred revenue	151,859,468	160,454,840
<b>C. LONG-TERM LIABILITIES</b>	<b>1,878,718,723</b>	<b>2,075,558,756</b>
I. Long-term financial liabilities	1,784,871,462	1,955,223,015
2. Long-term financial liabilities to banks	1,511,392,585	1,637,968,737
3. Long-term financial liabilities for bonds	117,800,967	160,364,547
4. Other long-term financial liabilities	155,677,910	156,889,732
II. Long-term operating liabilities	93,847,261	120,285,559
2. Long-term trade liabilities	0	344,487
5. Other long-term operating liabilities	93,847,261	119,941,072
III. Deferred tax liabilities	0	50,181
<b>D. SHORT-TERM LIABILITIES</b>	<b>306,765,395</b>	<b>289,208,581</b>
II. Short-term financial liabilities	254,963,956	226,507,644
2. Short-term financial liabilities to banks	182,132,226	197,170,536
3. Short-term financial liabilities for bonds	46,845,391	4,275,767
4. Other short-term financial liabilities	25,986,340	25,061,341
III. Short-term operating liabilities	51,801,439	62,700,937
2. Short-term trade liabilities	37,659,674	43,156,062
4. Short-term operating liabilities for advances	68,835	31,009
5. Other short-term operating liabilities	14,072,930	19,513,865
<b>E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE</b>	<b>49,028,810</b>	<b>50,478,286</b>



## Income Statement for the period from 1 January to 30 June 2020

In € (excl. cents)	1/1 to 30/6/2020	1/1 to 30/6/2019
<b>1. Net sales revenues</b>	<b>179,671,746</b>	<b>223,693,760</b>
Toll revenue	174,451,147	217,155,969
Revenue from rest area leases	3,158,356	4,205,678
Revenue from closures and overweight load transport	450,760	443,599
Revenue from easements for base stations and other	295,523	356,791
Revenue under the performance contract	167,607	158,492
Revenues from the lease of optical fibres	467,842	490,906
Other sales revenue	680,512	882,325
<b>3. Capitalised own products and services</b>	<b>540,081</b>	<b>220,292</b>
<b>4. Other operating revenue</b>	<b>7,338,486</b>	<b>26,960,938</b>
<b>5. Cost of goods, material and services</b>	<b>-20,272,771</b>	<b>-22,098,913</b>
a) Cost of goods and material sold and cost of material used	-4,284,910	-4,997,547
b) Cost of services	-15,987,861	-17,101,366
<b>6. Labour costs</b>	<b>-21,249,729</b>	<b>-20,016,198</b>
a) Cost of salaries and wages	-14,686,754	-13,977,533
b) Social security costs	-2,998,123	-2,883,373
c) Other labour costs	-3,564,852	-3,155,292
<b>7. Write-downs</b>	<b>-92,047,662</b>	<b>-90,188,170</b>
a) Depreciation/amortisation	-91,930,931	-89,234,250
Operating expenses for the revaluation of intangible assets and property, plant and equipment	-114,932	-950,963
c) Operating expenses for the revaluation of current assets	-1,799	-2,957
<b>8. Other operating expenses</b>	<b>-375,798</b>	<b>-1,726,427</b>
<b>9. Financial revenue from shares</b>	<b>0</b>	<b>0</b>
d) Financial revenue from other investments	0	0
<b>10. Financial revenue from loans given</b>	<b>178,679</b>	<b>425,257</b>
b) Financial revenue from loans to others	178,679	425,257
<b>11. Financial revenue from operating receivables</b>	<b>111,869</b>	<b>7,440</b>
b) Financial revenue from operating receivables due from others	111,869	7,440
<b>12. Financial expenses for investment impairment and write-down</b>	<b>-634,291</b>	<b>-1,975,253</b>
<b>13. Financial expenses for financial liabilities</b>	<b>-17,880,227</b>	<b>-18,688,289</b>
b) Financial expenses for loans received from banks	-10,510,217	-11,592,877
c) Financial expenses for bonds issued	-3,654,038	-3,639,136
d) Financial expenses for other financial liabilities	-3,715,971	-3,456,276
<b>14. Financial expenses for operating liabilities</b>	<b>-9,803</b>	<b>-43,126</b>
b) Financial expenses for trade liabilities	-27	-26,038
c) Financial expenses for other operating liabilities	-9,776	-17,087
<b>15. Other revenue</b>	<b>75,815</b>	<b>127,407</b>
<b>16. Other expenses</b>	<b>-389,782</b>	<b>-161,810</b>
<b>17. Corporate income tax</b>	<b>-6,660,756</b>	<b>-18,342,013</b>
<b>18. Deferred tax</b>	<b>0</b>	<b>0</b>
<b>19. Net profit or loss for the accounting period</b>	<b>28,395,856</b>	<b>78,194,897</b>

## Notes on the financial statements

The financial statements of DARS d.d. for the first half of 2020 and 2019 have not been audited and have been prepared pursuant to the Companies Act and the requirements laid down by the Slovenian Accounting Standards.

### Notes on the Balance Sheet

#### Intangible assets and long-term deferred costs and accrued revenue

The Company's intangible assets comprise computer software.

Changes in intangible assets in the first half of 2020:

In € (excl. cents)	Computer software	Intangible fixed assets under construction	Total
<b>Cost</b>			
Balance as at 31/12/2019	42,091,031	323,890	42,414,921
Acquisitions	0	631,360	631,360
Activation	477,033	-477,033	0
Eliminations (disposals, write-offs)	-165,398	0	-165,398
Balance as at 30/6/2020	42,402,666	478,217	42,880,883
<b>Allowance</b>			
Balance as at 31/12/2019	13,046,220	0	13,046,220
Amortisation	2,070,103	0	2,070,103
Eliminations (disposals, write-offs)	-165,398	0	-165,398
Balance as at 30/6/2020	14,950,925	0	14,950,925
<b>Present value</b>			
Balance as at 31/12/2019	29,044,811	323,890	29,368,701
<b>Balance as at 30/6/2020</b>	<b>27,451,741</b>	<b>478,217</b>	<b>27,929,958</b>

The following major intangible fixed assets were activated in the first half of 2020:

- the application of a system for international traffic management (ongoing investment) in the amount of €277,500,
- upgrade to the software for the electronic tolling system in free traffic flow in the amount of €129,950,
- a software upgrade for IT support to the KAŽIPOT II traffic information and monitoring system in the amount of €88,660,
- upgrade of the NAVISION software in the amount of €43,303,
- upgrade of the project information system software in the amount of €51,060,
- upgrade of the GIS DARS application in the amount of €24,750,
- upgrade of the road database software in the amount of €36,890,
- upgrade of the software used to access the WEPS web-based application in the amount of €27,040,
- upgrade of the application used to monitor the vehicle fleet in the amount of €11,008, and
- upgrade of the Esri ARCGIS PRO Advanced Cu software in the amount of €36,230.

As at 30 June 2020, no intangible assets were pledged as security for liabilities and no signs of impairment were observed for intangible assets, as they predominantly comprise newly-acquired intangible assets.

Long-term deferred costs and accrued revenue amounting to €20,176 refer to the remaining cost of development and registration of the DarsGo brand.

#### Property, plant and equipment

Property, plant and equipment comprise land, buildings, equipment and property, plant and equipment under construction or manufacture.

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

Pursuant to the ZDARS-1, the right of superficies was established for the benefit of DARS d.d. on 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 was established free of charge for a 50-year period (from 4 December 2010 to 4 December 2060). 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.

Buildings comprise motorways (substructure, superstructure, structures and other road infrastructure) and other buildings (motorway maintenance centres, office buildings, vacation accommodation units and apartments).

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 electronic tolling system in free traffic flow for all vehicles with a maximum authorised mass exceeding 3.5 tonnes. Toll collection in free traffic flow is only executed using the prescribed functional DarsGo unit installed on board a vehicle that is liable to pay tolls. Pursuant to Article 25 of the Road Tolling Act, a DarsGo unit is owned by the operator of the toll roads. DARS may request the return and replacement of a DarsGo unit at any time.

As at 30 June 2020, the cost of DarsGo units amounted to €4,440,285 and the book value stood at €2,957,596. A DarsGo unit is transferred from the inventory of goods to fixed assets upon the first delivery of a DarsGo unit to a toll payer.

The following major property, plant and equipment were activated in the first half of 2020:

- investments in motorways and other buildings in the amount of €1,864,480,
- investments in other equipment for pursuing Company activities (computer equipment, office furniture, machinery, devices, tools, heavy goods and combination vehicles and car rental) in the amount of €4,403,606,
- investments in equipment for the electronic tolling system in free traffic flow amounting to €185,179, and
- DarsGO units in the amount of €263,408.

The following major property, plant and equipment were eliminated in the first half of 2020:

- sale of land plots that were acquired for motorway construction, but were partly or not at all used for MW construction, operation or maintenance in the amount of €1,371,437,
- sale of apartments in the amount of €86,781,
- permanent eliminations of fixed assets from use with disposal to public waste dumps due to dilapidation, damage, obsolescence and the introduction of the electronic tolling system in free traffic flow for all vehicles with a maximum authorised mass exceeding 3.5 tonnes in the amount of €1,961,544.

## Changes in property, plant and equipment in the first half of 2020:

In € (excl. cents)	Land	Land – LEASES	Right of superficies	Buildings – LEASES	Motorways (substructures, superstructures, structures, other motorway infrastructure)	Buildings (MM centres, toll stations, office building in Celje, holiday units, apartments, etc.)	Property, plant and equipment under construction – buildings	Equipment and small tools	Equipment – LEASES	Property, plant and equipment being acquired – equipment	Total
<b>Cost</b>											
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 the first half of 2020	0	0	0	0	0	0	34,605,321	0	0	5,307,760	39,913,081
Activation	1,521,394	0	0	8,738	1,605,566	250,176	-3,385,874	4,446,218	220,795	-4,667,013	0
Eliminations in the first half of 2020 /disposals, write-downs/	-1,371,436	0	0	0	0	-137,380	0	-1,974,576	-71,118	0	-3,554,511
<b>Balance as at 30/6/2020</b>	<b>29,528,020</b>	<b>36,250</b>	<b>190,760,000</b>	<b>2,239,532</b>	<b>5,704,749,391</b>	<b>66,159,994</b>	<b>114,530,549</b>	<b>137,627,542</b>	<b>2,059,922</b>	<b>1,123,838</b>	<b>6,248,815,038</b>
<b>Allowance</b>											
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	1,813	1,963,178	254,588	80,717,095	1,076,466	0	5,576,816	256,025	0	89,845,981
Eliminations in the first half of 2020 /disposals, write-downs/	0	0	0	0	0	-85,384	0	-1,954,198	-71,118	0	-2,110,700
<b>Balance as at 30/6/2020</b>	<b>0</b>	<b>5,438</b>	<b>31,742,598</b>	<b>760,271</b>	<b>1,345,506,110</b>	<b>18,209,468</b>	<b>0</b>	<b>101,701,167</b>	<b>644,325</b>	<b>0</b>	<b>1,498,569,377</b>
<b>Present value</b>											
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
<b>Balance as at 30/6/2020</b>	<b>29,528,020</b>	<b>30,812</b>	<b>159,017,402</b>	<b>1,479,261</b>	<b>4,359,243,281</b>	<b>47,950,526</b>	<b>114,530,549</b>	<b>35,926,375</b>	<b>1,415,597</b>	<b>1,123,838</b>	<b>4,750,245,661</b>

**Investment property**

In € (excl. cents)	Land	Buildings	Total
<b>Cost</b>			
Balance as at 31/12/2019	1,363,906	989,781	2,353,687
Increases	0	0	0
Balance as at 30/6/2020	1,363,906	989,781	2,353,687
<b>Allowance</b>			
Balance as at 31/12/2019	0	71,759	71,759
Amortisation	0	14,847	14,847
Balance as at 30/6/2020	0	86,606	86,606
<b>Present value</b>			
Balance as at 31/12/2019	1,363,906	918,022	2,281,928
<b>Balance as at 30/6/2020</b>	<b>1,363,906</b>	<b>903,175</b>	<b>2,267,081</b>

**Right-of-use assets**

DARS hires land, business premises, fibre optics, vehicles and equipment. The average period of lease is 4 years. DARS has no option to purchase certain leased equipment at a nominal value after the end of the lease. Lease liabilities are secured with the lessor's property right to the property, plant and equipment leased.

**Changes in right-of-use assets:**

In € (excl. cents)	Land	Buildings	Equipment and small tools	Total
<b>Cost</b>				
Balance as at 31/12/2019	36,250	2,230,794	1,910,245	4,177,289
Acquisitions in the first half of 2020	0	8,738	220,795	229,533
Eliminations in the first half of 2020	0	0	-71,118	-71,118
<b>Balance as at 30/6/2020</b>	<b>36,250</b>	<b>2,239,532</b>	<b>2,059,922</b>	<b>4,335,704</b>
<b>Allowance</b>				
Balance as at 31/12/2019	3,625	505,683	459,418	968,726
Amortisation in the first half of 2020	1,813	254,588	256,025	512,426
Eliminations in the first half of 2020	0	0	-71,118	-71,118
<b>Balance as at 30/6/2020</b>	<b>5,438</b>	<b>760,271</b>	<b>644,325</b>	<b>1,410,034</b>
<b>Present value</b>				
Balance as at 31/12/2019	32,625	1,725,111	1,450,827	3,208,563
<b>Balance as at 30/6/2020</b>	<b>30,812</b>	<b>1,479,261</b>	<b>1,415,597</b>	<b>2,925,670</b>

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 deemed to be the term of the lease agreement.

**Long-term investments**

As at 30 June 2020, long-term loans to others amounted to €105,000,000 and included:

- long-term bank deposits in the amount of €105,000,000, with maturity between 366 and 533 days and a weighted average interest rate of 0.09%.

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

#### Long-term operating receivables

Long-term trade receivables in the amount of €30,754 refer to a receivable deriving from the confirmation of the compulsory composition of T-2 d.o.o.

Long-term operating receivables due from others in the amount of:

- €16,923,277 refers to the long-term share of receivables for input VAT deriving from the charge for the establishment of the right of superficies, and
- €18,558 refers to the interest accrued on long-term bank deposits.

#### Assets held for sale

As at 30 June 2020, short-term assets included property, plant and equipment held for sale in the amount of €1,655,500. The assets fully refer to real estate.

#### Inventories

Inventories of material include inventories of material, spare parts, small tools and packaging. Compared to the balance as at 30 June 2019, inventories of material increased by 13%. In the inventory structure, inventories of material account for a 51% share and, within that scope, inventories of grit materials account for 24%, inventories of barriers account for 12%, inventories of vignettes for 2020 account for 13%, inventories of spare parts account for 12%, and inventories of petroleum products account for 7%.

In € (excl. cents)	30/6/2020	Share	30/6/2019	Index
Material	2,866,139	52	2,873,794	100
Spare parts	467,017	8	460,310	101
Small tools and packaging	624,233	11	462,562	135
Merchandise	1,579,643	29	1,095,619	144
<b>Total</b>	<b>5,537,031</b>	<b>100</b>	<b>4,892,286</b>	<b>113</b>

Inventories of merchandise, among other things, include:

- inventories of DarsGo units in the amount of €1,573,118 and
- inventories of DarsGo unit racks in the amount of €5,152.

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

#### Short-term investments

As at 30 June 2020, short-term loans to others amounted to €268,000,000 and included:

- short-term bank deposits in the amount of €268,000,000 with maturity between 1 and 365 days and a weighted average interest rate of 0.1%.

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

**Short-term operating receivables**

In € (excl. cents)	30/6/2020	Share	30/6/2019	Index
Short-term trade receivables:	27,938,442	56	35,433,237	79
- toll receivables	26,791,739	54	34,594,045	77
- receivables from the use of motorway service areas	716,044	1	504,960	142
- receivables from motorway closures	108,882	0	168,113	65
- other short-term operating receivables	374,079	1	1,270,338	29
- allowance for other short-term receivables	-52,302	0	-1,104,219	5
Short-term operating receivables due from others:	21,856,533	44	20,251,675	108
- for advances given for current assets	11,629	0	15,418	75
- short-term operating receivables from operations for the account of third parties	14,242,032	29	31,171,951	46
- allowance for short-term receivables for the account of third parties	0	0	-14,434,530	0
- short-term receivables from financial revenue	171,436	0	887,469	19
- input VAT receivables	1,584,600	3	1,191,510	133
- other short-term receivables due from state institutions	5,013,679	10	144,726	3,464
- other short-term receivables	2,557,939	5	2,999,913	85
- allowance for other short-term receivables	-1,724,781	-3	-1,724,781	-
<b>Total</b>	<b>49,794,975</b>	<b>100</b>	<b>55,684,912</b>	<b>89</b>

Trade receivables for tolls account for 54% of the total short-term operating receivables, while the remainder includes other short-term receivables.

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

- receivables due from domestic commission agents and foreign sales agents in the amount of €8,131,558 and
- receivables due from the Republic of Slovenia totalling €5,155,056, which are related to operations for the account of third parties for the transactions referred to in Article 4 of the ZDARS-1 amounting to €5,053,136 and to the fee under the performance contract in the amount of €101.920. Based on Article 4 of the ZDARS-1, DARS d.d. does business on behalf of and for the account of the state. Such transactions are disclosed in books of account as transactions for the account of third parties. They involve tasks related to spatial planning and motorway siting, and with real estate acquisition for the purposes of motorway construction, which the Company performs pursuant to the performance contract. DARS d.d. records receivables due from the Republic of Slovenia for the transactions executed. Funds for such transactions are guaranteed from the Republic of Slovenia budget pursuant to Article 10 of the ZDARS-1.

**Cash and cash equivalents**

In € (excl. cents)	30/6/2020	Share in %	30/6/2019	Index
Cash at bank	18,191,795	37	15,851,322	115
Demand deposits and overnight deposits	30,392,498	62	41,916,301	73
Cash in hand	989	0	1,270	78
Cash in hand at DarsGo services	317,250	1	348,890	91
Cash in transit	449,926	1	652,723	69
<b>Total cash and cash equivalents</b>	<b>49,352,459</b>	<b>100</b>	<b>58,770,506</b>	<b>84</b>

Cash and cash equivalents include, inter alia:

- demand deposits amounting to €30,000,000 with an average weighted interest rate of 0.003%, and
- short-term overnight bank deposits amounting to €392,498 at an interest rate of 0.01%.

Cash in transit is cash from tolls collected that has not been deposited in the Company's transaction account yet.

**Short-term deferred costs and accrued revenue**

Accrued costs and deferred revenue amounting to €1,948,927 refer to short-term deferred costs in the amount of €1,697,351, which will be debited to profit or loss in future accounting periods, and short-term accrued revenue from the lease of base stations in the amount of €251,576.

Short-term deferred costs refer to the commission for sales agents from the vignettes sold in the amount of €1,077,138 and the short-term deferred costs of vignette printing in the amount of €39,653.

**Equity**

The share capital of DARS d.d. amounts to €2,086,559,144 and is divided into 55,650,231 shares. The sole owner of the Company is the Republic of Slovenia.

The book value of one share as at 30 June 2020 amounted to €51.95. It is calculated as the ratio between the total equity value and the number of shares.

The net profit or loss for the period from 1 January 2020 to 30 June 2020 amounted to €28,395,856.

In € (excl. cents)	30/6/2020	30/6/2019
<b>A. EQUITY</b>	<b>2,891,084,931</b>	<b>3,033,780,875</b>
I. Called-up capital	2,086,559,144	2,322,284,140
1. Share capital	2,086,559,144	2,322,284,140
II. Capital surplus	28,462,160	26,576,528
III. Profit reserves	761,402,361	566,797,337
1. Legal reserves	39,717,709	32,737,888
4. Statutory reserves	158,742,423	125,588,272
5. Other profit reserves	562,942,229	408,471,176
V. Fair value reserves	-13,734,590	-15,080,625
VI. Retained earnings	0	55,008,600
VII. Net profit or loss for the financial year	28,395,856	78,194,897

**Provisions and long-term accrued costs and deferred revenue**

In € (excl. cents)	30/6/2020	30/6/2019	Index
Provisions for severance pay upon retirement	2,823,616	2,105,938	134
Provisions for employee jubilee benefits	1,449,175	1,186,447	122
Provisions for voluntary pension insurance	13,052	21,754	60
Provisions for employment-related claims	17,654	20,379	87
Provisions for legal claims related to construction and reconstruction	1,846,535	2,841,947	65
Free-of-charge acquisition of fixed assets	266,717	380,757	70
Lease of optical fibres	422,987	484,228	87
Guarantees drawn	4,304,551	5,054,129	85
EU grants and co-funding	146,853,687	154,531,583	95
Exemption from the payment of pension contributions for the disabled exceeding the quota	11,526	4,144	278
<b>Total</b>	<b>158,009,502</b>	<b>166,631,305</b>	<b>95</b>



**Long-term financial liabilities**

In € (excl. cents)	30/6/2020
a) Long-term financial liabilities referring to motorway construction and reconstruction	1,782,898,328
b) Long-term lease liabilities	1,973,134
<b>Total</b>	<b>1,784,871,462</b>

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

The Company borrows funds on international and domestic financial markets for its business purposes. All liabilities deriving from borrowing are fully insured with a government guarantee, except for the loan given by the European Investment Bank for the deployment of the DarsGo system (ETS) in the amount of €51 million, which is covered by the guarantee of the European Union or, rather, the European Fund for Strategic Investments (EFSI), and the loan given by Kreditanstalt für Wiederaufbau, also for the deployment of the DarsGo system (ETS), in the amount of €51 million. The purpose of the loans is to finance motorway construction and reconstruction and to refinance the existing debt. There was no new borrowing in the first half of 2020.

The interest rates and methods to calculate interest for the received loans are contractually defined and a business secret, and the weighted annual interest rate on the total Company debt amounted to 1.73% as at 30 June 2020. The interest rate on the total Company debt as at 30 June 2020 ranged from 0 to 4.96%.

In € (excl. cents)	30/6/2020	Share	30/6/2019	Index
Long-term loans acquired from domestic banks	677,807,456	38%	766,256,785	88
Long-term loans acquired from foreign banks	833,585,129	47%	871,711,952	96
Long-term loans acquired from foreign entities	15,924,776	1%	19,109,731	83
Loan based on a Schuldschein promissory note	37,780,000	2%	37,780,000	100
Issued NSV registered notes	100,000,000	6%	100,000,000	100
Long-term bonds issued	117,800,967	7%	160,364,547	73
<b>Total</b>	<b>1,782,898,328</b>	<b>100%</b>	<b>1,955,223,015</b>	<b>91</b>

Long-term financial liabilities by maturity:

In € (excl. cents)	30/6/2020	Share
Long-term financial liabilities with a maturity of up to 5 years	734,496,822	41%
Long-term financial liabilities with a maturity exceeding 5 years	1,048,401,506	59%
<b>Total</b>	<b>1,782,898,328</b>	<b>100%</b>

Changes in long-term financial liabilities in the first half of 2020:

Long-term financial liabilities	Balance as at 1/1/2020	increases I-VI 2020	decreases I-VI 2020	Balance as at 30/6/2020
European Investment Bank	646,205,832	0	21,465,941	624,739,891
Nova Ljubljanska banka	323,241,026	0	19,389,103	303,851,923
Kreditanstalt für Wiederaufbau	142,109,375	48,166,667	11,192,708	179,083,333
Consortium of Slovenian banks	34,387,750	0	10,798,259	23,589,491
Deutsche Pfandbriefbank	41,666,667	0	11,904,762	29,761,905
UniCredit Banka Slovenija	11,674,178	0	4,167,919	7,506,260
KA FINANZ	0	0	0	0
Addiko Bank	18,967,868	0	3,334,752	15,633,116
Regione Autonoma Friuli Venezia	15,924,776	0	0	15,924,776

Long-term financial liabilities	Balance as at 1/1/2020	increases I-VI 2020	decreases I-VI 2020	Balance as at 30/6/2020
Intesa Sanpaolo	82,333,333	0	1,166,667	81,166,667
Schuldschein	37,780,000	0	0	37,780,000
Abanka	50,000,000	0	2,940,000	47,060,000
SKB banka	50,000,000	0	0	50,000,000
Unicredit + Intesa Sanpaolo	99,000,000	0	0	99,000,000
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
<b>Total</b>	<b>1,821,091,772</b>	<b>48,166,667</b>	<b>86,360,110</b>	<b>1,782,898,328</b>

**b.) Long-term lease liabilities**

In € (excl. cents)	30/6/2020
Long-term lease liabilities – principal	2,037,922
Long-term lease liabilities – interest	-64,788
<b>Total</b>	<b>1,973,134</b>

**Long-term financial liabilities to banks**

Long-term share of loan principals by lender:

In € (excl. cents)		
Lender	30/6/2020	Share
Consortium of Slovenian banks	23,589,491	2%
Addiko Bank	15,633,116	1%
Unicredit Banka Slovenija	7,506,260	0%
Intesa Sanpaolo	81,166,667	5%
Unicredit + Intesa Sanpaolo	99,000,000	7%
NLB	303,851,923	20%
Abanka	47,060,000	3%
SKB banka	50,000,000	3%
SID Bank	50,000,000	3%
European Investment Bank	624,739,891	41%
Kreditanstalt für Wiederaufbau	179,083,333	12%
Deutsche Pfandbriefbank	29,761,905	2%
KA FINANZ	0	0%
<b>Total</b>	<b>1,511,392,585</b>	<b>100%</b>

**b) Loans from the Consortium of Slovenian banks**

DARS d.d. took out seven loans from the Consortium of Slovenian banks in the period from 1996 to 2004. The loans given by the Consortium of Slovenian banks were repaid in the first half of 2020 in the total amount of €25,774,958. The loan taken from the Consortium of banks IV was repaid in full in the first half of 2020.

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

Type	Repayment period	In € (excl. cents)
I	from 2002 to 2016	0
II	from 2004 to 2019	0
III	from 2007 to 2019	0
IV	from 2008 to 2020	0
V	from 2007 to 2020	0
VI	from 2009 to 2021	8,240,013
VII	from 2012 to 2024	15,349,478
<b>Total</b>		<b>23,589,491</b>

c) Addiko Bank loans

The Company took out three loans from Addiko Bank in 2003, 2004 and 2005. The Addiko Bank loans were repaid in the first half of 2020 in the total amount of €3,334,752.

Long-term liabilities to Addiko Bank and loan repayment periods:

Type	Repayment period	In € (excl. cents)
I	from 2011 to 2023	6,664,335
II	from 2012 to 2024	3,752,623
III	from 2014 to 2023	5,216,158
<b>Total</b>		<b>15,633,116</b>

d) UniCredit Banka Slovenija loans

The Company took out two loans from UniCredit Banka Slovenija in 2005 and 2006. The Unicredit Banka Slovenija loans were repaid in the first half of 2020 in the total amount of €4,167,918.

Long-term liabilities to Unicredit Banka Slovenija and loan repayment periods:

Type	Repayment period	In € (excl. cents)
I	from 2011 to 2023	4,172,926
II	from 2007 to 2021	3,333,334
<b>Total</b>		<b>7,506,260</b>

e) Intesa Sanpaolo loan

In 2006, DARS d.d. took out a loan from Intesa Sanpaolo, which was intended for refinancing or the early repayment of the loans from Kreditanstalt für Wiederaufbau. In 2016, the Company took out a loan from Intesa Sanpaolo in the amount of €80 million to refinance loans.

The Intesa Sanpaolo loan was repaid in the first half of 2020 in the total amount of €1,166,667.

Long-term liability to Intesa Sanpaolo and loan repayment periods:

Type	Repayment period	In € (excl. cents)
I	from 2007 to 2021	1,166,667
II	from 2021 to 2036	80,000,000
<b>Total</b>		<b>81,166,667</b>

## f) NLB loans

The Company took out three loans from NLB in 2007, 2008 and 2013. The NLB loans were repaid in the first half of 2020 in the total amount of €19,389,103.

Long-term liability to NLB and loan repayment periods:

Type	Repayment period	In € (excl. cents)
I	from 2012 to 2027	157,650,000
II	from 2015 to 2027	96,201,923
III	from 2016 to 2023	50,000,000
<b>Total</b>		<b>303,851,923</b>

## g) Abanka loan

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

Long-term liability to Abanka and loan repayment period:

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2029	47,060,000
<b>Total</b>		<b>47,060,000</b>

## h) SKB loan

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

Long-term liability to SKB and loan repayment period:

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2028	50,000,000
<b>Total</b>		<b>50,000,000</b>

## i) Unicredit banka Slovenija and Intesa Sanpaolo loan

In 2016, the Company took out a loan from Unicredit banka and Intesa Sanpaolo in the amount of €99 million for loan refinancing or early loan repayment.

Long-term liability to Unicredit banka Slovenija and Intesa Sanpaolo and loan repayment period:

Type	Repayment period	In € (excl. cents)
I	from 2021 to 2028	99,000,000
<b>Total</b>		<b>99,000,000</b>

## j) SID Bank loan

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

Long-term liability to SID Bank and loan repayment period:

Type	Repayment period	In € (excl. cents)
I	from 2024 to 2036	50,000,000
<b>Total</b>		<b>50,000,000</b>

k) European Investment Bank (EIB) loans

The European Investment Bank loans were taken out between 1994 and 2006 and were repaid in the first half of 2020 in the amount of €21,465,941. The final loan maturity is between 2014 and 2037.

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

Type	Repayment period	In € (excl. cents)
II	from 2003 to 2018	0
III	from 2004 to 2019	0
IV	from 2005 to 2019	0
V	from 2007 to 2027	36,000,000
VI	from 2012 to 2029	50,435,000
VII	from 2014 to 2037	177,272,727
VIII	from 2015 to 2033	197,611,111
IX	from 2016 to 2041	145,000,000
X	from 2019 to 2028	18,421,053
<b>Total</b>		<b>624,739,891</b>

l) Kreditanstalt für Wiederaufbau (KfW) loans

In 2008 and 2009, DARS d.d. took out three loans from Kreditanstalt für Wiederaufbau to finance motorway construction. The KfW loan was repaid in the first half of 2020 in the amount of €8,359,375. The KfW loan was drawn in full, i.e. in the amount of €51,000,000, in the first half of 2020.

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

Type	Repayment period	In € (excl. cents)
II	from 2013 to 2029	133,750,000
KfW 51	from 2020 to 2029	45,333,333
<b>Total</b>		<b>179,083,333</b>

m) Deutsche Pfandbriefbank loans

In 2006, DARS d.d. took out two loans from Deutsche Pfandbriefbank in the total amount of €225,000,000. The Deutsche Pfandbriefbank loans were repaid in the first half of 2020 in the amount of €11,904,762.

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

Type	Loan repayment period	In € (excl. cents)
I	from 2014 to 2024	21,428,572
II	from 2013 to 2021	8,333,333
<b>Total</b>		<b>29,761,905</b>

## n) KA FINANZ AG (former Kommunalkredit) loan

In 2010, DARS d.d. took out a loan in the amount of €70,000,000 from KA FINANZ AG, which was drawn in full in 2010. The loan was taken out at a fixed interest rate. The KA FINANZ AG loan was fully repaid in the first half of 2020 in the amount of €7,000,000.

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

Type	Loan repayment period	In € (excl. cents)
I	from 2015 to 2020	0
<b>Total</b>		<b>0</b>

**Long-term financial liabilities for bonds**

DARS d.d. issued three series of bonds in 2004 and 2005 to finance motorway construction and reconstruction. Liabilities arising from the bonds issued are secured with a government guarantee.

Issue	Maturity	In € (excl. cents)
DRS1	2024	56,042,047
DRS2	2025	61,758,920
DRS3	2020	0
<b>Total</b>		<b>117,800,967</b>

## a) DARS 1st issue bonds (DRS1)

In 2004, DARS d.d. issued first issue bonds designated DRS1 in the total nominal amount of €56,042,047. The principal falls due in full in 2024 and the coupon interest rate amounts to 5.1% per annum. The bonds are traded on the Ljubljana Stock Exchange.

## b) DARS 2nd issue bonds (DRS2)

In 2005, DARS d.d. issued second issue bonds designated DRS2 in the total nominal amount of €61,758,920. The principal falls due in full in 2025 and the coupon interest rate amounts to 4.5% per annum. The bonds are traded on the Ljubljana Stock Exchange.

## c) DARS d.d. 3rd issue bonds (DRS3)

In 2005, DARS d.d. issued third issue bonds designated DRS3 in the total nominal amount of €42,563,580. The principal falls due in full in 2020 and the coupon interest rate amounts to 4.0% per annum. The bonds are traded on the Ljubljana Stock Exchange.

**Other long-term financial liabilities**

## a) Regione Autonoma Friuli Venezia loan

The loan from the company 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 to connect the Slovenian motorway network with the Italian network. The loan was taken out in 2000.

Long-term liabilities to Regione Autonoma Friuli Venezia and loan repayment period:

Type	Loan repayment period	In € (excl. cents)
I	from 2011 to 2025	15,924,776
<b>Total</b>		<b>15,924,776</b>

## b) Schuldschein loan

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

Long-term liabilities deriving from the Schuldschein loan and repayment period:

Type	Loan repayment period	In € (excl. cents)
I	2030	37,780,000
<b>Total</b>		<b>37,780,000</b>

## c) Namensschuldverschreibung (NSV or registered note) instrument

In 2017, DARS issued a Namensschuldverschreibung (NSV or registered note) instrument in the amount of €100 million. The principal falls due in its 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 the bond. The issue organiser keeps a record of holders.

Long-term liabilities deriving from the registered note and repayment period:

Type	Loan repayment period	In € (excl. cents)
I	2037	100,000,000
<b>Total</b>		<b>100,000,000</b>

## d) Long-term lease liabilities

As at 30 June 2020, the Company discloses long-term lease liabilities in the amount of €1,973,134.

**Long-term operating liabilities**

Other long-term operating liabilities include a liability deriving from the right of superficies charge in the amount of €93,847,261. Based on the 2020 annual performance contract (as per Article 4 of ZDARS-1), the short-term share of the long-term liability has been transferred to short-term liabilities.

Pursuant to the ZDARS-1, the right of superficies was established to the benefit of DARS d.d. on 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 was established free of charge for a 50-year period (from 4 December 2010 to 4 December 2060). The right of superficies was made payable under the Fiscal Balance Act, thus imposing an annual charge pursuant to the annual performance contract based on Article 4 of the ZDARS-1.

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

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

**Short-term financial liabilities**

Short-term financial liabilities totalling €254,963,956 represent the short-term share of the long-term financial liabilities that fall due in the following year, accrued interest on loans and bonds issued, and liabilities from financial derivatives.

Short-term financial liabilities to banks in the total amount of €182,132,226 include:

- a. a share of the principal of short-term bank loans for the purchase of property, plant and equipment that falls due in 2020;

Lender	In € (excl. cents)	
	30/6/2020	30/6/2019
European Investment Bank IV	0	5,333,333
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 X	2,631,579	2,631,579
Kreditanstalt für Wiederaufbau II	16,718,750	16,718,750
Kreditanstalt für Wiederaufbau 51	5,666,667	5,000,000
Deutsche Pfandbriefbank I	7,142,857	7,142,857
Deutsche Pfandbriefbank II	16,666,667	16,666,667
KA FINANZ	0	14,000,000
Consortium of banks IV	0	15,498,733
Consortium of banks V	9,925,269	15,086,410
Consortium of banks VI	13,184,020	5,273,608
Consortium of banks VII	5,116,493	5,116,492
Nova ljubljanska banka I	17,400,000	8,700,000
Nova ljubljanska banka II	21,378,205	10,689,103
Nova ljubljanska banka III	0	0
Addiko bank I	3,332,168	3,332,168
Addiko bank II	1,250,874	1,250,874
Addiko bank III	2,086,463	2,086,463
Unicredit bank I	1,669,170	1,669,170
Unicredit bank II	6,666,667	6,666,667
Intesa Sanpaolo I	2,333,333	2,333,333
Intesa Sanpaolo I	0	0
SKB	2,940,000	0
<b>Total principals</b>	<b>176,409,485</b>	<b>190,996,510</b>

- b. accrued interest on long-term bank loans as at 30 June 2020 in the amount of €5,722,741.

Short-term financial liabilities for interest refer to interest accrued until 30 June 2020 and to the interest charged as at 30 June 2020. Interest rates and the method of charging interest rates for the transactions concluded are laid down in contracts and as at 30 June 2020 ranged between 0.0% and 5.1% per annum.

**Short-term financial liabilities for bonds** in the amount of €46,845,391 refer to financial liabilities for DRS III bonds in the amount of €42,563,580 and to interest accrued until 30 June 2020 in the amount of €4,281,811.

Other short-term financial liabilities in the amount of €25,986,340 refer to:

In € (excl. cents)	30/6/2020	30/6/2019
Short-term share of the Regione Autonoma Friuli Venezia loan principal	3,184,955	3,184,955



Short-term financial liabilities for accrued interest from others	2,025,765	2,025,061
Interest on financial derivatives	560,309	534,305
Liabilities for financial derivatives	19,222,378	19,317,019
Short-term lease liabilities – principal	1,047,231	0
Short-term lease liabilities – interest	-54,299	0
<b>Total</b>	<b>25,986,340</b>	<b>25,061,341</b>

The Company is exposed to interest rate risk, which is why it decided in previous years – pursuant to its active financial risk management policy – to reduce its exposure to the risk of interest rate variability on the market. Hence, as at 30 June 2020, 43% of the Company's debt portfolio value was exposed to a variable interest rate, while 56% was exposed to a fixed interest rate. Together with interest rate swap agreements, the share of the portfolio exposed to a variable interest rate stood at 25% and that exposed to a fixed interest stood at 74%. An interest-free loan accounts for the remaining 1%.

Financial derivatives (plain vanilla swap) are used for interest rate hedging, thus ensuring 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 stable cash flow. When concluding interest rate swaps, the Company follows the principle that interest rate swaps have characteristics comparable to a hedged item transaction (nominal amount, maturity, accounting period). Most financial derivatives are used to hedge against the risk of variable interest rates, where hedged items represent an efficient hedging relationship.

The total fair value of interest rate swaps as at 30 June 2020 amounts to €19,222,378.

Short-term lease liabilities refer to a principal amounting to €1,047,231, decreased by interest amounting to €54,299.

A detailed description of the financial derivatives concluded by the Company as at 30 June 2020 is below.

#### Interest rate hedging in the total amount of €150 million

In the second half of 2014, DARS d.d. concluded three interest rate hedge transactions in the total amount of €150,000,000 with 10-year maturity. Each €50 million transaction allowed DARS d.d. to partially insure the loans 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 amount of €50 million

In the first half of 2016, DARS d.d. concluded an additional interest rate hedge transaction in the amount of €50,000,000 with 10-year maturity. The €50 million transaction allowed DARS d.d. to fully insure the loan from NLB (NLB III loan). The loan was insured for 10 years at a fixed interest rate.

#### Interest rate hedging in the amount of €99.5 million

In the first half of 2017, DARS d.d. concluded two additional interest rate hedge transactions in the total amount of €99,500,000 with 10-year maturity. The transactions, one amounting to €49.5 million and the other to €50 million, allowed DARS d.d. to partially insure the loans taken out from Unicredit and Banka Koper (UNI+BK loan) and from KfW (KfW loan 267.5). The loan was insured for 10 years at a fixed interest rate.

#### Short-term operating liabilities

In € (excl. cents)	30/6/2020	Share	30/6/2019	Index
Short-term trade liabilities	37,659,674	73	43,156,062	87
Short-term liabilities for advances	68,835	0	31,009	222
Short-term employee payables	1,986,642	4	1,869,891	106

In € (excl. cents)	30/6/2020	Share	30/6/2019	Index
Short-term payables to the state	10,407,468	20	15,976,752	65
- corporate income tax liability	0	0	4,560,464	0
- VAT liability	6,780,552	13	7,640,961	89
- liabilities for taxes and contributions	1,387,086	3	1,390,814	100
- other liabilities to the state	1,255,103	2	1,249,088	100
- liabilities for the charged mark-up	984,726	2	1,135,426	0
Short-term liabilities to others	1,678,821	3	1,667,222	101
<b>Total</b>	<b>51,801,439</b>	<b>100</b>	<b>62,700,937</b>	<b>83</b>

Trade liabilities account for the largest share (73%) of short-term operating liabilities. Trade liabilities comprise outstanding liabilities for works performed and accounted in motorway construction as provided by domestic and foreign suppliers (including contractually withheld amounts), liabilities for indemnifications in land acquisition for transactions on behalf of and for the account of the Republic of Slovenia, operating liabilities deriving from motorway management and maintenance, and other short-term operating liabilities.

Contractually withheld funds are funds withheld as a performance bond and are withheld in the amount of maximally 5 or 2% of the contractual value until the fulfilment of all contractual obligations by the contractor (work acceptance, elimination of all deficiencies and handover of warranty bonds). The funds are also withheld for failure to submit documents that the contractor is obliged to enclose with the interim payment statement pursuant to the contract. This mostly involves a declaration by the contractor 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 30 June 2020, short-term trade liabilities based on withheld funds amounted to €17,945,904 and accounted for 48% of the total trade liabilities.

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 DarsGo electronic tolling for heavy vehicles. DARS d.d., as the operator of toll roads, started charging the mark-up on 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 will be charged to all toll payers driving a vehicle with a maximum authorised mass exceeding 3.5 tonnes who will pass through toll sections between Koper and Ljubljana and between Ljubljana and Šentrupert. As at 30 June 2020, the liability to the Republic of Slovenia from the charged toll mark-up amounted to €984,726.

#### Short-term accrued costs and deferred revenue

In € (excl. cents)	30/6/2020	Share	30/6/2019	Index
Short-term accrued costs	432,984	1%	359,824	120
Short-term deferred revenue	48,595,826	99%	50,118,461	97
<b>Total</b>	<b>49,028,810</b>	<b>100%</b>	<b>50,478,286</b>	<b>97</b>

The Company's liabilities comprise accrued costs or expenses referring to the accrued costs of the supervising engineer for completed investment projects in the amount of €99,194, accrued costs for the variable remuneration of the Management Board in the amount of €277,627 and the variable share of the salaries paid to employees under executive contracts in the amount of €56,162.

Short-term deferred revenue arises when services already invoiced or even paid for are yet to be rendered. Short-term deferred revenue refers to:

- already charged annual and biannual vignettes valid for motorway use in 2020 in the total amount of €43,124,176 (a biannual vignette is valid for six months from the date of purchase, while an annual vignette for 2020 is valid from 1 December 2019 to 31 January 2021);
- credits in prepayment toll media in the old toll system, which was abolished as of 1 April 2018, in the amount of €493,716 (the users of the old toll system cannot transfer any unused credit in ABC tags and DARS cards to the vehicle account in the DarsGo system, since these are two completely separate systems, but they may request a refund to their transaction account).
- credits in the prepayment account of the DarsGo system, which was charged and paid. When passing through a toll gantry, the credit in the account is decreased by the amount of the toll for the toll section travelled. As at 30 June 2020, the balance stood at €4,200,716;
- short-term deferred revenue amounting to €697,768 from the restrictions referred to in Article 20.a of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (hereinafter "ZIUZEOP"). Pursuant to the Decree on the methodology for assessing damage and on the conditions and procedure for allocating public funds referred to in point b) of paragraph two of Article 20.a of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, the Company will file an application to determine the eligible amount of the allocated public funds referred to in Articles 28 and 33 of the ZIUZEOP;
- other short-term deferred revenue amounted to €79,450.

#### Off-balance sheet items

As at 30 December 2020, the Company discloses the following items in the off-balance-sheet records:

1. The amount of €106,138,049 represents potential cash or receivables deriving from the received guarantees 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.
2. Inventories of vignettes for toll roads in the Republic of Austria that are sold by DARS d.d. amount to €1,022,435.
3. As at 30 June 2020, potential liabilities for lawsuits estimated at 50% probability or less that the plaintiff will be successful amount to €39,890,575 (principal amounts). The amount of the liability arising from the mentioned legal claims also cannot be measured with sufficient reliability. With respect to the course of proceedings, it is hard to predict when a particular case will be closed with an adequate degree of reliability.
4. €3,704,392 is receivables where the probability of any payment from a bankruptcy estate to the benefit of ordinary creditors, which include DARS d.d. receivables, is estimated to be minimal.
5. On 16 November 2017, a new contract was concluded with EIB for a loan amounting to €51 million to finance the deployment of the DarsGo system. In 2018, the loan was partially drawn in the amount of €25 million. The remaining €26 million is the non-drawn share of the loan. The final date for drawing the loan is 36 months following the signing of the loan agreement.

## Notes to the Income Statement

### Net sales revenues

In € (excl. cents)	I-VI 2020	Share	I-VI 2019	Index
Toll revenue	174,451,147	97	217,155,969	80
- revenue from vignette sales	61,098,561	-	81,916,871	75
- toll revenue from freight traffic	108,831,233	-	128,648,114	85
- toll revenue from the Karavanke tunnel	4,521,353	-	6,590,984	69
Revenue from rest area leases	3,158,356	2	4,205,678	75
Revenue from closures and overweight load transport	450,760	0	443,599	102
Revenue from easements for base stations and other	295,523	0	356,791	83
Revenues from the lease of optical fibres	467,842	0	490,906	95
Revenue under the performance contract	167,607	0	158,492	106
Other sales revenue	680,512	0	882,325	77
<b>Total net sales revenue</b>	<b>179,671,746</b>	<b>100</b>	<b>223,693,760</b>	<b>80</b>

Revenue from toll collection in the first half of 2020 amounted to €174,451,147 and accounted for 97% of total sales revenues. Within that scope, toll revenue from vehicles of up to 3.5 tonnes (vignette system) amounted to €61,098,561 or 35% of toll revenue, toll revenue from vehicles exceeding 3.5 tonnes amounted to €108,831,233 or 62% of toll revenue, and toll revenue from the Karavanke tunnel amounted to €4,521,353 or 3% of toll revenue.

Toll revenue is followed by revenue from leases for rest stops, which amounted to €3,158,356 in the first half of 2020. Lease revenue is generated by leasing the right to use land plots along the motorway for the provision of catering services and the erection of petrol service stations.

Sales revenues also include revenue from road closures and overweight road transport in the amount of €450,760, revenue from the lease of fibre optics in the amount of €467,842 and revenue from easements charged in the amount of €295,523.

Revenue under the performance contract amounted to €167,607 in the first half of 2020. The revenue refers to the execution of tasks performed by DARS d.d. on behalf of and for the account of the Republic of Slovenia based on the 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 €680,512 includes revenue from the administrative costs of the issue of DarsGo units, revenue from the commission generated in the sale of Austrian vignettes, revenue from towing, snow ploughing and clearing road accidents, revenue from rentals for holiday facilities and apartments, revenue from the sale of waste material and other revenue.

### Capitalised own products and services

In the first half 2020, the Company capitalised its own services of motorway investments that had not been charged to outsourcers providing motorway reconstruction services. In the first half of 2020, revenue from capitalised own services amounted to €540,081.

**Other operating revenue**

In € (excl. cents)	I-VI 2020	Share	I-VI 2019	Index
Reversal of long-term provisions	219,250	3	18,616,592	1
Revenues from the consumption/elimination of long-term deferred revenue	4,857,309	66	6,958,850	70
Insurance compensations	1,066,767	15	1,228,658	87
Other operating revenue	347,373	5	156,837	221
Article 33 of the ZIUZEOP* – exemption from the payment of pension and disability insurance contributions	769,487	-	-	-
Article 28 of the ZIUZEOP – reimbursement of the allowance for absence due to force majeure and exemption from the payment of contributions	30,513	-	-	-
Article 56 of the ZIUZEOP – sick leave refund debited to the Company	47,787	-	-	-
<b>Other operating revenue</b>	<b>7,338,486</b>	<b>88</b>	<b>26,960,938</b>	<b>27</b>

The reversal of long-term provisions includes the reversal of provisions for unused annual leave for 2019.

Revenues from the consumption of long-term deferred revenues in the amount of €4,857,309 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 guarantees drawn. 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 the first half of 2020, the Company transferred to revenues long-term deferred revenue amounting to €3,978,311, which was received within the scope of the EU Cohesion Fund, the TEN-T and CROCODILE projects, and the EasyWay and TEMPO-CONNECT programmes. The Company transferred to revenue €219,155 of long-term deferred revenues that it received from municipalities (City of Ljubljana), ELES and other project funders. To cover the cost of rectifying defects made by contractors building and reconstructing the motorways and other assigned costs, the Company spent €655,270 from the guarantees drawn.

Revenue from insurance compensations in the amount of €1,066,767 refers to compensations received from insurance companies for the elimination of damage on motorway sections and structures along the motorway.

Other operating revenue in the amount of €347,373 refers to revenue generated upon the sale of fixed assets.

Pursuant to Chapters 1.1 and 1.2 of ZIUZEOP, the Company discloses other revenue in the amount of €800,000 in the first half of 2020. The amount of €697,768 has been deferred for the short term due to the restriction referred to in Article 20 of ZIUZEOP. Pursuant to the Decree on the methodology for assessing damage and on the conditions and procedure for allocating public funds referred to in point b) of paragraph two of Article 20.a of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, the Company will file an application to determine the eligible amount of the allocated public funds referred to in Articles 28 and 33 of the ZIUZEOP.

**Costs and operating expenses**

Overview of costs:

In € (excl. cents)	I-VI 2020	Share	I-VI 2019	Index
Cost of material	4,284,910	3	4,997,547	86
Cost of services	15,987,861	12	17,101,366	93
Labour costs	21,249,729	16	20,016,198	106
Write-downs	92,047,662	69	90,188,170	102
Other operating expenses	375,798	0	1,726,427	22
<b>Total</b>	<b>133,945,960</b>	<b>100</b>	<b>134,029,708</b>	<b>100</b>

**Cost of material**

In € (excl. cents)	I-VI 2020	Share	I-VI 2019	Index
Cost of material	1,263,490	29	1,627,277	78
Energy costs	2,006,611	47	2,308,259	87
Cost of spare parts	236,568	6	291,642	81
Write-off of small tools	652,998	15	658,475	99
Other costs of material	125,243	3	111,894	112
<b>Total</b>	<b>4,284,910</b>	<b>100</b>	<b>4,997,547</b>	<b>86</b>

**Cost of services**

In € (excl. cents)	I-VI 2020	Share	I-VI 2019	Index
Cost of the supervising engineer	422,834	3	458,915	92
Cost of fixed asset maintenance	6,439,355	40	6,016,859	107
Rent	311,170	2	834,508	37
Cost of payment transactions	1,050,434	7	1,009,885	104
Commission on vignettes sold	1,928,834	12	2,959,929	65
Insurance costs	762,414	5	371,541	205
Cost of student work	207,189	1	351,903	59
Cost of external DarsGo services	749,687	5	1,131,973	66
Other costs of services	4,115,944	26	3,965,853	104
<b>Total</b>	<b>15,987,861</b>	<b>100</b>	<b>17,101,366</b>	<b>93</b>

**Labour costs**

In € (excl. cents)	I-VI 2020	Share	I-VI 2019	Index
Cost of salaries and wages	14,686,754	69	13,977,533	105
Social security and pension insurance costs	2,998,123	14	2,883,373	104
Other labour costs	3,564,852	17	3,155,292	113
<b>Total</b>	<b>21,249,729</b>	<b>100</b>	<b>20,016,198</b>	<b>106</b>

**Write-downs**

In € (excl. cents)	I-VI 2020	Share	I-VI 2019	Index
Amortisation of intangible fixed assets	2,070,103	2	2,138,221	97
Depreciation of property, plant and equipment	89,333,554	97	87,081,183	103
Depreciation of investment property	14,847	0	14,847	-
Depreciation of leased fixed assets	512,426	1		
Operating expenses for the revaluation of intangible fixed assets and PPE	114,932	0	950,963	12
Operating expenses for the revaluation of current assets	1,799	0	2,957	61
<b>Total</b>	<b>92,047,662</b>	<b>100</b>	<b>90,188,170</b>	<b>102</b>

**Other operating expenses**

Other operating expenses in the amount of €375,798, inter alia, refer to costs related to holiday facilities, membership fees, contributions made to chambers and charges for the use of building land.

**Financial revenue from loans to others**

Financial revenue from loans given in the amount of €178,679 also derives from short-term surplus liquid funds deposited with banks in the form of deposits in the amount of €178,644.

**Financial revenue from operating receivables due from others**

Financial revenue from operating receivables due from others in the amount of €111,869 refers to financial revenue from operating receivables and includes calculated default interest and foreign exchange gains.

**Financial expenses for investment impairment and write-down**

Financial expenses from investment impairment in the amount of €634,291 refer to the revaluation of financial derivatives.

**Financial expenses for financial liabilities**

Financial expenses for financial liabilities in the amount of €17,880,227 refer to:

- financial expenses for loans received from banks  
Financial expenses in the amount of €10,510,217 include interest charged on long-term loans. The average weighted interest rate on long-term loans as at 30 June 2020 amounted to 1.43%.
- financial expenses for bonds issued  
Financial expenses in the amount of €3,654,038 include interest charged on long-term securities issued. The average weighted interest rate on long-term securities as at 30 June 2020 amounted to 4.35%.
- financial expenses for other financial liabilities in the amount of €3,715,971, which, among others, refer to:
  - financial expenses in the amount of €1,935,998, which include interest on transactions with financial derivatives for interest rate hedging,
  - financial expenses in the amount of €1,745,963, which include interest on long-term loans acquired from foreign companies.
  - interest deriving from leases in the amount of €33,098.

**Financial expenses for operating liabilities**

Financial expenses for operating liabilities in the amount of €9,803 include, inter alia, the default interest charged on liabilities that were not settled in due time and foreign exchange losses.

**Other revenues**

Other revenues amounting to €75,815 include damages received under lawsuits, contractual penalties charged, reimbursed litigation costs and similar.

**Other expenses**

Other expenses in the amount of €389,782 primarily include damages paid under court judgements, costs in audit procedures under the Public Procurement Act, donations given and similar.



## Acronyms and abbreviations

<b>ABC</b>	Automatic non-cash toll collection
<b>MW</b>	Motorway
<b>ASECAP</b>	L'Association Européenne des Concessionnaires d'Autoroutes et Ouvrages à Péage (European Association of Operators of Toll Road Infrastructures)
<b>BMS</b>	Bridge Management System
<b>C-ITS</b>	Cooperative Intelligent Transport System
<b>COVID-19</b>	Coronavirus disease 2019
<b>DARS d.d.</b>	Družba za avtoceste v Republiki Sloveniji d.d. (Motorway Company in the Republic of Slovenia)
<b>DGD</b>	Building Permit Design
<b>EBIT</b>	Earnings Before Interest and Taxes
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortisation
<b>ETS</b>	Electronic tolling system
<b>EFSI</b>	European Fund for Strategic Investments
<b>EU</b>	European Union
<b>GZS</b>	Chamber of Commerce and Industry of Slovenia
<b>EW</b>	Expressway
<b>IT</b>	Information technology
<b>ITS</b>	Intelligent transport systems
<b>IZ</b>	Investment Study
<b>MI</b>	Ministry of Infrastructure
<b>MAM</b>	Maximum authorised mass
<b>NAP</b>	Noise Action Programme
<b>OZS</b>	Chamber of Craft and Small Business of Slovenia
<b>PHO</b>	Noise barriers
<b>PIZ</b>	Pre-Investment Study
<b>PMS</b>	Pavement Management System
<b>PZI</b>	Executive Design
<b>ReNPRP30</b>	Resolution on the National Programme for the Development of Transport of the Republic of Slovenia until 2030 (Official Gazette of the Republic of Slovenia, No. 75/16)
<b>ROE</b>	Return on Equity
<b>RS</b>	Republic of Slovenia
<b>RŠCZ</b>	State Staff for Civil Protection
<b>SSH</b>	Slovenian Sovereign Holding
<b>TCMS</b>	Traffic Control and Management System
<b>EB</b>	Expert bases
<b>SAS</b>	Slovenian Accounting Standards
<b>ZDARS</b>	Motorway Company in the Republic of Slovenia Act (ZDARS-UPB1) (Official Gazette of the Republic of Slovenia, No. 20/2004)
<b>ZDARS-1</b>	Motorway Company in the Republic of Slovenia Act (Official Gazette of the Republic of Slovenia, No. 97/2010 - ZDARS-1)
<b>ZGD-1</b>	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)
<b>ZIUZEOP</b>	Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Official Gazette of the Republic of Slovenia, No. 49/20 and 61/20)
<b>ZSDH-1</b>	Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014)
<b>ZUJF</b>	Fiscal Balance Act (Official Gazette of the Republic of Slovenia, No. 40/2012)