

BRINGING LIGHT INTO YOUR LIFE



Elektro Celje



ANNUAL REPORT

of the Elektro Celje Company and Elektro Celje Group

2015

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2015

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CONNECTION

As one of the key links in the electricity chain that connects electric power generation and distribution to end consumers, we are an indispensable and reliable partner bringing electricity door to door, from morning till morning, into each new day.





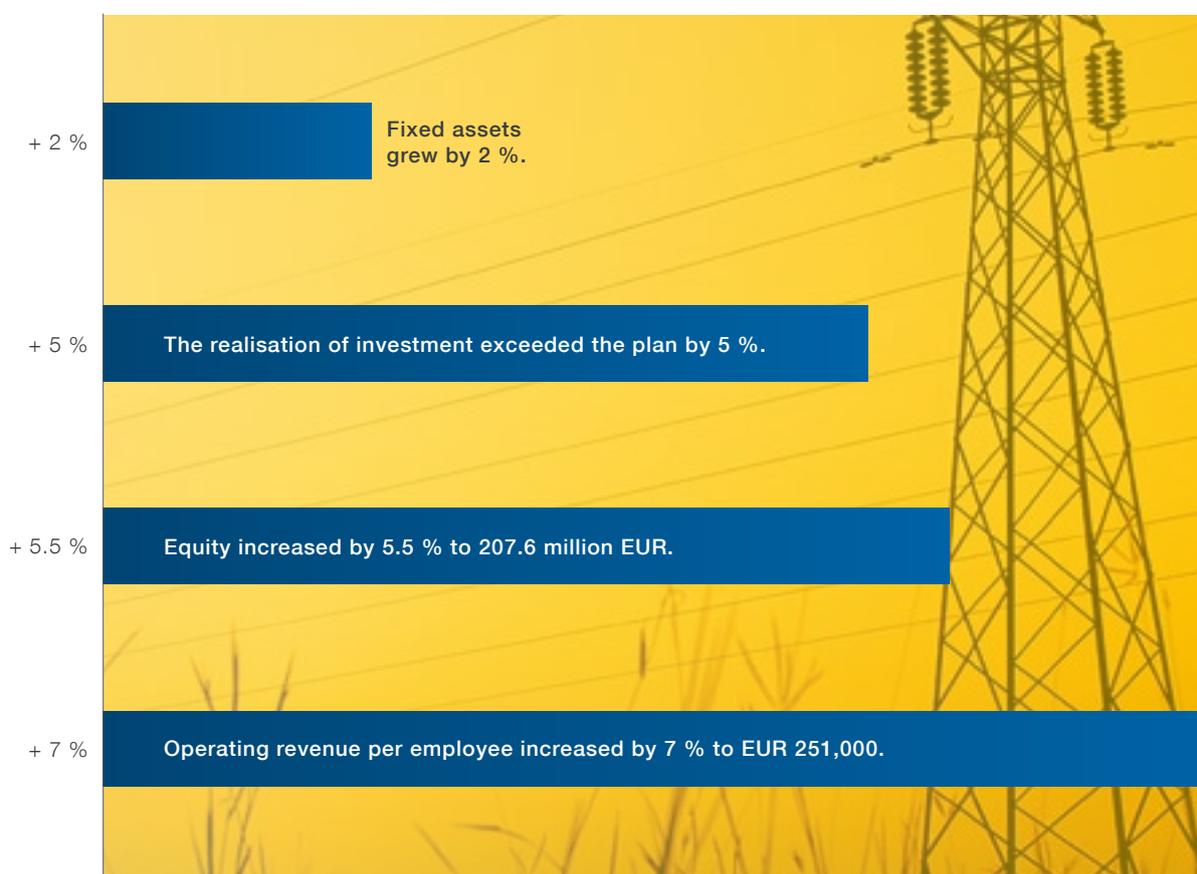
Elektro Celje



INTRODUCTION

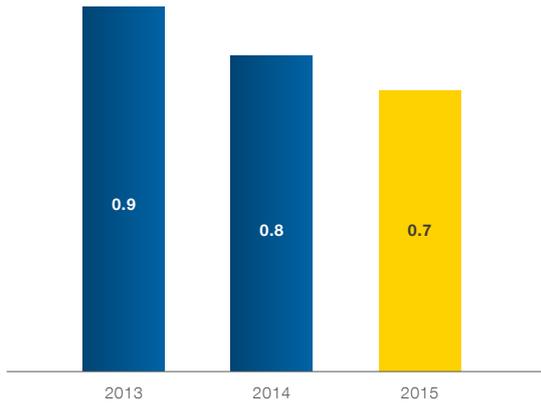
1. FINANCIAL AND OPERATION HIGHLIGHTS OF ELEKTRO CELJE GROUP

ELEKTRO CELJE GROUP (in EUR)	2013	2014	2015
SALES REVENUE	156,542,174	140,389,018	162,405,192
EBIT	8,767,494	12,374,232	12,227,963
EBITDA	28,098,431	33,171,383	31,585,802
EBITDA margin	16.2 %	20.9 %	17.6 %
ADDED VALUE	48,783,276	54,553,794	54,680,314
PROFIT IN THE YEAR	6,639,381	10,733,939	10,233,231
EQUITY	188,478,584	196,839,551	207,638,928
ASSETS	283,699,999	285,713,412	312,244,544
Number of remote meter reading points	54,640	70,740	90,018
Number of customers	168,865	169,414	170,006
Number of employees	678	680	717

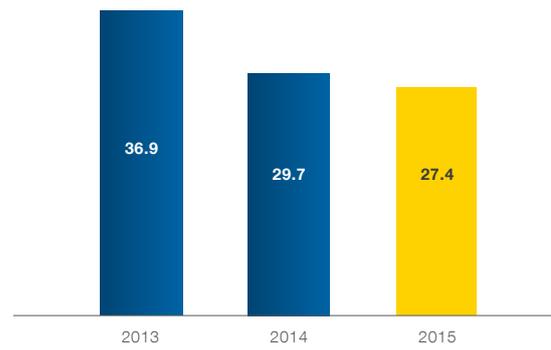




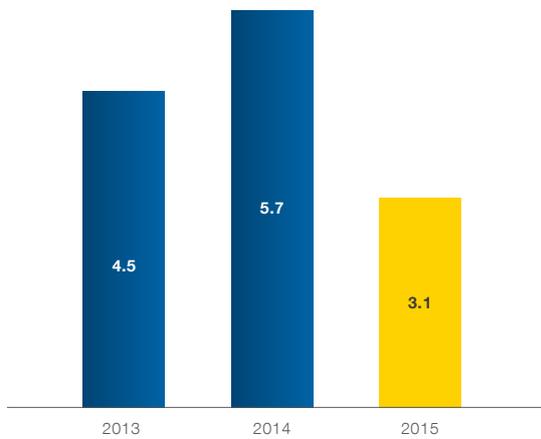
SAIFI - Average number of interruptions per customer - own cause



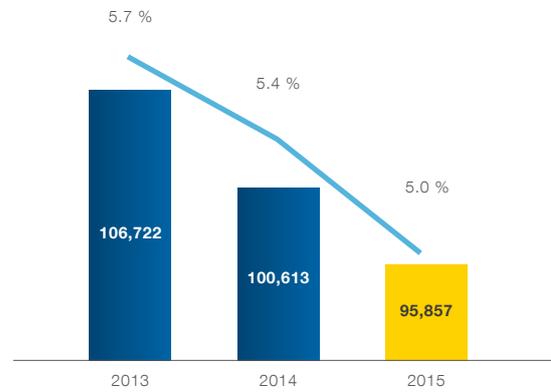
SAIDI - Average duration of interruption (in min) per customer - own cause



MAIFI - Average number of momentary interruptions per customer



Electric power distribution losses (MWh)



■ Losses
— % of electric power losses

2. FOREWORD OF THE CHAIRMAN OF THE MANAGEMENT BOARD



In 2015, the operation of Elektro Celje, d.d., was successful and in complete accordance with the business plan of the company, as evidenced by key performance indicators:

PERFORMANCE INDICATOR	ACHIEVED IN 2015	PLANNED FOR 2015
EBITDA (in EUR)	26,639,589	23,086,550
Gross value added (in EUR)	47,732,674	42,773,750
Added value per employee (in EUR)	75,407	67,680
SAIDI (average duration of interruption per customer – in min)	27.40	30.81
SAIFI (average number of interruptions per customer)	0.70	0.77
IEE-SN (number of weeks non-compliant with power quality standards / number of weeks under supervision)	67.45	69.42



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In all of the previously cited categories we surpassed the goals set. This Annual Report presents in detail the major events, as well as numerical data on the quantity of electricity distributed, realised investment into expanding the network and improvement in operational readiness of our equipment, and other data necessary to provide a comprehensive overview of the operation of our company in 2015.

Our core target throughout the past year has been customer satisfaction, and judging by the direct contact we have established with our customers, as well as by the minimal number of complaints we received and managed, I can safely say we have succeeded in meeting it. The merits of our working methods, service provision, and concern for the health of our employees and the protection of the environment, have been confirmed by appraisals carried out in accordance with the respective standards, and we have started preparing the bases for the introduction of a Business Excellence Model as a tool for company governance and management. We believe that through the various activities we have undertaken to improve the business processes and the operation based on strategic orientation, as well as through the introduction of advanced technology, we have stepped onto a path where we can now evaluate our level of maturity in the management and operation of the company.

Elektro Celje is part of Horizon 2000, the European Consortium for Development and Research, in which it participates in the development project Flex4Grid. It promotes the development of smart electricity grids that enable a novel concept of managing the flexibility of the distribution network users as well as prosumers (producers-consumers), who generate electricity in distributed energy resources, but also consume electrical energy provided by distribution networks. Persuading the customers to accept the possibilities offered by new technologies will probably require quite a lot of effort, and additional incentives offered and measures taken by the regulator, such as dynamic tariffing and the like, may be necessary.

Unfortunately, 2015 did not see any significant changes towards a normalisation of the relations with the SODO electricity distribution system operator. The latter has been persistently trying to take over, in the long run, all of our vital activities, which we have been performing in a professional and socially responsible way. By duplicating functions, SODO has been increasing the costs in the system and causing a growing confusion among customers. The amendment that is supposed to regulate the contractual relationship between individual electricity distributors and SODO in 2015 was, despite our joint efforts coordinated by the Economic Interest Grouping of Electricity Distributors (GIŽ), only signed on December 24, 2015. We hope that in the 2016-2018 regulatory framework the situation improves and that the agents that can intervene to balance these relations will strategically determine the future organisation and relieve us of the pressure and stress.

Within the framework of the Group, Elektro Celje Energija, d.o.o., made a precedence acquisition of the commercial subsidiary Elektro Gorenjska Prodaja, d.o.o., and formed

with it a new company ECE, d.o.o., on October 1, 2015. This is proof that our orientation is correct, as this development has made us the second largest electricity supplier in Slovenia.

Our strategic orientation has been corroborated in a revised strategic plan. Special attention is dedicated to continual risk assessment and analysis, as well as internal auditing. The internal auditor works effectively with the Audit Committee of the Supervisory Board, and the cooperation between the Management Board and the Supervisory Board can be deemed successful and constructive, as well.

Following a renovation of the key part of our older information system, which covered the checking and issuing of invoices for electricity consumption, we also adopted a strategic orientation based on the introduction of the Microsoft Dynamics AX enterprise resource planning system and IBM Maximo asset management software solution, and within this framework we have already conducted a pilot project. In the process, in addition to the various activities related to the application of DMS functions in the system of network management and supervision, we also set up a platform for advanced metering infrastructure (AMI) and meter data management (MDM), and have so far included over 90,000 consumers in our smart metering systems. Using in-house expertise we commenced with the preparatory works for an upgrade of the DMS Group integrated system to version 3.0, which combines the SCADA and DMS functions, and this will be one of our key development tasks in 2016 and 2017.

At the end of the 2015 fiscal year, I am retiring after six years in the position of Chairman of the Management Board and after over ten years of working in senior management. I would like to thank the team who have managed the company with me in harmony and good understanding. We have won recognition as an open and modern business enterprise that respects good workers, while building relationships and knowledge as the foundations of a better tomorrow. We have turned the relatively highest profit for our owners and achieved several milestones in development.

I also thank all our employees who have, through their responsible work and commitment to the company, contributed to the good annual business results. I wish the company a lot of business success in the future, too.

Rade Knežević, univ. dipl. inž. el.
Chairman of the Management Board



3. SUPERVISORY BOARD REPORT

3.1 Introduction

In 2015, the Supervisory Board of the company Elektro Celje, d.d., consisted of the following members:

• **Shareholder representatives:**

- mag. Mirjan Trampuž, univ. dipl. inž. el., MBA, Chairman
- Dejan Božič, univ. dipl. ekon., MBA, member, Deputy Chairman
- Tatjana Habjan, univ. dipl. ekon., member
- Mitja Vatovec, dipl. ekon., member

• **Employee representatives:**

- Tomislav Pajić, dipl. inž. energ.
- Boris Počivavšek, elekt. energ.

The Supervisory Board with the above-mentioned membership performed its tasks in compliance with the provision of the Rules of Procedure of the Supervisory Board, Rules of Procedure of the Audit Committee, company Articles of Association, Code of Corporate Governance of State-Owned Enterprises, relevant legislation, recommendations of the Capital Assets Management Agency of the Republic of Slovenia, and other principles of good practice of corporate governance.

In 2015, the Supervisory Board held the following meetings:

- 1st regular meeting on February 20, 2015
- 2nd regular meeting on April 7, 2015
- 3rd regular meeting on May 14, 2015
- 4th regular meeting on May 21, 2015
- 5th regular meeting on July 21, 2015
- 6th regular meeting on September 2, 2015
- 7th regular meeting on October 19, 2015
- 8th regular meeting on November 10, 2015
- 9th regular meeting on December 22, 2015

In addition, three meetings by correspondence were held:
1st regular meeting on March 24, 2015
2nd regular meeting on June 3, 2015
3rd regular meeting on December 29, 2015

All regular meetings were held with all members of the Supervisory Board present, and all members of the Supervisory Board participated in the meetings held by correspondence.

Supervisory Board Audit Committee consisted of the following members:

- Tatjana Habjan, univ. dipl. ekon., Chairwoman
- Dejan Božič, univ. dipl. ekon., MBA, member
- mag. Mirjan Trampuž, univ. dipl. inž. el., MBA, member
- Darinka Virant, univ. dipl. ekon., independent third-party expert on accounting and finance

Supervisory Board Audit Committee held the following meetings:

- 1st regular meeting on February 5, 2015
- 2nd regular meeting on April 2, 2015
- 3rd regular meeting on May 6, 2015
- 4th regular meeting on June 18, 2015
- 5th regular meeting on August 18, 2015
- 6th regular meeting on December 14, 2015

All regular meetings were held in full attendance. There were no meetings held by correspondence.

The Supervisory Board and the Audit Committee did not incur any operating costs, other than the costs related to the Shareholders Assembly resolution on the rewards payable to the Supervisory Board members, and travel expenses for meeting attendance, which are disclosed in the Business Report in Chapter 16, Section 16.9.2. A contract was signed with the third-party independent expert taking part in the Audit Committee, Mrs. Darinka Virant, which is subject to the criteria and recommendations by the Capital Assets Management Agency of the Republic of Slovenia.

3.2 Supervision of Company Operations

As part of its fundamental function of responsible supervision of company management, the Supervisory Board monitored the efficiency of company operations and the implementation of the set goals, dedicating special attention to the developmental orientation of the company, formulation of the business plan for the period 2015-2018, and risk management. The Supervisory Board reviewed

business documentation, individual contracts with the respective annexes, monitored public tenders and the implementation of particular projects and transactions. The preparation of annual plans and the annual report revision process were monitored with the assistance of the Supervisory Board Audit Committee.

The reports and data prepared by the Management Board enabled the Supervisory Board to conduct efficient supervision and reach informed and competent decisions. The Management Board observed and acted on the recommendations, instructions and resolutions adopted by the Supervisory Board, and regularly prepared reports on their implementation. In compliance with the company Articles of Association, the Supervisory Board granted approvals to individual company transactions, adopting the following major decisions:

- the Supervisory Board (SB) was presented quarterly reports on the operations and performance of the company Elektro Celje, d.d., and the companies within the Group;
- the SB examined reports on the collection of outstanding receivables and liabilities and realisation of public procurement, while monitoring the company performance indicators;
- the SB approved the conclusion of transactions in accordance with the provisions of Article 28 of the company Articles of Association;
- the SB approved the loan agreements and deposits;
- the SB reviewed individual contracts, requesting and receiving additional explanation with regard thereto;
- the SB learned in detail about individual business processes: project engineering, investment and introduction of a project server;
- the SB devoted considerable attention to the area of control over gainful activities of the employees aimed at ascertaining non-compliance with the prohibition on competition or possible conflicts of interest;
- the SB approved the 2014 Annual Report of the company Elektro Celje, d.d., and the consolidated annual report of the Elektro Celje Group, and adopted the report on the Annual Report audit;
- the SB approved the Audit Report on the operations of the companies in 2014;
- the SB proposed to the company Shareholders Assembly that they appoint the auditing firm BDO Revizija, d.o.o., as the company auditor for the 2015 fiscal year and concluded a contract with the same;
- the SB proposed to the Shareholders Assembly that they adopt the decision on the granting of discharge from liability to the company Management Board and Supervisory Board for 2014, and put forth a proposal for the allocation of distributable profits;
- the SB approved the 2015 operating plan for the Internal Audit Department and adopted the 2014 annual operating report by the same;
- the SB conducted a self-appraisal and based on the results adopted guidelines for improvements;
- the SB adopted the Strategic Business Plan for the period 2015–2018;
- the SB acted on three anonymous notifications and, upon the completion of the internal auditing procedures, prepared the answers for the Commission for the Prevention of Corruption and the Slovene Sovereign Holding;
- the SB took note of the activities in the process of merger by acquisition between Elektro Gorenjska Prodaja and Elektro Celje Energija, and of the intention of the Management Board to inform thereof the company

Shareholders Assembly, while monitoring the operations of the company ECE on a quarterly basis;

- the SB was kept informed about the procedure of obtaining an EIB loan and the on-going negotiations, and pointed out to the Management Board the flaws of the agreement and the risks arising thereof. Following an assurance by the Management Board that the risks were appropriately managed and that individual adjustments had been made to the agreement, the SB expressed its consent to the conclusion of the credit agreement;
- after directing the company towards business excellence, the SB was presented the report on the self-appraisal conducted on the basis of the EFQM excellence model and utilising the BEM approach;
- the SB was presented a comparative analysis of the efficiency of electricity distribution in the period 2004–2013, commissioned by the Energy Agency;
- the SB was acquainted with the Corporate Integrity Plan of Elektro Celje Group;
- the SB received and examined quarterly reports on risk management in the company Elektro Celje, d.d., and called particular attention to the management of individual IT risks;
- the SB gave its approval to the appointment and salaries of the Internal Audit heads;
- the SB gave its approval to the conclusion of a directors and officers liability insurance agreement
- the SB approved the Business Plan of the company Elektro Celje, d.d., and Elektro Celje Group for 2016, complete with the starting points for 2017 and 2018.

Supervisory Board Audit Committee

Before the Supervisory Board meetings, the Audit Committee reviewed business reports for the reporting period and provided its opinion thereon to the Supervisory Board and recommendations for the Management Board. It worked in close cooperation with the Internal Audit Department. At its meetings, the committee regularly discussed the areas of financial reporting, the internal control system and risk management systems. It studied the individual reports by the Internal Audit Department and reports on the status of outstanding receivables and liabilities, and examined in detail the individual key processes or operations.

In addition, the committee conducted two separate interviews with the internal and independent auditors, without the Management Board being present. It participated in the selection process for financial statement auditors and held several interviews with them. The Committee also reviewed the unrevised and revised Annual Reports of the company of Elektro Celje, d.d., and the Consolidated Annual Report of Elektro Celje Group, providing its opinion for the Supervisory Board.

The Audit Committee reported on its operations to the Supervisory Board, providing the perspective and recommendations to the points under evaluation. All members of the Supervisory Board receive minutes from the meetings of the Audit Committee, which ensures the transparency of the committee's operation and greater efficiency of the Supervisory Board. The Audit Committee's self-appraisal

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concerning its work in 2015 was performed in 2016. The results have shown that the committee performs its tasks well; however, determinate changes should be made and activities completed in order to further increase the qual-

ity of the committee's operation and thereby benefit the Supervisory Board and the company. Individual activities were proposed.

3.3 Appraisal of the Supervisory Board Composition

The members of the Supervisory Board representing the shareholders were appointed via a structured nomination procedure by the former Capital Assets Management Agency (AUKN) and the Slovene Compensation Company (SOD), and subsequently confirmed by the Shareholders Assembly; the employee representatives were elected by the Works Council.

The Supervisory Board considers that all its members meet, in addition to the statutory criteria, the requirements of the Corporate Governance Code for state-owned assets of the Republic of Slovenia. The members of the board have relevant education, professional competence and work experience. In their work, they pursue the interests of the company and they are not in any potential conflict of interest. They provide expert knowledge from different fields, and the heterogeneity of their skills brings

important synergy into their operation, leading to the best results possible. The members of the Supervisory Board supervise the work of the company Management Board in a responsible and professional manner, which also reflects their personal involvement. In performing their function, the members of the Supervisory Board are objective and independent, they follow the principles of corporate governance and good practice. They are committed to personal integrity and business ethics. All members of the board have signed the statements of independence and absence of conflict of interest, published on the company website.

Members of the Supervisory Board take part in training and education on their own initiative and keep up to date with changes in legislation. They follow and participate in current events important for the company operations.

3.4 Supervision of Company and Group Operations after the End of the Fiscal Year

Following the end of the 2015 fiscal year, special attention was given to the selection procedure for a new Chairman of the Management Board, and to the monitoring of the final phase of the 2015 financial statement auditing process. With the purpose of ameliorating and rational-

ising its work, the Supervisory Board performed a self-appraisal and identified the areas that show opportunity for improvement and are set to receive particular attention by the board during its future operations.

3.5 Audit and Approval of the Annual Report of the Company and the Group, and Opinion on the Audit Report

The Supervisory Board reviewed the 2015 Annual Report of the company Elektro Celje, d.d., and Elektro Celje Group, complete with the reports by the certified auditing company BDO revizija, d.o.o., Cesta v Mestni log 1, 1000 Ljubljana, at its 8th regular session held on May 24, 2016.

Pursuant to the provisions of Articles 270 and 294 of the Companies Act (ZGD-1), the Supervisory Board made sure that total remuneration paid out to the Management Board is in proportion to the Management Board's tasks and the financial position of the company, as well as in compliance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Also, the Supervisory Board found the remuneration paid out to the members of the managerial and supervi-

sory bodies duly disclosed and reported in the present Annual Report.

The Supervisory Board found that the mentioned annual reports were drawn up in compliance with the provisions of the Companies Act and the Slovenian Accounting Standards, and believes that the two annual reports and the data they contain present to be a true and accurate account of the companies' operations and performance in the past fiscal year. The board also established that the contents of the reports in terms of development strategies is consistent with the opinions of the Supervisory Board. In this, the board also relies on the opinion of the certified auditor: the financial statements, in all their major aspects, provide a faithful and true account of the financial position of the company Elektro Celje, d.d., and Elektro Celje

Group as of December 31, 2015, and of its profit and loss and cash flows in 2015 in accordance with the Slovenian Accounting Standards. The auditing company BDO re-vizija, d.o.o., issued on April 22, 2016, a positive opinion to the Annual Report of the company Elektro Celje, and a positive opinion to the Consolidated Annual Report of Elektro Celje Group.

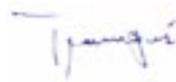
Therefore, based on its own audit of the annual reports, the review of the audit report issued by the certified auditor for the 2015 fiscal year, and the report by the Supervisory Board Audit Committee on the audit of the 2015 Annual Report of the company Elektro Celje, d.d., and of the Consolidated Annual Report of Elektro Celje Group:

- The Supervisory Board of the company Elektro Celje, d.d., approves, without any comments, the 2015 Annual Report of the company Elektro Celje, d.d., and the 2015 Consolidated Annual Report of Elektro Celje Group.
- The Supervisory Board of the company Elektro Celje, d.d., gives a positive opinion on the audit report on the companies' operations in 2015, as it finds that the report was compiled in conformity with the relevant law and prepared on the basis of a careful and comprehensive review of the operations and performance and the annual reports of the companies.

- The Supervisory Board of the company Elektro Celje, d.d., proposes to the Shareholders Assembly to adopt the decision to grant discharge from liability to the company Management Board and Supervisory Board for the year 2015, for it judges that the company operations were carried out in conformity with the set goals and the business plan for 2015.
- The Supervisory Board hereby adopts the Supervisory Board Audit Committee Report on the audit of the Annual Report of the company Elektro Celje and of the Consolidated Annual Report of Elektro Celje Group.

Celje, May 24, 2016

Chairman of the Supervisory Board
mag. Mirjan Trampuž, MBA





Elektro Celje

BUSINESS REPORT



SUPPLY

Our mission is a reliable, high-quality, cost-effective and environment-friendly electricity supply, feeding life into each day, each moment, so that our customers can fulfil their needs and wishes carefree.

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4. OVERVIEW OF MAJOR EVENTS IN 2015

January

- As one of eight participating companies and a distribution testing ground provider, the company Elektro Celje joined a European development project **Flex4Grid**. The entire scheme (also in two German distributors) will involve 2,000 customers. The purpose of the project is ensuring consumption control and the related additional services. The duration of the project is 36 months.



- On January 26 and 27, a recertification audit of the occupational health and safety system according to the OHSAS 18001:2007 standard was successfully completed and the certificate was renewed for another three-year period.
- Strategically vital for the future operation of the Group was the acquisition of the company Elektro Gorenjska Prodaja by the subsidiary Elektro Celje Energija. With regard to the acquisition, the Supervisory Board had given its approval to the Letter of Intent in April 2014. December 31, 2014, was taken as the balance cut-off

date for the acquisition. In early 2015, a due diligence audit of the two companies was conducted for the purposes of the acquisition, and their shareholders were informed about the process of merger between the two controlled undertakings at the assemblies of the respective companies.

- The subsidiary Elektro Celje Energija presented a modernised billing system for energy-generating products that enables the grouping of meter points and various energy-generating products in one single invoice by means of clearly outlined graphical presentations of contents. Also, in February 2015, it introduced the successor to the e-Storitve Internet portal, the portal Moj ECE, a quick and easy way for the users to monitor their consumption, payment balance and any outstanding positions, and report their watt-hour meter indications.
- A reorganisation of the sales sector in the subsidiary Elektro Celje Energija, now composed of retail sales and sales to key customers, will ensure greater flexibility and better servicing of the so-called mass market customers. Also planned is a modernisation of the operation of the call centre and an upgrade of IT support in terms of contents monitoring, impact measurement and meeting higher performance standards.

February

- The company Elektro Celje obtained a full Family Friendly Enterprise certificate, which was developed as one of the tools for efficient and quality human resource

management within companies and organisations in the context of reconciling the professional and personal lives of their employees.

March

- In March, the company Elektro Celje received a visit by a Japanese delegation from the Hitachi Company with regard to a Slovene-Japanese project which is currently undergoing a feasibility study, but which will hopefully represent an upgrade of the SmartGrid system and serve as a testing ground for Slovene and Japanese companies.
- Based on a public tender carried out jointly for all five electricity distribution companies (EDCs) in January 2015, the company Elektro Celje made a purchase of meters and related equipment. At the same time, the public work contract for earthworks contractors was completed, with which the condition for an active beginning of the implementation of investment projects in 2015 was met.
- In March and April, the Business Data Processing Service of company Elektro Celje refurbished the server

infrastructure by replacing the hardware, upgrading the VMware vSphere server virtualisation infrastructure and setting up a data backup and availability solution with a Veeam product.

- In accordance with the recommendations by the manager of state assets, the management of Elektro Celje commenced the activities of introducing a Business Excellence Model as a company governance and management tool. The purpose of self-appraisal is to obtain an objective, comprehensive and analytical insight into the operation and results of the company, to assess the approaches and results of the company on its path to excellence, and identify the key opportunities for improving the processes and performance of the company in achieving its strategic targets. The work was conducted in the form of workshops, which were attended by permanent members of the evaluation team.

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April

- At the first strategic conference of Slovene Electricity Distribution, which was held in late April in Maribor, all five Slovene electricity distribution companies argued for a need to improve the status quo of electricity distribution by awarding the concessions directly to the distribution companies. The concessions would eliminate the unnecessary intermediate of the public utility service SODO, thus optimizing and increasing the business efficiency of EDCs as well as the efficiency of the Slovene electrical distribution system itself.
- The Management Board of the company Elektro Celje revised and improved the strategic plan of the company. The strategic task group, composed of sector directors, but involving numerous other employees, produced a strategic document that sets the guidelines for the per-

formance of the company's employees. This was further discussed by the members of the company's executive management, Works Council and Supervisory Board, who elaborated the document into the Strategic Business Plan of Elektro Celje, d.d., for the period 2015-2018.

- Commissioned by the Economic Interest Grouping of Electricity Distributors (GIZ DEE), the Elektro Celje company conducted in the past year the project of reconstruction of a framework security policy for Slovene electricity distribution (SED), with the purpose of restoring the basic security platforms for the protection of IT resources. A leaflet entitled Information Security Policies of SED was designed, which gathers all key information from the restored security policies.

June

- On June 9, 2015, the company Elektro Celje Energija and its partners made a presentation of electrical vehicles currently available for sale or lease.

- Renovation of the Majcen Mislinja Small Hydropower Plant (SHP) started.

July

- The Management Board of Elektro Celje, following a briefing of the Supervisory Board of the company, approved and adopted the Corporate Integrity Plan of the Elektro Celje Group. The Plan includes annexes Corporate Integrity Guidelines and Threats to Corporate Integrity and is intended to ensure the conformity of the operations of the Elektro Celje Group with the law, professional regulations and recommendations, internal rules of the companies in the Group, as well as compliance with the good business practice and the Code of Ethics of the Elektro Celje Group.

- On July 20, the companies Elektro Celje and Elektro Celje Energija signed an agreement with the Republic of Slovenia whereby they committed to the implementation of remission of debt under the terms and according to the procedure laid down by the law governing the conditions thereof. Proposals for the conclusion of arrangements on debt relief were being gathered up to October 31, 2015. However, within the Elektro Celje Group, it is the subsidiary Elektro Celje Energija, which is active in the marketing of electricity and other energy-generating products, that the agreement of relief or remission of debt primarily concerns.

August

- On August 31, 2015, at the 20th regular Shareholders Assembly of Elektro Celje, d.d., the shareholders were informed of the company's operations in 2014 and presented with the reports by the Management and Supervisory Boards. The shareholders adopted the decision on the allocation of distributable profit for 2014 in the total amount of EUR 3,145,015.25 – i.e., EUR 0.13 per share – granted discharge to the company's Management Board and Supervisory Board for their work in the previous year and appointed the company BDO

revizija, d.o.o., as approved auditor for the fiscal year 2015. Additionally, the shareholders were informed of the procedures regarding the acquisition of the company Elektro Gorenjska Prodaja, d.o.o., by the acquiring company Elektro Celje Energija, d.o.o. The Assembly also reached decisions on the amendment and supplementation of the company Articles of Association, and authorised the Management Board to purchase treasury shares and list the company's shares on the regulated securities market.

September

- On September 14, 2015, the Official Gazette of RS published the Act on the Methodology Determining the Regulatory Framework and the Methodology for Charging the Network Charge for the Electricity System

Operators for the period 2016–2018. The Act entered into force on September 15, 2015, but will be applied as of January 1, 2016.

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October

- On October 1, 2015, a new company under the name ECE was registered in the business register. The company was formed through the acquisition of Elektro Gorenjska Prodaja d.o.o., a subsidiary of Elektro Gorenjska, d.d., by Elektro Celje Energija, d.o.o., a subsidiary of Elektro Celje, d.d. Through the merger by acquisition the new company entered the market as a national supplier of electricity, natural gas and biomass, present throughout the territory of Slovenia with places of business as well as services.
- On October 1, 2015 a new Internet page of the company Elektro Celje was launched, providing new contents, designs and functions for our customers. The new Internet page is clearer and more informative, enabling easier access to the desired information.
- Between October 5 and 7, 2015, QMS and EMS recertification audits took place. Since no instances of non-compliance were established, both certificates were renewed for another three-year period – until September 15, 2018.

November

- At the 2014 Best Annual Report competition, organised by the Finance newspaper and the Finance Business Academy, the company Elektro Celje received an award for the annual report presented on the most innovative medium.

December

- On December 24, 2015, the Management Board of Elektro Celje signed Amendment IV to the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator for the year 2015, and the Agreement to Sign an Amendment to the Lease Agreement for the Period 2016 – 2018.

4.1 Events after the End of the Accounting Period

On January 1, 2016, the control units Šmarje pri Jelšah and Rogaška Slatina were joined into the new control unit Mestinje. The purpose of the merging is to make the work in control units more uniform, to increase the operational efficiency in conducting regular maintenance work and reconstruction of electricity infrastructure, and to optimise operating costs.

On January 20, 2016, an external control audit of the occupational health and safety system took place at the company. The external examiners of the testing, inspection and certification firm Bureau Veritas Certification conducted the audit and established that our company honours the commitments that were made when we introduced the system of occupational health and safety management. The auditors did recommend a few improvements, but found no inconsistencies or non-compliances. Their recommendations will be taken under close consideration and improvements will be implemented *mutatis mutandis* within a three months' period.

On January 21, 2016, the Government of RS appointed two inter-sectoral groups in the field of energy industry. The inter-sectoral working group for smart grids and broadband infrastructure will prepare an assessment of the possibility of achieving synergy effects in investing in

publicly-funded construction of smart grids and broadband infrastructure, and synergy effects of inter-sectoral aid to the electronic communications sector. The task of the working group for the regulation of the PU service of DNSO is to form a plan of activities necessary for achieving a 100% state ownership in the five EDCs and for the divestment or break-up of subsidiaries for the sale and trading of electricity from their parent distribution companies, which own a significant part of the distribution network in the Republic of Slovenia, or otherwise to reorganise the distribution groups into holding companies.

At the 5th regular session, held on March 21, 2016, the Supervisory Board adopted the decision to appoint the Chairman of the Board. The position of Chairman of the Management Board of the company Elektro Celje for the next four-year term extending from May 1, 2016, to April 30, 2020, was given to mag. Boris Kupec, univ. dipl. inž. el.

The management policy (Policy) adopted on February 29, 2016, by the Supervisory Board and the Management Board of company Elektro Celje represents a framework of company management. In the Policy, the Supervisory and Management Boards, in accordance with legal and statutory provisions, undertake to disclose how they intend to oversee and manage the company.

5. DEVELOPMENT STRATEGY

5.1 Strategic Guidelines

In its everyday operation, the Elektro Celje company is faced with challenges and opportunities that we wish to take, but also weaknesses to eliminate and threats to carefully avoid. Given the constantly changing requirements of the stakeholders and the company's aspiration to keep improving its performance, the strategy of the company was revised in 2015 to define anew the strategic focus and prepare an operational

plan for achieving the new strategic goals.

Based on an analysis of changes in the internal and external environments, the company has proposed and adopted the **strategic guidelines** necessary for laying out and defining the strategic goals, activities and tasks:



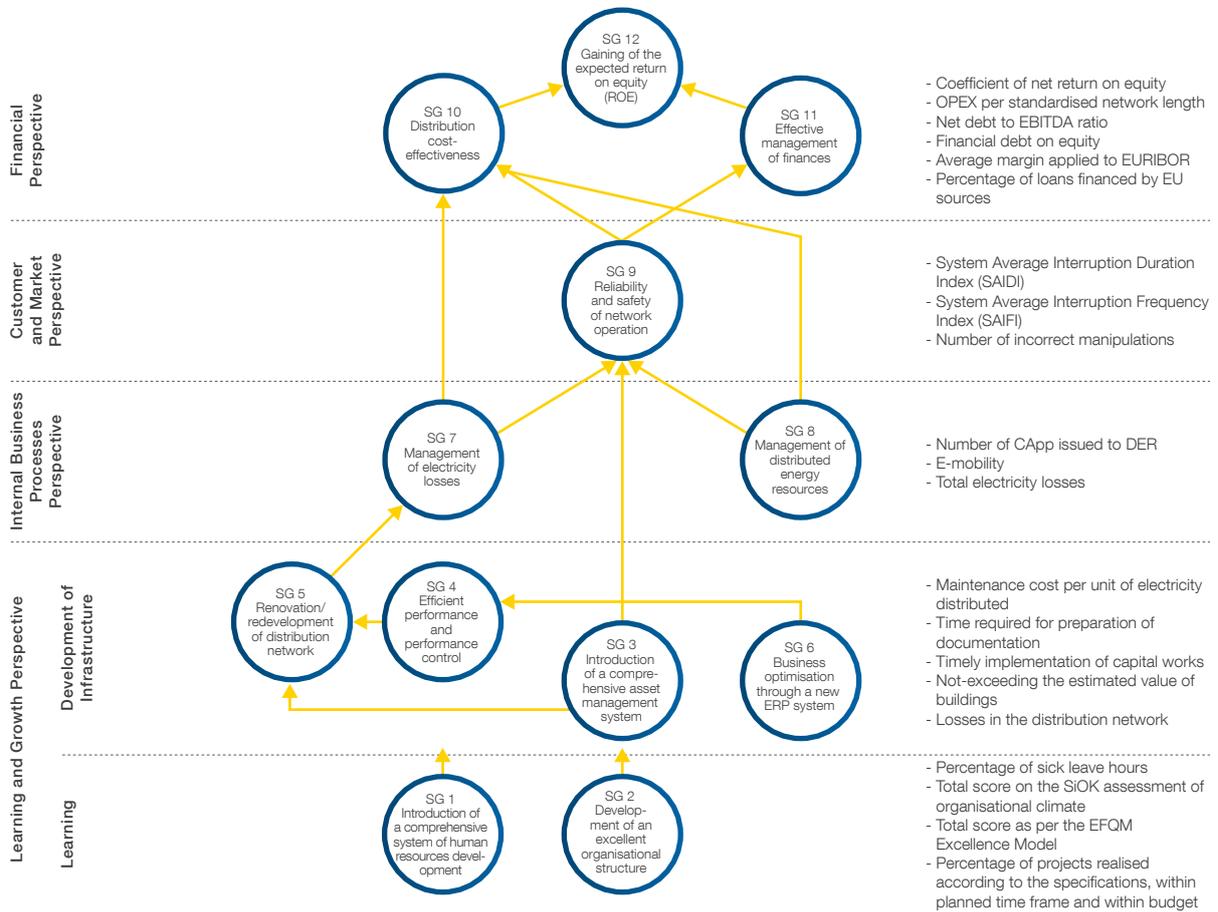
5.2 Strategic Goals and Strategic Diagram

Based on the strategic guidelines, twelve structured measurable strategic goals upon which the improved business operation is conditional have been set for the period 2015–2018. These can be classified into and evaluated within the perspectives of learning and growth, internal business processes, customers and market, and finances. Their achievement is significantly related to the conduct of the employees in pursuing sustainable development goals, particularly those in the fields of occupational health and safety and environmental protection, but also to an effective communication, to transmission of information on the strategy and the strategic goals to all stakeholders – cor-

porate governance bodies, the managing team and the employees – as well as to the constant monitoring of the entire process of working towards the goals, including the control over the implementation of strategic activities.

The strategic goals and tasks are defined in a way that enables the use of a control indicator system for monitoring the implementation of the strategy. The achievement of these goals and implementation of the strategy is the task of all employees, with the ultimate responsibility lying on the leaders of the strategic process and on the management of the joint-stock company.

Balance Scorecard - Strategic Diagram and Indicators



The development of the employees' competences, their motivation and commitment, coupled with excellent organisation, can lead to a successful development of infrastructure and asset management (the perspective of Learning and Growth), which in turn facilitates a successful effectuation of other processes (Internal Business Processes). Efficient processes enable the company to fulfil its mission, which is to ensure a reliable, high-quality, cost-effective and environment-friendly electric power supply and related services (Customer and Market). The end result is a successful and efficient business operation and satisfied owners (Financial).

Strategic Indicators according to the evaluation perspectives:

>> Learning and growth perspective:

- target value of the regular maintenance plan realisation: 100 %
- target total score on the SiOK organisational culture assessment: 3.3
- target number of hours of training and education per employee: more than 15
- target percentage of sick leave usage: less than 4.8 %

>> Internal business process perspective:

- target value of total energy loss: up to 5.4 %

>> Customer and market perspective:

- target value of SAIDI (System Average Interruption Duration Index): 35
- target value of SAIFI (System Average Interruption Frequency Index): 0.8

>> Financial perspective:

- target value of the coefficient of net return on equity (ROE) in the regulatory timeframe 2016–2018: over 2.0 %
- target value of OPEX per standardised network length: less than 73,000 EUR/km
- target value of net debt to EBITDA: less than 2.50
- target value of added value per employee: more than 70,000 EUR/employee



6. COMPANY GOVERNANCE AND MANAGEMENT

The bodies of corporate governance at Elektro Celje are: Management Board, Supervisory Board, and Shareholders Assembly.

The **Management Board** is composed of a single member appointed by the company Supervisory Board. The board, consisting of Chairman Rade Knežević, univ. dipl. inž. el., was appointed for a four-year term from January 12, 2014 to January 12, 2018. On December 22, 2015 the Supervisory Board of Elektro Celje took note of the proposal by the Chairman of the Management Board, Mr. Rade Knežević for a consensual termination of office before the expiration of the term. By agreement with Mr. Knežević, the Supervisory Board approved the consensual termination of the mandate of the Chairman of the Management Board as of April 30, 2016.

The **Supervisory Board** is composed of six members, two of which are representatives of the employees. Mem-

bers of the Board are appointed for a four-year term and eligible for re-election. The members of the board representing capital are appointed to the board by the Shareholders Assembly with a simple majority of the shareholders present. The two board members representing the employees are appointed by the company Works Council.

In 2015, the company Supervisory Board was composed of:

Representatives of capital:

mag. Mirjan Trampuž, MBA – Chairman
Dejan Božič, MBA – Deputy Chairman
Tatjana Habjan, univ. dipl. ekon. – Member
Mitja Vatovec, dipl. ekon. – Member

Representatives of employees:

Tomislav Pajič, dipl. inž. energ. – Member
Boris Počivavšek – Member

6.1 Elektro Celje Corporate Governance Statement

The Management and Supervisory Boards of Elektro Celje, d.d., wish to inform the shareholders and the public that the company operates in compliance with the existing rules and regulations applicable to the company. The Corporate Government Statement is an integral part of the 2015 Annual Report and will be accessible on the company website www.elektro-celje.si for at least five years from the date of its publication.

The Management Board represents the company and manages the business independently and on its own responsibility. In doing so, it makes decisions in line with the strategic goals of the company and to the benefit of the shareholders. The system of governance and management steers the company and enables supervision over the company and its controlled undertakings. It defines the distribution of rights and responsibilities among the managing bodies, determines the rules and procedures to follow in deciding on corporate issues, provides a framework for setting, achieving and supervising the achievement of business goals, and establishes the values, principles and standards of fair, honest and responsible decision-making and behaviour in all aspects of our business. The applicable rules and regulations important for the operation of Elektro Celje as well as the latter's Articles of Association are published on the company website (www.elektro-celje.si).

The governance and management system is a means for achieving the company's long-term strategic goals and a way in which the Management Board and the Supervisory Board of Elektro Celje, d.d., carry out their responsibility towards shareholders and other stakeholders of the

company. The vision and objective of Elektro Celje and its subsidiaries is the implementation of modern principles of governance and management and represents the fullest conformity with advanced business practices in Slovenia and abroad.

In its work and operation, Elektro Celje observes the Corporate Governance Code for Companies with Capital Assets of the State, adopted on December 19, 2014 by Slovenski državni holding d.d. (Slovenian Sovereign Holding, hereinafter SSH), and published on the website of the same (www.sdh.si).

In 2015, the company's operation did not deviate significantly from the principles, procedures and criteria prescribed by the above codes and recommendations. The company may depart from the latter when the provisions of said codes and recommendations are already governed differently by the law or the company Articles of Association, when non-mandatory actions are not prescribed in the company acts, or when practices are not established as legal obligations.

It is this company's opinion that the members of the Supervisory Board are professional, responsible and independent in performing their duties and act in accordance with the Corporate Governance Code for Companies with Capital Assets of the State and recommendations of SSH.

The company declares that the Management Board of the controlling company has actively followed and directly supervised the operation of the controlled undertakings ECE, d.o.o., and MHE – ELPRO d.o.o., in accordance

with strategic guidelines, with the purpose of achieving the set business objectives.

Elektro Celje will observe the recommendations of new acts of SSH in the future as well, fine-tuning and improving its management system accordingly. In the case of any departure from the present statement on the codes observance, the company will see to its timely publication.

Clarifications in Pursuance to the Requirements of the Companies Act

Pursuant to Paragraph 5 of Article 70 of the Companies Act, which establishes the minimum required contents of the corporate governance statement, Elektro Celje sets forth the following clarifications:

1. Description of the principal characteristics of internal control and risk management systems in the company in connection with the financial reporting procedure.

Elektro Celje, d.d., manages risks and implements internal control procedures at all levels of its business. The purpose of internal control is to ensure the accuracy, reliability, visibility and transparency of all processes, as well as the management of risks related to financial reporting. At the same time, the internal control system establishes mechanisms that prevent a misuse of resources and cost inefficiency. The system of internal control includes procedures ensuring that:

- events are recorded in authentic accounting documents, on the basis of which the events are recorded faithfully and honestly and provide a guarantee that the company disposes of its assets in good faith.
- events are recorded and financial statements prepared in accordance with applicable law,
- unauthorised acquisition, use or disposal of the company's assets which could materially affect the financial statements is prevented or detected in time.

The internal control in the company is conducted by the Economic and Financial Sector, which is in charge of bookkeeping and production of financial statements in accordance with applicable accounting, tax and other regulations, by the internal auditor and by the risk management coordinator.

2. Significant direct and indirect ownership of the company's securities in terms of achieving a qualified holding, as determined by the act governing mergers and acquisitions.

The data on achieving a qualified holding, as determined by the Takeovers Act, in our company have been regularly updated in the electronic reporting system of the

Ljubljana Stock Exchange and forwarded to the Securities Market Agency. The owner of a qualified holding, as determined by the Takeovers Act, of the company Elektro Celje, d.d., is, as of the date of December 31, 2015, the Republic of Slovenia, with a 79.50 % ownership share; i.e., 19,232,978 shares.

3. Clarifications on each holder of securities with special controlling rights.

Individual shareholders of the company Elektro Celje, d.d., have no special controlling rights arising from their holding shares of the company.

4. Clarifications concerning all restrictions of voting rights.

The shareholders of Elektro Celje have no restrictions in exercising their voting rights.

5. The company's rules on appointment and replacement of members of management or supervisory bodies, and amendments to articles of association.

Company regulations do not govern separately the appointment or replacement of members of management or supervisory bodies or changes to the articles of association. In such cases, the company refers entirely to the current legislation.

6. Authorisation to the management, particularly authorisations to issue or purchase treasury shares.

In 2015, the company Elektro Celje, d.d., did not have authorisation to issue or purchase treasury shares.

7. Activities of the company's general meeting and its key responsibilities.

In 2015, the Shareholders Assembly met once. The powers of the Shareholders Assembly and the shareholders' rights are specified in the law and shall be exercised in the manner as provided in the company's Act of Association, assembly rules of procedure and the Chair of the Assembly.

8. Data on the structure and operation of the management and supervisory bodies and their commissions.

A comprehensive presentation of the management and supervisory bodies and their commissions is given under 16.9.2.

Pursuant to Article 60.a of the Companies Act, the Management Board and the Supervisory Board of Elektro Celje, d.d., jointly find that the Annual Report of Elektro Celje and Elektro Celje Group for the year 2015 is compiled and published in compliance with the Companies Act and Slovenian Accounting Standards.

Chairman of the Management Board
Rade Knežević, univ. dipl. inž. el.



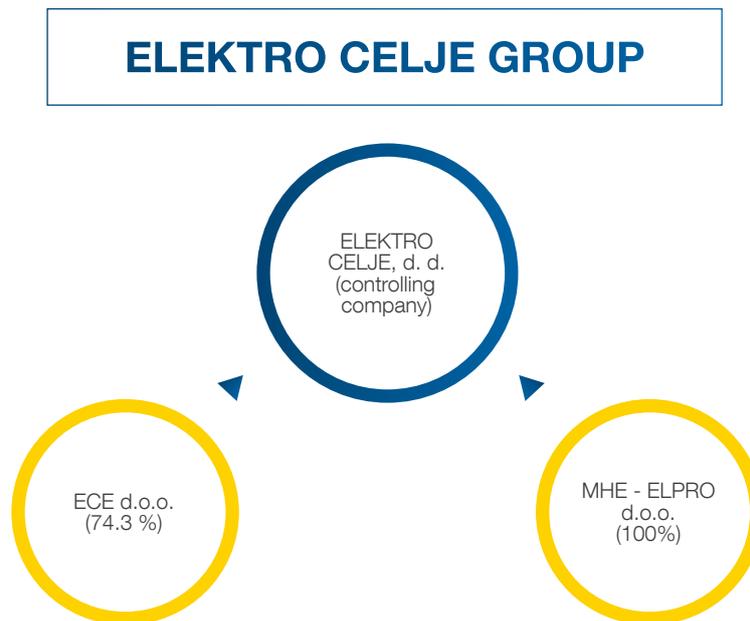
Chairman of the Supervisory Board
mag. Mirjan Trampuž



7. PRESENTATION OF ELEKTRO CELJE GROUP

The Elektro Celje Group consists of the controlling company Elektro Celje and its two subsidiaries ECE, supplier

of electricity and other energy-generating products, and MHE – ELPRO, electricity producer.



7.1 Controlling Company Elektro Celje, d.d.

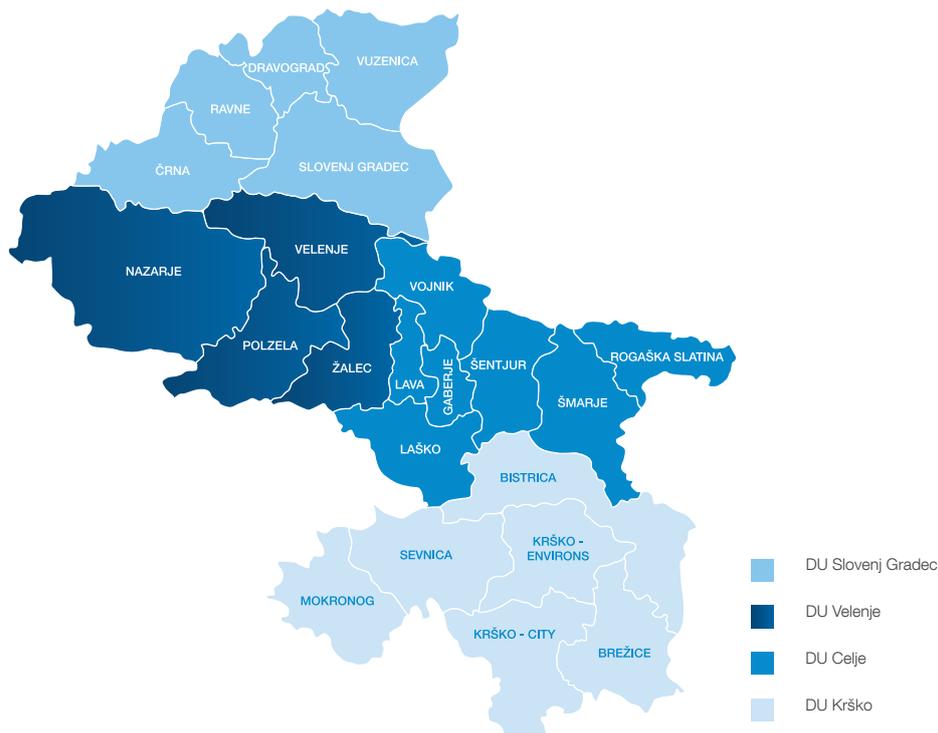
7.1.1 Elektro Celje Company Profile

Elektro Celje is part of the electric power system of the republic of Slovenia and one of the five electricity distribution companies in the country. Since 2007, the company has been registered as a limited company governed by private law, performing network (i.e., regulated) activities and electricity infrastructure related marketing services.

Elektro Celje, d.d., is the owner of an electricity infrastructure consisting of over 13,600 km of low-voltage networks, 808 km of medium-voltage underground cables, over 2,600 km of medium-voltage overhead power lines, 101 km of 110 kV overhead power lines, 17 distribution transformer substations, 14 distribution substations, and over 3,400 transformer substations. On July 1, 2007, the

company leased its electricity infrastructure to the national distribution network system operator, the company SODO d.o.o., signing the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator.

As an electricity distributor, Elektro Celje is in charge of the supervision, management and operation of the electricity distribution network, as well as of the maintenance, construction and refurbishment of electric power devices and plants in the Savinjska, Koroška and Spodnjeoposavska regions, spanning 4,345 km² or 22% of the total territory of Slovenia.



In 2015, Elektro Celje distributed electricity to 150,077 household and 19,929 business consumers, supplying a total of 1,929 GWh of electric power.

Company:	ELEKTRO CELJE, podjetje za distribucijo električne energije, d.d.
Abbreviated name:	ELEKTRO CELJE, d.d.
Head office:	Vrunčeva 2a, 3000 Celje
Legal registration:	Register of Companies of the District Court of Celje, Reg. No. 1/00600/00
Company share capital:	EUR 100,953,200.63
Number of shares:	24,192,425 no-par value shares, 79.5 % of which are held by the Republic of Slovenia
Registration number:	5223067
VAT identification number:	SI62166859
Current accounts:	03118-1000007817 with SKB banka 29000-0001897565 with UniCredit Bank 02234-0010129952 with NLB 10100-0047650663 with Banka Koper 06000-0001100279 with Abanka
Company size (according to the provisions of the Companies Act-1):	large company
Number of employees as of Dec 31, 2015:	632
Distribution area:	three Slovene regions: Savinjska, Koroška and Spodnjeposavska, with 40 municipalities in their entirety and 2 in part
Size of distribution area:	4,345 km ²
Number of customers in 2015 (connected to the distribution network):	170,006
Number of MWh distributed in 2015:	1,928,787 MWh
CONTACT DETAILS FOR ELEKTRO CELJE, d.d.	
Elektro Celje, d.d. :	Vrunčeva 2a, 3000 Celje
Telephone:	(03) 42 01 000
Fax:	(03) 42 01 010
Call centre:	(03) 42 01 180
Press contact:	(03) 42 01 435
Chairman of the Management Board:	(03) 42 01 201
Website:	http://www.elektro-celje.si
E-mail:	info@elektro-celje.si
Chairman of the Management Board:	Rade Knežević, univ. dipl. inž. el.
Chairman of the Supervisory Board:	mag. Mirjan Trampuž, MBA

7.1.2 Mission, Vision and Values of Elektro Celje

>> Mission

To provide a reliable, high-quality, cost-effective and environment-friendly electric power supply and related services.

>> Vision

To become a leading electricity provider with a technologically advanced electricity network, which can lead to the recognition of the company as an agent of improvement of the quality of life, with a responsible attitude towards the environment and employees.

>> Values

Elektro Celje appreciates and promotes activities ensuring that the company always respect the following principles and values:

• PROFESSIONAL COMPETENCE:

Behaviour and actions honouring the company's mission, vision, strategy, goals and values. The objective is to co-create a productive work environment that fosters the personal growth of all employees and raises environmental awareness and responsibility among them.

• KNOWLEDGE:

Knowledge acquisition and the sharing of experience and expertise among colleagues ensure the high quality of our work and enable the development of each individual and the company as a whole.

• ENTREPRENEURSHIP:

Initiative, creativity, risk preparedness, making changes, setting, reaching and surpassing ambitious goals.

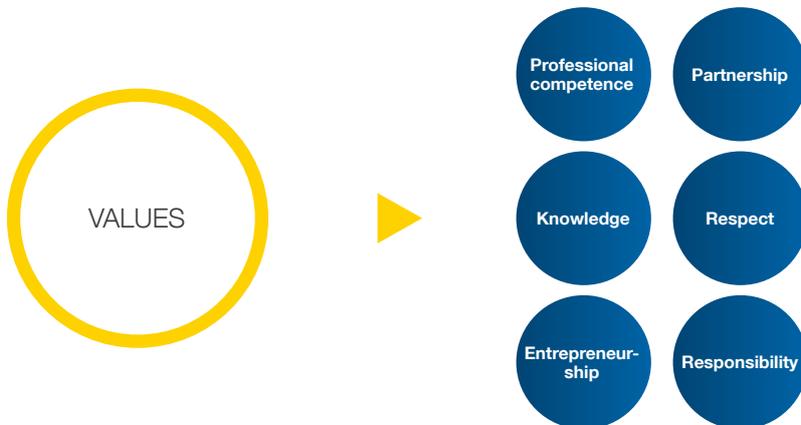
• PARTNERSHIP:

Success is a result of joint work, mutual trust and open communication. The relationship between colleagues should resemble the relationship among the members of a winning sports team. People creating in a harmonious atmosphere, and focussed on common goals, are the driving force of the company.

• RESPECT:

Interpersonal relations are based on the respect of each individual, goal, agreement, rule and the commitment to the company.

• RESPONSIBILITY:



7.1.3 Organisational Structure of Elektro Celje

The organisational structure of the company is based on the applicable Rules and Regulations on Internal Organisation and Job Classification, which are set to ensure ex-

pert, efficient and rational performance of company operations, as well as efficient control over the execution of the tasks.



7.1.4 Internal Audit

An internal audit is an independent activity providing assurance and consulting in order to increase the benefits and improve the operation of the company. The Internal Audit department evaluates the performance of risks management, reviews the management of key risks, and advises on the improvement of risk management. It operates in compliance with the International Standards of Professional Conduct in Internal Auditing and Code of Professional Ethics. An internal audit report is compiled after each completed audit, which is submitted to the auditee, the Management Board and the Supervisory Board Audit Committee. Twice per year, the Internal Audit department drafts a report for the Supervisory Board and its Audit Committee on the activities of the Internal Audit, and, separately, on the monitoring of the implementation of measures adopted following previous recommendations by the Internal Audit.

The mission of the Internal Audit at the Elektro Celje Group is pursued based on an annual plan of work adopted by the management upon proposal by the Supervisory Board Audit Committee, following the approval by the Supervisory Board. In addition to planned regular inspections, the Internal Audit also acts upon decisions by the Management and Supervisory Boards.

In 2015, internal audits were performed in the following fields: restoration and maintenance of power lines by external contractors, material and service purchase, projects managed at the project server, utilisation of indicators in select processes, and contracts for the maintenance of IT solutions. In addition to inspecting three anonymous notifications following a decision of the Supervisory Board, the internal auditor provided consulting services, conducted inspections and imparted training with the purpose of improving the control environment and risk management.

In the context of individual operations and tasks, the internal auditor verified and evaluated the adequacy and effectiveness of internal controls and determined the control system in Elektro Celje to be suitable. The controls, authorisations and responsibilities are essentially defined in the ISO 9001 quality management system, in the ISO 14001 environmental management system and the OHSAS 18001.

In the focus of the internal audit were also the likelihood of fraud and the operation of information technology. The system of precautionary internal control aimed at preventing major fraud in the areas inspected was found to be well-established and properly functioning. Upon inspection of the field of information-communication technology, the internal auditor deems the internal controls for ensuring traceability, information protection and data processing to be adequate.



7.2 Subsidiary ECE

ECE, energetska družba, d.o.o., was formed in the process of merger by acquisition of Elektro Gorenjska Prodaja (EGP) by Elektro Celje Energija. The merger was legally registered on October 1, 2015, (cut-off date December 31, 2014). The basis for the merger by acquisition was the contract of members signed between the company's owners Elektro Celje, d.d., and Elektro Gorenjska, d.d.

The business interest of each member in the share capital is as follows:

- Elektro Celje, d.d.: 74.3256 %
- Elektro Gorenjska, d.d.: 25.6744 %

The ECE company is managed by mag. Mitja Terče. The company has no Supervisory Board of its own.

7.2.1 ECE Company Profile

Company:	ECE, energetska družba, d. o. o.
Abbreviated name:	ECE, d. o. o.
Head office:	Vrunčeva 2a, 3000 Celje
Branch offices:	Celje, Kranj, Krško, Slovenj Gradec, Velenje, Žirovnica
Legal registration:	Register of Companies of the District Court of Celje, ref. number Srg 2011/36741, and changes following merger with acquisition, ref. number Srg 2015/37235
Company share capital:	EUR 3,436,767.65
Registration number:	6064892000
VAT identification number:	SI55722679
Current accounts:	06000-0100121371 with Abanka 03118-1000877810 with SKB banka 02943-0259709385 with NLB 30000-0009265864 with Sberbank 19100-0010311251 with Deželna banka Slovenije 07000-0002705420 with Gorenjska banka
Company size (according to the provisions of the Companies Act-1):	large company
Number of employees as of Dec 31, 2015:	85
Number of customers in 2015:	189,266
Number of MWh sold in 2015:	2,716,106
CONTACT DETAILS FOR ECE, d. o. o.:	
ECE, d. o. o.:	Vrunčeva 2a, 3000 Celje
Telephone:	080 22 04
Fax:	(03) 62 09 559
Website:	http://www.ece.si
E-mail:	info@ece.si
Managing director:	mag. Mitja Terče
Procurator:	Rudolf Ogrinc, mag.

7.2.2 Mission, Vision and Values of ECE

>> Mission

With a responsible, professional and innovative approach we market electricity and advise on energy saving, working through a partnership relationship towards long-lasting satisfaction of our customers, shareholders and employees.

>> Vision

Our aim is to become the major energy supplier in Slovenia and the best-known electricity and natural gas trader in the region. Our high-quality, comprehensive service and reasonable prices will be reflected in customer satisfaction and sales growth, which will, coupled with great efficiency, yield above-average returns for our shareholders. Through purchase of electricity from renewable energy sources, solutions for reducing energy consumption and promotion of energy-saving electrical devices we wish to exercise our responsibility towards the environment in which we live and work.

>> Values

- satisfaction: a satisfied customer is the company's greatest value
- innovation in the quest for new ideas for improvement and growth
- efficacy in the optimisation of business processes with the aim of achieving the best results
- a friendly and courteous attitude towards co-workers, customers and business partners
- stability, quality and reliability: fulfilment of all commitments and goals, and management of the risk arising in the process
- responsible attitude towards the shareholders, the environment and the society
- integrity: abidance by all laws, regulations, codes and promises given, and an open dialogue with all stakeholders.

7.2.3 Operations and Performance of ECE

In its operation, ECE is pursuing with great dedication the following goals:

- customer-oriented approach
- flexible offer providing mutual satisfaction, and supply of energy-generating products at competitive prices
- use of modern IT infrastructure
- highly educated professional staff

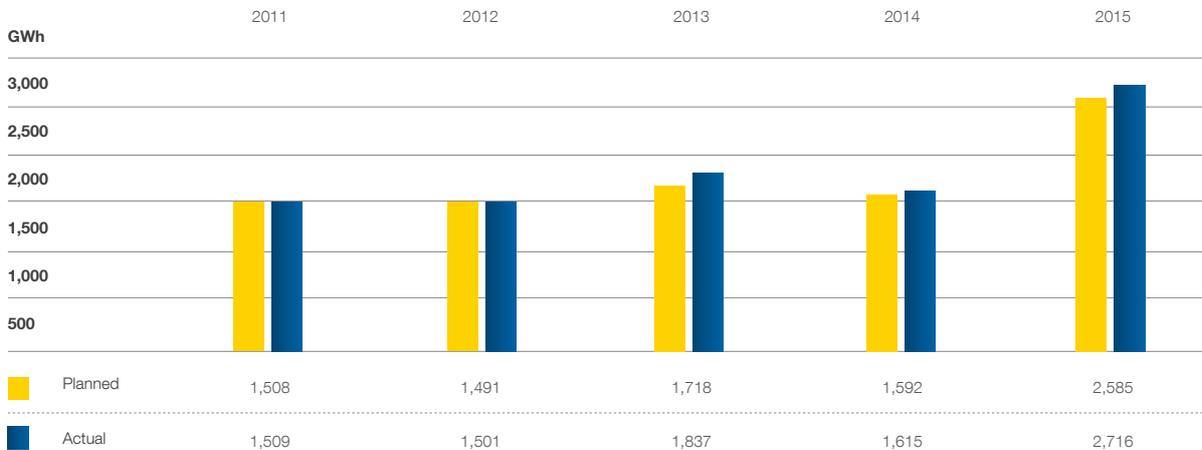
- competitive and market driven attitude in providing a comprehensive supply for customer needs for electricity, natural gas, wood biomass, and additional services (heat pumps, natural gas and wood biomass furnaces)
- optimisation of operating expenses
- risk management

7.2.3.1 Purchase of Electricity

The total purchase of electricity in 2015 was 5.1 % higher than planned and 68.2 % higher than in 2014. Including deviations from timetables for 2015 (17.1 GWh), the purchase of electricity amounted to 2,716 GWh.

Since the company Elektro Gorenjska Prodaja ceased to exist as a legal person on October 1, 2015, the data for the last three months of the previous year refer to the merged company ECE, d.o.o., which means that they include the amount of Elektro Celje Energija and Elektro Gorenjska Prodaja combined (if the purchase amounts of Elektro Gorenjska Prodaja for the first nine months of the previous year were excluded from the data, the amount of the electricity purchase would be 2,131 GWh).

■ Purchase of electricity in the period 2011–2015



7.2.3.2 Sales of Electricity

In 2015, the sales of electricity amounted to 2,716 GWh, which is 68.2 % more than during the year before. The sales to household customers amounted to 708 GWh, those to business customers 2,008 GWh.

Sales of electricity to business customers

The category of business customers includes large companies, which are treated individually, with an assigned administrator/key account manager (around 500) and custom tailored offers, and medium-sized and smaller companies or legal persons (about 15,000) managed at

the level of mass, standardised offer.

In 2015, the sharp competition for large-business customers continued, but the number of new customers that we managed to attract (over 40 companies) was higher than the number of established customers that we lost. Despite the dumping policies of HEP we were successful in finding clients who accepted normal market prices.

The segment of small-business customers (some 9 % of our customers) is mostly serviced individually, which creates the need for even greater involvement of the field

sales personnel, while the growing competition in this group dictates increasingly lower sales margins. As this group, which is, besides household customers, most profitable, is well aware of its negotiating position, customers with an annual consumption of over 100 MWh enjoy similar rates as large-business customers (with an annual consumption of several GWh of electricity). In 2015, we organised in this group a marketing campaign offering the option of fixed prices until the end of 2017. 14 % of customers with a total annual consumption of 30 GWh opted to sign this contract.

In 2015, ECE had 15,042 business customers and 31,602 business consumption metering points.

7.2.3.3 Renewable Energy Sources

In 2015, we extended the supply of electricity entirely generated by renewable energy sources from household to small-business customers.

In pursuance of the Decree on Green Public Procurement, which entered into force in 2012, the persons registered for electricity purchase are required to procure a mandatory share of electricity from renewable sources and prove that by redeeming the so-called Guarantees of Origin (GO).

7.2.3.4 Natural Gas

The sale of natural gas was introduced in 2013. In comparison with previous years, the competition among suppliers of this energy-generating product was considerably more intense, particularly due to traders who are also distributors. Each ran their own special offers of discounted prices, mostly targeting existing customers, but these, unlike with electricity, are rather reluctant to change their suppliers.

Sales of electricity to household consumers

In 2015, in response to the campaign launched by the Slovene Consumers' Association, we prepared a great offer with the slogan "Save more!", in which we offered electricity at prices that were lower than those obtained at auction. Approximately 20,000 customers accepted the special offer. Towards the end of 2015, with the desire to avoid the downward trend in the number of customers, we organised the campaign "A cell phone for 1 euro", which had a very high profile all around Slovenia, and was very successful, too (we sold around 6,500 cell phones). For new customers, the campaign will continue in 2016, as well.

In 2015, the company ECE had 174,224 household customers and 185,988 household consumption metering points.

Now that we have supplied RES-generated electricity to all households and small-business customers and all customers in public tenders in which the law provides for a mandatory purchase of

This is especially true of household customers. In 2015, 7,278,610 Sm³ of natural gas were sold to business customers and 579,919 Sm³ to households, for a combined total of 7,858,529 Sm³. The value of the sales amounted to EUR 2,601,614 for business customers and EUR 169,372 for households, for a total of EUR 2,770,986.

Amount and values of natural gas sales	2013	2014	2015
Amount (Sm ³)	52,851	3,911,434	7,858,529
Value (EUR)	22,376	1,337,119	2,770,986

7.2.3.5 Wood Pellets

Based on the experience from previous heating seasons we decided to enter the 2015/2016 season with an offer of high-quality wood pellets at affordable prices and with advantageous related services (payment by instalment, transport-in price, reliable logistics partner). We continued with the sales of A1-quality wood pellets of Austrian origin. In the A2-quality class we opted for a Slovene supplier on

the grounds of a simpler cooperation in terms of formalities and risk. The quality of the pellets is corroborated by the ENplus certificate.

The table below presents the sales of wood pellets in the past three years.

Amounts and values of wood pellet sales	2013	2014	2015
Amount (T)	1,852	1,672	2,229
Value (EUR)	366,863	346,457	415,981

ECE's market share of wood pellet sales is estimated to range between 1 % and 2 % of the entire Slovene market.

7.3 Subsidiary MHE – ELPRO

MHE – ELPRO, podjetje za proizvodnjo in trženje električne energije, d.o.o., is a limited liability company. Its founder

and sole shareholder is the company Elektro Celje, d.d.

7.3.1 MHE – ELPRO Company Profile

Company	MHE - ELPRO, podjetje za proizvodnjo in trženje električne energije, d. o. o.
Abbreviated name	MHE - ELPRO d. o. o.
Head office	Vrunčeva 2a, 3000 Celje
Legal registration	Register of Companies of the District Court of Celje, entry no. 1/07492/00
Company share capital	EUR 12,518.78
Registration number	1700758
VAT identification number	SI52011429
Current account	06000-0910239666 with Abanka
Company size (according to the provisions of the Companies Act-1)	micro company
Number of employees as of Dec 31, 2015	0
Number of kWh produced in 2015:	3,730,056
Managing director	Gregor Milanez, dipl. inž. el.

7.3.2 Operations and Performance of MHE – ELPRO

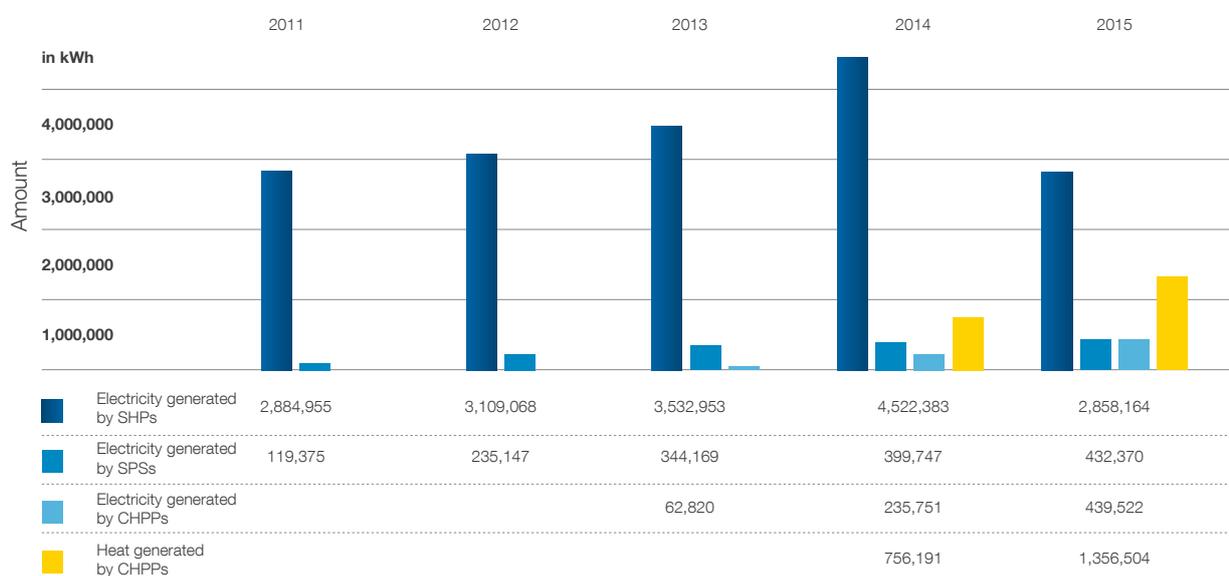
In 2015, the company MHE – ELPRO completed 14 years of operation. Its key values include efficient and environment-friendly production of electricity and investment into renewable energy sources. In 2015, company operations included:

- small hydropower plants: Rastke, Ljubija zgornja, Ljubija spodnja, and Majcen Mislinja
- small-scale photovoltaic systems: Brdo pri Kranju, Srce, Lava, Šempeter 1, Šempeter 2, Slovenj Gradec 1, Slovenj Gradec 2, Slovenj Gradec 3, Mestinje 1, and Mestinje 2

- combined heat and power plants Srce located at the Elektro Celje, d.d., headquarters, and on office buildings in Selce, Krško and Slovenj Gradec.

In 2015, the company MHE – ELPRO, in cooperation with Elektro Celje, d.d., started introducing electromobility by purchasing a facility for the management of charging infrastructure, and 8 electric vehicle charging stations. This infrastructure will allow us to gain experience and knowledge to prepare for the future, which seems to lie in electromobility.

■ Electricity generation at the company MHE - ELPRO



35 ■

The output of small hydropower plants largely depends on natural circumstances. Two years stand out in the company's history: 2011 (as a very dry year) and 2014 (as a year with high rainfall). 2015 was a dry year, its output quite comparable to that of 2011.

The operation of small-scale photovoltaic systems (SPSs) depends on the amount of solar radiation, which also changes with the seasons. In 2015, the total SPS output was comparable to that of the year before. The operation of the combined heat and power plants (CHPPs) is planned during the heating season and designed to provide heating for the Elektro Celje company office buildings. The operation and the power output depend on the buildings' needs for heating in relation to outside temperatures. In 2015, all plants operated at full capacity and according to expectations and predictions.

The share of electricity produced by SHSs was 76.6 % (2,858,164 kWh), the share of SPHS-generated electricity 11.6 % (432,370 kWh), and the share of electricity output from the combined heat and power plants 11.8 % (439,522 kWh). In addition, 1,356,504 kWh of heat were produced.

The company MHE – ELPRO wrapped up the 2015 with a profit of EUR 105,464 (index 72 with respect to 2014, or 98 with respect to the annual plan). The results fall within the planned range, but are lower in comparison to those of 2014 due to less favourable hydrological conditions.



SPS Brdo pri Kranju



MAINTENANCE

We maintain the distribution network in good condition, seeing to the proper state of repair of electrical devices and equipment, so that electric power can flow smoothly between the regions we service: Savinjska, Koroška and Spodnjeposavska.



Elektro Celje

8. ORGANISATION AND ACTIVITIES OF THE COMPANY ELEKTRO CELJE

8.1 Operation and Development of the Distribution Network

The Development and Operations sector performs the following tasks:

- distribution of electricity
- management, control and operation of the distribution network
- provision of network development
- compliance with systemic operational instructions
- management of electricity transmission via distribution network and exchange with other networks
- provision of optimum restoration of system operations following any faults
- coordinated operation of the distribution network with connected networks
- provision of systemic protection of the distribution network
- conducting of operational measurements in the distribution network
- conducting of measurements and analyses in the field of electricity quality
- development of operational statistics

In 2015, the Development and Operations sector continued the upgrading of the DMS/OMS V2 software tool by

concentrating on actively reducing losses of electricity in the network. Together with our partners, we are successfully participating in the European project Flex4Grid.

Focussing on a reliable provision of electricity to our customers, in 2015 Elektro Celje continued activities on the project "parallel operation of the MV network." The electrical codes allow the normal power-line loads that cause up to a 7.5 % voltage drop, but in extraordinary operating conditions, the maximum permitted voltage drop can be higher. The temporal and financial limitations regarding the placement of facilities can result in an extraordinary operating condition reducing to ordinary operating conditions. The disadvantages are mainly greater electricity losses and a negative impact on the continuity of supply parameters. Elektro Celje set itself the goal of utilising the existing infrastructure optimally even in such circumstances. In order to achieve this goal, project documentation and technical guidelines were prepared for the planned equipment. In 2015, we implemented this project into the real environment and began monitoring the first experiences of such an operation. It should be noted that this is the first project of its kind in Slovenia.

8.1.1 Development of the Distribution Network

The Development Department issues documents required for developments that affect the physical environment, while also managing agreements on connection to the

distribution network, the processing of geographic data for the Geographic Information System (GIS), the quality of electricity supply, and network development plans.

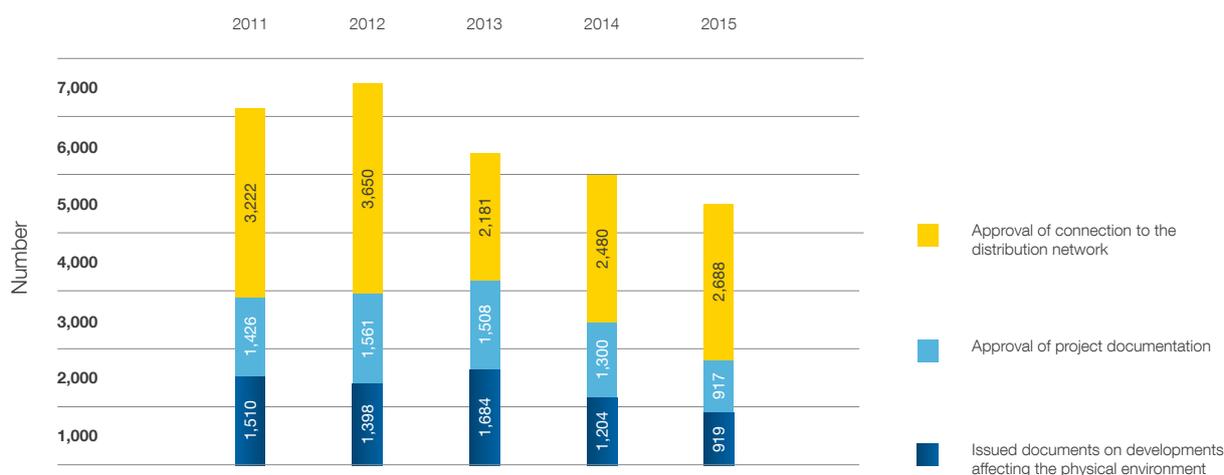


DTS Žalec

8.1.1.1 Documents on Developments Affecting the Physical Environment

Number of documents on developments affecting the physical environment issued in 2015							Total
No.	Type of document	Category	DU Celje	DU Krško	DU SI. Gradec	DU Velenje	Elektro Celje
1.	Guidelines to the spatial planning document		9	11	4	22	46
2.	Opinion on the spatial planning document		11	10	4	16	41
3.	Terms of project		181	342	129	180	832
4.	Approval of project documentation		44	321	134	418	917
5.	Connection approval						
		0.4 kV up to 41 kW	253	140	156	213	762
		0.4 kV over 41 kW	60	39	27	32	158
		household customers	600	373	250	481	1,704
		MV (1 - 35 kV)	7	10	6	10	33
		distributed energy resources - input	1	5	2	4	12
		distributed energy resources - output	1	5	2	5	13
		distributed energy resources - generation	1	4	1	0	6
		Connection approvals in total	923	576	444	745	2,688
Total			1,168	1,260	715	1,381	4,524

Issued documents on developments affecting the physical environment



8.1.1.2 Agreements on Connection to the Distribution Network

The table below shows the number of agreements on the connection to the distribution network, issued in 2015, by

individual category for the areas of Celje, Krško, Slovenj Gradec and Velenje.

Number of connection agreements in 2015					Total
Category	DU Celje	DU Krško	DU Sl. Gradec	DU Velenje	Elektro Celje
0.4 kV up to 41 kW	212	137	180	140	669
0.4 kV over 41 kW	41	34	25	26	126
household customers	443	329	235	328	1,335
MV (1 - 35 kV)	5	10	4	7	26
distributed energy resources	1	1	0	4	6
Total	702	511	444	505	2,162

8.1.1.3 GIS and DTD

The Department of Development also includes a team for the technical information system (TIS), which is in charge of:

- entering data on electric power equipment into TIS (GIS and later on DTD) and maintaining consistency between them
- transferring data on electric power equipment to other information systems within the company (DMS, SCADA etc.)
- analysing and preparing data and graphical templates for the requirements of business processes
- recording the electric power equipment with manual GPS devices
- management and maintenance of GIS
- updating single-line diagrams of TSs
- ordering third-party surveying services and management of the archives of the received surveying snapshots

- exchanging data with GURS (The Surveying and Mapping Authority of the Republic of Slovenia) in the field of cadastre of the public utility infrastructure
- preparation and forwarding of network data to external clients

In 2015, we continued entering new data and updating the existing information on electric power equipment. We joined the preparation of Terms of Reference (ToR) by entering the planned routes for new networks into GIS, thus generating the asset codes used in the ToR.

Based on our own GPS data capture, the provided surveying snapshots and by copying from plans and ToR, we drew into GIS 43 TSs, 339 km of MV network and 1,471 km of LV network. This includes assets not owned by Elektro Celje and those in the process of construction.

Amounts of data recorded in GIS in 2015		
TS (number)	recorded over the year	43
	entered as of Dec 31	4,088
	rate - recorded over the year/ as of Dec 31	1.1 %
HV + MV network (km)	recorded over the year	339
	entered as of Dec 31	3,946
	rate - recorded over the year/ as of Dec 31	8.6 %
LV network (km)	recorded over the year	1,471
	entered as of Dec 31	7,504
	rate - recorded over the year/ as of Dec 31	19.6 %

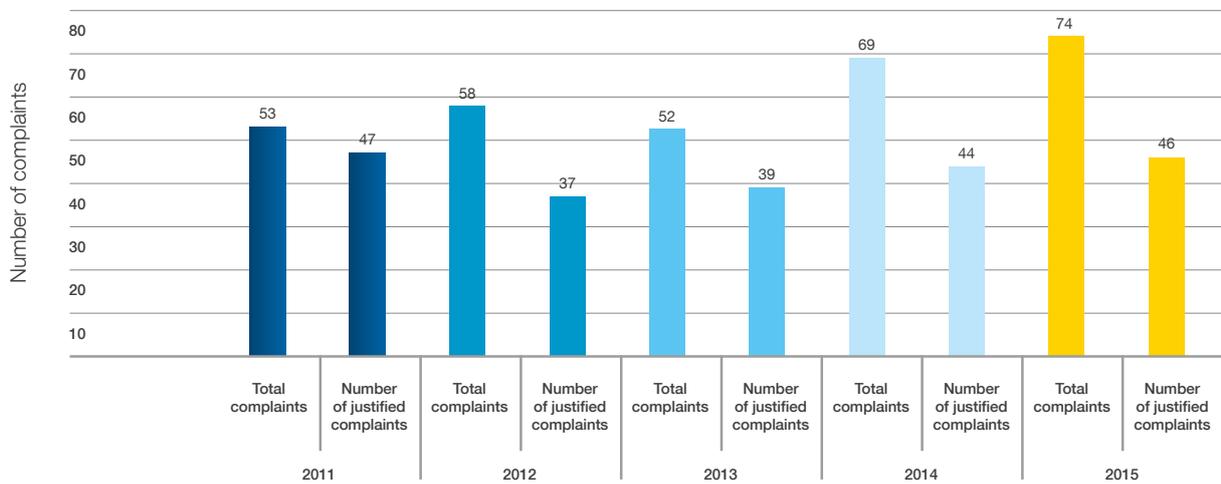
8.1.1.4 Quality of Electricity Supply and Network Development

The purpose of network planning is to provide quality supply of electricity with the possibility of allowing the connection of new consumers. Every two years, updates are performed in the ten-year development plan, which provides the basis for the annual planning of the distribution network. For the purposes of including new, large-business customers and distributed energy sources, analyses of the network are performed with the use of appropriate software.

The development department monitors the indicators of supply reliability and electric voltage quality, and takes part in solving customer complaints concerning poor voltage conditions. Based on electric voltage quality measurements and field inspection, solutions are proposed to improve voltage conditions.

In 2015, we processed 74 complaints by our customers regarding unsatisfactory power quality, 46 of which were justified.

■ Complaints to power quality



The reliability of supplied electricity is monitored through the indicators SAIFI (System Average Interruption Frequency Index) and SAIDI (System Average Interruption Duration Index), relative to the cause of interruption, and MAIFI (Momentary Average Interruption Frequency Index).

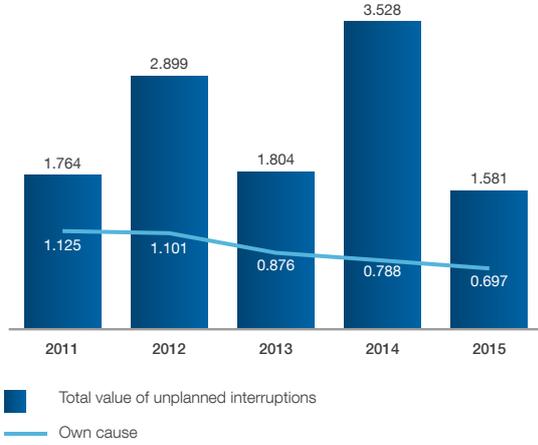
Following are the total values of the reliability indicators SAIFI and SAIDI for 2015 at the company level, presented by cause of interruption. These indicators provide information about the average number of interruptions and the average duration of interruption per customer.

SAIFI / SAIDI Reliability indicators	UNPLANNED INTERRUPTIONS						PLANNED INTERRUPTIONS	
	OWN CAUSE		OTHER PARTY CAUSE		FORCE MAJEURE		SAIFI	SAIDI
	SAIFI	SAIDI	SAIFI	SAIDI	SAIFI	SAIDI		
	[int./cust.]	[min/cust.]	[int./cust.]	[min/cust.]	[int./cust.]	[min/cust.]	[int./cust.]	[min/cust.]
Total urban lines	0.560	19.840	0.553	16.618	0.106	3.789	0.620	94.418
Total rural lines	0.823	34.339	0.331	9.395	0.761	35.701	1.630	279.060
Total value	0.697	27.404	0.437	12.850	0.447	20.437	1.147	190.743

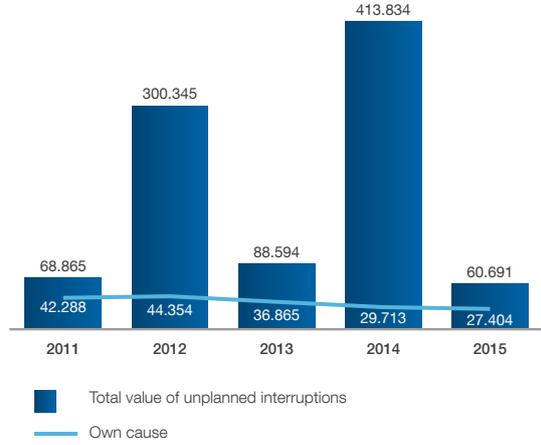
By following these indicators, which are also included in the set of strategic indicators of the company Elektro Celje, we monitor the progress towards one of our key strategic goals – reliability and safety of network operation – and the implementation of strategic activities towards

achievement of goals: ensuring reliability of network operation, efficient control of voltage conditions, MV network automation upgrade, MV network cabling, and optic cable upgrade.

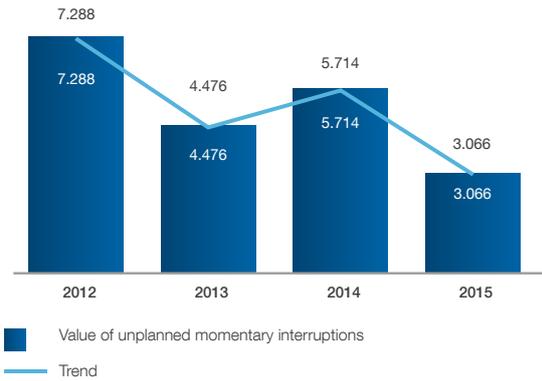
SAIFI - Average number of interruptions per customer



SAIDI - Average duration of interruption per customer (in min)

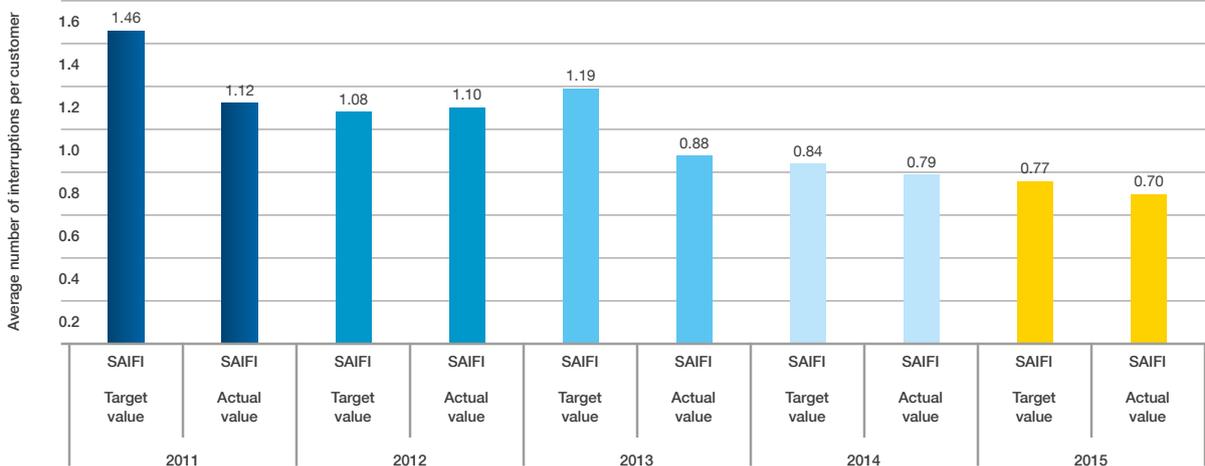


MAIFI - Average number of momentary interruptions per customer

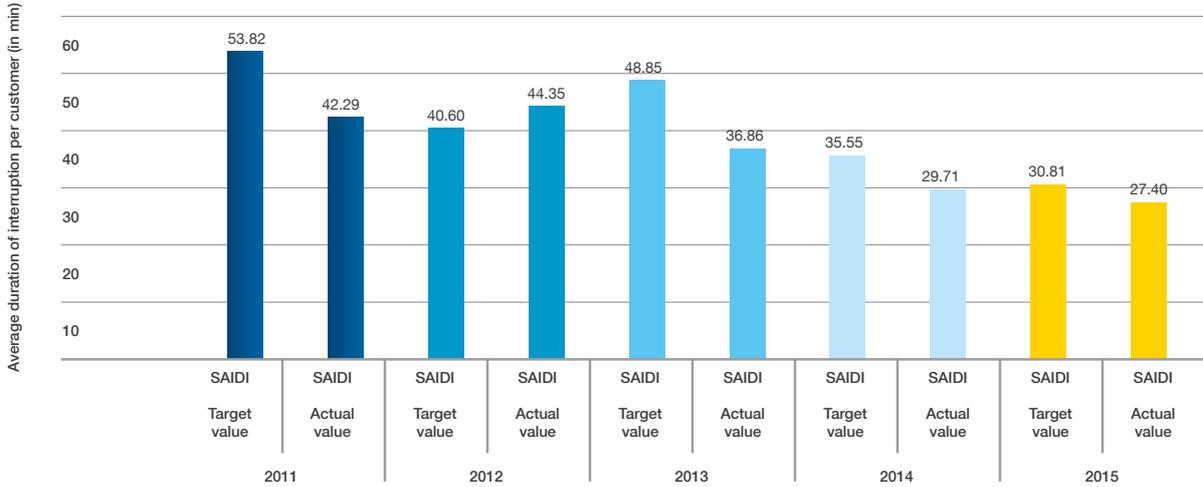


*We have been monitoring the MAIFI indicator since 2012.

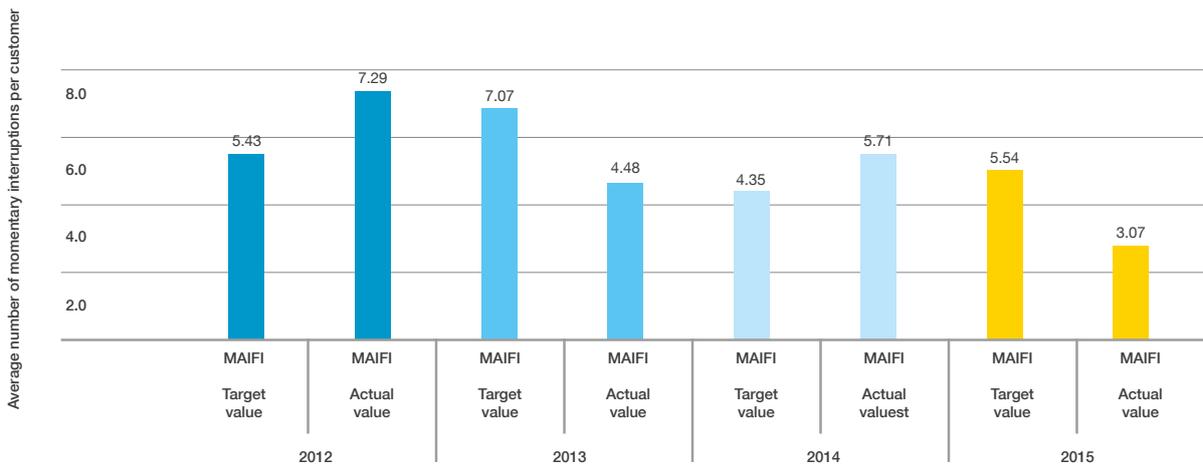
SAIFI value: unplanned interruptions - own cause



SAIDI value: unplanned interruptions - own cause



MAIFI value: unplanned momentary interruptions



*We have been using the MAIFI indicator since 2012.

The achieved and target values of uninterrupted power supply indicators in 2015 were better than in the previ-

ous years, and lower than target values, which indicates greater reliability of electricity supply.

8.1.2 Operation of the Distribution Network

The Operations Department includes the distribution control centre (DCC) and system engineering. The key tasks of the distribution management centre are the following:

- remote control supervision, management and provision of safe and reliable operation of the entire power electricity distribution system (EDS), more specifically DTs, DSs, remote-controlled TSs and RCSs (Remote-Controlled Switchgears) in the entire Elektro Celje area
- coordination and plan development for the EDS operation with neighbouring systems
- outage and fault analysis and operational statistics development
- coordination of switchgear manipulations for planned

and unplanned events on HV and MV networks

- dispatching pursuant to ELES's National Control Centre (NCC) and Regional Control Centres (RCC), and the neighbouring Distribution Control Centres (DCC)
- development of reports on planned and unplanned events, and recording events statistics
- elaboration of forecasts and analyses of the power distribution network operating conditions
- implementation of the measures prescribed for load and consumption limiting
- development or confirmation of operating instructions
- response to customer calls outside regular working hours

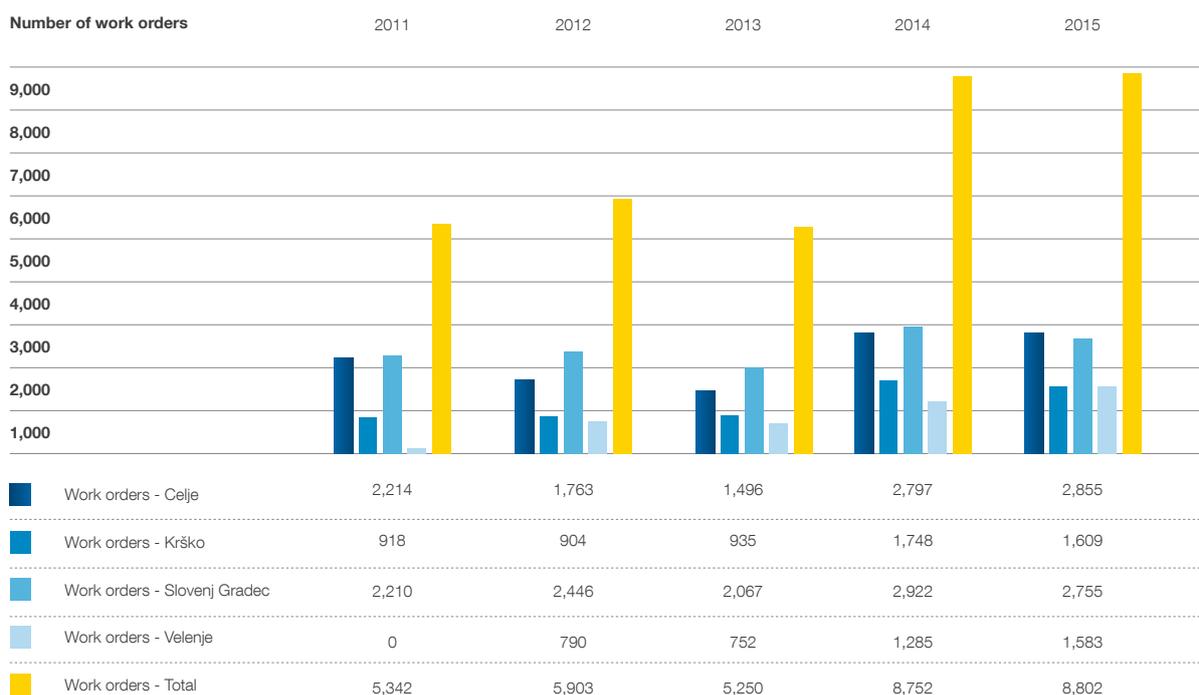
The following two graphs present works performed by individual DUs on the power distribution network in the

period 2011–2015, broken down per work programmes and work orders.

■ Work programmes



■ Work orders





The key task of system engineering in 2015 was the development of the power distribution network model in DMS and PSI software tools and synchronisation with the state in GIS and DTD.

In March and April, Phase IV of the upgrade of DMS software was completed, concluding with the Site Acceptance Test by the client in May. The aim of the upgrade was to expand the existing functions of the system, develop new functions and adjust the Outage Management System (OMS) to the needs of the companies Elektro Celje, SODO and Energy Agency.

The Dynamic Mimic Diagram (DMD) application, which serves the purposes of conducting analyses at the level of the whole electricity distribution network of Elektro Celje, d.d., and a faster location of the errors in case of an outage, was additionally installed in individual distribution units. Internal training on its use was carried out.

In October, the employees of DCC underwent internal training on OMS. In November, training was also organ-

ized for work safety documentation drafters at DUs Celje and Slovenj Gradec.

The video control and anti-burglary system installed in the Slovenj Gradec administrative building was upgraded, and its connection to the security control centre (SCC) Varnost Maribor is projected for January or February 2016. The inspection and upgrade were also performed at the Lava facility housing DTS Lava. The facility DTS Brežice and the related administrative building were connected to SCC Prosignal. At the DU Velenje headquarters, where renovation work on the facility was carried out in 2015, the inspection of the condition of the video control and anti-burglary system will be performed, followed by connection to a SCC.

To enable an expansion of the control and anti-burglary system, a new server and decode station were purchased.

In November, all dispatchers of the DCC attended a two-day training session on the topic of effective communication with colleagues and difficult customers.

8.1.3 Protection and Remote Control

In the field of MV network automation, we installed 16 RCS sets in 2015. TS Mirna, TS OMCO Feniks and TS Tabor were automated. Regular maintenance of RCS has contributed to a more reliable operation of the MV network.

The Business Data Processing department updated the SQL server to the version SQL 2014. We participated in the upgrade of the management system in DTS Trnovlje, where we refurbished the substation's process bus for the 20 kV switching substation. We installed new power transformers at DTS Mozirje (TR1, TR2) and DTS Rogaška Slatina (TR1). To make uniform the operation of our DTS facilities, we upgraded secondary operation systems with arc suppression coils at DTS Mozirje, DTS Velenje, DTS Brežice and DTS Krško. We were active participants in the pilot project of parallel operation of MV lines between DTS Sevnica and DTS Mokronog, and performed the testing of secondary systems at DTS Žalec.

In 2015, we successfully completed the expansion of the DS Planina switching substation, which included a protection and control upgrade. The protection and manage-

ment of the smaller switching substations DS Podgračeno and DS Podsreda was also updated.

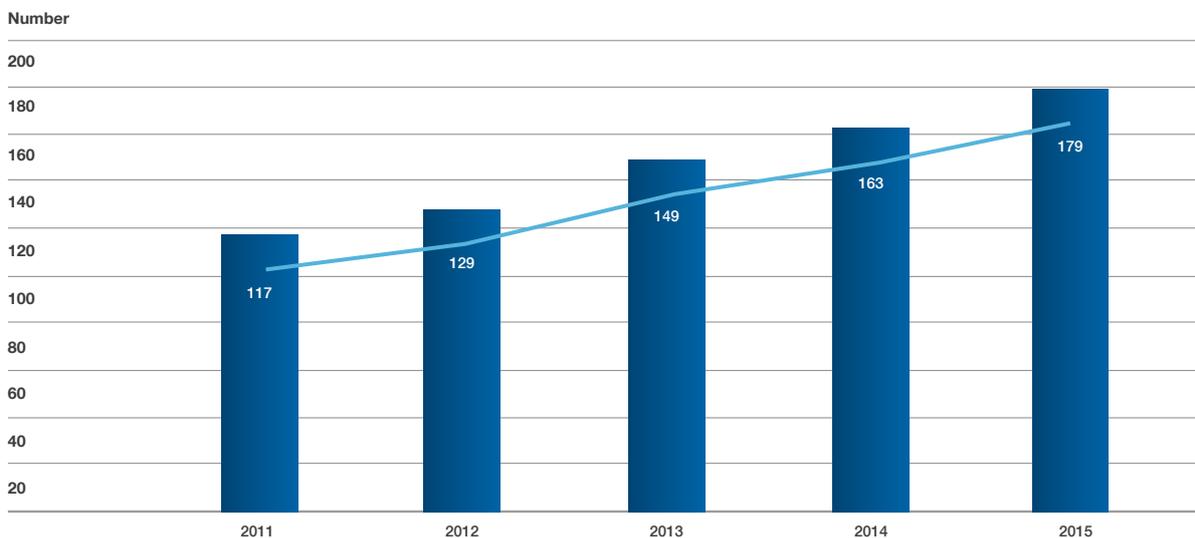
The year 2015 saw an increased workload in regular maintenance in terms of periodic measurements of grounding systems at MV/LV transformer stations.

Additionally, we carried out functional tests of protection and control, mandatory measurements, voltage tests on HVUCs and LVUCs, casing tests and measurements of electricity quality, as well as data capture from the electricity monitoring system on our equipment.

180 faults of MV and LV underground cables required a search for the location of the error.

We participated actively in the detection and elimination of faults of protection, management and control systems, replaced the RUPS software systems at DTS Lava and DTS Trnovlje, continued the renewal of older remote control equipment, and took part in the sale of transmission parts of 110 kV switching substations.

■ Number of remote-controlled switchgears



8.1.4 Telecommunications

There are four main communication networks in Elektro Celje: optical network, IP/Ethernet network, digital radio system for speech and narrow-band data connections, and the telephone system (with a call centre and a customer relationship management [CRM] system).

In 2015, two new cyber-safety systems were installed. The control system of the safety mechanism was updated with the new Juniper Junos Space system, which was completed with SIEM Juniper Secure Analytics.

Several projects were realized in the digital radio system. With the digital radio dispatch centre in DCC expanded to include the radio areas of Krško and Slovenj Gradec, we completed the project of radio system digitalisation. In addition, the digital radio repeater Boč 2 for the Krško radio

area was begun, and the radio repeater Okrog was set up for the area of Mokronog. To provide greater reliability of the radio repeater redundant connection, a licenced microwave link Boč-Mrzlica was put in place.

The EDIC2 customer relationship system was completely renovated.

With respect to developments in the optical network, we set up a connection to the business facility Vojnik (by conveying an underground optical cable from the nearby ELES 110 kV power line) and connections DTS Dravograd – TS Libeliče, and DS Radlje – TS Radlje. For marketing purposes, we also connected the MOS Mestinje business building to the network with an underground optical cable.

8.1.5 Access to Network and Metering

Before connection, the customer or the producer has to sign an agreement on supply or feed-in of electricity with an electricity supplier, which is the basis for signing an agreement on access to the distribution network. The access agreement is signed with the holder of the approval of connection to the distribution network for each input/output point, and has to be signed before the beginning of power supply or feed-in from or into the distribution network, or following any changes in the parameters of this same agreement. The access agreement is signed for an indefinite period of time, except in cases when connection approval is issued for a fixed term.

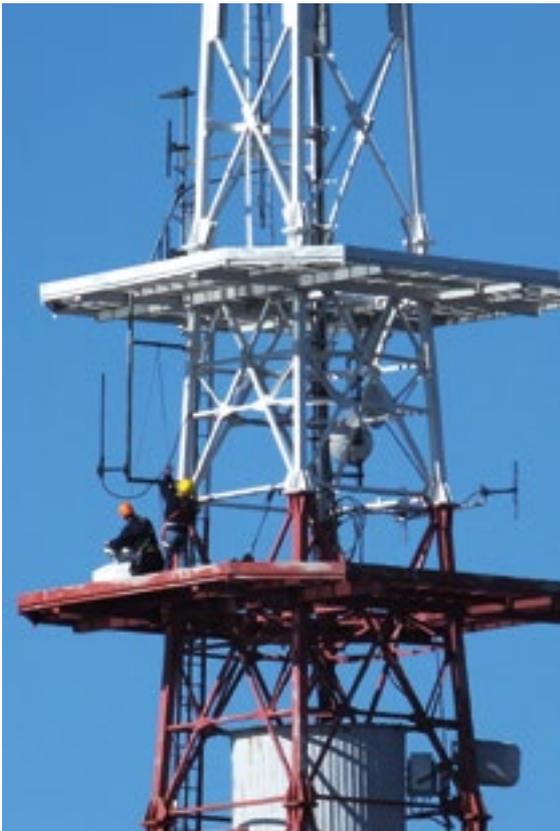
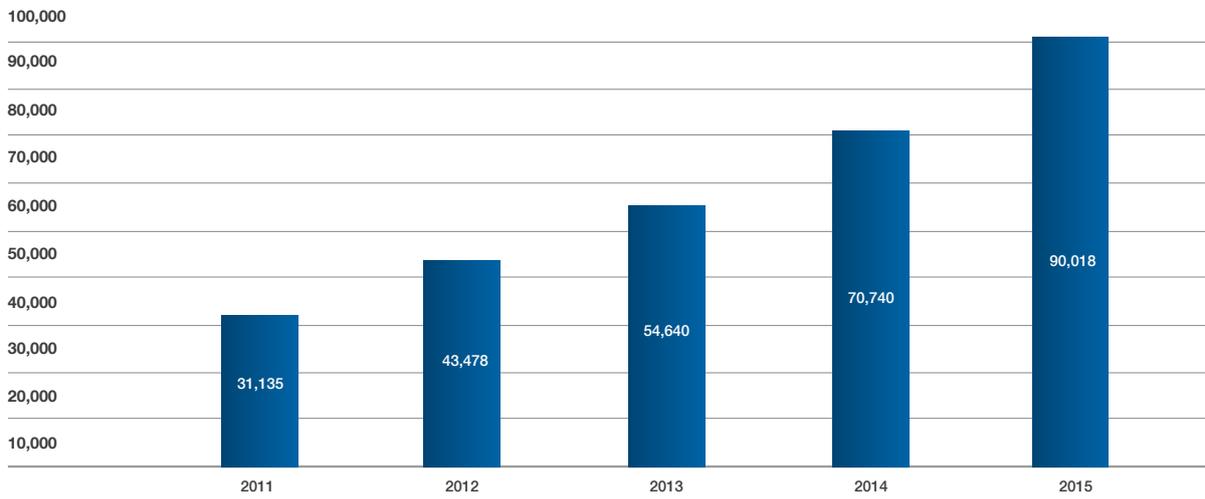
In 2015, 8,948 customers from the area of Elektro Celje, d.d., changed their electricity supplier, which is 4,327 more than in 2014.

At the end of 2015, 1,106 electricity producers were connected to the distribution network of Elektro Celje, d.d. (in 2015 alone, 2 electricity producers were connected). In the remote metering system, there are 1,847 concentrators installed in TS, representing 54 % of all TSs, and 2,836 control meters, representing 83 % of all TSs, while 90,018 customers already (53 % of all customers) are charged by actual consumption of electricity.

In recent years, the number of remote metering points has increased. Our plan is to fit all our customers with remote meters by 2020, allowing them to be charged by actual monthly consumption of power.

■ Charging by actual consumption

Number of customers



Installation of Boč – Mrzlica licensed microwave link



Okrog – Mokronog control centre radio repeater

8.1.5.1 Energy Balance Sheet

8.1.5.1.1 Input (Production) Balance

In 2015, the total input of electricity into the distribution network of Elektro Celje, d.d., amounted to 2,024,647 MWh (input from transmission network + input from power producers + input from other distribution networks), which is 2.8 % more than in 2014, while maximum peak load reached a limit of 306.4 MW in February 2015. The total

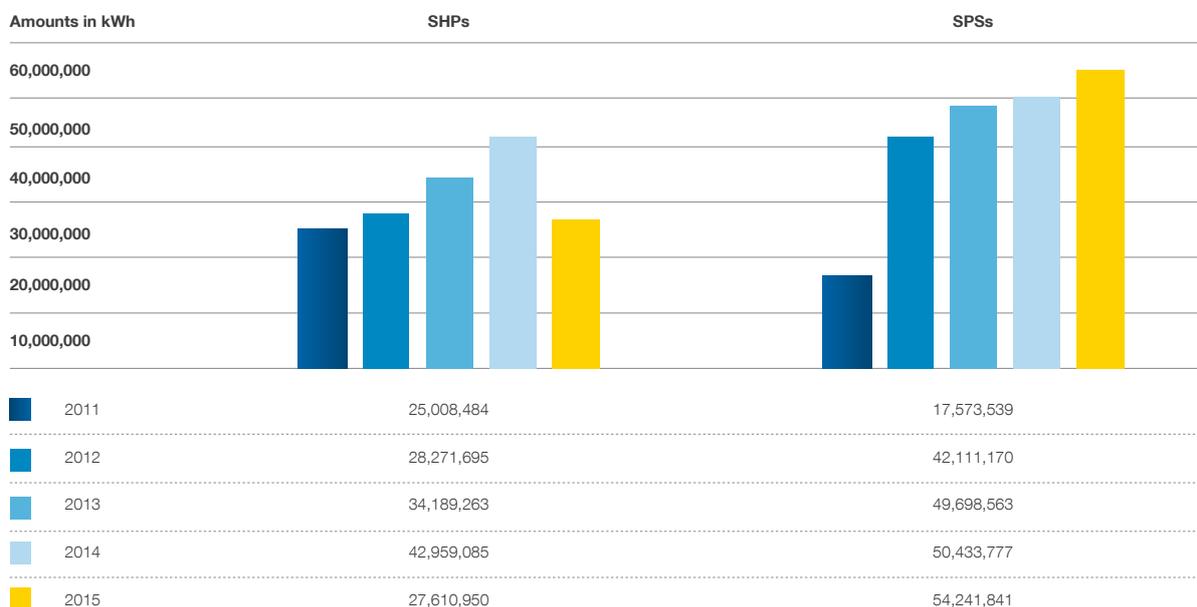
amount of electricity distributed to customers connected to the Elektro Celje distribution network (use of network) in 2015 amounted to 1,928,787 MWh, which is 3.2 % more than the year before. The percentage of input from transmission network increased by 2.9 %, from 1,809,644 MWh in 2014 to 1,861,240 MWh in 2015.

Input and output (generation and consumption) balance	2011	Share	2012	Share	2013	Share	2014	Share	2015	Share
	in MWh	in %								
Transmission network	1,929,434	95.30	1,883,051	94.00	1,850,964	93.03	1,809,644	91.89	1,861,240	91.93
Independent power producers	91,323	4.51	119,174	5.95	131,261	6.60	143,781	7.30	143,688	7.10
Non-regulated supply (input)	3,829	0.19	947	0.05	7,288	0.37	16,005	0.81	19,719	0.97
Total input into the distribution network	2,024,586	100	2,003,172	100	1,989,513	100	1,969,430	100	2,024,647	100
Total supply (output) of electricity	1,912,437	/	1,891,762	/	1,882,792	/	1,868,300	/	1,928,787	/
Non-regulated supply (output)	740	/	296	/	0.449	/	518	/	3,770	/
Losses	111,410	5.83	111,114	5.87	106,722	5.67	100,613	5.39	95,857	4.97

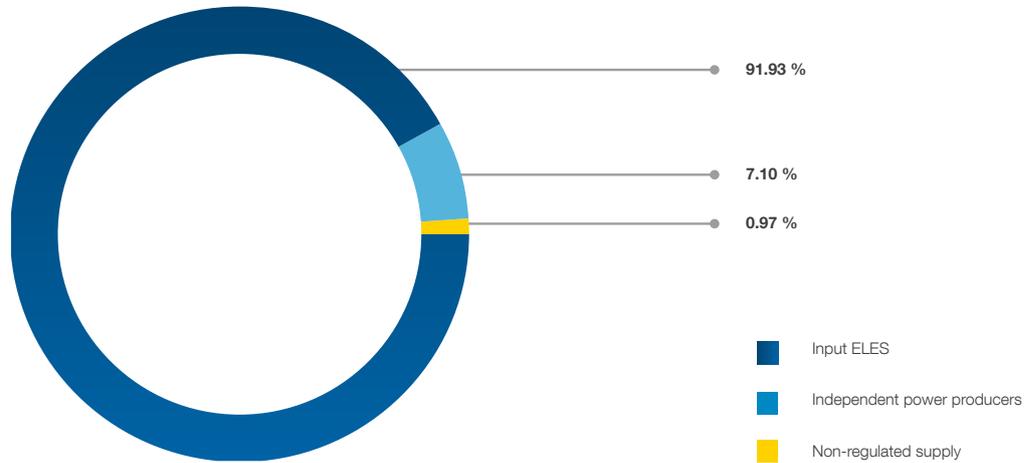
Compared to 2014, the production of electricity in SPSs increased by 7.6 % due to a higher number of sunny days, while the power production in SHPs decreased by 35.7 % due to drought.

The annual electricity production of SPSs and SHPS is presented below:

Annual electricity generation in SHPs and SPSs



Input shares for 2015



In comparison to previous years, the number of newly connected independent power plants dropped considerably. The reason lies in the reduced systemic financial

support for the construction of renewable energy sources facilities.

Number of newly connected power plants						
	Energy source					Total
	Sun	Water	Biomass	Gas	Wind	
2010	159	0	0	2	0	161
2011	210	0	0	4	1	215
2012	367	0	2	5	0	374
2013	46	2	4	17	1	70
2014	11	0	1	45	0	57
2015	0	1	0	1	0	2
Total	793	3	7	74	2	879

In line with systemic operating instructions for the electricity distribution network, the instructions for connection and operation of power plants with output capacity of up to 10 MW should be noted. The so-called PX3 schemes, where the power source generates electricity for the requirements of its own consumption and only surpluses are fed back into the distribution network, have resulted in a decrease in revenue from use of network and in electricity supplied, and this trend will continue into the future. In 2015, such energy amounted to 77.1 GWh, which is 2.6 % of total distributed electricity.

Losses in the distribution network decreased from 5.39 % in 2014 to 4.97 % in 2015, calculated in compliance with the Act Determining the Methodology for Charging for the Network Charge.

The considerable decrease of losses from previous years is a result of measurement of commercial losses, which include losses due to metering errors, inaccuracy of metering devices, unregistered consumption, unjustified consumption, and other unforeseeable events in the operation of the power distribution system. The reason for lower losses of electric energy in 2015 is particularly more frequent readings, upgraded software and a higher share of remote metering points. The measures to reduce commercial and technical losses include the implementation of AMI systems. In fact, remote metering systems simplify our work, while allowing us to perform it more accurately.

8.1.5.1.2 Electricity Suppliers

ECE and GEN-I hold the largest market shares among electricity suppliers, 58.13 % and 21.83 %, respectively, while shares of other suppliers are minimal.

Electricity suppliers

ECE	58.13 %	
GEN-I	21.83 %	
Elektro Energija	9.03 %	
Petrol	3.34 %	
Elektro Maribor Energija plus	3.04 %	
E3	2.33 %	
Petrol Energetika	1.03 %	
Elektro Gorenjska Prodaja	0.67 %	
Elektro prodaja EU	0.28 %	
HEP trgovina	0.16 %	
SODO	0.07 %	
HSE	0.06 %	
RWE	0.01 %	
LOGO energija	0.01 %	
Energija direkt	0.01 %	

8.1.5.1.3 Electricity consumers

In 2015, 170,006 electricity consumers were connected to the Elektro Celje distribution network: 19,929 business customers and 150,077 households.

Number of electricity customers					
	2011	2012	2013	2014	2015
Business customers	19,479	19,808	19,828	19,877	19,929
Household customers	147,923	148,637	149,037	149,537	150,077
Total	167,402	168,445	168,865	169,414	170,006

End consumers by category	Number	%
MV	294	0.2
LV with measured power	2,342	1.4
LV without measured power	17,293	10.2
Households	150,077	88.2
Total	170,006	100

8.1.5.2 Metering Equipment

In 2015, we continued with the installation of meters that allow automatic reading and transferral of data to a central base via different communication channels. As of the end of the previous year, 117,841 such meters were installed, representing 63 % of all customers connected to the Elektro Celje distribution network. At the end of the year, the number of customers billed on the basis of actual electricity consumption was 90,018.

The benefits of introducing the remote meter reading system are:

- lower costs of meter reading

- revenue management – fewer errors in meter reading, data transfer and electricity theft detection (which account for 1 % of commercial losses)
- possibility of data transfer services for third parties (gas, water, etc.)
- greater billing accuracy
- two-way communication
- fewer customer complaints
- better overview over power consumption and network operation
- easier error detection and higher quality of analyses
- implementation of measures for efficient energy use

8.1.6 Network Charges

Pursuant to the agreement with SODO, Elektro Celje is invoicing network charges to those customers who are not billed for the network charge by their electricity suppliers.

The network charges invoiced on behalf of SODO amount to EUR 82,192,939, which is 7 % more than in 2014.

The table below presents the dynamics of the services of the network charge department for the last five-year period.

Services of the network charge department	2011	2012	2013	2014	2015
Agreements on access to distribution network	11,762	10,497	10,118	11,924	15,463
Manual meter reading - annual reading	138,441	123,805	111,893	99,528	85,511
Manual meter reading - monthly reading	122,411	112,020	100,684	82,154	62,502
Remote meter reading - household and business customers	359,640	437,992	577,204	752,845	947,066
Manual meter reading due to change of supplier	4,054	5,075	4,693	2,729	4,847
Remote meter reading due to change of supplier	1,108	1,368	1,593	1,892	4,101

We are bound by the Act on Submission of Data on the Quality of Electric Energy Supply, issued by the Energy Agency of the Republic of Slovenia, to monitor some activities that provide quality provision of services for electricity consumers on the Elektro Celje distribution network.

The following events are recorded for monitoring of commercial quality indicators:

- time required for response to written inquiries, complaints and user requests
- time required to resume electricity supply at a metering point after the conditions for such resumption have been met
- time required to repair a meter fault

- number of meter readings in a year according to the type of schedule (annual, monthly)
- time of call hold at the call centre
- call-centre service level indicator

In 2015, the systematic recording of events related to the monitoring of commercial quality indicators was updated. In addition to the document management system BusinessConnect, intended for managing complaints, responding to requests on which we report to regulatory authorities, and organising the work at the Celje call-centre, we upgraded the information system for recording and monitoring calls and forwarding customer requests to the respective sectors for resolution.

8.2 Maintenance and Investments

In addition to network maintenance and planning and implementation of investment projects, the Maintenance and Investment Sector provides to its customers a complete range of services in building, reconstruction, maintenance and servicing power-generating facilities and devices at

MV and LV levels. These tasks are carried out by the Department of Planning and Engineering, the Investment Department and the DUs of Celje, Krško, Slovenj Gradec and Velenje and their respective control units and electrical installation teams.

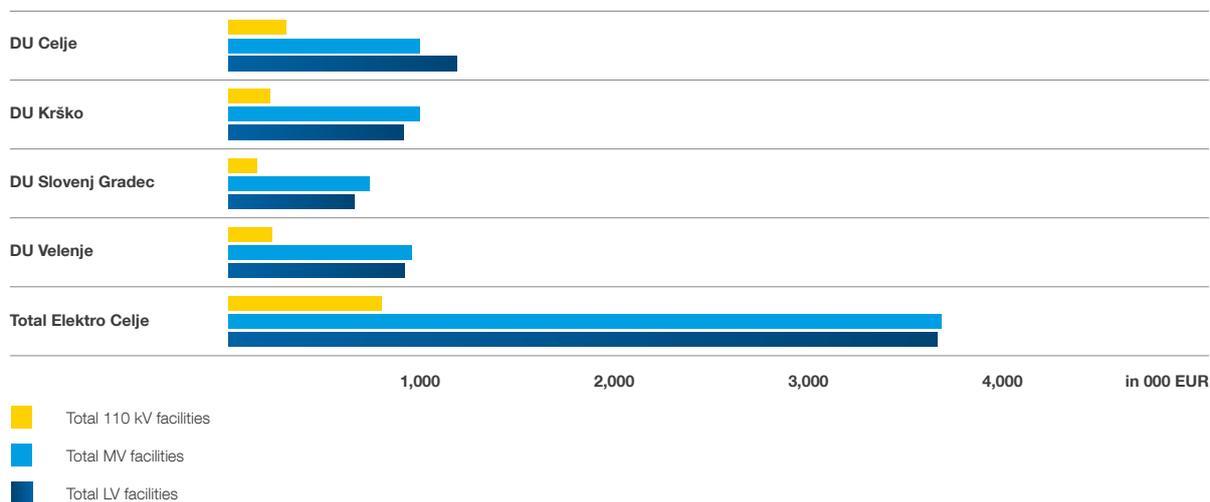
8.2.1 Maintenance

Following is a presentation of value data on electricity infrastructure maintenance by type of asset for 2015.

in EUR

Maintenance by type of asset	DU CELJE	DU KRŠKO	DU SLOVENJ GRADEC	DU VELENJE	TOTAL ELEKTRO CELJE
HV overhead power lines	24,721	40,057	0	19,552	84,330
DTS 110/MV kV, DS 110 kV	233,667	161,580	114,274	204,546	714,066
Total 110 kV facilities	258,387	201,637	114,274	224,098	798,396
MV overhead power lines	394,879	530,393	474,177	432,480	1,831,929
MV underground cables	39,674	33,733	27,099	61,663	162,169
DTS MV/MV, DS MV (with control and protection)	33,137	47,554	8,457	60,936	150,084
TS MV/0.4 kV, TS SN/0.95 kV, TS 0.95/0.4 kV	523,443	379,492	211,970	373,243	1,488,148
Total MV facilities	991,134	991,171	721,703	928,321	3,632,329
Total LV network	1,172,637	885,094	663,108	914,155	3,634,993
TOTAL MAINTENANCE OF LINES AND DEVICES	2,422,158	2,077,902	1,499,085	2,066,574	8,065,718

■ Maintenance of electricity distribution infrastructure



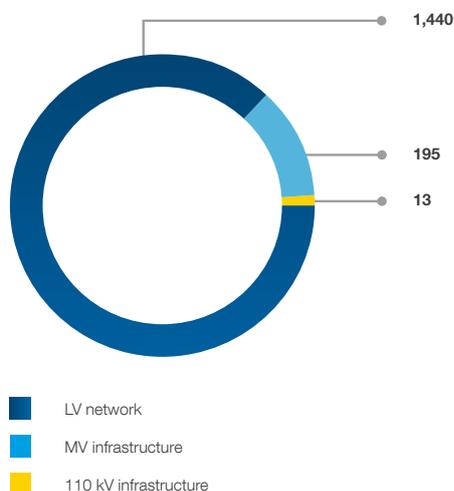
The DUs are in charge of ensuring a technically impeccable condition of the power distribution equipment, intervening as necessary during regular working hours, providing emergency services outside regular working hours, reading meters, and replacing fuses. These activities are primarily carried out by control units.

Technical and other documentation for the requirements of regular maintenance and investment maintenance is provided in cooperation with technical operations at the

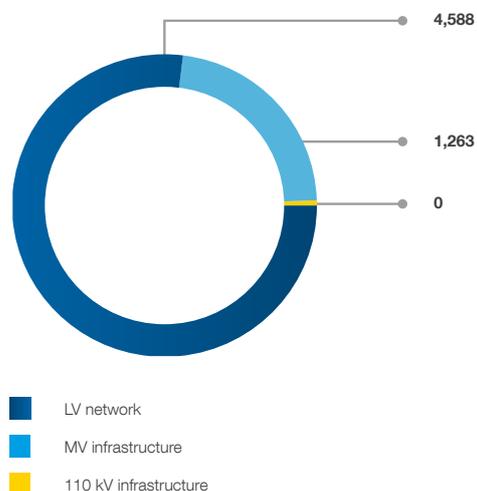
DUs; also, arrangements are made with property owners and customers regarding the works and interruptions in electricity supply. Maintenance teams are in charge of investment and maintenance works of public benefit.

In 2015, due to various causes, there occurred occasional interruptions and faults in the power distribution equipment, which the maintenance personnel repaired in the shortest time possible, normal operation of the network being restored.

Number of interruptions



Number of hours required to repair the faults



In the area of **DU Celje**, the number of interruptions/faults exceeding 3 minutes on the MV infrastructure dropped by 52 % compared to 2014, from 67 to 32. As a consequence, the time to repair the faults was also shorter (by 31 %). The reasons for interruption decrease are intensive and systematic investment in the renovation of the MV network and the integration of resonant inductors in the DTSs. The number of faults and interruptions on the LV equipment rose from 600 to 726 (by 21 %), but the time required to repair them decreased by 15 %.

In the area of **DU Krško**, the number of faults on the MV infrastructure dropped from 75 to 41 (by 45 %) compared to 2014, and from 239 to 196 (by 18 %) on the LV infrastructure. Since the faults were small, the time required to repair them decreased by 45 % in the MV equipment and by 4 % in the LV equipment.

In the area of **DU Slovenj Gradec**, the number of interruptions/faults caused by adverse weather conditions increased from 25 to 44 (by 76 %), but since the faults were small, the time to repair them decreased by 10 %. The

number of interruptions on the LV infrastructure dropped from 209 to 145 (by 31 %), and the time required for their repair by 19 %.

In the area of **DU Velenje**, the number of interruptions/faults on the MV infrastructure in 2015 increased from 55 to 78 (by 42 %); as a consequence, the time required to repair them increased, too (by 17 %). The number of faults on the LV infrastructure dropped from 466 to 373 (by 20 %) and, analogously, the time necessary for their repair (by 41 %).

Compared to 2014, the number of faults on the 110 kV infrastructure rose from 9 to 13 (by 44 %) in 2015, but all 13 of them were caused by faults on the 110 kV network of the Slovene transmission network system operator – ELES.

In 2015, we replaced 38 transformers due to the requirement of increased capacity and 53 due to wear. We also restored 1,041 LV connections.

Electricity distribution infrastructure as of Dec 31, 2015	DU Celje	DU Krško	DU Slovenj Gradec	DU Velenje	Total Elektro Celje
Number of DTSs	6	4	4	3	17
Number of DSs	3	4	3	4	14
Number of TSs	976	952	720	825	3,473
110 kV OPL (km)	61	33	0	7	101
MV OPL (km)	708	815	433	683	2,639
MV UC (km)	255	221	158	174	808
0.4 kV LV network (km)	4,300	3,511	2,655	3,151	13,617

8.2.2 Planning and Engineering

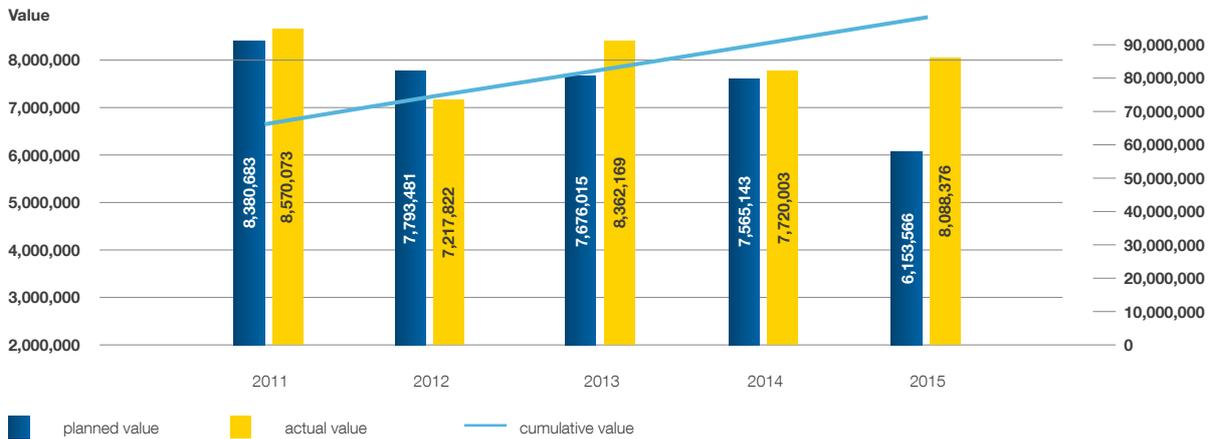
The Planning and Engineering Department drafts project documentation up to building permit (PD – conceptual design, BD – basic design), project documentation for the execution of the works (DD – detailed design), conceptual designs (CDs) and project documentation for completed works (AD – as-built design) for newly constructed and renovated transformer stations of the MV/LV infrastructure, of MV and LV connection lines, relocations and revisions of power distribution lines and equipment, mechanical protection of overhead power lines, underground and overhead optical cables, individual parts of DTSs and DSs, instructions on the use and operation of DTSs and DSs, and to a smaller extent also project documentation

for LV connections to buildings and electric vehicle charging stations.

The engineers also develop studies and safety plans and perform the task of OHS coordinators. Besides designing the basic technical aspect of project documentation, the planners/engineers dedicate much of their time and attention to placing facilities and infrastructure into their physical environment.

The total investment value of completed BD and DD project documentation in 2015 was EUR 8,088,376.

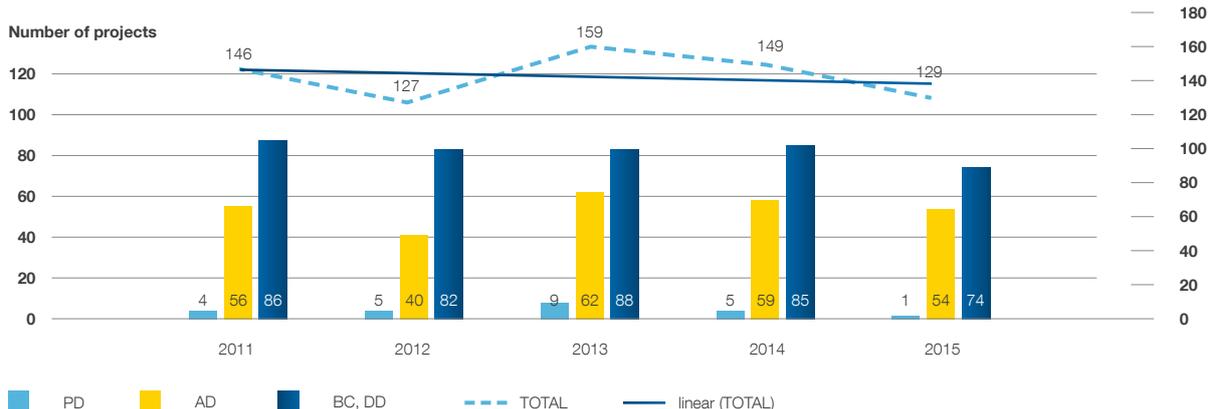
Plan and realisation of completed projects according to estimated value of investment



In 2015, the Planning and Engineering Department completed a total of 129 projects, of which 74 were BDs and/or DDs, 54 ADs, and 1 PD. Of all designs, a total of 26 designs were developed for third-party customers, of which 19 BDs and (or) DDs, 6 ADs and 1 PD. It also prepared 2 new and 11 revised instructions on the use and operation of DTSs and DSs, drafted 320 easement agree-

ments and 151 amendments to such agreements, carried out 245 appraisals of easement compensations and 63 revisions to such appraisals, and signed 936 easement agreements. It made 4 purchases of plots for existing and planned TSs, prepared 6 cancellation permits, and drew up 6 amendments to agreements, 1 co-investment agreement and 3 superficies contracts.

Number of projects completed by year



8.2.3 Investments

In 2015, investments amounted to EUR 21,765,222 (value of acquisitions stated in the tables of intangible assets and PP&E in 2015, minus the value of PP&E acquired free of charge), which is equivalent to 107.2 % of the annual plan of EUR 20,300,000. The investments were financed with

own depreciation assets in the amount of EUR 6,899,755, other own sources in the amount of EUR 6,265,467 and loans in the amount of EUR 8,600,000. The value of PP&E acquired free of charge in 2015 amounted to EUR 380,390.

in EUR

Investments in 2015	DU Celje	DU Krško	DU Sl. Gradec	DU Velenje	Total Elektro Celje
New MV and LV infrastructure	2,079,833	1,634,503	1,417,182	1,893,853	7,025,371
Replacements and increase of capacity	2,050,862	1,390,391	1,291,323	2,048,606	6,781,182
Refurbishment/renovation	399,416	719,680	901,633	382,412	2,403,141
Other electricity network investments	1,437,789	865,559	587,213	310,770	3,201,331
Investments not related to the power network	1,148,188	352,526	295,236	558,247	2,354,197
TOTAL	7,116,088	4,962,659	4,492,587	5,193,888	21,765,222

New MV and LV Infrastructure

Funds in the amount of EUR 6,835,000 were allocated for the construction of new MV and LV lines and other infrastructure. Actual investments amounted to EUR 7,025,371, which is 102.8 % of the annual plan. We constructed 36 new TS (20/0.4 kV), 4.2 km of MV overhead power lines, 46.7 km of MV underground cables, and 35.9 km of LV underground cables.

Renovation and Replacement, and Increase of Capacity

For the purposes of renovation, replacement, and increase of capacity of MV and LV lines and other infrastructure we allocated funds in the amount of EUR 7,572,000. The actually used funds amounting to EUR 9,184,323, which is 106 % of the annual plan, were intended for the remediation of the damage to the power distribution network caused by ice in February; for the remediation of the damaged lines and other infrastructure; replacement of cables, utility poles with relevant equipment, disconnectors, and power lines; construction of replacement MV underground cables; replacement of LV cabinets, overvoltage conductors and refurbishment of the building and/or MV equipment at transformer substations; replacement of utility poles for overhead LV power lines; and underground cabling of the LV network. We remedied 42.3 km of MV overhead power lines, built 11.9 km of MV underground cabling, installed 192 km of LV network cables, renovated 20 buildings of transformer substations, replaced MV switching blocks at 44 and LV switching blocks at 42 transformer substations, replaced 1,363 MV utility poles and 1,570 LV utility poles, as well as 382 MV overvoltage conductors.

Other Electricity Network Investments

Investments into major power distribution infrastructure were planned in the amount of EUR 3,343,000. Actual investments amounted to EUR 3,201,331, which is 95.8 % of the annual plan.

Review of Major Investments in 2015

Underground cable 2 x 110 kV DTS Žalec – 110 kV OPL DTS Podlog – DTS Lava

Since SODO is the investor, we submitted an application for the change of building permit to the Ministry of Infrastructure in 2014. Due to complications in the carrying out of the public procurement procedure, the beginning of the works for the installation of a 2 x 110 kV connecting cable for DTS Žalec and MV cable ducts between shafts CS 12 and CS 7 were delayed until December 2015. The completion of all works is projected for the end of the first half of 2016.

DV 2 x 110 kV DTS Ravne – DTS Mežica

In 2015, we successfully completed the public presentation and discussion of documents in the municipalities of Mežica, Ravne na Koroškem and Prevalje. Despite the fulfilment of all requests made by the residents of the municipalities at the public discussion, the procedures are at a standstill. We informed the Ministry of Environment and Spatial Planning of the situation, and unless the Municipality of Prevalje responds, we will be forced to make a decision on the implementation of the National Spatial Plan, which will lengthen the duration of the project.

OPL 2 x 110 kV DTS Trebnje – DTS Mokronog – DTS Sevnica

Since we obtained all the opinions of the national spatial planning authorities, the Government of the Republic of Slovenia is expected to issue a decision in January 2016 on the most favourable OPL route.

DTS 110/20 kV Žalec with TS 110/20 kV 2 x 31.5 MVA

In 2015, we finished testing the equipment at the level of DTS. The facility was connected to the new LV cable from the TS Arnovski gozd 5. The 20 kV switching substation was fitted with four ducts towards the north, and at the end of 2015 we began installing the cable ducts towards the south. SODO began to work on the 110 kV underground connection cabling. The trial operation of the facility is expected for 2016.



DTS 110/20 kV Vojnik with TS 110/20 kV 2 x 20 MVA

Since the network customers of the wider Vojnik and Dobrna area are connected to a two-system overhead power line 2 x 20 kV Vojnik – Ljubččna and since this is a predominantly rural type of network, where the reliability of operation is not consistent with the number of connected users, it will be necessary to construct a new DTS 110/20 kV Vojnik with a 2 x 110 kV underground connection cable. Currently, we are at the phase of public procurement procedure for the selection of contractors for the preparation of project documentation (CD, BD, DD, Bdoc and AD).

DTS 110/20 kV Lava

A replacement of MV secondary equipment was planned for 2015. Since we only activated one of the two planned ducts, the works will continue into 2016. We replaced the AKU batteries and repaired the handrail.

DTS 110/20 kV Selce

We provided the oil-collector with signalling devices.

DTS 110/20 kV Mozirje

We upgraded the neutral point earthing system with an arc suppression coil, restored the concrete cable ducts at the 110 kV switching substation and replaced the current with 2 x 31.5 MVA transformers. The new transformers were financed by SODO, while Elektro Celje covered the costs of electrical installation works in the replacement of the transformers. We also produced the DD and AD documentation.

DTS 110/20/10 kV Trnovlje

The control system was upgraded and the AKU batteries changed.

DTS 110/20 kV Velenje

We refurbished the controller cabinets for transformers TR I and TR II, reroofed the DTS and renovated the outer walls of the control room.

DTS 110/20 kV Vuzenica

We continued the installation of the arc suppression coil and prepared the DD and AD documentation. We also replaced the windows and doors in the building.

DTS 110/20 kV Rogaška Slatina

We replaced the current transformer with a 31.5 MVA transformer. The transformer was financed by SODO, while Elektro Celje covered the costs of electrical installation works in its replacement. We also purchased primary equipment for the TR field, which is planned to be installed in 2016.

DTS 110/20 kV Sevnica

We renovated TR I and put it back into operation, prepared DD and AD documentation, restored the concrete cable ducts at the 110 kV switching substation, purchased secondary equipment and insulated the busbars.

DTS 110/20 kV Dravograd

We continued the installation of the arc suppression coil and inbuilt the signalling devices for the oil-collector. We also drafted DD and AD documentation.

DTS 110/20 kV Ravne

We restored the foundations of transformers and concrete cable ducts at the 110 kV switching substation, and installed an air-conditioning system.

DTS 110/20 kV Krško

The facility was scheduled for replacement of primary and secondary equipment for the OPL field, but due to ELES's withdrawal (new regulation on the division of 110 kV OPLs) the replacement was not carried out. We upgraded the neutral point earthing system with an arc suppression coil, and installed an air-conditioning system.

DTS 110/20 kV Brežice

We upgraded the neutral point earthing system with an arc suppression coil, and installed a signalling device for the oil-collector.

DTS 110/20 kV Brestanica

We installed a signalling device for the oil-collector.

DS Ljubno

We purchased feeder terminals.

DS Podsreda and DS Podgračeno

We upgraded the communication connections with the DCC.

DS Mežica, DS Radlje

We installed an air-conditioning system.

DS Mokronog

We installed a signalling device for the oil-collector.

Metering Devices

Regular and extraordinary substitution activities included the replacement of 13,413 meters, 1,287 for the requirements of statistical sampling.

Telecommunication Network

In 2015, two new cyber-safety systems were installed. The control system of the safety mechanism was updated with the new Juniper Junos Space system, which was completed with SIEM Juniper Secure Analytics. Several projects were realized in the digital radio system, and the EDIC2 customer relationship system (CRM) was completely renovated. With respect to developments in the optical network, we set up a connection to the business facility Vojnik, and connections DTS Dravograd – TS Libeliče, and DS Radlje – TS Radlje. For marketing purposes, we also connected the MOS Mestinje business building to the network with an underground optical cable.

Automatization of the MV Network

We installed 16 RCS sets in 2015, automated TS Mirna, TS OMCO Feniks and TS Tabor, and carried out functional protection tests at 10 remote-controlled switching points. We were active participants in the pilot project of the parallel operation of MV lines between DTS Sevnica and DTS Mokronog. The project is in the execution phase and will be completed in 2016.

DCC

We renewed the maintenance contract for the PSI software tool for 2015. Part of the funds were allocated to the upgrade of the Schneider DMS software tools. We purchased and installed a video server for the requirements of video control of Elektro Celje facilities and office buildings. The decode station at the DCC, which monitors the executed switch manipulations on 110 kV OPL, had to be replaced due to wear and fault. Some unused funds were transferred to the budget for metering equipment.

Business Data Processing

In 2015, we set up an asset management software solution (IBM Maximo), updated the DMS system, purchased computer hardware (desktop computers, laptops, monitors, printers), upgraded the functions in the eDoc document management system, upgraded the AutoCAD software to version 2015, and improved the main server with a relational database management system (MS SQL). Further to the decision to introduce a new system with the Always On Availability Groups concept we purchased additional disk capacity for storing secondary database replicas. We upgraded the function in the ePredračuni application.

Office Buildings and Physical Inventory

In Velenje we renovated the office buildings (replaced windows and doors, reconstructed the roof, fitted the building walls and roof with thermal insulation, installed or restored lightning conductors and replaced the heated gutter cabling, built carports for company vehicles, remodelled the courtyard, and refurbished the heating system). At the Ravne control centre we replaced windows and doors, fitted the building with thermal insulation, refurbished the heating system and painted internal walls. At the Krško plant building we replaced some of the windows, dropped the ceilings and fitted them with thermal insulation, renovated the internal storage platform, replaced the light-

ing, renovated the power lines in the parking and storage rooms, and remedied the damage to the main office building caused by soakage. At the administrative building the lighting in the parking garages and basement was replaced, in two offices lighting was replaced and ceilings were lowered, partitions were built in the staircases, and the security system was upgraded. At the Šempeter central archives we replaced windows and doors, and regulated the ventilation, heating and cooling systems. At the Lava and Šempeter plant buildings we upgraded the security system and connected it to a security company. In Slovenj Gradec we installed a security system and connected it to a security company.

Transport Vehicles

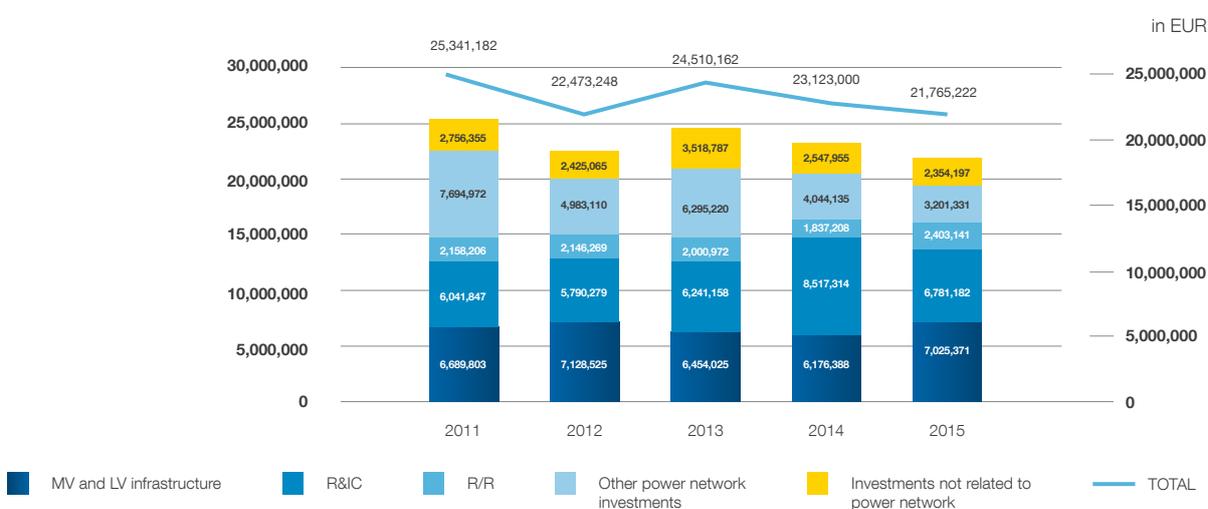
Based on an executed public contract the following vehicles were purchased in 2015: 1 personal electric vehicle, 2 personal vehicles, 1 electric light duty vehicle, 21 light-duty vehicles, 1 heavy-duty vehicle with a trailer and 3 trailer vehicles for the transport of cables.

Ecology Investments and Major and Small Tools

In 2015, we connected the control centres of Ravne, Nazarje and Šempeter to the public sewage network. At the DTS Ravne we closed up the restroom and the septic tank, preparing the latter for occasional emptying. At the Ravne and Velenje control centres we replaced the outdoor lighting in accordance with the law. The centres were, in addition to the regular supply of standardised small tools, fitted with sets for earthing and short-circuiting the MV power lines from the ground. DU Krško, DU Slovenj Gradec and DU Velenje were furnished with thermovision inspection cameras, and the repair shop in Slovenj Gradec acquired a punch laser machine.

The graph below presents the value and the structure of investments for the period from 2011 to 2015.

Value and structure of investments



In the period 2011–2015, Elektro Celje invested a total of 117.2 million EUR, which is 24.9 % of all investments made by electricity distribution companies in Slovenia during this same period and considerably more than the proportional share of Elektro Celje with respect to the area serviced and share of infrastructure.

The table presents the investment plan for the period 2015–2017 and the actual investments in 2015, following the agreement between EIB and Elektro Celje, d.d.

Item		2015		2016	2017
		Contract	Realisation	Contract	Contract
New HV power lines	M EUR	0.18	0.03	0.15	0.15
(Preparation of documentation for power line placement)	km	0.00	0.00	0.00	0.00
Refurbished HV power lines	M EUR	0.00	0.00	0.00	0.00
	km	0.00	0.00	0.00	0.00
New MV power lines	M EUR	0.49	0.20	0.10	0.10
	km	8.40	4.20	2.00	2.00
Refurbished MV power lines	M EUR	1.17	3.58	1.05	1.25
	km	38.90	42.30	41.80	40.50
New MV underground cables	M EUR	2.50	3.95	3.61	3.73
	km	46.00	46.74	66.80	69.00
Refurbished MV underground cables	M EUR	1.00	0.25	1.28	1.01
	km	49.60	11.90	53.30	42.00
LV network	M EUR	5.57	4.25	5.06	5.59
	km	266.90	227.91	242.00	267.00
MV/LV stations	M EUR	2.86	2.73	2.07	2.19
- New	Number	40.00	36.00	31.00	27.00
- Replacement and increase of capacity	Number	0.00	0.00	0.00	0.00
- Refurbished	Number	105.00	106.00	100.00	108.00
- Upgraded transformer capacity	MVA	0.00	0.00	0.00	0.00
HV/MV stations	M EUR	0.46	0.58	0.93	0.63
- New	Number	0.00	0.00	0.00	0.00
- Replacement and increase of capacity	Number	0.00	0.00	0.00	0.00
- Refurbished	Number	3.00	3.00	1.00	1.00
- Upgraded transformer capacity	MVA	0.00	0.00	0.00	0.00
Automatisation and control	M EUR	1.05	0.77	0.89	0.98
Other equipment (metering equipment, transportation means, office buildings etc.)	M EUR	5.02	5.42	4.86	5.27
Total	M EUR	20.30	21.77	20.00	20.90



Maintenance work on electricity infrastructure

9. BUSINESS ENVIRONMENT

9.1 Analysis of the Business Environment

Economic trend indicators	2013	2014	2015
GDP (real growth in %)	-1.1	3.0	2.9
Registered unemployment rate (in %)	13.5	13.0	12.3
Inflation rate (annual average in %)	1.8	0.2	-0.5
Average gross salary in the RS (nominal growth in %)	-0.1	1.1	0.7
Average gross salary in the RS (real growth in %)	-1.9	0.9	1.2

According to the first estimate (based on the quarterly data), gross domestic product stood at 38.5 billion EUR and grew by 2.9 % in real terms, which is 0.2 percentage points higher than what the Institute of Macroeconomic Analysis and Development (UMAR) had predicted.

The unemployment rate decreased from 13.0 % in 2014 to 12.3 %. According to the data from the Employment Agency of the Republic of Slovenia, there were 113,076 registered unemployed persons in Slovenia as of the end of 2015, which is 5.4 % less than in December 2014.

The Slovene consumer price index decreased by 0.5 % at an annual level. The lower prices for oil products contributed most to the annual deflation. The average annual inflation rate was also negative and also equalled 0.5 %, while both the annual and the average annual inflation rates for 2014 were 0.2 %.

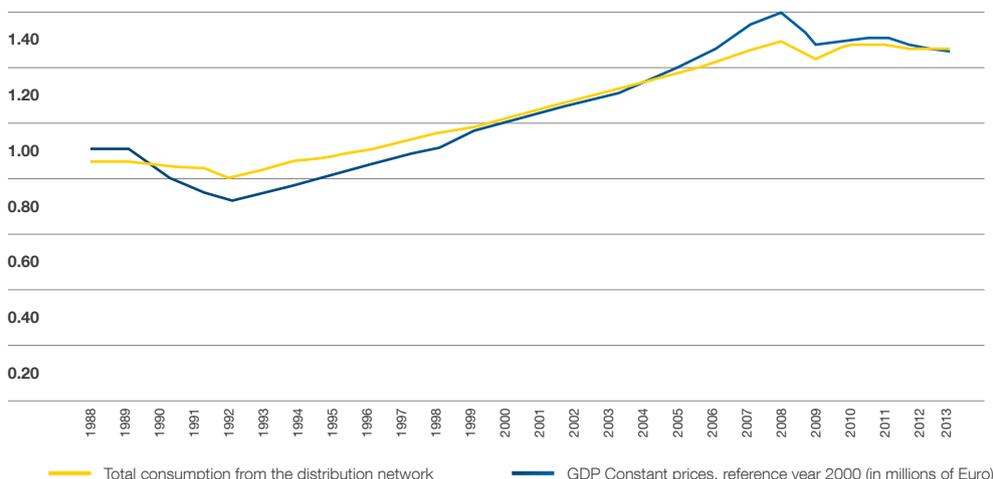
The average monthly gross salary for 2015 in the Republic of Slovenia amounted to EUR 1,555.89, which is more than the average monthly salary for 2014: by 0.7 % in nominal and 1.2 % in real terms.

9.1.1 Impact of the economic environment on the operations of the Elektro Celje Group

The volume of electricity consumption is connected to the volume of economic activity. Economic growth induces higher electricity consumption, but since the economic situation in Slovenia is not yet fully stabilised, the prediction of consumption is complex and uncertain. The projected rate of electricity consumption growth is low and based on the premise that further economic growth requires sufficient amounts of electricity and a power system capable of providing electricity to end consumers. In 2016 and 2017, according to the projections made by

UMAR, we can expect the economic growth to continue (by 2.3 % in comparison to the past year). Analyses of past trends show that during periods of high GDP growth, the consumption of energy grows somewhat slower, just as in the periods of large drops in GDP the consumption decreases slightly more slowly. The correlation is understandable, for not all consumption of the network customers is directly associated with economic activity and the consumption by household customers acts as a "cushion" for the trends.

Stock market index, year 2000 = 1.00



The graph clearly shows the two periods of transition crisis in the late 1980s and early 1990s, the financial and most recent economic crises, and how they were reflected by the concurrent shrinking of economic activities.

But economic activity is not the only factor defining the volume of electricity consumption. In the short term, the influence of weather and outdoor temperatures is very important, too. Not to mention that the future growth or shrinkage of volume will also be affected by consumption in transport (electric vehicles, increased consumption in railways).

9.1.2 The Impact of Supply and Demand of electricity and other energy-generating products on the operation of the Group

Compared to other forms of goods, electricity is characterised by several specifics: it has no adequate substitute, cannot be stored, and is not freely transferable between countries, for it is limited by the physical capacity of power lines.

The economic crisis and attempts at economic recovery in recent years still exert a powerful influence on the price of electricity. The 2015 trends of the latter moved in accordance with weather conditions, the available amount of electricity generated by renewable sources, and the prices of other energy-generating products. The reason for the price fluctuation were the expectations of economic recovery and the situation in financial and other markets. In 2015, the price of electricity was also affected by prices of other energy-generating products (largely oil, which lost no less than 45 % of its value since the beginning of the year, and natural gas), the speculative fluctuation of EU allowances, as well as the prices of transmission capacities; these were in the past year fairly high, as they depend on the prices on the Hungarian electricity market.

The current situation does not justify the halt of the development cycle of investments. On the contrary. First, because the Slovene electricity system has prepared for the regrowth of consumption and because electricity infrastructure investments, due to their complex siting and execution, require long-term planning. The systems that will be ready for such regrowth will provide a long-term competitive advantage to their economies. Due to their extensive multiplicative effect, investments in the power infrastructure have to be considered as opportunities for mitigating the effects of crises and promoting faster further development.

Finally, the price of electricity is also related to renewable energy sources, which represent a growing category in the structure of electricity production sources. Due to their strong correlation with weather conditions, renewable energy sources influence the relationship between rates for individual hours of the day. Recently we have witnessed large differences between day and night rates of electricity; the day rate, at peak load times, when there was a shortage of production sources, was very high, while the night rate was quite low. In 2015, the difference between night and day rates was decreasing, mostly due to RES, which produce more electricity during the day and thus contribute to the increased supply of electricity on the market.

The purchase of natural gas is entirely covered by imports, mostly from Russia. The problems arising in the natural gas market are related to the non-standardised service of system operators with regard to the data necessary for the management of purchase and an uninterrupted supply to our end customers.

9.2 The Legal and Regulatory Framework of Operation

The role of distribution in the Slovene electricity system is defined in the National Energy Programme (NEP). Following the adoption of Energy Act (EZ-1), the current NEP will be replaced by Slovenia's Energy Concept, in which the targets of reliable, sustainable and competitive electricity supply for the period of the next 20 years, and framework period of 40 years, will be set, based on the projections of economic, environmental and social development of our country, and on international commitments made.

The development of an electricity distribution network and provision of a long-term, stable electricity supply is defined in the Plan for the Development of the Electricity Distribution Network in the Republic of Slovenia in the 10-year period from 2015 to 2024, produced by the company SODO, concessionaire for the performance of the public utility service of the distribution network system operator in the territory of the Republic of Slovenia. The Plan is based on the individual plans for the development of

the electricity distribution network for the 10-year period between 2015 and 2024 made by electricity distribution companies of Slovenia.

In its operation in 2015, the Elektro Celje Group complied with all core legislative and regulatory bases.

MAJOR EU DIRECTIVES RELATED TO ENERGY:

Directive 2009/72/EC of the European parliament and the Council of 13th July 2009 concerning common rules for the international market in electricity and repealing Directive 2003/54/EC (Official Gazette of the Republic of Slovenia no. L 211, August 14, 2009, pp. 55–93)

ACTS RELATED TO ENERGY:

- Act Amending the Energy Act (EZ-1A) (Official Gazette of the Republic of Slovenia, no. 81/2015);

- Energy Act (EZ-1) (OG RS, no. 17/2014);
- Companies Act (ZGD-1), OG RS, no. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – dec. CC, and 82/13;
- Service of General Economic Interest Act (ZGJS), OG RS, no. 32/93, 30/98 - ZZLPPO, 127/06 - ZJZP, 38/10 - ZUKN, and 57/11 - ORZGJS40.

IMPLEMENTING REGULATIONS RELATED TO ELECTRICITY:

- Decree on the Method of Provision of an Electricity DSO Service of General Economic Interest and a Service of General Economic Interest of Electricity Supply to Tariff (Official Gazette of the Republic of Slovenia, nos. 117/2004, 23/2007, and 17/2014 - EZ-1);
- Decree on the Concession of an Electricity DSO Service of General Economic Interest (OG RS, nos. 39/2007, and 17/2014 - EZ-1);
- Act on the Methodology Determining the Regulatory Framework and the Methodology for Charging the Network Charge for the Electricity System Operators (OG RS, no. 66/2015)
- Act Determining the Methodology for Charging for the Network Charge, the Methodology for Setting the Network Charge, and the Criteria for Establishing Eligible Costs for Electricity Networks (OG RS, nos. 81/2012, 47/2013, 112/2013, and 7/2014);
- Legal Act on the Methodology for the Preparation and Evaluation of an Investment Plan of the Electricity Distribution System Operator (OG RS, no. 97/2014);
- General Conditions for Connection to the Distribution Electric System (OG RS, nos. 126/2007, 37/2011 dec. CC, and 17/2014 - EZ-1);
- Rules on the System Operation of Electricity Distribution Network (OG RS, nos. 41/2011, and 17/2014 - EZ-1);
- Decree on the Energy Infrastructure (OG RS, nos. 62/2003, 88/2003, 75/2010, 53/2011, and 17/2014 - EZ-1);
- Decree on Maintenance Works for the Public Benefit in the Energy Sector (OG RS, nos. 125/2004, 71/2009, and 17/14 - EZ-1);
- Decree on Support for Electricity Generated from High-efficiency Cogeneration of Heat and Electricity (OG RS, nos. 37/2009, 53/2009, 68/2009, 76/2009, 17/2010, 81/2010, and 17/2014 - EZ-1);
- Decree on Support for Electricity Generated from Renewable Energy Sources (OG RS, nos. 37/2009, 53/2009, 68/2009, 76/2009, 17/2010, 94/2010, 43/2011, 105/2011, 43/2012; 90/2012, and 17/2014 - EZ-1);
- Decree on the Method of Determining and Calculating the Contribution for Ensuring Support for the Production of Electricity from High-efficiency Cogeneration and Renewable Energy Sources (OG RS, no. 36/2014);
- Regulation on Determination of the Amount of Electricity from Cogeneration of Heat and Electricity which is Generated with High Efficiency, and Determination of Efficiency of Transformation of Energy from Wood Biomass (OG RS, nos. 37/2009 and 17/2014 - EZ-1);
- Decree on Energy Savings Requirement (OG RS, no. 96/2014);
- Decree on Measures and Procedures for the Introduction and Interoperability of Advanced Electric Power Metering Systems (OG RS, no. 79/2015).

OTHER LEGISLATION:

- Construction Act (ZGO-1), Official Gazette of the Republic of Slovenia, 102/04 – official consolidated text, 14/05 – corr., 92/05 - ZJC-B, 93/05 - ZVMS, 111/05 - dec. CC, 120/06 (CC decision), 126/07, 108/09, 61/10 - ZRud-1, 20/11 - dec. CC, 57/12, 101/13 - ZDavNep, and 110/13;
- Spatial Planning Act (ZPNačrt), OG RS, nos. 33/07, 70/08 - ZVO-1B, 108/09, 80/10 - ZUPUDPP, 43/11 - ZKZ-C, 57/12, 57/12 - ZUPUDPP-A, (109/12), and 76/14 - dec. CC;
- Spatial Management Act (ZUreP-1), OG RS, nos. 110/02, 8/03 – corr., 58/03 - ZZK-1, 33/07 - ZPNačrt, 108/09 - ZGO-1C, 80/10 – ZUPUDPP;
- Environmental Protection Act (ZVO-1), OG RS, 39/06 - official consolidated text, 49/06 - ZMetD, 66/06 - dec. CC, 33/07 - ZPNačrt, 57/08 - ZFO-1A, 70/08, 108/09, 108/09 - ZPNačrt-A, 48/12, 57/12, and 92/13;
- Public Information Access Act (ZDIJZ), OG RS, nos. 51/06 - official consolidated text, 117/06 - ZDavP-2, 23/14, and 50/14;
- General Administrative Procedure Act (ZUP), OG RS, nos. 24/06 - official consolidated text, 105/06 - ZUS-1, 126/07, 65/08, 8/10, and 82/13;
- Administrative Dispute Act (ZUS-1), OG RS, nos. 105/06, 107/09 - dec. CC, 62/10, 98/11 - dec. CC, and 109/12;
- Public Procurement Act (ZJN-2), OG RS, nos. 12/13 - official consolidated text, and 19/14;
- Act Regulating Public Procurement in the Water, Energy, Transport and Postal Services Sectors (ZJNVETPS), OG RS, nos. 72/11 - official consolidated text, 43/12 - dec. CC, 90/12, and 19/14;
- Legal Protection in Public Procurement Procedures Act (ZPVPJN), OG RS, nos. 43/11, 60/11 - ZTP-D, and 63/13;
- Physical Assets of the State and Local Government Act (ZSPDSL), OG RS, nos. 86/10, 75/12, 47/13 - ZDU-1G, and 50/14;
- Public Finance Act (ZJF), OG RS, nos. 11/11 - official consolidated text, 14/13 - corr., and 101/13;
- Siting of Spatial Arrangements of National Importance Act (ZUPUDPP), OG RS, nos. 80/10, 106/10 - corr., and 57/12;
- Rules on conditions and restrictions regarding the construction and use of installations and the performance of activities in the electricity network safety zone, OG RS, nos. 101/10, and 17/14 - EZ-1;
- Resolution on the National Energy Programme, OG RS, 57/04 (ReNep);
- Strategy for Development of the Power distribution System in the Republic of Slovenia between 2013 and 2022.

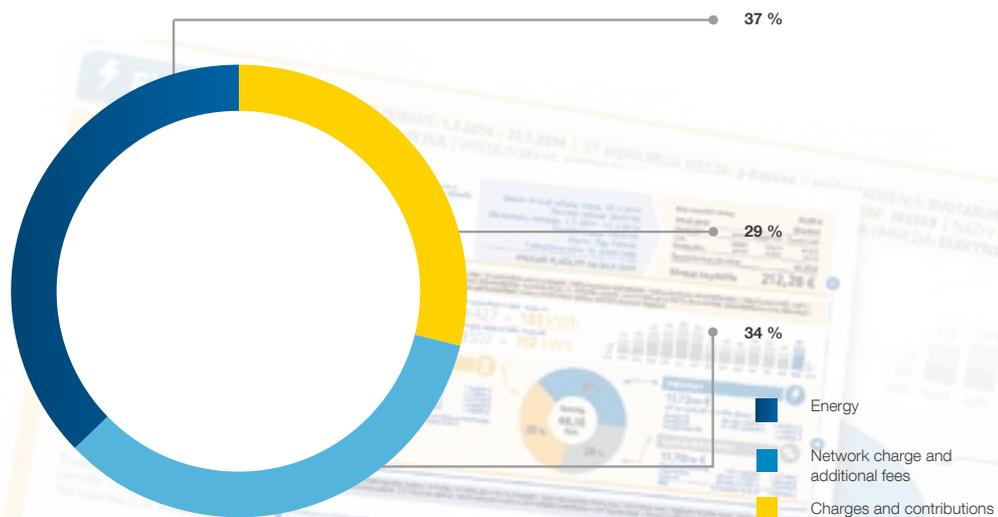
9.3 Composition of the price for electricity for the end consumer

The final price of supplied electricity for a customer who is billed for the network charge and the electricity consumed together by the electricity supplier is composed of the following categories:

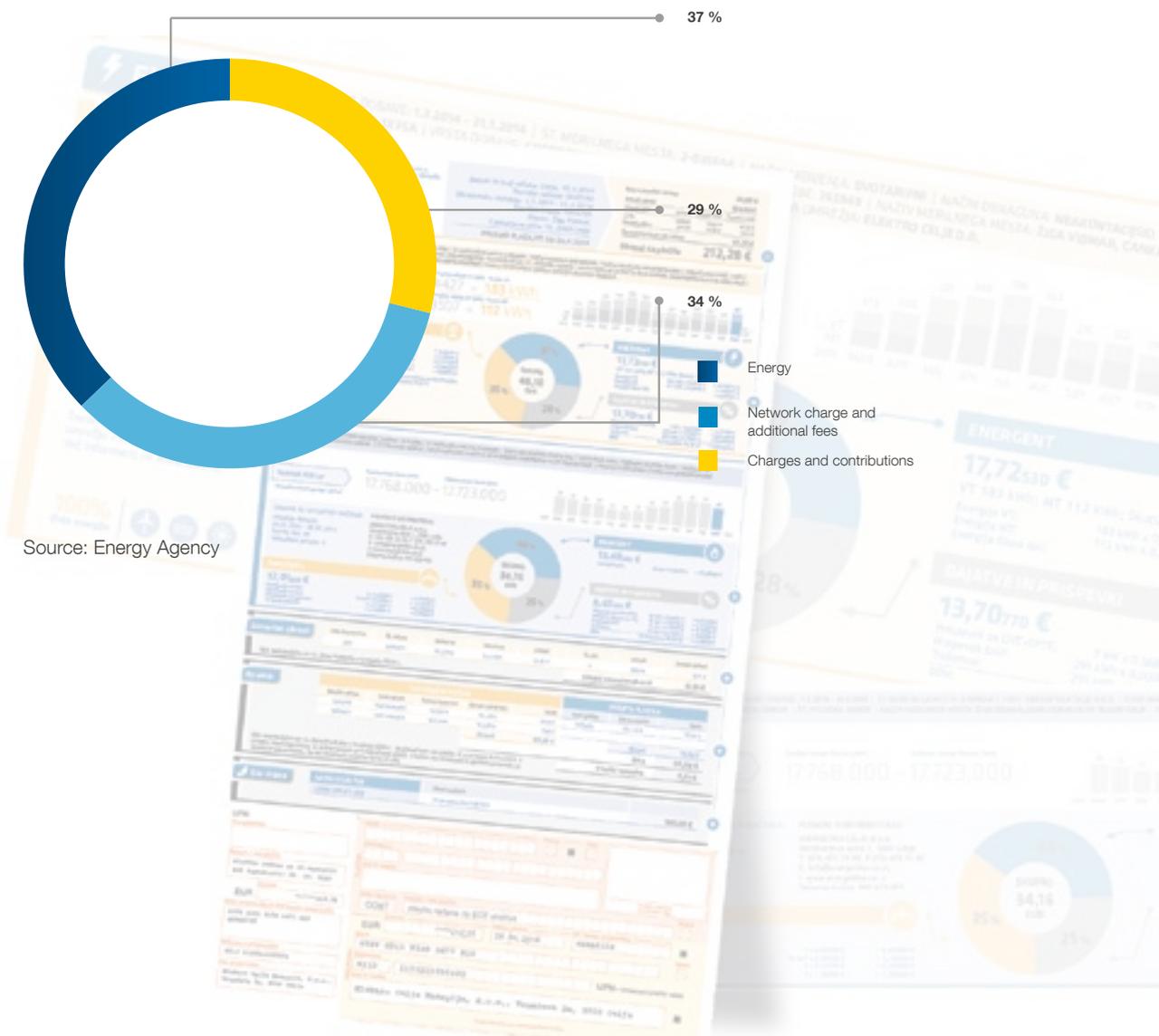
- price of electricity formed in the free market
- charges for the use of networks:
 - the transmission and distribution network charge (determined by the Energy Agency)
 - system services network charge (determined by the Energy Agency)
 - surcharge to the network charge (determined by the Government of RS)

- contributions (determined by the Government of RS):
 - contribution for provision of support to high-efficiency combined heat and power generation and for energy generation from renewable energy sources (RES and CHP)
 - contribution for efficient energy use (EE)
 - contribution for the activity of market operator
- excise duty on electricity (determined by the Government of RS)
- VAT (determined by the Government of RS)

9.4 Shares of categories on the electricity bill for a typical household customer



Source: Energy Agency





Elektro Celje





ANALYSES

Advanced technology allows us to constantly monitor the power flow in our distribution network. Through analyses of the demand and operation of our electricity devices and equipment we regulate the transfer of electricity and maintain transmission system balance at all times.



10. OPERATION AND PERFORMANCE ANALYSIS

10.1 Operation Analysis of the Company Elektro Celje

10.1.1 Net Income

Elektro Celje, d.d., wrapped up the 2015 fiscal year with a **net profit of EUR 6,808,482**, which is EUR 3,507,182

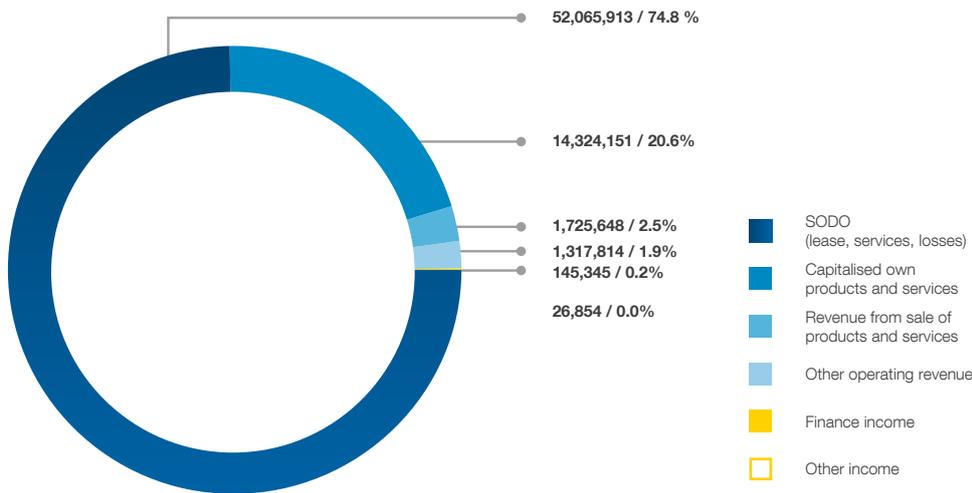
ahead of plan and EUR 2,033,130 down on the income generated in 2014.

Income statement summary	Amount in EUR			Index	
	Actual in 2015	Planned for 2015	Actual in 2014	Actual 2015 / Planned 2015	Actual 2015 / Actual 2014
1. Operating revenue	69,433,526	65,491,400	72,339,914	106	96
2. Operating expenses	60,894,104	60,995,500	62,590,484	100	97
3. Operating profit (1-2)	8,539,422	4,495,900	9,749,430	190	88
4. Finance income	145,345	89,200	632,382	163	23
5. Financial expenses	1,082,192	1,143,300	1,284,021	95	84
6. Profit from ordinary operating activities (3+4-5)	7,602,575	3,441,800	9,097,791	221	84
7. Other income	26,854	18,200	17,328	148	155
8. Other expenses	63,416	48,200	67,039	132	95
9. Profit from extraordinary operating activities (7-8)	-36,562	-30,000	-49,711	122	74
10. Total profit (6+9)	7,566,013	3,411,800	9,048,080	222	84
11. Income tax	784,969	110,500	806,567	710	97
12. Deferred taxes	27,438	0	600,099	0	5
13. Net income/profit (10-11+12)	6,808,482	3,301,300	8,841,612	206	77



Revenue in 2015 amounted to EUR 69,605,725, which is 4.6 % less than 2014 and 6.1 % more than planned.

Revenue in 2015



Total: EUR 69,605,725

Operating revenue in the amount of EUR 69,433,526 represents 99.8 % of total company revenue, and includes revenue from lease and maintenance of infrastructure and provision of services for SODO d.o.o., revenue from the sale of services, revenue from construction of own fixed assets, and other operating revenue. The largest share in the composition of total revenue is represented by lease and maintenance of infrastructure and provision of services for SODO (74.8 %), followed by revenue from capitalised own services (20.6 %).

Revenue from lease and maintenance of the electricity network and from provision of services for SODO and coverage of power network losses amounted to EUR 52,065,913, which is EUR 276,153 down on 2014, or EUR 4,234,510 up on the annual plan. The rent for the infrastructure amounted to EUR 26,240,468, service provision to EUR 19,932,318, approved amount for power losses EUR 5,827,142; emergency supply, reconciliation of erroneous meter readings, and unjustified consumption EUR 65,985. Pursuant to the respective amendment, on March 14, 2016, SODO d.o.o., sent a preliminary reconciliation statement for the 2015 regulatory year in the amount of EUR 3,426,391 excluding VAT, and was invoiced for it. The preliminary reconciliation will most probably be paid during the next regulatory period (2019–2021). In 2014, the revenue from lease and maintenance of the electricity distribution infrastructure were up by 0.5 %, mainly due to higher revenue in respect to eligible uncontrollable operation and maintenance expenses incurred in order to remedy the ice damage (EUR 1,126,083). The 2015 revenue is also lower due to the negative final reconciliation statement of the regulatory framework for 2014, which is

included in the 2015 operating profit. In compliance with the decision by EAgem, the incentives for quality regulation in the amount of EUR 159,216 were excluded from the reconciliation statement.

Revenue from sale of services, which in the structure of total revenue represents a 2.5 % share, includes mainly electrical installation services for third-party customers, and rents. In 2015, it amounted to EUR 1,725,648, and was 16.9 % ahead of plan and 9.4 % higher than in 2014.

Revenue from construction of own fixed assets in the amount of EUR 14,324,151, represents 20.6 % of total revenue. Since in-house workers completed fewer investments than planned, this revenue was 3.9 % or EUR 573,849 lower than planned, and 5.3 % down on 2014. The value of investments was 5.9 % lower than in 2014, when larger-scale investment was also required for the repair of ice damage.

Other operating revenue in the amount of EUR 1,317,814 represents 1.9 % of total revenue and exceeds the plan by 2.5 %. This revenue is down on 2014 by 60.1 % mainly due to lower insurance compensation (EUR 162,782) compared to that of 2014 (EUR 2,221,956), when it also included insurance compensation for the repair of ice damage in the amount of EUR 2,014,128. (The cost of material necessary for damage repair in 2015 amounted to EUR 171,697, the cost of services in damage repair EUR 191,553, cost of salaries EUR 204,819, and operating expenses from the revaluation of tangible fixed assets written off due to damage EUR 9,154). This item also includes reversal of provisions for fixed assets

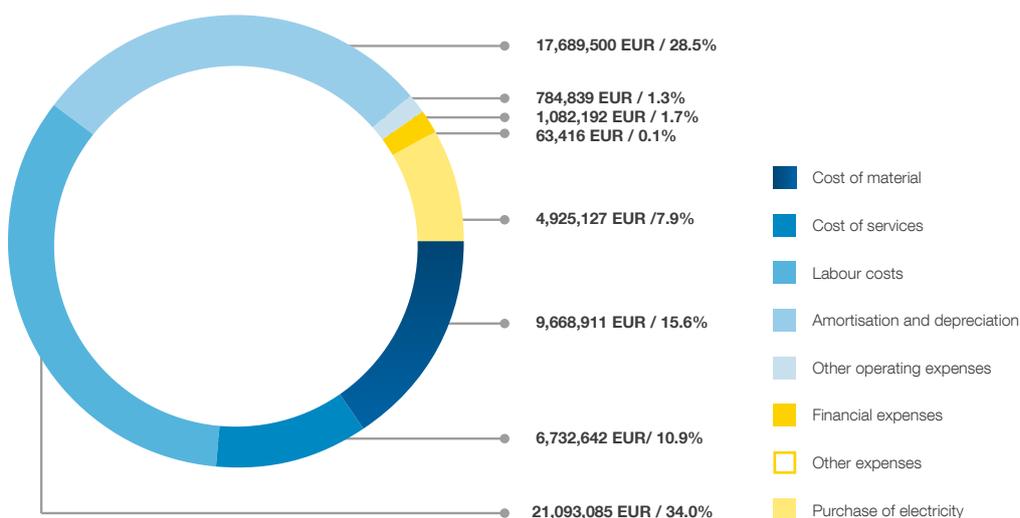
acquired free of charge and average costs of connection prior to July 1, 2007 (EUR 606,481), revenue from sale of decommissioned material, and the difference between the sales and carrying values in the sale of fixed assets (EUR 297,455), bonuses for exceeding the quota of persons with disabilities pursuant to the Vocational Rehabilitation and Employment of Persons with Disabilities Act (EUR 76,538), reversal of accruals and deferrals for EU grants (EUR 102,502), and other minor amounts.

Finance income, amounting to EUR 145,345, represents 0.2 % of total revenue and exceeded the annual plan by EUR 56,145. It is down on 2014 by EUR 487,037 due to lower financial revenue from loans (interest on deposits of banks dropped by EUR 86,390) and lower fi-

nancial revenue from shareholdings within the corporate group, in the amount of EUR 475,281. Finance income also includes late charges on overdue payments for network charges and services (EUR 135,685), interest on deposits (EUR 1,828), dividend (EUR 7,400) and other smaller amounts.

Other income from extraordinary operating activities amounted to EUR 26,854 in 2015. It was EUR 8,654 ahead of plan and EUR 9,526 higher relative to the year before. It included payments of costs of enforcement officers, court fees, and other received compensations (EUR 23,468), charged overdue payment letter costs, collected receivables previously written off, and other extraordinary items (EUR 3,386).

Expenses in 2015



Total: EUR 62,039,712

Company **expenses** in 2015 amounted to EUR 62,039,712, which is 0.2 % less than expected, and 3 % less than in the year before.

Operating expenses in the amount of EUR 60,894,104 represent 98.2 % of total expenses; they were 0.2 % down on the plan, and 2.7 % down on 2014.

Costs of purchase of electricity for covering losses amounted to EUR 4,925,127 in 2015, which is 2.2 % less than planned, and 6.3 % less than in 2014. In 2015, the total amount of distributed electricity was 1,928,787 MWh, which is 3.1 % ahead of plan and 3.2 % more than in 2014. Losses of electricity amounted to 95,857 MWh or 4.97 % of the quantity distributed, which represents less than 5.88 % of recognised losses as per the regulative framework of the Energy Agency. Losses of electricity were lower than in the previous year, when they amounted to 5.39 % of total distributed power.

Cost of material, amounting to EUR 9,668,911, represents 15.6 % of total expenses. This is 11.7 % less compared to the annual plan, and 14.8 % down on 2014, due to lower costs of material for maintenance and damage repair.

Cost of services in the amount of EUR 6,732,642 represents 10.9 % of total expenses. This is a 4.4 % increase over the plan and a 3.8 % increase over 2014, largely on account of EUR 477,838 higher costs of insurance premiums.

Labour costs in 2015 amounted to EUR 21,093,085, which is 34 % of total expenses. Labour costs were 7.1 % higher than planned and 6.4 % higher than in 2014. Costs of salaries amounted to EUR 14,974,458, which is 8.8 % more than planned and 3.1 % more than in the year before. In 2015, the average gross salary per employee per hours worked was EUR 1,980, which is 3.8 % more



than in 2014, or 127.3 % of the average gross salary per employee in the Republic of Slovenia. The cost of employer contributions and other levies on salaries amounted to EUR 2,396,291, supplementary employee retirement insurance to EUR 694,363, other labour costs to EUR 3,027,973. Labour cost provisions, in compliance with the demand made by the trade union for the payment of balance of the 2015 holiday pay up to the amount defined under Art. 128 of the Collective Agreement for Slovenian Electricity Industry, amounted to EUR 588,821.

Depreciation and amortisation in the amount of EUR 17,689,500 represents 29 % of total expenses, and was 3.1 %, or EUR 560,500 below the plan, and 1.3 % down on 2014.

Other operating expenses amounted to EUR 784,839, which is 1.3 % of total expenses. The largest share thereof is represented by operating expenses related to the revaluation fixed assets (EUR 255,756), followed by charges for the use of construction land (EUR 219,621), and operating expenses related to the revaluation of current assets (EUR 154,911).

Financial expenses in the amount of EUR 1,082,192 represent a 2 % share of total expenses. They include mostly interest paid on loans from banks (EUR 720,092), financial expenses from other financial liabilities (EUR 257,835), revaluation financial expenses related to financial asset impairment and write-offs (EUR 103,508), and financial expenses from operating liabilities (EUR 757).

Other expenses from extraordinary operating activities amounted to EUR 63,416 in 2015. They include compensations and indemnifications (EUR 36,981), annuities (EUR 16,317), humanitarian aid and donations (EUR 8,350), and other expenses (EUR 1,768).

Operating profit for the year 2015 amounts to EUR 8,539,422 (90 % ahead of plan and 12.4 % down on 2014). Adding the effect of finance income and expenses, the operating profit from ordinary operating activities amounts to EUR 7,602,575; adding the effect of revenue and expenses from extraordinary operating activities, the total income/profit before tax amounts to EUR 7,566,013. After deducting the income tax and taking into account deferred taxes, the net profit of the company Elektro Celje stands at EUR 6,808,482, which is 106 % ahead of plan and 23 % down on the net profit for 2014.



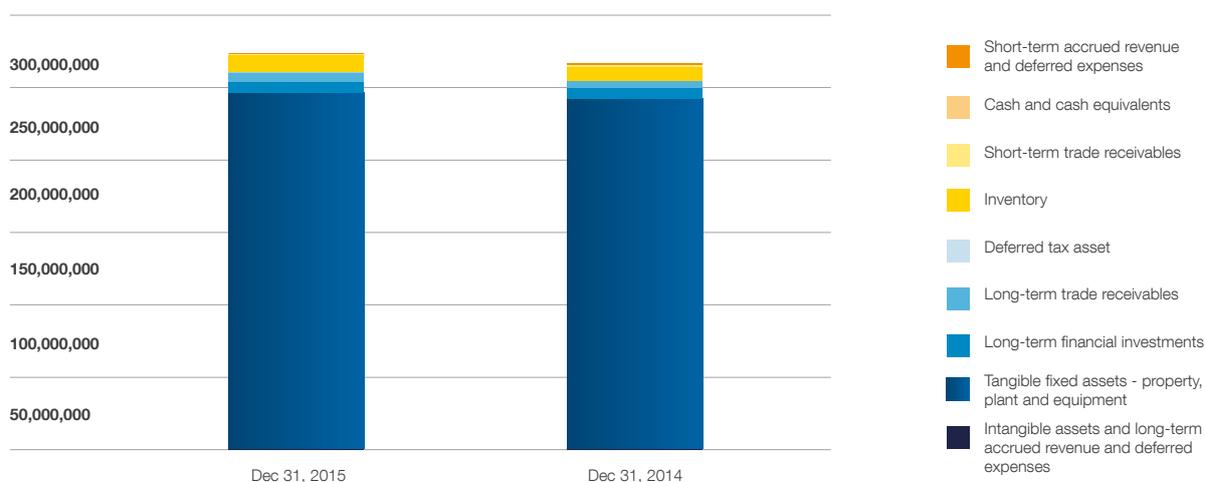
10.1.2 Ownership and Financial Position

in EUR

Assets	Dec 31, 2015	Dec 31, 2014
Non-current assets	259,214,761	253,443,528
Intangible assets and long-term accrued revenue and deferred expenses	1,156,361	1,384,700
Tangible fixed assets - property, plant and equipment	243,904,942	239,718,420
Long-term financial investments	7,580,116	7,683,920
Long-term trade receivables	5,934,882	4,056,389
Deferred tax asset	638,460	600,099
Current assets	12,306,938	10,308,179
Inventory	1,380,529	1,392,747
Short-term trade receivables	10,902,286	8,808,684
Cash and cash equivalents	24,123	106,748
Short-term accrued revenue and deferred expenses	739,294	1,061,808
Total assets	272,260,993	264,813,515

Assets of Elektro Celje as of December 31, 2015 compared to the year before

in EUR



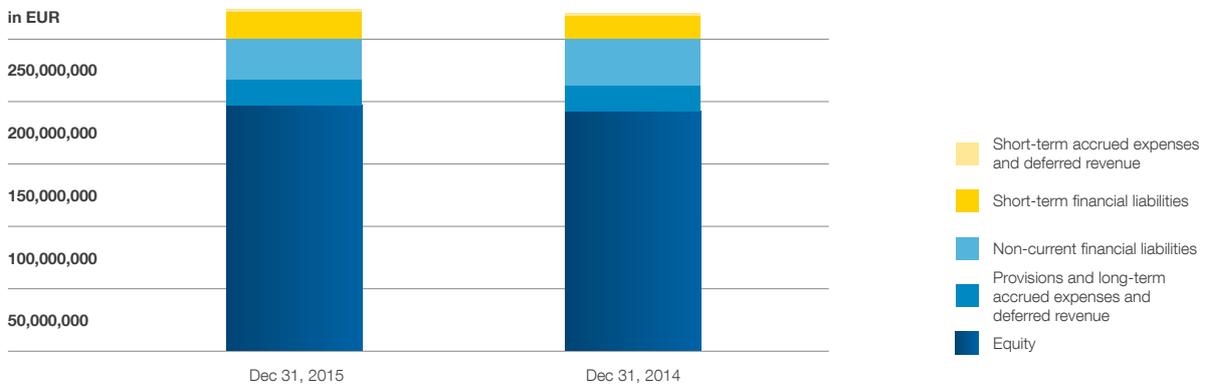
The value of company assets increased by 3 %. As of the end of the year, it amounted to EUR 272,260,993. Tangible fixed assets (property, plant and equipment), amounting to EUR 243,904,942, which is EUR 4,186,522 more than the year before, represent 89.6 % of total assets. Investment in 2015 amounted to EUR 21,765,222. Among current assets, short-term trade receivables hold the largest

share (4 % of all assets). They were 23.8 % up on the previous year, mostly due to higher trade receivables from customers. The value of inventory as of December 31, 2015 was EUR 1,380,529, which is 0.9 % less than in 2014. Cash and cash equivalents decreased by EUR 82,625 compared to the year before.

in EUR

Liabilities	Dec 31, 2015	Dec 31, 2014
Equity	196,443,080	192,935,102
Provisions and long-term accrued expenses and deferred revenue	19,644,210	19,127,245
Non-current financial liabilities	33,550,207	36,669,343
Short-term financial liabilities	21,825,063	15,213,956
Short-term accrued expenses and deferred revenue	798,433	867,869
Total liabilities	272,260,993	264,813,515

Liabilities of Elektro Celje as of December 31, 2015 compared to the year before

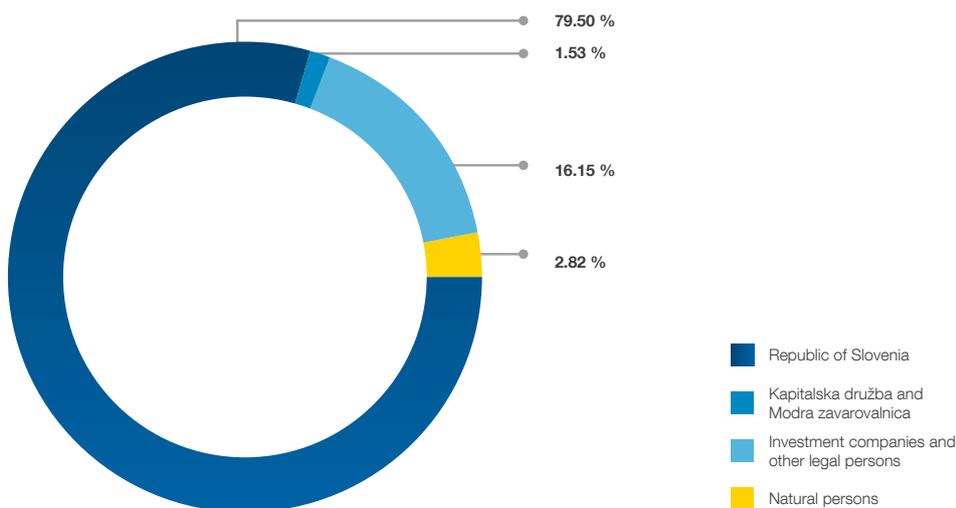


In 2015, to finance investments, Elektro Celje took out a loan with EIB in the amount of EUR 28,000,000 to be repaid over a three-year period (2015–2017). The total balance of investment loans as of December 31, 2015, stood at EUR 45,329,424.

Company equity amounted to EUR 196,443,080, which is 1.8 % more than the year before. In the composition of liabilities, equity represented 72.2 %. Provisions and accrued expenses and deferred revenue in the amount of EUR 19,644,210 were 2.7 % higher compared to 2014.

Short-term liabilities increased by 43.5 % relative to the year before, mainly on account of short-term financial liabilities due to banks. Company share capital is divided into 24,192,425 no-par value shares. Of these, 19,232,978 shares (79.50 %) are held by the Republic of Slovenia; 370,238 shares (1.53 %) are held by pension fund management company Kapitalska družba and Modra Zavarovalnica insurance company; 3,907,939 shares (16.15 %) are held by other legal persons; and 681,270 shares (2.82 %) are held by natural persons.

Ownership profile of the company Elektro Celje as of December 31, 2015



The carrying value per share as of December 31, 2015, amounted to EUR 8.12.

10.1.3 Cash and Cash Equivalents

	in EUR	
	2015	2014
Operating cash flow		
Revenue from operating activities	100,743,131	101,209,900
Expenses in operating activities	-92,249,535	-88,755,029
Net cash provided by operating activities	8,493,596	12,454,871
Investing cash flow		
Inflows from investing activities	328,599	4,740,350
Outflows from investing activities	-7,551,884	-11,053,341
Net cash used in investing activities	-7,223,285	-6,312,991
Financing cash flow		
Inflows from financing activities	18,475,000	59,615,000
Outflows from financing activities	-19,827,936	-65,702,680
Net cash used in financing activities	-1,352,936	-6,087,680
Cash and cash equivalents in the period	-82,625	54,200
Closing balance of cash and cash equivalents	24,123	106,748

The cash and cash equivalents of the company Elektro Celje decreased by EUR 82,625 in 2015, as the negative cash flows from investing and financing activities exceeded the positive cash flow provided by operating activities. The operating cash flow in 2015 amounted to EUR 8,493,596, which is EUR 3,961,275 less than in 2014, primarily due to higher expenses for purchase of mate-

rial and services, and higher charges. The financing cash flow registered a surplus of disbursements over revenues in the amount of EUR 7,223,285, and exceeded that of the year before by EUR 910,294. The negative financing cash flow in 2015 was most strongly influenced by repayments of non-current and short-term financial liabilities in the amount of EUR 15,970,567.

10.1.4 Performance Analysis for Elektro Celje, d.d.

A. FINANCING INDICATORS						
in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Equity	184,435,940	186,467,766	192,935,102	189,408,357	196,443,080	
Total liabilities	260,465,989	262,241,480	264,813,515	266,779,127	272,260,993	
Equity to total liabilities ratio	70.81 %	71.11 %	72.86 %	71.00 %	72.15 %	
Equity plus long-term debt (including provisions) and long-term accrued expenses and deferred revenue	240,229,890	240,239,554	248,731,690	247,437,155	249,637,497	
Total liabilities	260,465,989	262,241,480	264,813,515	266,779,127	272,260,993	
Long-term financing rate	92.23 %	91.61 %	93.93 %	92.75 %	91.69 %	

* Selected indicators for SSH

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS.

B. INVESTMENT INDICATORS

in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Property, plant and equipment (carrying value)	228,713,008	235,023,848	239,718,420	240,429,741	243,904,942	
Total assets	260,465,989	262,241,480	264,813,515	266,779,127	272,260,993	
PP&E to total assets ratio	87.81 %	89.62 %	90.52 %	90.12 %	89.58 %	
Fixed assets (PP&E) plus long-term accrued revenue and deferred expenses (carrying value), investment property, long- term financial investments and long-term trade receivables	239,352,342	244,433,306	252,843,429	249,445,939	258,576,301	
Total assets	260,465,989	262,241,480	264,813,515	266,779,127	272,260,993	
Long-term investment ratio	91.89 %	93.21 %	95.48 %	93.50 %	94.97 %	
in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Actual investment	22,473,248	24,510,162	23,123,000	20,300,000	21,765,222	
Planned investment	23,970,000	24,000,000	21,500,000	20,300,000	20,300,000	
Investment realisation rate	93.76 %	102.13 %	107.55 %	100.00 %	107.22 %	
Investing cash flow	22,473,248	24,510,162	23,123,000	20,300,000	21,765,222	
Net revenue from sales	52,139,625	52,578,900	53,919,563	49,307,710	53,791,561	
CAPEX to net revenue from sales ratio*	43.10 %	46.62 %	42.88 %	41.17 %	40.46 %	

C. HORIZONTAL FINANCIAL STRUCTURE RATIOS

in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Equity	184,435,940	186,467,766	192,935,102	189,408,357	196,443,080	
Property, plant and equipment (carrying value)	228,713,008	235,023,848	239,718,420	240,429,741	243,904,942	
Equity to fixed asset ratio	0.806	0.793	0.805	0.788	0.805	
Liquid assets	375,985	52,548	106,748	383,188	24,123	
Current liabilities	19,134,899	21,126,063	15,213,956	18,491,972	21,825,063	
Liquid assets to short-term liabilities ratio	0.020	0.002	0.007	0.021	0.001	
in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Sum of liquid assets and short-term receivables	9,803,630	9,634,714	8,915,432	10,183,188	10,926,409	
Current liabilities	19,134,899	21,126,063	15,213,956	18,491,972	21,825,063	
Acid-test ratio	0.512	0.456	0.586	0.551	0.501	

* Selected indicators for SSH

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS.

D. ECONOMIC INDICATOR

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Operating revenue	68,172,067	69,483,976	72,339,914	65,491,400	69,433,526	
Operating expenses	60,973,483	61,681,895	62,590,484	60,995,500	60,894,104	
Operating efficiency ratio	1.118	1.126	1.156	1.074	1.140	

E. PROFITABILITY INDICATORS

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
EBITDA	24,729,201	26,450,230	29,124,466	23,086,550	26,639,589	
Gross operating profit	68,172,067	69,483,976	72,339,914	65,491,400	69,433,526	
EBITDA margin*	36.27 %	38.07 %	40.26 %	35.25 %	38.37 %	
EBIT	7,198,584	7,802,081	9,749,430	4,495,900	8,539,422	
Gross operating profit	68,172,067	69,483,976	72,339,914	65,491,400	69,433,526	
EBIT margin	10.56 %	11.23 %	13.48 %	6.86 %	12.30 %	
Net income	7,486,250	5,580,713	8,841,612	3,301,300	6,808,482	
Average equity (excl. net income from the year at hand)	178,177,513	182,661,497	185,280,628	186,635,992	191,284,850	
Net return on equity (ROE)	4.20 %	3.06 %	4.77 %	1.77 %	3.56 %	
Net income	7,486,250	5,580,713	8,841,612	3,301,300	6,808,482	
Average assets	255,518,290	261,353,735	263,527,498	265,796,757	268,537,254	
Return on assets (ROA)*	2.93 %	2.14 %	3.36 %	1.24 %	2.54 %	

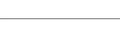
in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Sum of dividends for the fiscal year	2,476,667	3,556,286	2,419,242	1,890,220	3,145,015	
Average share capital	100,953,201	100,953,201	100,953,201	100,953,201	100,953,201	
Dividend to share capital ratio	0.025	0.035	0.024	0.019	0.031	
Dividend paid out in the year	2,476,667	3,556,286	2,419,242	1,890,220	3,145,015	
Average equity	181,920,638	185,451,853	189,701,434	188,286,642	194,689,091	
Dividend to equity ratio	1.36 %	1.92 %	1.28 %	1.00 %	1.62 %	

F. LABOUR PRODUCTIVITY INDICATOR

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Gross value added	43,868,395	45,685,077	48,943,645	42,773,750	47,732,674	
Number of employees per hours worked	632	623	635	632	633	
Gross value added per employee*	69,412	73,331	77,077	67,680	75,407	

* Selected indicators for SSH

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS.

G. TECHNICAL INDICATORS						
in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
SAIDI (System Average Interruption Duration Index)*	44.35	36.86	29.71	30.81	27.40	
SAIFI (System Average Interruption Frequency Index)*	1.10	0.88	0.79	0.77	0.70	
MAIFI (Momentary Average Interruption Frequency Index)*	7.29	4.48	5.71	5.54	3.07	
Losses (MWh)	111,114	106,722	100,613	98,000	95,857	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
Losses to electricity distributed ratio*	0.059	0.057	0.054	0.052	0.050	
Electricity supplied in the time interval (MW)	228	227	225	225	231	
Peak power in the time interval (MW)	333	308	309	309	306	
Load factor (LF)	0.69	0.74	0.73	0.73	0.75	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
Standardised network length (km)**	598	605	585	611	599	
Power distribution per standardised network length	3,163	3,112	3,194	3,061	3,220	
Number of connection approvals issued by consumer category						
- MV (1 - 35 kV)	36	20	24	27	33	
- 0.4 kV measured power	168	143	132	191	158	
- 0.4 kV without measured power	1,111	627	728	836	774	
- households	1,811	1,251	1,449	1,668	1,704	
in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Standardised network length (km)**	598	605	585	611	599	
Number of employees	632	632	632	632	632	
Standardised network length per employee	0.95	0.96	0.93	0.97	0.95	

* Selected indicators for SSH

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS.

H. TECHNICAL ECONOMIC INDICATORS OF REGULATED ACTIVITY

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Operating expenses of regulated activity (in EUR)	44,398,080	44,928,481	45,993,267	44,604,903	45,067,062	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
OPEX per electricity distributed*	23	24	25	24	23	
Operating expenses of regulated activity (in EUR)	44,398,080	44,928,481	45,993,267	44,604,903	45,067,062	
Standardised network length (km)**	598	605	585	611	599	
OPEX per standardised network length	74,244	74,262	78,621	73,003	75,237	
Investment in regulated activity (in EUR)	21,946,106	23,682,241	22,605,214	19,997,435	21,279,340	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
Investment per electricity distributed	12	13	12	11	11	
Labour costs of regulated activity (in EUR)	13,933,677	13,775,275	14,279,828	14,174,784	15,196,660	
Number of customers	168,445	168,865	169,414	169,700	170,006	
Labour costs per customer (in EUR)	83	82	84	84	89	
Operating revenue of regulated activity (in EUR)	51,730,235	53,095,531	55,960,882	49,097,520	53,646,613	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
Operating revenue per electricity distributed	27	28	30	26	28	



* Selected indicators for SSH

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS.

I. INDICATORS OF COMPLIANCE WITH BANK COMMITMENTS

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Financial debt	45,133,159	45,444,466	42,881,872	50,267,943	45,387,489	
Equity	184,435,940	186,467,766	192,935,102	189,408,357	196,443,080	
Financial debt/Equity (EIB)	0.245	0.244	0.222	0.265	0.231	
Financial debt	45,133,159	45,444,466	42,881,872	50,267,943	45,387,489	
EBITDA	24,729,201	26,450,230	29,124,466	23,086,550	26,639,589	
Financial debt/EBITDA (EIB)	1.825	1.718	1.472	2.177	1.704	
EBITDA	24,729,201	26,450,230	29,124,466	23,086,550	26,639,589	
Financial expenses from financial liabilities	937,123	1,056,699	1,280,888	1,143,300	977,927	
EBITDA/Financial expenses from financial liabilities (EIB)	26	25	23	20	27	
Current assets	19,885,517	14,880,473	10,308,179	14,533,188	12,306,938	
Current liabilities	19,134,899	21,126,063	15,213,956	18,491,972	21,825,063	
Current ratio (EIB)	1.039	0.704	0.678	0.786	0.564	
Financial debt	45,133,159	45,444,466	42,881,872	50,267,943	45,387,489	
Average equity	181,920,638	185,451,853	189,701,434	188,286,642	194,689,091	
Financial debt/Equity (SID Bank)	0.248	0.245	0.226	0.267	0.233	
Net financial debt	44,757,174	45,391,918	42,775,124	49,884,755	45,363,366	
EBITDA	24,729,201	26,450,230	29,124,466	23,086,550	26,639,589	
Net financial debt/EBITDA*	1.810	1.716	1.469	2.161	1.703	

The financing indicators refer to the shares of equity, debt, and accruals and deferrals in the composition of total financial liabilities and are most important in long-term decisions about the financing policy. In 2015, the share of long-term financing in liabilities amounted to 91.7 %, the share of equity in liabilities to 72.2 %.

Investment indicators are particularly important in the decision-making process concerning investment projects. The values for 2015 are lower than those for 2014. The share of tangible fixed assets (PP&E) in total assets was 89.6 %, which is 1 percentage point less than in 2014. The reason for this is in the simultaneous increase in the value of fixed assets (by 1.7 %) and that of total assets (by 2.8 %). The share of total long-term assets in total value of assets was 95 %; actual investment amounted to 107.2 % of the annual plan.

The indicators of horizontal financial structure were appropriate. The equity to fixed asset ratio shows that as of December 31, 2015, 80.5 % of property, plant, and equipment was covered by equity, same as in 2014. The liquid

assets to short-term liabilities and the acid-test ratios corroborate the company's financial solvency. The values of the two ratios decreased compared to 2014, mainly due to an increase in short-term financial liabilities and a delay in absorbing investment loans.

The operating efficiency ratio is the rate between operating revenue and operating expenses. Its value for 2015 was 1.1, which is 6 % higher than planned and 1.4 % lower than in 2014.

The EBITDA margin (the rate between operating revenue and operating expenses minus depreciation) is an indicator of the company's operating profitability. In 2015, this indicator stood at 38.4 %. In 2015, ROA reached 2.5 %, ROE stood at 3.6 %, and dividend to share capital ratio was at 1.6 %. All these values exceeded the plan for 2015.

Added value per employee in 2015 amounted to EUR 75,407, which is EUR 7,727 ahead of plan and EUR 1,670 less than in 2014, due to lower gross value added and lower average number of employees per hours worked.

* Selected indicators for SSH

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS.

The SAIDI (System Average Interruption Duration Index), SAIFI (System Average Interruption Frequency Index) and MAIFI (Momentary Average Interruption Frequency Index) for the period January–December 2015 are lower (more favourable) than planned, and lower than in 2014. Data on the continuity of supply refer to interruptions due to own cause. The share of losses per unit of electricity distributed in the period stood at 5.0 %, while recognised losses as per the Energy Agency regulatory framework amount to 5.88 %.

Indicators referring to regulated activity of the company Elektro Celje stand as follows: operating expenses per 1 MWh of distributed electricity amounted to EUR 23 or, measured per 1 km of standardised network length, EUR 75,237. Labour cost of regulated activity per customer amounted to EUR 89; operating revenue of regulated activity per unit of electricity distributed was 28 EUR/MWh.

The net financial debt to EBITDA ratio shows that the gross cash flow generated by Elektro Celje in 2015 would be sufficient to liquidate company's total financial liabilities in 1.7 years. In 2014, that would have taken 1.5 years. As of the end of 2015, the current liabilities of the company exceeded its current assets, but in view of the delayed absorption of investment loans, that was more reasonable in terms of costs. The debt ratio in 2015 was 0.23.

Indicators referring to Elektro Celje's commitment to the banks show that in 2015, the company maintained an appropriate financial position and fulfilled all its financial commitments to banks.

In the period January–December 2015, the performance of Elektro Celje, d.d., was successful. The net profit in the amount of EUR 6,808,482 claims an implementation rate of 206 percent against the annual plan and 77 percent against the 2014 overall result.

10.2 Performance Analysis of Elektro Celje Group

10.2.1 Net Income

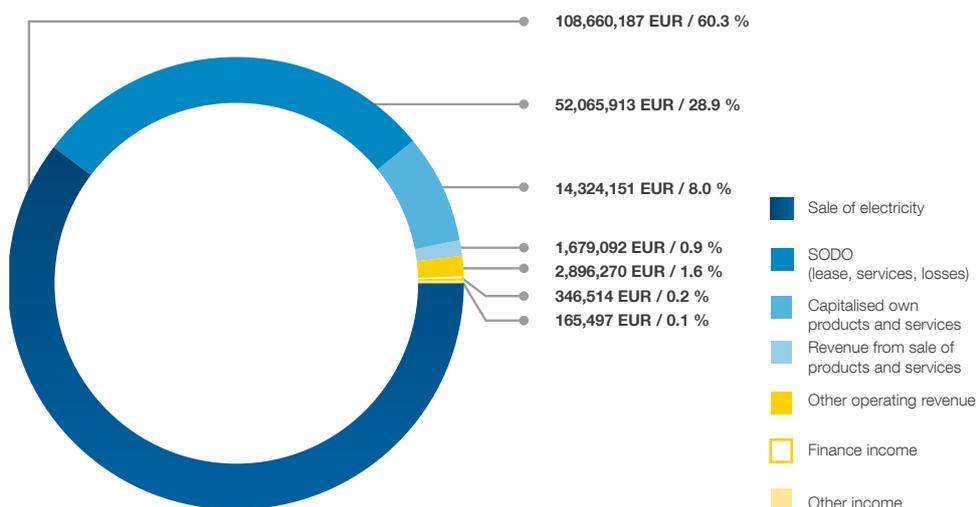
In 2015, the Elektro Celje Group generated **a net income/profit in the amount of EUR 10,233,231**

which is EUR 5,760,991 ahead of plan, and EUR 500,708 down on the net profit for 2014.

Income statement summary	Amount in EUR			Index	
	Actual in 2015	Planned for 2015	Actual in 2014	Actual 2015 / Planned 2015	Actual 2015 / Actual 2014
1. Operating revenue	179,625,613	157,249,368	158,913,110	114	113
2. Operating expenses	167,397,650	151,583,675	146,538,878	110	114
3. Operating profit (1-2)	12,227,963	5,665,693	12,374,232	216	99
4. Finance income	346,514	248,579	294,983	139	117
5. Financial expenses	1,103,061	1,186,400	1,307,696	93	84
6. Profit from ordinary operating activities (3+4-5)	11,471,416	4,727,872	11,361,519	243	101
7. Other income	165,497	138,200	145,605	120	114
8. Other expenses	107,209	55,200	87,859	194	122
9. Profit from extraordinary operating activities (7-8)	58,288	83,000	57,746	70	101
10. Total profit (6+9)	11,529,704	4,810,872	11,419,265	240	101
11. Income tax	1,114,450	338,632	1,369,444	329	81
12. Deferred taxes	182,023	0	684,118	0	27
13. Net income/profit (10-11+12)	10,233,231	4,472,240	10,733,939	229	95
Net income/profit of majority shareholders	9,597,207	4,472,240	0	215	0
Net income/profit of minority shareholders	636,024	0	0	0	0

In 2015, the Group's revenues stood at EUR 180,137,624 which is 14.3 % ahead of plans and 13 % ahead of 2014.

Revenue in 2015



Total: EUR 180,137,624

Operating revenue in the amount of EUR 179,625,613 account for 99.7 % of total Group revenue, and include revenue from sale of electricity (60.3 %), lease and maintenance of infrastructure and rendering of services for SODO (28.9 %), revenue from capitalised own products and services (8 %), sale of products and services (0.9 %), and other operating revenue (1.6 %).

Revenue from the sale of electricity amounted to EUR 108,660,187 which is 25.4 % more than in 2014. In 2015, the company ECE sold 2,716 GWh of electricity (of which 2,008 GWh to business/corporate and 708 GWh to household customers), which is a 68.2 percent increase on the year before. This data refers to the ECE d.o.o. company formed through a merger, thus including the revenues and sale volumes of the company Elektro Celje Energija and those of the company Elektro Gorenjska Prodaja.

Revenue from lease and maintenance of electricity infrastructure and provision of services for SODO stood at EUR 52,065,913 which is EUR 276,153 down on 2014, but EUR 4,234,510 ahead of the annual plan. The downturn in the 2015 revenue can also be attributed to the negative final reconciliation statement of the regulatory framework for 2014, which is included in the operating profit for 2015. In compliance with the decision by the Energy Agency, the incentives for quality regulation in the amount of EUR 159,216 were excluded from the reconciliation statement.

Revenue from sale of services accounts for 0.9 % of total revenue. It amounted to EUR 1,679,092, which is

32.9 % ahead of the plans for 2015 and a 17.5 % increase on 2014. They mainly include the provision of electrical installation services to third-party customers and rentals.

Revenue from construction of own fixed assets in the amount of EUR 14,324,151 account for 8 % of total revenue. Since in-house workers completed fewer investments than planned, this revenue was 3.9 % down on the plan, and 5.3 % down on 2014. Overall, total investments were 7.5 % down on 2014, when the repair of damage caused by the ice storm required increased investments.

Other operating revenue in the amount of EUR 2,896,270, which accounts for 1.6 % of total revenue is 116.8 % ahead of plans and 39.7 % down on 2014, mainly due to less compensation paid by the insurance company (EUR 162,782) compared to last year's amount (EUR 2,235,716), which also included insurance compensation for the repair of ice damage. This tem also contains reversal of provisions for freely acquired fixed assets (EUR 606,490), revaluation operating revenue (EUR 370,249), other revenue associated with business effect (EUR 914,732) and effects of consolidation (EUR 842,017).

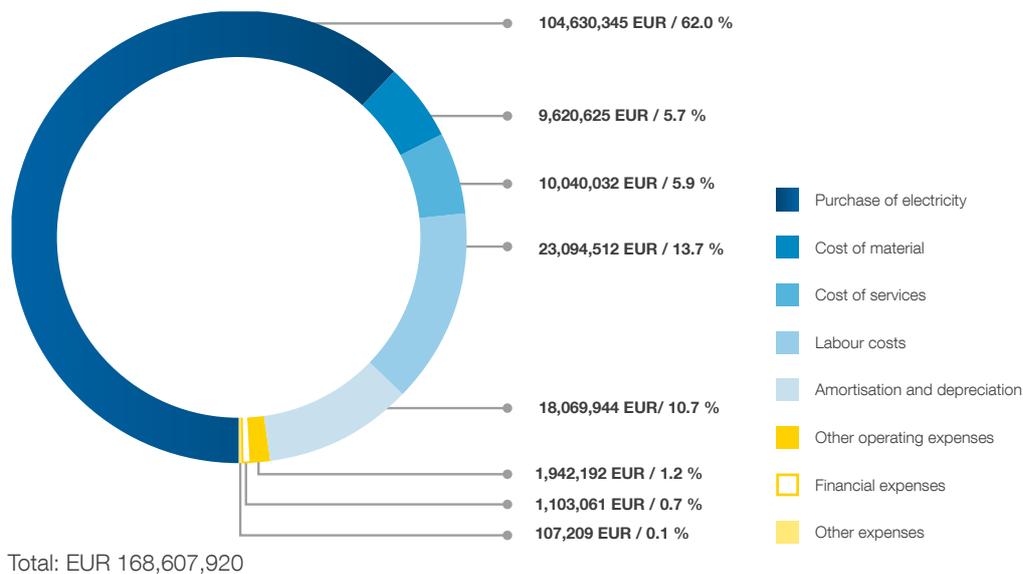
Finance income, amounting to EUR 346,514, accounts for 0.2 % of total revenue and was 32.9 % down on the planned volume, and 17.5 % ahead of last year's figure. It includes late charges on overdue payments for electricity, network charges and services (EUR 334,781), dividend (EUR 7,400), and interest on deposits (EUR 4,333).

Other income from extraordinary operating activities amounted to EUR 165,497 in 2015, which is EUR 19,653 down on the plan and EUR 19,892 higher than the year before. It included payments of penalties and damages (EUR 53,318), collected receivables previously written-off (EUR 12,732 EUR), and other income from extraordinary operating activities (EUR 99,447).

The Group's **expenses** in 2015 amounted to EUR 168,607,920, which is 9 % less than planned and 14 % more than in 2014.

Operating expenses in the amount of EUR 167,397,650, which accounts for 99.2 % of total expenses, were down by 9 % relative to plan and up by 14.2 % relative to 2014.

Expenses in 2015



Costs of electricity purchased, accounting for 62 % of total expenses, stood at EUR 104,630,345 (of which EUR 876,352 represents the cost of wood pellets and EUR 3,052,231 the cost of natural gas). This is 14.9 % more than planned and 25.4 % more than the year before. The costs incurred by subsidiary ECE for the purchase of 2,716 GWh of electricity amounted to EUR 100,701,762, and are broken down by suppliers as follows: HSE (EUR 83,667,782), Elektro Energija (EUR 5,984,601), GEN Energija (EUR 2,606,465), InterEnergo (EUR 2,522,883), other suppliers (EUR 5,920,031).

Costs of material in the amount of EUR 9,620,625 account for 5.7 % of total expenses. This is 12.9 % more than planned and 15.1 % less than in 2014 due to lower cost of material for maintenance and damage repair.

Cost of services, amounting to EUR 10,040,032, account for 5.9 % of total expenses. They were 21.7 % higher than planned and 9 % higher than in 2014, mainly due to higher insurance premium costs in the amount of EUR 483,384.

In 2015, **labour cost** in the amount of EUR 23,094,512 accounted for 14 % of total expenses. They were 8 % above the plan and above the 2014 figure. Cost of salaries amounting to EUR 16,481,894 were 10 % above the plan and 5.3 % above the 2014 figure. The cost of employer contributions and other levies on salaries stood at

EUR 2,639,158, cost of supplementary employee retirement insurance was EUR 749,645, and other labour cost amounted to EUR 3,223,815.

Amortisation and depreciation in the amount of EUR 18,069,944 accounts for 11 % of total expenses. It was 2.8 % (EUR 522,645) down on the planned volume and 1 % down on 2014's figure.

Other operating expenses in the amount of EUR 1,942,192 represent 1.2 % of total expenses, with operating expenses from revaluation (EUR 1,287,895) accounting for the largest portion.

Financial expenses in the amount of EUR 1,103,061 account for 0.7 % of total expenses and mainly pertain to interest on bank loans (EUR 727,722), which were 34.9 % down on 2014, financial expenses from other financial liabilities (EUR 257,835), revaluation financial expenses related to financial asset impairment and write-offs (EUR 103,508), and EUR 13,996 in financial expenses from operating liabilities.

In 2015, **other expenses from extraordinary operating activities** amount to EUR 107,209 and include compensation and rent payments (EUR 53,298), penalties imposed payable in cash (EUR 750) and other expenses (EUR 53,161).

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Operating profit for the year 2015 amounts to EUR 12,227,963 (115.8 % ahead of plan and 1.2 % down on 2014). Adding the effect of finance income and expenses, the operating profit from regular activities amounts to EUR 11,471,416; adding the effect of revenue and expenses from extraordinary activities, the total profit before tax

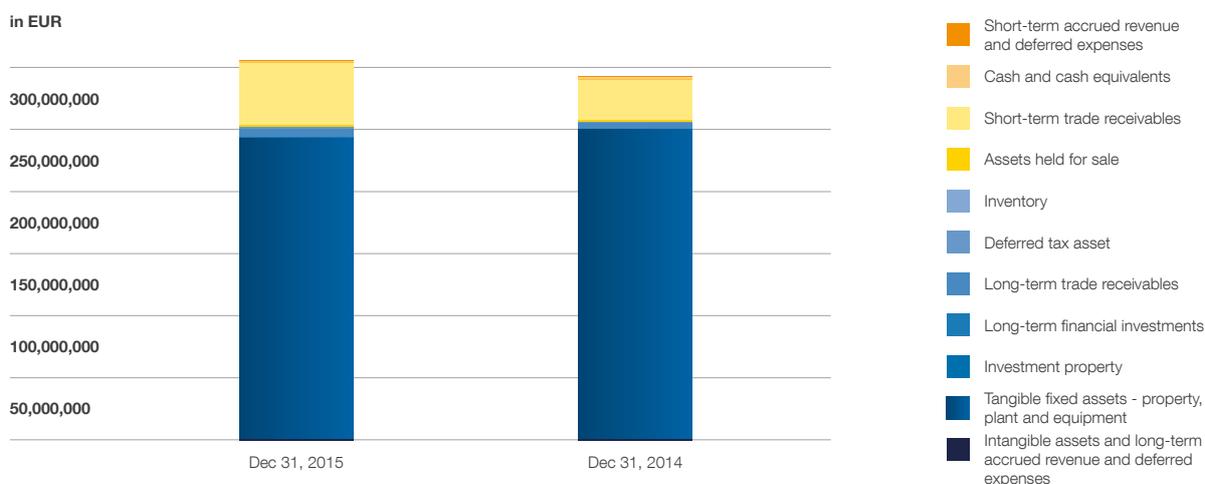
stands at EUR 11,529,704. After deducting the corporate income tax and taking into account deferred taxes, the net profit of the Elektro Celje Group amounts to EUR 10,233,231. The index of actual overall profit is at 229 relative to the annual plan, and 95 compared to the results in 2014.



10.2.2 Financial Position

in EUR		
Assets	Dec 31, 2015	Dec 31, 2014
Non-current assets	257,668,990	249,934,024
Intangible assets and long-term accrued revenue and deferred expenses	1,787,304	1,670,260
Tangible fixed assets - property, plant and equipment	246,489,479	242,253,976
Investment property	321,318	298,773
Long-term financial investments	684,777	436,944
Long-term trade receivables	6,928,016	4,170,788
Deferred tax asset	1,458,096	1,103,283
Current assets	54,096,194	34,940,768
Assets held for sale	51,628	0
Inventory	1,426,577	1,451,015
Short-term trade receivables	50,761,120	31,486,204
Cash and cash equivalents	1,856,869	2,003,549
Short-term accrued revenue and deferred expenses	479,360	838,620
Total assets	312,244,544	285,713,412

■ Assets of Elektro Celje Group as of December 31, 2015 compared to the year before

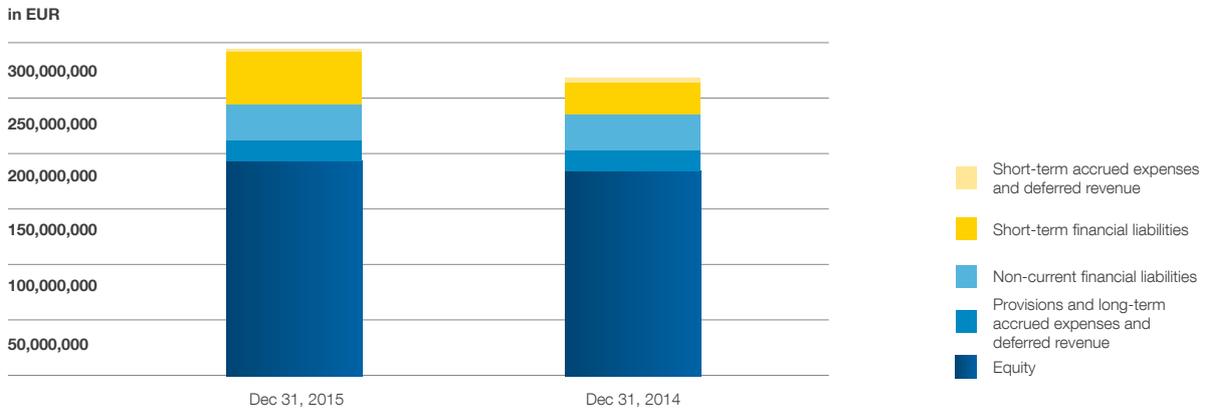


The value of the Elektro Celje Group assets increased by 9.3 % and as of the end of 2015 amounted to EUR 312,244,544. Tangible fixed assets in the amount of EUR 246,489,479, which is EUR 4,235,503 more than the year before, account for 78.6 % of total assets. Investments in 2015 amounted to EUR 21,923,723. Among current assets, short-term trade receivables hold the largest share

(16 % of all assets); they increased by 61.2 % on the year before, mainly due to higher trade receivables from customers. As of December 31, 2015, the value of inventory amounted to EUR 1,426,577, which is similar to 2014, while the Elektro Celje Group's cash and cash equivalents decreased by EUR 146,680 on the year before.

in EUR		
Liabilities	Dec 31, 2015	Dec 31, 2014
Equity	207,638,928	196,839,551
Provisions and long-term accrued expenses and deferred revenue	20,206,307	19,457,685
Non-current financial liabilities	33,632,922	36,770,278
Short-term financial liabilities	48,742,355	30,519,657
Short-term accrued expenses and deferred revenue	2,024,032	2,126,241
Total liabilities	312,244,544	285,713,412

Liabilities of Elektro Celje Group as of December 31, 2015 compared to the year before



The Elektro Celje Group's equity, amounting to EUR 207,638,928, increased by EUR 10,799,377 against 2014 and accounts for 66.5 % of total liabilities. Provisions and long-term accrued expenses and deferred revenue in the amount of EUR 20,206,307, which account for 6.5 % of total liabilities, were 3.8 % up against the 2014 figure.

Compared to 2014, short-term liabilities increased by 59.7 %, mainly due to short-term financial liabilities to banks.

Short-term accrued expenses and deferred revenue in the amount of EUR 2,024,032, which account for 0.6 % of liabilities, decreased by 4.8 % compared to the year before.



10.2.3 Cash and Cash Equivalents

In 2015, the cash and cash equivalents of Elektro Celje Group decreased by EUR 500,404, as the negative cash flow from investing activities exceeded the positive cash flows from operating and financing activities. Operating cash flow in the amount of EUR 6,513,424 was EUR 10,218,730 down on 2014, mainly due to higher expenditure for purchase of material and services, and higher du-

ties. Investing cash flow, recording a surplus of outflows over inflows in the amount of EUR 7,616,788, is 4.6 % down on the year before. The negative cash flow in financing activities can mainly be attributed to the payment of non-current and short-term financial liabilities in the amount of EUR 36,485,172.

	in EUR	
	2015	2014
Operating cash flow		
Revenue from operating activities	356,512,724	265,540,976
Expenses in operating activities	-349,999,300	-248,808,822
Net cash provided by operating activities	6,513,424	16,732,154
Investing cash flow		
Inflows from investing activities	758,336	3,612,810
Outflows from investing activities	-8,375,124	-11,595,597
Net cash used in investing activities	-7,616,788	-7,982,787
Financing cash flow		
Inflows from financing activities	40,955,055	73,145,117
Outflows from financing activities	-40,352,095	-80,580,705
Net cash used in financing activities	602,960	-7,435,588
Cash and cash equivalents in the period	-500,404	1,313,779
Closing balance of cash and cash equivalents	1,856,869	2,003,549

10.2.4 Elektro Celje Group Performance Indicators

A. FINANCING INDICATORS						
in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Equity	185,388,091	188,478,584	196,839,551	193,642,044	207,638,928	
Total liabilities	277,757,706	283,699,999	285,713,412	287,101,532	312,244,544	
Equity to total liabilities ratio	66.74 %	66.44 %	68.89 %	67.45 %	66.50 %	
Equity plus long-term debt (including provisions) and long-term accrued expenses and deferred revenue	241,552,824	242,709,424	253,067,514	252,081,842	261,478,157	
Total liabilities	277,757,706	283,699,999	285,713,412	287,101,532	312,244,544	
Long-term financing rate	86.97 %	85.55 %	88.57 %	87.80 %	83.74 %	

* Selected indicators for SSH.

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS. The technical indicators and technical economic indicators of regulated activity are calculated for the company Elektro Celje.

B. INVESTMENT INDICATORS

in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Property, plant and equipment (carrying value)	230,975,080	237,388,266	242,253,976	243,021,703	246,489,479	
Total assets	277,757,706	283,699,999	285,713,412	287,101,532	312,244,544	
PP&E to total assets ratio	83.16 %	83.68 %	84.79 %	84.65 %	78.94 %	

Fixed assets (PP&E) plus long-term accrued revenue and deferred expenses (carrying value), investment property, long-term financial investments and long-term trade receivables

	235,196,264	240,536,790	248,830,741	245,960,769	256,210,894	
Total assets	277,757,706	283,699,999	285,713,412	287,101,532	312,244,544	
Long-term investment ratio	84.68 %	84.79 %	87.09 %	85.67 %	82.05 %	

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Actual investment	22,584,328	24,914,164	23,689,059	20,800,000	21,923,723	
Planned investment	24,279,000	25,352,013	22,270,000	20,800,000	20,800,000	
Investment realisation rate	93.02 %	98.27 %	106.37 %	100.00 %	105.40 %	

Investing cash flow	22,584,328	24,914,164	23,689,059	20,800,000	21,923,723	
Net revenue from sales	145,793,897	156,542,174	140,389,018	141,015,678	162,405,192	
CAPEX to net revenue from sales ratio*	15.49 %	15.92 %	16.87 %	14.75 %	13.50 %	

C. HORIZONTAL FINANCIAL STRUCTURE RATIOS

in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Equity	185,388,091	188,478,584	196,839,551	193,642,044	207,638,928	
Property, plant and equipment (carrying value)	230,975,080	237,388,266	242,253,976	243,021,703	246,489,479	
Equity to fixed asset ratio	0.803	0.794	0.813	0.797	0.842	

Liquid assets	829,014	689,770	2,003,549	614,854	1,856,869	
Current liabilities	34,656,529	39,641,102	30,519,657	33,754,368	48,742,355	
Liquid assets to short-term liabilities ratio	0.024	0.017	0.066	0.018	0.038	

in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Sum of liquid assets and short-term receivables	33,014,797	34,917,881	33,489,753	34,057,848	52,617,989	
Current liabilities	34,656,529	39,641,102	30,519,657	33,754,368	48,742,355	
Acid-test ratio	0.953	0.881	1.097	1.009	1.080	

* Selected indicators for SSH.

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D. ECONOMIC INDICATOR

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Operating revenue	161,840,238	173,555,129	158,913,110	157,249,368	179,625,613	
Operating expenses	154,250,339	164,787,635	146,538,878	151,583,675	167,397,650	
Operating efficiency ratio	1.049	1.053	1.084	1.037	1.073	

E. PROFITABILITY INDICATORS

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
EBITDA	26,092,087	28,098,431	33,171,383	25,198,932	31,585,802	
Gross operating profit	161,840,238	173,555,129	158,913,110	157,249,368	179,625,613	
EBITDA margin*	16.12 %	16.19 %	20.87 %	16.02 %	17.58 %	
EBIT	7,589,899	8,767,494	12,374,232	5,665,693	12,227,963	
Gross operating profit	161,840,238	173,555,129	158,913,110	157,249,368	179,625,613	
EBIT margin	4.69 %	5.05 %	7.79 %	3.60 %	6.81 %	
Net income	6,905,850	6,639,381	10,733,939	4,472,240	10,233,231	
Average equity (excl. net income from the year at hand)	179,710,064	183,613,647	187,292,098	189,473,994	197,122,624	
Net return on equity (ROE)	3.84 %	3.62 %	5.73 %	2.36 %	5.19 %	
Net income	6,905,850	6,639,381	10,733,939	4,472,240	10,233,231	
Average assets	273,076,180	280,728,853	284,706,706	285,793,188	298,978,978	
Return on assets (ROA)*	2.53 %	2.37 %	3.77 %	1.56 %	3.42 %	

in EUR	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Plan 2015	Dec 31, 2015	Graphical comparison
Sum of dividends for the fiscal year	2,476,667	3,556,286	2,419,242	1,890,220	3,145,015	
Average share capital	100,953,201	100,953,201	100,953,201	100,953,201	100,953,201	
Dividend to share capital ratio	0.025	0.035	0.024	0.019	0.031	
Dividend paid out in the year	2,476,667	3,556,286	2,419,242	1,890,220	3,145,015	
Average equity	183,162,989	186,933,338	192,659,068	191,710,114	202,239,240	
Dividend to equity ratio	1.35 %	1.90 %	1.26 %	0.99 %	1.56 %	

F. LABOUR PRODUCTIVITY INDICATOR

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Gross value added	46,746,047	48,783,276	54,553,794	46,592,132	54,680,314	
Number of employees per hours worked	678	669	683	680	689	
Gross value added per employee*	68,947	72,920	79,874	68,518	79,362	

* Selected indicators for SSH.

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS. The technical indicators and technical economic indicators of regulated activity are calculated for the company Elektro Celje.

G. TECHNICAL INDICATORS						
in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
SAIDI (System Average Interruption Duration Index, calculated at an annual level)*	44.35	36.86	29.71	30.81	27.40	
SAIFI (System Average Interruption Frequency Index, calculated at an annual level)*	1.10	0.88	0.79	0.77	0.70	
MAIFI (Momentary Average Interruption Frequency Index, calculated at an annual level)*	7.29	4.48	5.71	5.54	3.07	
Losses (MWh)	111,114	106,722	100,613	98,000	95,857	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
Losses to electricity distributed ratio*	0.059	0.057	0.054	0.052	0.050	
Electricity supplied in the time interval (MW)	228	227	225	225	231	
Peak power in the time interval (MW)	333	308	309	309	306	
Load factor (LF)	0.69	0.74	0.73	0.73	0.75	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
Standardised network length (km)**	598	605	585	611	599	
Power distribution per standardised network length	3,163	3,112	3,194	3,061	3,220	
Number of connection approvals issued by consumer category						
- MV (1 - 35 kV)	36	20	24	27	33	
- 0.4 kV measured power	168	143	132	191	158	
- 0.4 kV without measured power	1,111	627	728	836	774	
- households	1,811	1,251	1,449	1,668	1,704	
in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Standardised network length (km)**	598	605	585	611	599	
Number of employees	632	632	632	632	632	
Standardised network length per employee	0.95	0.96	0.93	0.97	0.95	

* Selected indicators for SSH.

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H. TECHNICAL ECONOMIC INDICATORS OF REGULATED ACTIVITY

in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Operating expenses of regulated activity (in EUR)	44,398,080	44,928,481	45,993,267	44,604,903	45,067,062	
Electricity distributed (MWh)	598	605	585	611	599	
OPEX per electricity distributed*	74,244	74,262	78,621	73,003	75,237	
Operating expenses of regulated activity (in EUR)	44,398,080	44,928,481	45,993,267	44,604,903	45,067,062	
Standardised network length (km)**	598	605	585	611	599	
OPEX per standardised network length	74,244	74,262	78,621	73,003	75,237	
Investment in regulated activity (in EUR)	21,946,106	23,682,241	22,605,214	19,997,435	21,279,340	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
Investment per electricity distributed	12	13	12	11	11	
Labour costs of regulated activity (in EUR)	13,933,677	13,775,275	14,279,828	14,174,784	15,196,660	
Number of customers	168,445	168,865	169,414	169,700	170,006	
Labour costs per customer (in EUR)	83	82	84	84	89	
Operating revenue of regulated activity (in EUR)	51,730,235	53,095,531	55,960,882	49,097,520	53,646,613	
Electricity distributed (MWh)	1,891,762	1,882,792	1,868,300	1,870,000	1,928,787	
Operating revenue per electricity distributed	27	28	30	26	28	



* Selected indicators for SSH.

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS. The technical indicators and technical economic indicators of regulated activity are calculated for the company Elektro Celje.

I. INDICATORS OF COMPLIANCE WITH BANK COMMITMENTS						
in EUR	2012	2013	2014	Plan 2015	2015	Graphical comparison
Financial debt	46,114,492	46,914,613	43,017,780	50,868,943	47,488,684	
Equity	185,388,091	188,478,584	196,839,551	193,642,044	207,638,928	
Financial debt/Equity (EIB)	0.249	0.249	0.219	0.263	0.229	
Financial debt	46,114,492	46,914,613	43,017,780	50,868,943	47,488,684	
EBITDA	26,092,087	28,098,431	33,171,383	25,198,932	31,585,802	
Financial debt/EBITDA (EIB)	1.767	1.670	1.297	2.019	1.503	
EBITDA	26,092,087	28,098,431	33,171,383	25,198,932	31,585,802	
Financial expenses from financial liabilities	955,536	1,057,952	1,305,291	1,184,400	985,557	
EBITDA/Financial expenses from financial liabilities (EIB)	27	27	25	21	32	
Current assets	40,727,972	39,543,384	34,940,768	38,458,912	54,096,194	
Current liabilities	34,656,529	39,641,102	30,519,657	33,754,368	48,742,355	
Current ratio (EIB)	1.175	0.998	1.145	1.139	1.110	
Financial debt	46,114,492	46,914,613	43,017,780	50,868,943	47,488,684	
Average equity	183,162,989	186,933,338	192,659,068	191,710,114	202,239,240	
Financial debt/Equity (SID Bank)	0.252	0.251	0.223	0.265	0.235	
Net financial debt	45,285,478	46,224,843	41,014,231	50,254,089	45,631,815	
EBITDA	26,092,087	28,098,431	33,171,383	25,198,932	31,585,802	
Net financial debt/EBITDA*	1.736	1.645	1.236	1.994	1.445	

Financing indicators as of December 31, 2015 point to an appropriate structure of long-term asset financing with long-term liabilities. Long-term financing in liabilities amounted to 83.7 %, while equity in liabilities accounted for 66.5 %.

In 2015, investment indicators recorded a downturn on 2014. The share of tangible fixed assets in total assets was 78.9 %, which is 6 percentage points less than in 2014, the reason being the simultaneous increase of value of fixed assets (by 1.7 %) and that of total assets (by 9.3 %). Total long-term assets accounted for 82 % of total assets; actual investment amounted to 105.4 % of the annual plan.

The indicators of horizontal financial structure were appropriate. As of December 31, 2015, equity to fixed asset ratio of the Elektro Celje Group amounted to 84.2 %, which is ahead of the year before. The liquid assets to short-term liabilities and acid-test ratios indicate the company's

solvency. The values of the two ratios are both down on 2014, mainly due to increased short-term financial liabilities and a delay in absorbing investment loans. Operating efficiency ratio stood at 1.1, which is 3 % ahead of the plan and 1.5 % lower than the year before.

The EBITDA margin, which is a benchmark for business performance and profitability, amounted to 17.6 % in 2015. ROA stood at 3.4 %, ROE at 5.2 %, and dividend to equity ratio was 1.6 %. All these values are higher than planned for 2015.

In 2015, value added per employee amounted to EUR 79,362, which is EUR 10,844 ahead of plan and EUR 512 down on 2014, mainly due to a higher average number of employees per hours worked.

The technical and technical economic indicators of regulated activity are calculated for the company Elektro Celje and described in section 10.1.4.

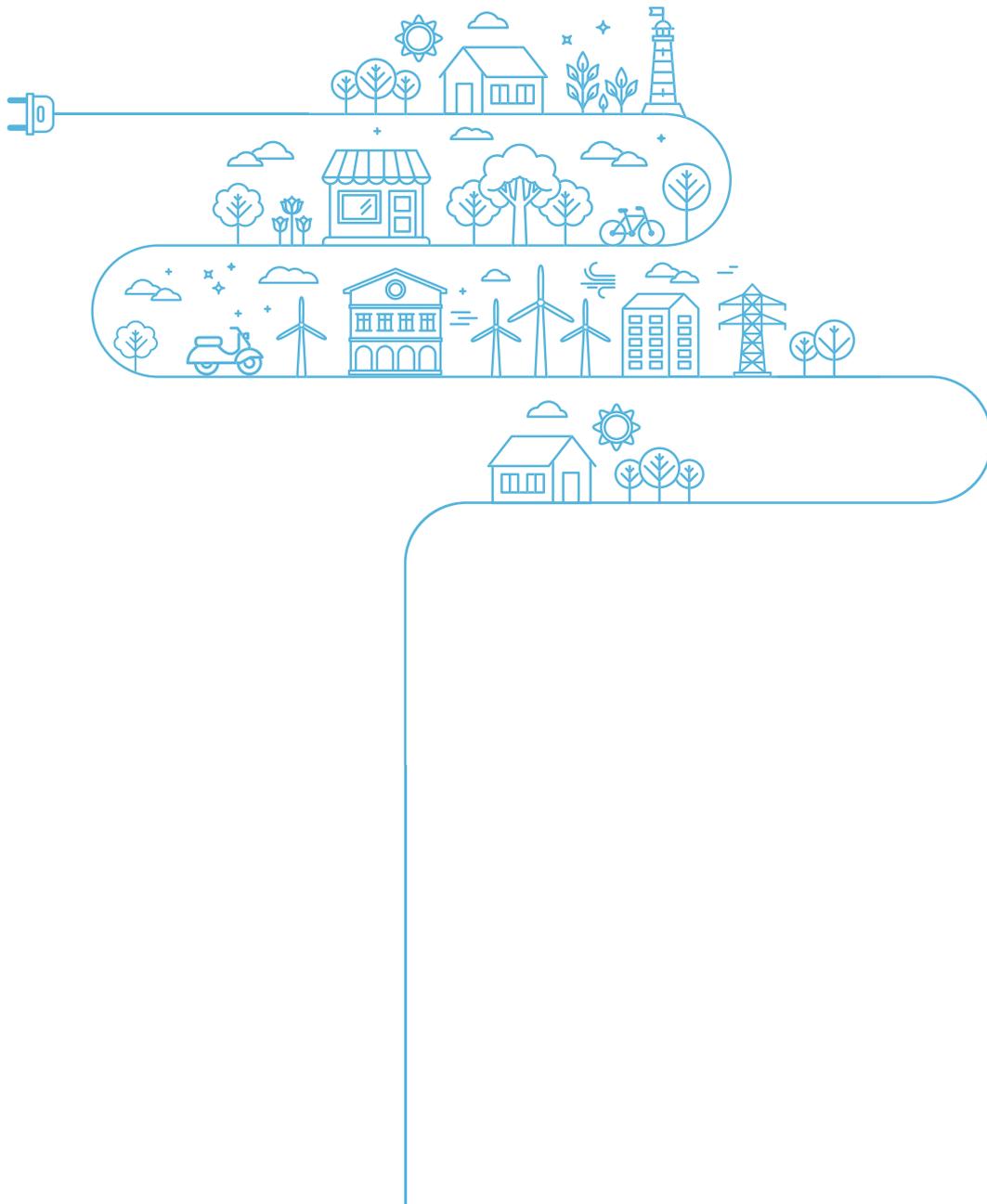
* Selected indicators for SSH.

** The calculation of standardised network length is based on the information on the quantity of lines recorded in GIS. The technical indicators and technical economic indicators of regulated activity are calculated for the company Elektro Celje.

Indicators of compliance with bank commitments corroborate that the Group maintained an appropriate financial position and fulfilled all its commitments to banks. The net financial debt to EBITDA ratio shows that the gross cash flow generated in 2015 would allow the Group to pay all its financial liabilities in 1.4 years. As of the end of 2015, current assets exceeded current liabilities. The financial debt to equity ratio amounted to 0.23.

The performance of Elektro Celje Group in the period from January to December 2015 was successful. The net profit in the amount of EUR 10,233,231 claims an implementation rate of 229 percent against the annual plan and 95 percent against the 2014 overall result.





11. RISK MANAGEMENT

11.1 Risk Management at Elektro Celje

The latest, updated version of ISO 9001:2015 puts a strong emphasis on risk management. "When an organisation reflects on its objectives, on what it can achieve and where it would like to be, it can apply a risk-based approach, whereby it always has to weigh between the opportunities and risk-related threats." It is the management's responsibility to identify and address both risks and opportunities. Risk management methods are not specifically delineated and the management must find a way to implement the necessary activities. Risks and opportunities must be identified in all company processes and the business operation has to rely on risk-based thinking.

In 2012, Elektro Celje introduced a risk management system to its operation as part of the ISO 9001 quality management system and a sub-process of the corporate management process. In compliance with the Rules and Regulations on Risk Management, the company monitors risks while considering internal and external factors, as well as relevant interested parties. Risk is identified as a possible event or series of events the occurrence of which would affect the company's operations. Both threats (unfavourable effect) and opportunities (favourable effect) are assessed in the process.

The risk register, updated and managed by the risk management coordinator in cooperation with administrators of individual risks, includes all identified and assessed risks and opportunities in relation to the operating processes and goals. The risk management coordinator:

- updates and reports on the list of identified risks
- develops the methodology of risk management
- points out the potential risks in individual areas
- organises education and training in the field of risk management and promotes a responsible risk-taking culture
- monitors the company performance indicators
- participates and provides technical help in the implementation of risk management processes.

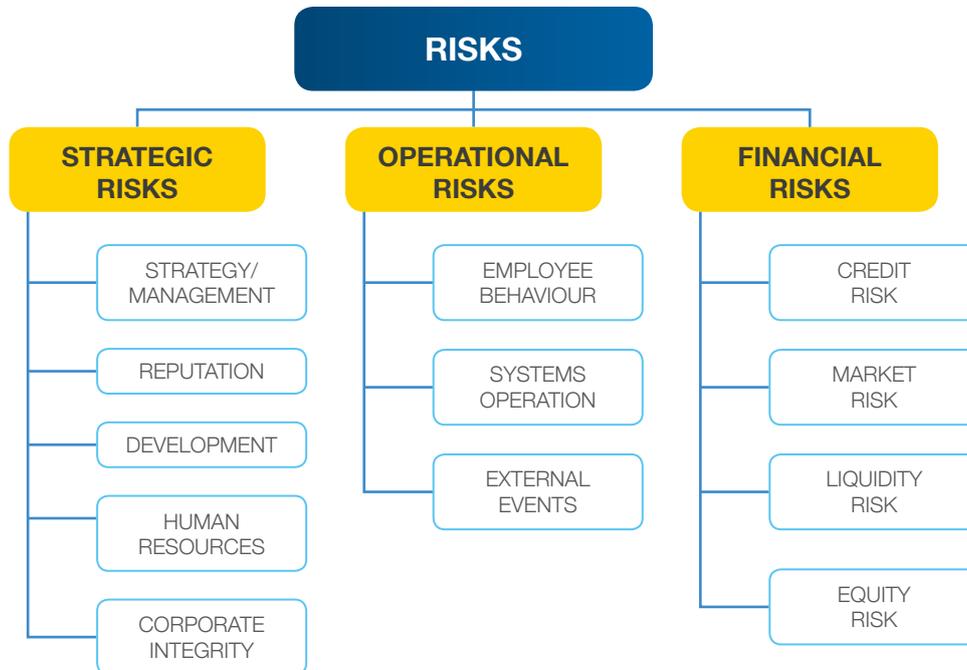
Planned and systematic risk (opportunity) monitoring is a constant process at Elektro Celje. The list of existing and identified risks is regularly updated. Changes in the risks are reported to the Supervisory Board and its Audit Committee by the risk coordinator on a quarterly basis. The initial identification of risk in the various fields of the company operation and the implementation of the adopted measures to reduce these risks is the responsibility of the respective risk administrators. These include the management, sector directors, and in specific cases also department heads.

Risk rate is assessed according to the adopted methodology based on the risk matrix whereby the risk rate is a product of effects and consequences that an unfavourable or favourable event might have on the company's operation. The assessed risk rate serves to determine the risk responses, measures and the responsible administrators, as well as the deadlines for the implementation of measures and reporting. The management of a risk makes sense when its benefits exceed the costs. The risk management process also involves the internal auditor, who plans annual audits on the basis of the list and assessment of risks.

The categories of responses to risk include management, diversification, avoidance and acceptance. The most frequent response is risk management, which includes internal controls (methods, measures, instructions and procedures providing effective risk management and achievement of the company goals). Risk identification and management is essential to achieving strategic goals; set objectives will only be fulfilled when risks are identified, assessed and managed to an acceptable level – i.e., within the limits of tolerable risk.

11.2 Basic Risks at Elektro Celje

The risks for the company fall into three categories: strategic, operational and financial risks.



>> STRATEGIC RISKS

Strategy and management related risks: Due to the fact that the Republic of Slovenia is the majority shareholder of Elektro Celje, the company has to implement its strategy in compliance with the recommendations of SSH, the company for managing capital assets owned by the Republic of Slovenia, which monitors the company operation. Based on the strategy of capital assets management, SSH will draft a proposal for the future regulation of Slovene electricity distribution companies. In addition, and in compliance with the implementation of the Republic of Slovenia Budget Act, SSH intends to acquire the shares of the company's minority shareholders at a justified price. Elektro Celje regularly ensures the compliance of its strategy with the directions of the shareholder represented by SSH, d.d., as well as the directions of the customer and contracting authority – SODO. Due to the fact that Elektro Celje generates most revenues from infrastructure, two key risks were identified in 2015:

- **Amendment to the agreement with SODO:** In 2015, the company signed Amendment IV to the agreement on the lease of electricity distribution infrastructure and rendering of services for the system operator of the power distribution network. The amendment contains several provisions that are unfavourable for the company, including the increase of SODO financing costs. The company strives to reduce the risk by adjusting the business plan to new conditions and by operation rationalisation.

- The **Act on the Methodology Determining the Regulatory Framework and the Methodology for Charging the Network Charge for Electricity System Operators** estimates the value of projected costs per year of the regulatory period, as well as the values of projected network charges, other revenues from performing the activities of electricity system operators, and surpluses and deficits from network charges from previous years. Based on the provisions of the new act adopted in 2015 there is a risk of lower income as well as reduced covering of potential damages and recognition of insurance premium costs. It has yet to be decided how the network charge balance payments for the individual years of the previous regulatory framework will be executed. To manage this risk, the company is optimising its business processes, plans to reduce the cost of material and services, and is actively participating, through various institutions and interest groups at the same time, in the preparation of legislative amendments.

Reputation Related Risks include potential events that affect the external and internal company image. The company image is important for the relations with the stakeholders, as well as for the company's credit rating with the suppliers and financial institutions. These risks are managed by monitoring the satisfaction of the shareholders, customers, employees, suppliers and the public at large.

Development risk is related to adopting decisions on new, more advanced or better, technology. This is always reflected in various short or longer (multiannual) projects, which can be delayed due to a bad choice, underestimated costs or failure of the company to follow the trends in the area of technological development. Such risks can be avoided by carefully planned development, project management, assignment of teams to each individual project, in-process corrections and identification of discrepancies.

Human resource risks are related to the selection and establishment of employee competencies, employee satisfaction and motivation, communication, knowledge transfer and replacement of key employees. These risks are managed by:

- conducting annual development interviews
- annual human resource planning in terms of employee replacement
- planning internal recruitments of future managerial staff
- employee education and training
- organisation climate surveys
- provision of a safe and healthy working environment
- responsible actions of the management and employees based on moral and ethical values pursuant to the Elektro Celje Group Ethical Code.

In 2015, Elektro Celje received a full Family Friendly Company certificate. Improvements can be made through anticipated career plans for key personnel, program of activities to reduce sick leave and promote creativity and the spirit of innovation.

Corporate integrity risks were first included in the risk register in 2015. The company designed a Plan of Corporate Integrity and appointed a dedicated compliance officer. In this context, risks are managed in order to reduce breaches of corporate integrity and achieve business coherence through good business practices, ethical norms and a socially responsible relation with the community and the natural environment.

>> OPERATIONAL RISKS

Operational risks are potential events that affect the accomplishment of the company's annual business goals and the risk of loss or potential of benefit. This category includes the behaviour of people, the functioning of systems, and external events.

Conduct of people: In this respect, the risks most commonly occur in the fields of maintenance and investment (consensuses, easement/right of way agreements, project planning, project management and monitoring, etc.) and supply (procurement planning, purchasing conditions, contracting, evaluation of suppliers and contractors, public procurement audits, inventory management). Additional risks include changes of organisational structure, delimitation of power and responsibility, and the flow of information. Risk management measures for this category include appropriate delimitation of power and responsibilities, appropriate flow of information, appropriate written work instructions and guidelines, preventive and corrective measures, inspections, and employee education and training.

System functioning: Two risks in particular should be pointed out: security risk and risk regarding the information system. In 2015, Elektro Celje adopted a security policy which classifies as a document of quality management system (ISO 9001:2008) and was introduced to the personnel in the form of leaflet. In December 2015 a vulnerability testing of the SED network was performed. The risk of data loss at the company is managed by data back-up and archiving.

Elektro Celje faces higher risks in the field of IT systems in terms of support for key information services. The company contracted for providing it was Informatika d.d., which services other distribution companies, too, but since it performed poorly in 2015, it might have compromised the operation of Elektro Celje, as well. Consequently, Elektro Celje adopted a plan of action in the event of risk materialisation and informed SSH, d.d., which will take specific measures in order to protect electricity distribution companies.

As to **external events**, the identified weather risk is managed through network planning/engineering and operation, and insurance. The operational risks of the distribution network are reduced by regular maintenance and other activities (inspections, audits, measurements) in order to prevent electricity outages and major damage at the plant.

>> FINANCIAL RISKS

Financial risks affect the realisation of the planned income and capital outcome of the company.

Credit risk is the risk of loss due to non-fulfilment of debtors' liability, mostly as a consequence of insolvency (bankruptcy or liquidation of a debtor), or due to unjustified consumption. The risk is managed by standard collection and recovery methods. The reports on receivables and their collection are presented to the Supervisory Board and its Audit Committee every month.

Credit risk is explained in more detail in section 16.8.1.

Market risk is related to the potential increase of financial expenses due to changes in the reference interest rate EURIBOR. In order to minimise this risk, the company selects the lender that provides the most favourable terms, monitors interest rates and looks for opportunities to exchange current loans with loans that have a more favourable interest rate. In addition, the company rejects all loan agreements that include the "increased cost" clause. Due to its limited regional operation, the company is not exposed to foreign exchange risk.

Market risk is explained in more detail in section 16.8.3.

Liquidity risk is a risk due to unbalanced liquidity – i.e., maturity and liabilities which might result in insolvency. The risk is managed by the finance sector through monitoring and management of the company's liquidity, and the maintenance and investment sector by implementing its activities according to the plan.

Liquidity risk is explained in more detail in section 16.8.2.

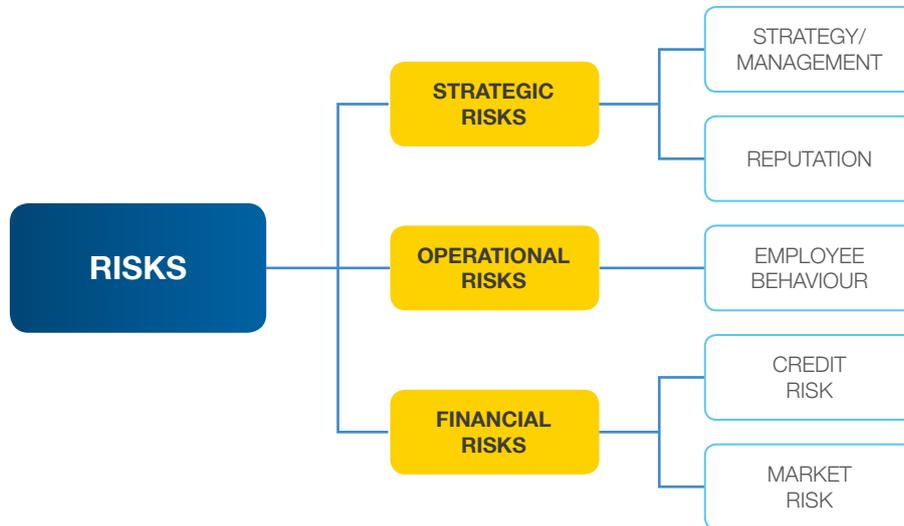
Equity risk arises when the company lacks sufficient long-term financing sources in relation to the scale and type of its operations. It is mainly the risk of the company's

financial incapacity and it is managed through planning investments within the available company resources and credit status.

Equity risk is explained in more detail in section 16.8.4.

11.3 Types of risks and their management at the Elektro Celje Group

The risks faced by the Group are divided into three categories: strategic, operational and financial.



Strategic risks include potential events with an effect on the attainment of medium- or long-term business goals of the group companies. These are managed by setting, monitoring and analysing strategic and annual business goals. In 2015, the operational strategy of Elektro Celje Energija, d.o.o., underwent some changes due to the merger of Elektro Celje Energija and Elektro Gorenjska Prodaja into ECE, d.o.o., on October 1, 2015. Other strategic risks are related to the company's reputation and are managed by monitoring the satisfaction of customers, shareholders, employees, suppliers and the public, and the implementation of measures based on survey results.

Operational risks are the potential events that affect the achievement of the group companies' annual business goals and present the risk of losses and the potential benefits resultant from the implementation of internal processes. At group level, only the risk of implementation of subsidiary management was identified. The risk is managed by developing expert platforms for subsidiary management and thoughtful selection of the subsidiary's managerial staff.

Financial risks are the potential events with an effect on the achievement of the strategic and annual goals in relation to companies' financing. At group level, credit and market risks were identified.



DEVELOPMENT

Development of the distribution network is one of our principal tasks, by which we try to meet the growing demand for electricity. Constantly upgrading and modernizing the system, availing ourselves of state-of-the-art technology and putting expert knowledge to good use we are building the network of the future.





Elektro Celje



12. SUSTAINABLE DEVELOPMENT

12.1 Sustainable Development Guidelines

Sustainable development of the company Elektro Celje and Elektro Celje Group is a constituent part of business processes. By integrating the principles of sustainable development and social responsibility in our operations, we generate added value, ensure that our operation is compliant with quality policy and in line with legal provisions and ethical norms, strengthen our concern for the employees and the efforts to increase their satisfaction, commit to the preservation of the environment, and promote the efficient use of electricity among our customers. The promotion of our employees' personal growth facilitates the development of their potentials, while an organisational culture developing towards raising personnel awareness in regard to the significance of customer satisfaction provides for the future growth and development of the company.

The entire personnel, suppliers, contractors and other business partners actively participate in our concern regarding energy efficiency, comprehensive corporate responsibility and sustainable development. Our guiding principle in incarnating a responsible attitude towards the natural environment is to contribute to the long-term healthy lifestyles of our employees, customers and other stakeholders, in accordance with the principles of sustainable development. Our customers are given the possibility to act responsibly in terms of efficient energy use and environmental protection by reducing their carbon print in their business and private lives. Through the implementation of energy efficiency principles we want future generations to enjoy a quality of life and environment comparable to, or better than, that of today.

12.2 Corporate Integrity and Ethical Code

In the second half of 2015, Elektro Celje Group established a system of corporate integrity containing elements defined by the Slovenian Guidelines of Corporate Integrity. Corporate integrity and the related risk have been integrated in our existing risk management system.

this way we want to facilitate the attainment of set goals, promote proactive management, enhance the identification of opportunities and threats, act in compliance with the applicable regulations and standards, increase operational efficiency and performance, improve occupational health and safety, environmental protection, etc.

Acting with integrity and responsibility is a key element of our corporate culture. What matters is not only that we attain our business goals but how we attain them, as well. Our customers, business partners, shareholders, creditors, the public and, last but not least, all our employees expect the same: integrity in business and interpersonal relations. In other words: honesty, fairness and transparency in our operations. The principles of ethics and ethical rules followed by the personnel and management in particular situations are contained in the **Elektro Celje Group Ethical Code**, a Vade Mecum of everyday conduct, business decisions and employee relations, which reflects the standards of proper conduct in Elektro Celje Group. Maintaining the reputation of the company and the Group is an objective shared by employees and contractors alike.

The **Plan of the Elektro Celje Group Corporate Integrity** is a tool for establishment/monitoring of integrity within the Group, as well as identifying/eliminating the susceptibility of the Group, its individual companies and their employees to acts of corruption. Through a compliance officer, we established a mechanism for regular and comprehensive identification of corporate integrity risks, their assessment and a systematic and independent control of risk management efficiency.

Corporate integrity is one of our strategic goals and as such integrated into the strategic orientation of the Elektro Celje Group. Corporate integrity and related risks are included in the Risk Register, where they are identified, assessed and managed through proposed measures. In



12.3 Responsibility to Employees

Elektro Celje Group comprises the personnel of the controlling company Elektro Celje and the subsidiary ECE. Our values are compliance with labour legislation, concern for occupational health and safety, and investment in new knowledge required by the development of industry. Our basic ethical values include expertise, knowledge, entrepreneurship, partnership, respect and responsibility. We provide new employment and personnel career development without any discrimination. Any form of violence or mobbing among our employees is inadmissible. Every employee has a right to privacy and to a safe and healthy working environment.

Superiors must lead by their example and provide for the employees' satisfaction and development. In making decisions, they must respect the dignity, personal integrity and

privacy of each individual. They create conditions for the employees' personal and professional development, conduct interviews with them to establish an open dialogue and harmonise personal and common objectives, identify their human resource potential, and provide for mentorship and transfer of knowledge to their colleagues.

Human resource planning is part of the company's strategic and annual plan. In planning new employment, we follow the policy of recruiting highly qualified, ambitious, competent, motivated and target-oriented labour in order to be able to keep up with the requirements and development of the power engineering industry and operate in accordance with the company's mission, values and vision. Employment vacancy notices are available on our website and at the Employment Service of Slovenia.

12.3.1 Headcount and Composition of Employees

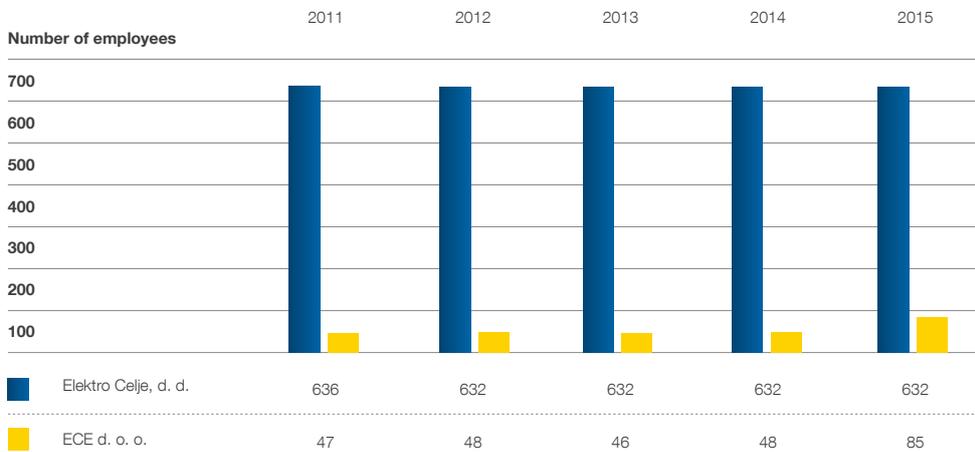
Elektro Celje Group strives to preserve the number of employees and job positions. The 4.5% fluctuation recorded was largely due to retirement and fixed-term employment. In 2015, 11 employees retired due to age, while there were no disability retirements. Two employees retired in the ECE subsidiary undertaking, one due to age and the other due to disability. This is a decrease from the previous years when in addition to the age structure of the company, the amendments of pension and disability legislation also attributed to retirements.

As of December 31, 2015, Elektro Celje Group had a total of 717 employees, with the average number of personnel being 700. The number of employees increased over that of the previous years due to the acquisition of the company Elektro Gorenjska Prodaja by the ECE subsidiary.

In terms of employment status, the number of permanently employed workers amounted to 682 (95 %), that of temporarily employed to 32. Three interns were employed for a limited period as of the end of the year. A number of aspects are considered in workflow organisation and staff deployment. We provide for a healthy working environment, and special attention is paid to occupational health and safety, fire safety and the preservation of the environment. Within the limits of our workflow, we enable high-school and university students to perform their practical training and, upon completion of their studies, internships as well. The majority of the personnel are employed full-time; only 2 % work part-time, mostly employees with disability status or those entitled to part-time employment due to parenthood.

	Elektro Celje Company	ECE d. o. o.	Elektro Celje Group
Number of permanently employed workers	610	72	682
Number of temporarily employed workers	19	13	32
Number of apprentices	3	0	3
Total number of employees as of Dec 31, 2015	632	85	717

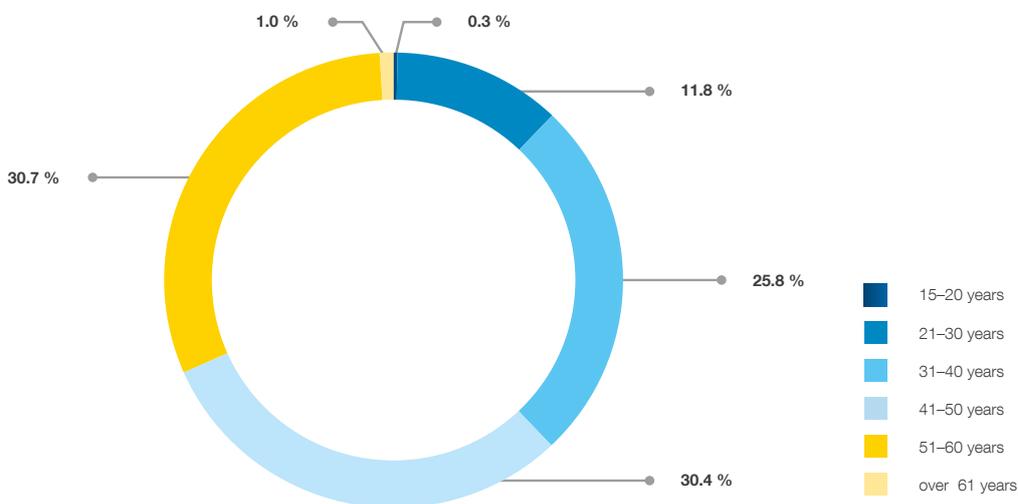
Headcount of Elektro Celje Group



The age structure of the employees remained similar to those of previous years. The average age of personnel at the controlling company is 44.5 years and 41 years at the subsidiary. The gender composition at the controlling

company is 86 % male and 14 % female employees, at the subsidiary the situation is reversed: there are 25 % male and 75 % female employees.

Composition of employees by age



Both companies comply with the provisions of the Decree Establishing an Employment Quota for Persons with Disabilities applicable in the field of electricity supply. For several years in a row, 8 % of the company's employees have had disability status, which exceeds the requirements of the decree by 2 %. As of the end of 2015, the Group employed 52 disabled persons. Through adjustments of workflow or reassignment to more suitable posts, the disabled persons and employees with different health conditions can continue working after a disability. We also encourage retraining of those who are no longer able to perform their work tasks.

In Elektro Celje, absence of work because of illness is monitored and health promotion activities are implemented. In 2015, sick leave amounted to 4.7 % of total working hours, including refundable and non-refundable, which is a decrease from the 2014 level. Long-term absences may result in disability determination procedures. In 2015, there were no cases of retirement due to disability, but 4 employees acquired the status of a person with disability and work restrictions.

12.3.2 Employee Education and Training

Knowledge and competencies that support the company vision and strategic goals are systematically developed. The employee development programme is based on balancing their talents, skills and ambitions and the company's objectives and requirements. Given the rapid pace of changes it is extremely important to develop new compe-

tences and knowledge, as well as approaches to remaining competitive in the market.

Employees with a secondary professional education and qualified employees make up for 64 % of all employees.

Education	Average number of employees at Elektro Celje Group
PhD	1
MASTER OF SCIENCE	16
UNIVERSITY	110
POST-SECONDARY	79
SECONDARY	254
VOCATIONAL	7
HIGHLY QUALIFIED	10
QUALIFIED	195
SEMI-QUALIFIED	21
UNQUALIFIED	7

Being well aware that knowledge updating and the acquisition of necessary skills is a continuous process, we dedicate special attention to this field of activities. Annual employee training and regular professional education maintain and upgrade our level of professionalism. The employees who undergo internal training, keep up with innovations in the energy sector, and act as motors of technical development, so their exchange of knowledge with other colleagues is of particular importance.

In 2015, the company organised an education workshop on the topic of efficient communication with colleagues and difficult customers, workshops on effective management and communication for junior and senior manage-

ment, training on occupational health and safety, and training for employees working with the power engineering plant.

In addition, our employees attend free trainings provided by our contractors. Internal trainings are a cost-efficient method of knowledge transfer. In 2015, these were organised on the subject of smart meters, economy and accounting.

By co-funding individual employee education we promote the obtainment of higher levels of education. After finishing school, employees are promoted and reassigned to new, more demanding posts.

12.3.3 Occupational Health and Safety

Compliant with the requirements of the BS OHSAS 18001 standard, the company established an occupational health and safety management system. Through the occupational health and safety policy, objectives set in this field and compliance with legal requirements, we constantly enhance our care for the employees. New technologies and improvements in work processes considerably contribute to reducing workplace risks and hazards.

In 2015, we registered 11 work-related accidents, recorded and investigated 12 hazardous events, 4 of which were related to the use of or work with electricity plants. Pursuant to legal provisions and the safety statement, periodic inspections of work equipment and personal protective equipment as well as random inspections of power engineering plants, work and construction sites were performed.

The employee health protection measures are implemented in accordance with the statement on safety and risk assessment, and health risk assessment of workplaces. Newly hired employees are referred to preliminary medical exams, all workers had their periodic medical check-ups, and employees with disabilities had statutory follow-up checks. As of December 31, 2015, the company employed 52 disabled persons. Workers in exposed positions were administered the second dose of vaccination against tick-borne encephalitis (TBE) and the company organised vaccination against influenza.

In 2015, the company organised training with a test on occupational health and safety, fire safety and environmental management for employees who were newly hired or reassigned to new posts, interns and apprentices; occupational health and safety and fire safety trainings for junior

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and senior managers in the Slovenian power engineering industry; first-aid training for employees responsible for administering first-aid at the workplace; beginner training in the safe use of chainsaws and pole saws; periodic training in the safe use of forklifts; refresher training for heavy

duty truck drivers in the safe use of hydraulic lifts. OHS and FS staff attended seminars and organised and conducted an evacuation drill with practical training from the company's headquarters.

12.4 Quality Management Systems

Elektro Celje has applied a certified quality management system (QMS) compliant with the ISO 9001 standard since 2003 and an environmental management system (EMS) certified by ISO 14001 since 2007. The functioning and control of the systems is reviewed by the Bureau Veritas Certification audit company through annual external

audits, while the efficient implementation of said systems has been subject to internal control. In 2015, the company successfully passed recertification audits on all three systems (including OHSAS 18001) and their validity was extended to 2018.

12.4.1 Quality Management System

The quality management system is a basis for other certified systems as well as the activities on the path to business excellence. Its efficient implementation is based on 6 main and 5 support processes that are interrelated. All processes comprise sub-processes with dedicated activities, responsibilities, documentation and performance monitoring.

In compliance with the quality management requirements, the following important activities were performed in 2015:

- process implementation and monitoring in accordance with the quality, environmental, and occupational health and safety management systems, set objectives and a systemic approach to performance indicator monitoring
- control and management of contractors and suppliers
- support and instructions for processes and employees on the requirements of the company's quality manage-

ment system, monitoring the objectives set in the processes

- internal audits of quality, environmental, and occupational health and safety management systems
- meetings of the Management System Council
- a management review
- learning new requirements of ISO 9001:2015 and ISO 14001:2015 standards

The external control audit report included 18 notes and 6 recommendations for improvements. The operation of quality management systems (quality, environmental, and occupational health and safety) was compliant with the requirements of effective standards, set quality objectives, performance indicator monitoring, and consistent with the objectives laid down for particular processes and locations.

12.4.2 Environmental Quality Management

The customers, employees and all interested parties consider responsibility to the environment ever more important, thus Elektro Celje incorporates it in day-to-day operations and activities. Our responsibility to the natural environment has clearly been defined in the environmental management policy which outlines our principal goals in terms of preservation of the environment. Through sustainable development, we accomplish tasks and goals to the maximum possible extent. The ISO 14001 certificate granted to our company eight years ago testifies to our commitment to constant reduction of all negative impacts on the environment; i.e., the reduction of all emissions and sustainable management of natural resources.

In 2015, special attention was given to waste management and separate waste collection. The existing waste management systems were improved, resulting in a cleaner working environment and landscape. Asbestos roofing on business premises and power engineering plants was removed. Waste is collected separately. Recyclable waste

that can be further processed is sold to contractors which also provide for waste disposal.

Environmental management policy is publicly disclosed online while the employees are informed on the subject via an intranet site dedicated to the quality and environmental management systems.

In 2015, planned internal audits, separate by location, to assess compliance with environmental management system standards were performed. The company adopted a waste management plan for 2015–2018. The results of performed statutory monitoring were within permitted threshold values. The environmental management policy was subject to periodic monitoring and endorsed by the management review.

The external control audit did not identify any non-compliances; 18 notes and 6 recommendations for improvements will be acted upon in 2016.

12.5 Communication

In 2015, the company's activities were focused on enhancement of current communication methods and channels, and on the development of new ones.

Internal Communication

Open and regular communication between personnel and management as well as among the employees is of key importance in process optimisation, change management and decision-making. Through promotion of responsible and ethical communication at all levels, we create a pro-

ductive work atmosphere, increase loyalty and build a culture of mutual trust and respect.

Internal communication most commonly takes the form of meetings, face-to-face and telephone conversations, our website, electronic mail and the intranet. **GEC internal newsletter**, a joint newsletter of the Elektro Celje Group with three issues per year, is one of the forms of communication with the employees.



As in previous years, we conducted a **motivational climate and employee satisfaction survey** in 2015, as a form of grassroots communication in order to get feedback from employees. An organisational climate survey was conducted for the sixth year, but for the first time by using the SiOK (Slovenian Organisational Climate) questionnaire prepared under the auspices of consulting companies, thus allowing comparison at the national level.

Based on a rating scale from 1 to 5, the average value of organisational climate amounted to 3.22, which is 0.15 down on the SiOK average, while the total average satisfaction rate was 3.54, which is slightly above the SiOK average.

Working time, permanent employment, co-workers, immediate superiors, working conditions and their work were attributed the highest rate of satisfaction by the employees. The best rated categories of organisational climate included attitude towards quality, loyalty to organisation and motivation.

We carried on with our monthly **Open Door Day** at the office of the Chairman of the Management Board, which we introduced in 2010, as the practice has proven effective and well received among the employees.

In 2014, **annual development interviews**, an important instrument of management to help achieve its objectives and part of human resource management in modern organisations that strive for excellence, were reintroduced in the controlling company. These interviews are a tool to evaluate individual performance and identify competencies and objectives. An annual interview is an in-depth dialogue about current tasks and responsibilities, the results of past work, objectives and tasks for the future and the employee's personal development and career. In the first stage, the interviews included managers and heads of departments, while in 2015 they were performed with all of the company's employees.

The Works Council, comprised of representatives of all organisational units in the company, is an interface between the employees and management.

Communication with Customers

The call centre, established in 2005 to improve customer relations management, facilitated access and communications with consumers. Since 2011, two call centres have been available for the consumers – Elektro Celje's and ECE's. Call centre operators receive and handle complaints, consumer notifications on electric meter faults, meter statuses required for billing; they notify consumers

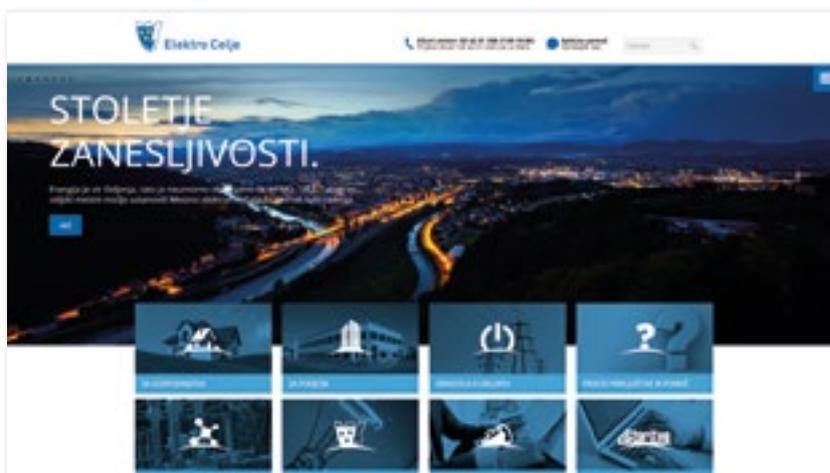
on planned power supply interruptions; reply to customers' general questions; regularly communicate with workers in the field and electricity suppliers; and handle communications involving other services within the company.

Consumers are informed regarding efficient use of energy and encouraged to use energy generated from renewable sources.

A **new Elektro Celje website** with new forms, content and functionalities has been online since October 1, 2015. It is more informative, user-friendly and facilitates access to information of interest. We hope it will provide our consumers an easy way to find information they need.

All information required by SSH will also be disclosed online.

In 2013, following the successful establishment of good IT support, we launched the consumer notification scheme for planned power supply interruptions. In 2016, after the establishment of connections from the transformer substations to each metering point, the consumers will be notified about planned interruptions via SMS text messages or electronic mail, in addition to our regular and established practice of notifications via radio, television and website.



Communication with Business Partners and Shareholders

The principal goal of Elektro Celje, d.d., is to maximise the company's value and operate for the benefit of all stakeholders, including shareholders and investors. Responsible management is demonstrated by the attainment of operational goals, through operational transparency and shareholder communication. Transparency of operations, which is in comportment with good practices in corporate management and corporate governance codes, is

implemented through the online disclosure of relevant information.

Communication with Business Partners is based on personal contacts and e-communication. Personal contacts are a must in the business, hence our customers are treated on an individual basis.

Communication with Shareholders

and investors is transparent and compliant with all effective provisions. The shareholders are provided information on business performance and the company's future strategy. Public information (quarterly reports, concluded contracts, General Assembly meetings and material thereof) is disclosed on www.elektro-celje.si, the corporate website. Shareholder communication is based on SSH recommendations and OECD guidelines for corporate governance of state-owned enterprises that put emphasis on three main principles: transparency, efficiency and responsibility.

Press Relations

Our media relations are based on transparent and updated communication. Media communication mainly regards company's operations, provision of new services and sponsor agreements, network developments and completion of major works on the electricity distribution infrastructure. We are regular contributors to the Slovenia power industry newsletter **Naš stik** (Our Contact), publishing news and informing the professional community on the activities implemented in and by our company.

In 2015, marketing and communication activities of our subsidiary undertaking Elektro Celje Energija were focused on supporting the sales of the three energy sources in our range of products – electricity, natural gas and wooden pellets – and the presentation of support activities and benefits for customers provided in cooperation with our partners. The activities were direct (marketing campaigns) and indirect (public relations, brand building, tradeshow presentations, sponsorship agreements and donations).



12.6 Corporate Social Responsibility

Social responsibility is a constant commitment to give back to the environment in which we operate. We are aware that a reputable company shares its success with the community, thus showing its sense of corporate social responsibility.

Quality Standards at the company Elektro Celje (ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007)

Elektro Celje makes its best effort to ensure quality and transparent operations. Our mission is to constantly meet the needs of our customers through quality provision of power as well as safe and reliable electricity lines and plant. The environmental certificate testifies to the company's commitment to sustainable environmental development. It is a way to build relations with environmentally conscious customers and demonstrate our commitment to the preservation of the environment to our loyal partners. Being aware of our responsibility to the occupational health and safety of our personnel, the management adopted a policy that binds the company and all contractors to comply with the requirements of labour legislation and regulations, agreements and the OHSAS 18001:2007 standard.



Signing the Agreement on Debt Relief for Socially Most Disadvantaged

On July 20, 2015, Elektro Celje signed with the Government of the Republic of Slovenia an agreement on debt relief under the conditions and procedure determined by the law regulating the terms and conditions thereof.

Sponsorships and Donations

Elektro Celje allocates a part of available funds for donations observing the principle of corporate social responsibility, and sponsorships applying the principle of balance, economic benefit and diversification. Thus we supported a

Family Friendly Enterprise

The Family Friendly Enterprise certificate ensures positive effects of harmonisation of our employees' professional and private lives short and long-term. Since 2011, Elektro Celje has built the corporate culture of a family friendly company, and in the first triad successfully implemented 9 measures. The summary report was submitted to the Audit Council, which established that the measures were implemented and objectives achieved. In 2015, the company was thus granted the full certificate Family Friendly Enterprise which is extended every three years for another three-year period. This certificate corroborates our corporate social responsibility and our support of the employees in the harmonisation of their professional and private lives.

Our sports society promotes sports activities among the employees. Employees and retired workers are offered the company's holiday facilities at the seaside, in spas and in the mountains, where they can spend quality free time.



number of sports, cultural, educational and other events. In the New Year's holiday period we funded various humanitarian activities in the local communities where Elektro Celje is active.

Transparency

Transparency is considered an important value, implemented through the disclosure of data and information on our operations on the websites of the Elektro Celje controlling company and the ECE subsidiary undertaking.





PLANNING

We approach the search for solutions of future challenges of servicing our customers, responsibly paying regard to the natural and social environments. Our distribution network planning is based on long-term strategic decisions and a dialogue with the key stakeholders.

13. PLANS AND ANTICIPATED DEVELOPMENT OF THE ELEKTRO CELJE COMPANY AND ELEKTRO CELJE GROUP

13.1 Key Business Goals of Elektro Celje

Through management, operations, maintenance and development of a power distribution network, Elektro Celje will continue to provide reliable, safe and quality supply of electricity, while promoting its efficient use, economical use of renewable energy sources, preservation of the environment, and integration and implementation of the fundamental values of sustainable development and operation in all its activities.

The company's sustainable growth and its long-term successful and stable operation requires constant pro-

gress and development of the company as a whole, its processes and human resources. Further implementation of internal audits and monitoring of the efficiency of quality and environmental management systems, combined with preventative and corrective measures, will ensure the company's continuous improvement of operation. For our company, optimal operation means growing satisfaction of our customers, shareholders, employees, suppliers, and growing care of the environment. To this end, we have adopted a system of indicators in order to continuously assess the attainment of individual goals:

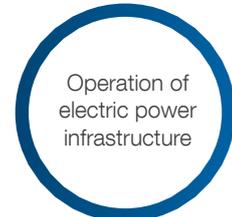
>> processes:



- target values of operating revenues, capitalised own services, net profit, investment realisation, loss, OPEX and revenues from services rendered to SODO per distributed electricity; target values of ROE, ROA, SAIDI and SAIFI indicators



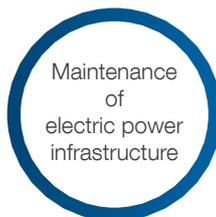
- reducing losses in the power network; larger share of remote metering points, metering point control inspections, inaccessible meter control readings; shorter average time used for processing consumer claims, questions and complaints



- reducing the number of interruptions of protection and management devices; not exceeding the average fault repair time and reducing the number of faults in the telecommunication network; outage-free DCC operation



- meeting the SAIDI, SAIFI and MAIFI target values



- realisation of the annual plan for renovation, replacement and increase of capacity, and regular maintenance; meeting the target share of projects developed for third-party customers



- realisation of annual investment and productivity plan in drafting project documentation; preparing cost estimates for simple duties; obtaining operating permits

>> and sub-processes:

- **finance and accounting services:** (obtaining a positive opinion from the certified independent auditor; ensuring company operation liquidity; meeting target DSO (days sales outstanding), target values of net financial debt/EBITDA average margin added to EURI-BOR, and financial debt/equity indicators)
- **IT services** (reducing the duration of IT service interruptions, increasing the system's functionality, enhancing customer satisfaction)
- **legal and human-resource services** (ensuring the quality and efficiency of personnel training and education, providing the planned number of training and education hours per employee; achieving maximum working time efficiency; employing health protection measures to decrease sick leave usage; managing company headcount; recruiting competent personnel; providing for a positive organisational climate)

- **services of Plant and Transport Logistics Department** (meeting target rates concerning plant and transport vehicle depreciation, operational capacity of heavy duty vehicles with over 3,500 kg of total weight, vehicle utilisation, average fuel consumption per 100 km)
- **procurement of material and services** (meeting target values for inventories and DSI (days sales of inventory), and average purchase price)

With regard to ensuring quality electricity supply, the company will strive to achieve all goals laid down, which include: commercial quality, continuity of supply (reliability) and voltage quality defined by the Decree on General Conditions for the Supply and Consumption of Electricity and the Slovene SIST EN 50160 standard. The SAIDI, SAIFI and MAIFI indicator values planned for 2016 are harmonised with the requirements of the Energy Agency and amount to:

	Urban	Rural	Combined	
SAIFI - interruption frequency/customer	0.62	0.86	0.75	
SAIDI - number of minutes/customer	21.07	34.43	28.04	
MAIFI - momentary interruption frequency/customer	1.47	5.38	3.51	

Elektro Celje Operational Goals in 2016

Projected amount of electricity distribution: 1,936,000 MWh.

Projected network charge in the amount of 79 million EUR, with SODO's share accounting for 56.4%.

Projected power losses in the amount of 5.3 % of distributed electricity.

The company will implement the strategy of headcount management.

Concern for growth and development of the employees and promotion of the activities ensuring the abidance of company's principles and values (professional competence, knowledge, entrepreneurship, partnership, respect, responsibility).

Cost optimisation in all areas of operation.

Projected net profit in the amount of 8.1 million EUR.

Provision of own services of construction and electrical installation to consumers will be kept to the maximum possible volume.

Investments for 2016 are projected in the amount 21.3 million EUR, of which Elektro Celje investments amount to 20 million EUR, and SODO's investments to 1.3 million EUR.

In accordance with the expectations of the company SSH, managing capital assets of the Republic of Slovenia, the dividend policy of Elektro Celje will provide a balance between dividends paid out and the future growth of the company's operation; the projected dividend to equity ratio for 2016 amounts to 1.5 %.

Realisation of financial expectations of SSH (ROA 3 %, EBITDA margin 35.5 %, net financial debt/EBITDA 1.92, CAPEX to net revenue from sales ratio 40.5 %, gross value added per employee EUR 68,200).

Responsible environmental management: planning, development and implementation of technological solutions that contribute to the preservation of the environment and a more efficient use of resources, and on-going monitoring of the company operations' potential impacts on the environment.

Concern for sustainable development, responsible and active co-creation of the company's social environment.

13.2 Planning and Development of Distribution Network

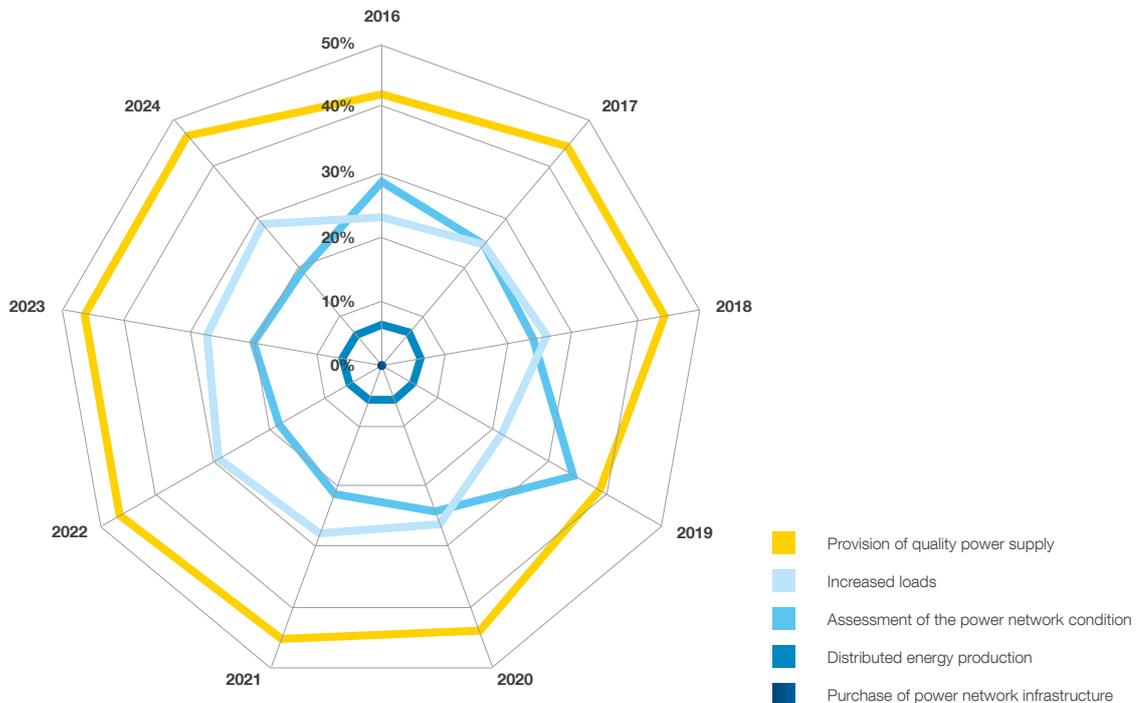
The development of the electricity distribution network is specified in the business plan for 2016, which includes the starting points for 2017 and 2018, and in the ten-year development plan for the electricity distribution network for the period 2015-2024, with a total value of 213 million EUR, which is adjusted every two years to the national energy programme. The plans comply with the national strategy in the said field and employs the prescribed methodology, which takes into account long-term electricity consumption estimates, analyses of anticipated operation, the rate of supply reliability, economic analyses and integration of distributed energy resources. These plans are based on guidelines and requirements pursuant to effective acts and documents from the energy sector, electric energy sector and electricity distribution, including the requirements and guidelines from EU directives and regulations in the area of energy supply and use.

Through planning, we want to provide cost-efficient management, operation, maintenance and development of the distribution network in accordance with professional standards and the state of the art, so that the quality of electricity distribution is maintained or improved. We want to ensure long-term access to the distribution network, sufficient transfer capacity, appropriate power quality, short-circuit current management, as well as safe and reliable operation of the power system, which will enable

quality supply of electricity, its efficient use and generation from renewable energy sources.

The planning is based on the analyses of the current distribution system (network, voltage change, load and consumption), projected development of individual regions and electric power system load, and, consequently, an estimate of future electricity consumption. The anticipated development will be significantly affected by renewable sources of energy, their further development and connection to the distribution network, by planning criteria that ensure adequate quality of electricity supply, by careful planning, construction and management of the network, and availability of funds. Frequent extreme weather in the recent years dictates more extensive cabling of the MV and LV networks in renovated and newly constructed buildings whenever the conditions in the field allow it, and installation of overhead cables or semi-insulated conductors (PAS) in overhead lines located in exposed areas. Underground cables are considerably less susceptible to weather conditions than overhead, improving the quality and reliability of electricity supply and facilitating siting.

Investments of Elektro Celje in 110 kV, MV and LV infrastructure planned between 2016 and 2024 will serve the following objectives:



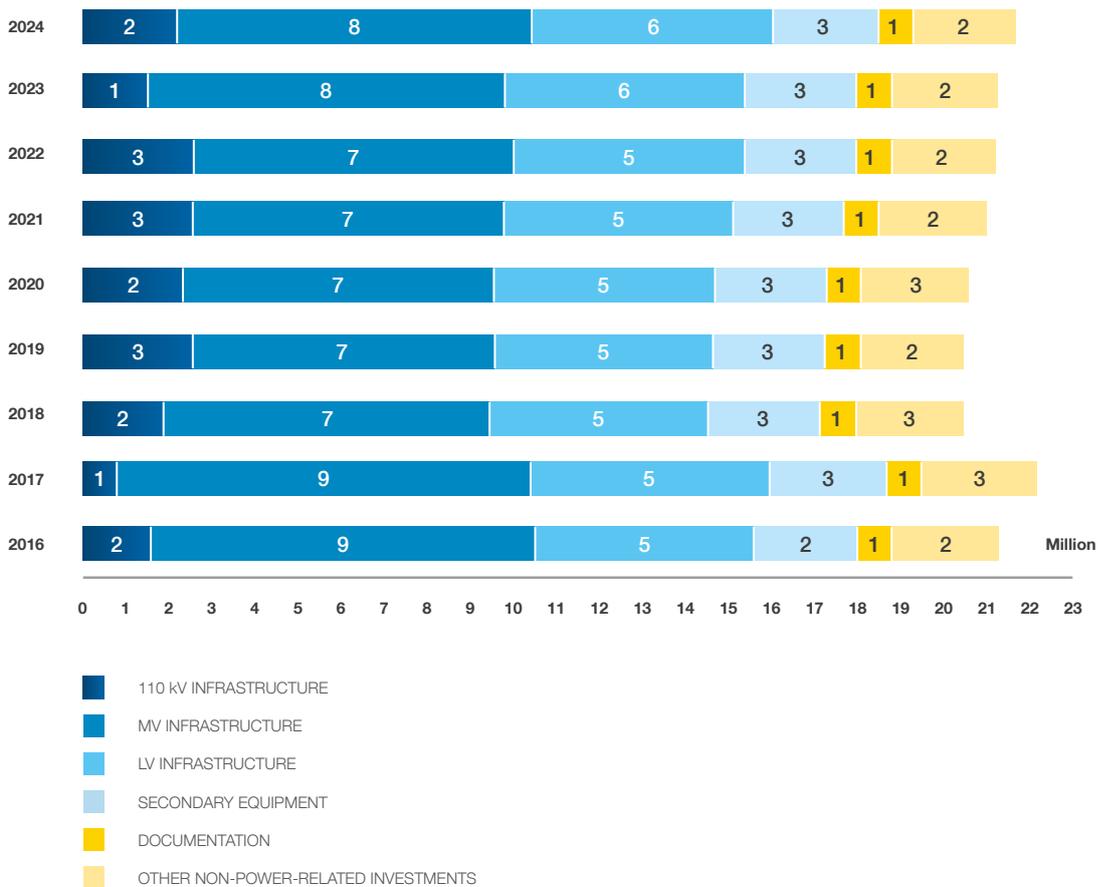
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The consumer demand for quality electricity supply and, consequently, their expectations of smarter and more reliable networks is constantly increasing, which presents us with new challenges and requires the understanding of the operation of electricity network as a whole. Our objective is to attain cost-efficient smart grids with low losses and high rates of reliability, quality and safety of power supply. Planning, management, operation, maintenance and development of the electric power system has to be adjusted to such objectives. It is of key importance to introduce modern IT and communication technologies that integrate the end users into the smart grid. The construction of a comprehensive system is based on modern DMS software and installation of advanced metering systems in the network, which provide accurate and graphic electricity consumption data.

The allotment of the largest share of total investments into power infrastructure in the area serviced by Elektro Celje in the period 2016-2014 is projected for MV infrastructure (37

%), followed by LV infrastructure (25 %), secondary equipment (12 %), 110 kV infrastructure (9 %) and the obtaining of project documentation (4 %). It is expected that 56 % of the funds will go for new infrastructure, 30 % for reconstructions and 4 % for project documentation and purchase of electricity distribution infrastructure. The medium voltage network is being constructed in order to integrate new MV/LV transformer substations for the needs of new consumers, and to improve voltage conditions and network looping the low voltage network to improve the quality of electricity supply. The investments are aimed at developing a network capable of integrating new customers and distributed energy resources, while simultaneously allowing the current customer an increase of installed capacity at reasonable cost. By effectively planning the development and building infrastructure, we meet the requirements of projected and actual electricity consumption, and peak loads of the system.

Investments in the Elektro Celje area planned for the period 2016-2024



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Investments planned for 2016 in the area of the Elektro Celje electricity distribution system amount to 21.3 million EUR, of which 20 million EUR will be invested by Elektro Celje, while SODO is expected to provide 1.3 million EUR of assigned revenue to finance the investments into greater transmission capacity and development of the power distribution network required by the customers' higher connected load. The enforcement of the decree on ownership transfer of transmission network to the system operator, the company ELES, resulted in gradual transfer for value of lines and devices of a 110 kV network having the character of a transmission network.

Important Investments Planned for the Elektro Celje Distribution Network:

- Upon the construction of underground cable (UC) 2 x 110 kV (app. 0.6 km) between DTS 110/20 kV Žalec and OPL 110 kV DTS Podlog – DTS Lava planned for 2016, DTS Žalec will be connected to the MV network.
- In the Mežica Valley area, construction of a 110 kV power line (8 km overhead line and 0.46 km underground cable) between DTS Ravne and DTS Mežica is planned for 2022, and the construction of DTS Mežica 110/20 kV for 2027. The three years following the adoption of the MDSP will be dedicated to conducting a field survey, obtaining easement/ right of way, and drafting a surveying plan and project documentation in order to obtain the building permit.
- Construction of DTS 110/20 kV Mokronog is planned for 2022, and its connection to the newly constructed 2 x OPL 110 kV DTS Trebnje – DTS Mokronog – DTS Sevnica (cca. 9 km) and 2 x UC (0.4 km) for 2024. Activities in the following years will focus on siting of the overhead power line into relevant spatial plans.
- Planned construction of DTS Vojnik 110/20 kV: the built part of the DTS, to be completed by 2019, will operate as DS Vojnik 20 kV until 2030. In the following years, the focus of activities will be provision of the necessary siting documentation, development of project documentation and preliminary works on the site planned for construction.
- Renovation and restoration works due to wear and tear, improvement of operational reliability, provision of adequate power supply are planned in the individual DTSs.
- Investments in the MV network are related to the construction of new commercial and residential areas in the vicinity of state road infrastructure (motorways, expressways), appropriate power supply and increased demand for construction of renewable energy source facilities. New MV power lines are mainly built in the underground cable version (UC 2 x 20 kV DTS 110/20 kV Trnovlje – DS Vojnik in 2017, UPTS 2 x 20 kV DTS Podlog – DS Ločica in 2018).
- Another important investment is the construction of 3 x UC 20 kV DS Nazarje – DS Ljubno, which will enable additional consumption in the Ljubno industry and business zone, a basic and stand-by supply in the future, and reduce the effect of distributed energy resources in the Upper Savinja Valley.
- The construction of TS Miklavc (2016), DS (TS) Pristava betonarna 20 kV (2017), DS Ločica 20 kV (2018) will improve the reliability of supply and ensure stand-by supply.
- Consistent with the anticipated increase in the consumption of electricity, construction of new commercial and residential zones, appropriate provision of quality supply, and integration of new distributed sources into the distribution network (solar power plants, combined heat and power plants, small hydro power plants), 117 new standard TSs MV/0.4 kV will be constructed in the company's distribution area over the next three years.
- The transition to 20 kV lines in the area of Celje, mainly in the old town centre, is underway.
- Consistent with the projections of the electricity consumption, the state of the art, environmental protection and requirements of consent authorities, the company also plans to invest in the current TSs and replacement, increase of capacity and renovation of MV and LV overhead power lines and devices.
- Replacement and modernisation of remote-controlled protection systems in DTSs and DSs, installation of additional remote-controlled switches and their connection to DMC Celje, and the installation of fault indicators and remote control switchgear in poorly accessible and critical sections of the network for faster fault location and repair is planned for the next few years.
- Pursuant to the new Energy Act (EZ-1; Official Gazette of RS, No. 17/2014) and its provision that the smart metering system include 80 % of the consumers by 2020, we shall continue the installation of 12,000 electronic meters per year.
- Introduction of the EAM and ERP systems for asset management and resource planning, and the upgrade of the AMI remote control platform with the MDM function of advanced data analysis.
- Installation of remote-controlled circuit-breakers in locations of difficult access and wherever major electricity consumers are connected, installation of remote-controlled limit switches between overhead power lines to enable supply via alternate network configurations in case of outages, and fault indicators to identify the fault sections more quickly.
- Further extension of own optical network in redundant rings throughout the power network, use of digital radio system also for narrowband data links for remote control and automation of the MV network, construction of the company's own wireless system for broadband data links that could cover the communication needs of the entire SmartGrid system.

13.3 Key Business Goals of Elektro Celje Group

Elektro Celje Group Operational Goals in 2016

Planned net profit of the Group in the amount of 10.7 million EUR, 10 million EUR being the majority shareholders' profit.

Compliance of planned financial indicators concerning the Group's financial position with bank requirements (financial debt/EBITDA 1.53, and financial debt/equity 0.22).

A high current ratio.

Comprehensive development of employees, their personal growth and a good work climate.

Enhancement of corporate social responsibility and sustainable development of the Group.

Upgrade of the current infrastructure with new, modern technologies and equipment in order to provide all of the Group's customers with a reliable and quality supply of electricity, while promoting its efficient use, economical utilisation of renewable energy sources, and protection of the environment.

Ensuring, within the set norms and with proper organisation of work, optimal utilisation of working time for maintenance and damage repair to the electricity network infrastructure, self-managed construction of assets and provision of services to customers.

Projected sale of electricity in the amount of 2,517,823 MWh: 1,805,063 MWh to corporate/business customers and 712,760 MWh to household customers.

In 2016, the activities of ECE will be focused on enhancing the individual approach to large corporate customers (improved communication, provision of tools for achieving savings, advice on expense reduction), new energy-generating products in the sales portfolio, redesigning the web store by expanding the range of products, organisation of sales campaigns and offers for retail customers, and cooperation with external marketers.

The customers need to recognise in ECE a different supplier, one that provides service to people who value energy from renewable sources, comprehensive information from sales personnel, customer-tailored working hours, good call centre response time, broad additional range of services, modern communication channels (mobile app ECE mobil, MOJ ECE web portal) and customer-friendly bills containing all relevant information.

Sale of electricity generated by the Group's own SHPs, SPSs and CHPPs in the amount of 3,935,054 kWh, and 1,180,000 kWh of heat.

Renovation of SHP Majcen Mislinja in the period between 2016 and 2018 (rehabilitation of the dam and banks, renovation of pipeline, and installation of a smaller turbine in the powerhouse to serve in the event of low water levels).

Development of modern IT support for all operating processes in the Group's companies, as well as for communication with consumers, customers, suppliers and other business partners.

Seizing new business opportunities in the area of environment-friendly energy.

Enhancing the reputation and visibility of the Elektro Celje Group.



Elektro Celje

FINANCIAL REPORT



CREATION

Together we shape the social environment in which we grow. With socially conscious projects and ideas we are contributing our share of creativity, cultivating positive stories and developing human potential. We are committed to good energy that fuels our good ideas and allows us to put them into action.



14. INDEPENDENT AUDITOR'S REPORTS



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www.bdo.si

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SI-1000 Ljubljana
Slovenija

INDEPENDENT AUDITOR'S REPORT (Translation from the original in Slovene language)

To the shareholders of
ELEKTRO CELJE, d.d.
Vrunčeva ulica 2A,
3000 Celje

We have audited the accompanying financial statements of ELEKTRO CELJE, d.d. which comprise the balance sheet as at December 31, 2015, income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. We have also reviewed the business report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ELEKTRO CELJE, d.d. as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

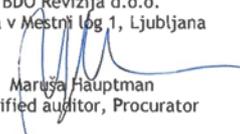
Other matter

The business report is consistent with the audited financial statements.
The financial statements of ELEKTRO CELJE d.d. as at December 31, 2014 were audited by another auditor who expressed an unqualified opinion on those statements on April 24, 2015.

Ljubljana, April 22, 2016



BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana


Maruša Hauptman
Certified auditor, Procurator



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INDEPENDENT AUDITOR'S REPORT
(Translation from the original in Slovene language)

To the shareholders of
ELEKTRO CELJE, d.d.
Vrunčeva ulica 2A,
3000 Celje

We have audited the accompanying consolidated financial statements of the Group ELEKTRO CELJE, d.d. which comprise the consolidated balance sheet as at December 31, 2015, consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. We have also reviewed the business report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group ELEKTRO CELJE, d.d. as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Other matters

The business report is consistent with the audited financial statements.

The financial statements of the Group ELEKTRO CELJE d.d. as at December 31, 2014 were audited by another auditor who expressed an unqualified opinion on those statements on April 24, 2015.

Ljubljana, April 22, 2016



BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

Maruša Hauptman
Certified auditor, Procurator

15. FINANCIAL STATEMENTS OF THE COMPANY ELEKTRO CELJE

15.1 BALANCE SHEET

in EUR

ITEM	Note	Amount	
		Current year	Previous year
A. Non-current assets (I. + II. + III. + IV. + V. + VI.)		259,214,761	253,443,528
I. Intangible assets and long-term accrued revenue and deferred expenses (1 to 6)	16.3.1	1,156,361	1,384,700
1. Long-term property rights		1,146,160	1,342,171
4. Intangible assets in development		10,051	41,907
6. Other long-term accrued revenue and deferred expenses		150	622
II. Property, plant and equipment (1 to 4)	16.3.2	243,904,942	239,718,420
1. Land and buildings (a + b)		173,752,723	171,550,450
a) Land		5,795,804	5,862,933
b) Buildings		167,956,919	165,687,517
2. Production equipment and machinery		62,087,248	62,596,655
3. Other plant and equipment		93,493	85,313
4. Tangible fixed assets in the course of acquisition (a + b)		7,971,478	5,486,002
a) Property, plant and equipment under construction		7,971,478	5,486,002
IV. Long-term financial investments (1 to 2)	16.3.3	7,580,116	7,683,920
1. Long-term financial investments excl. loans		7,580,116	7,683,920
a) Shares and shareholdings in companies within the corporate group		7,246,975	7,246,975
c) Other shares and shareholdings		333,141	436,945
V. Long-term trade receivables (1 to 3)	16.3.6.1	5,934,882	4,056,389
2. Long-term trade receivables		5,927,233	23,149
3. Long-term trade receivables from others		7,649	4,033,240
VI. Deferred tax asset	16.3.4	638,460	600,099
B. Current assets (I. + II. + III. + IV. + V.)		12,306,938	10,308,179
II. Inventory (1 to 4)	16.3.5	1,380,529	1,392,747
1. Material		1,380,529	1,392,747
IV. Short-term trade receivables (1 to 3)	16.3.6.2	10,902,286	8,808,684
1. Short-term trade receivables from companies within the corporate group		11,772	44,118
2. Short-term trade receivables from customers		10,542,806	8,420,764
3. Short-term trade receivables from others		347,708	343,802
V. Cash and cash equivalents	16.3.7	24,123	106,748
C. Short-term accrued revenue and deferred expenses	16.3.8	739,294	1,061,808
TOTAL ASSETS (A + B + C)		272,260,993	264,813,515

in EUR

ITEM	Note	Amount	
		Current year	Previous year
A. Equity	16.3.9	196,443,080	192,935,102
I. Called-up share capital		100,953,201	100,953,201
1. Share capital		100,953,201	100,953,201
II. Share premium		62,260,317	62,260,317
III. Revenue reserve		30,075,398	25,446,194
1. Legal reserves		2,563,756	2,223,332
5. Other revenue reserves		27,511,642	23,222,862
IV. Revaluation surplus		-81,082	75,624
V. Retained earnings		1,217	0
1. Retained earnings from previous years		1,217	0
VI. Net income/ profit for the year		3,234,029	4,199,766
1. Undistributed net income/ profit for the year		3,234,029	4,199,766
B. Provisions and long-term accrued expenses and deferred revenue (1 to 3)	16.3.10	19,644,210	19,127,245
1. Retirement benefits and similar employee benefits		5,409,368	5,140,088
2. Other provisions		615,626	40,000
3. Long-term accrued expenses and deferred revenue		13,619,216	13,947,157
C. Non-current liabilities (I.+ II.+ III.)	16.3.11	33,550,207	36,669,343
I. Non-current financial liabilities (1 to 4)		33,542,731	36,669,343
2. Long-term financial liabilities to banks		33,542,731	36,669,343
III. Deferred tax liabilities		7,476	0
D. Current liabilities (I. + II. + III.)	16.3.12	21,825,063	15,213,956
II. Current financial liabilities (1 to 4)		11,844,758	6,212,529
2. Short-term financial liabilities to banks		11,837,695	6,206,650
4. Other short-term financial liabilities		7,063	5,879
III. Current operating liabilities (1 to 8)		9,980,305	9,001,427
1. Short-term trade payables to companies within the corporate group		686,907	666,203
2. Short-term trade payables to suppliers		3,210,524	2,386,053
4. Short-term trade payables from operations for third-party account		3,845,389	3,344,420
5. Short-term trade payables to employees		1,454,486	1,399,631
6. Short-term trade payables to state and other institutions		308,472	687,678
7. Short-term trade payables based on advances		65,810	73,555
8. Other short-term trade payables		408,717	443,887
E. Short-term accrued expenses and deferred revenue	16.3.13	798,433	867,869
TOTAL LIABILITIES (A + B + C + D + E)		272,260,993	264,813,515

15.2 INCOME STATEMENT

in EUR

ITEM	Note	Amount	
		Current year	Previous year
1. Net sales revenue (a + b)	16.5.1	53,791,561	53,919,563
a. In the domestic market		53,791,561	53,919,563
3. Capitalised own products and services	16.5.2	14,324,151	15,117,824
4. Other operating revenue (incl. revaluation surplus)	16.5.3	1,317,814	3,302,527
5. Costs of goods, material and services (a + b)	16.5.4.1	21,326,680	23,088,363
a. Cost of goods and material		14,594,038	16,599,483
b. Cost of services		6,732,642	6,488,880
6. Labour costs (a + b + c + d)	16.5.4.2	21,093,085	19,819,179
a. Cost of salaries		14,974,458	14,519,094
b. Cost of supplementary employee retirement insurance		694,363	668,144
c. Cost of employer contributions and other levies on salaries		2,396,291	2,324,444
d. Other labour costs		3,027,973	2,307,497
7. Write-downs and write-offs (a + b + c)	16.5.4.3	18,100,167	19,375,036
a. Amortisation and depreciation		17,689,500	17,923,351
b. Operating expenses from revaluation of intangible and tangible fixed assets		255,756	1,292,942
c. Operating expenses from revaluation of current assets		154,911	158,743
8. Other operating expenses	16.5.4.4	374,172	307,906
9. Finance income from shareholdings (a + b + c)	16.5.5	7,400	480,313
a. Finance income from shareholdings in companies within the corporate group		0	475,281
b. Finance income from shareholdings in other companies		7,400	5,032
10. Finance income from loans granted (a + b)	16.5.6	2,223	100,219
a. Finance income from loans to companies within the corporate group		395	12,001
b. Finance income from loans to others		1,828	88,218
11. Finance income from trade receivables (a + b)	16.5.7	135,722	51,850
b. Finance income from trade receivables due from third parties		135,722	51,850
12. Financial expenses from impairment and write-downs of financial investments	16.5.8	103,508	0
13. Financial expenses from financial liabilities (a + b + c + d)	16.5.9	977,927	1,280,888
a. Financial expenses related to loans from companies within the corporate group		0	1,239
b. Financial expenses related to loans from banks		720,092	1,102,691
d. Financial expenses related to other financial liabilities		257,835	176,958
14. Financial expenses from trade payables (a + b + c)	16.5.10	757	3,133
a. Financial expenses from trade payables to companies within the corporate group		0	2,882
c. Financial expenses from other trade payables		757	251
15. Other revenue	16.5.11	26,854	17,328
16. Other expenses	16.5.12	63,416	67,039
17. PROFIT FOR THE PERIOD BEFORE TAXES (1±2+3+4-5-6-7-8+9+10+11-12-13-14+15-16)	16.5.13	7,566,013	9,048,080
18. Income tax	16.5.15	784,969	806,567
19. Deferred taxes	16.5.15	27,438	600,099
20. NET PROFIT/LOSS FOR THE PERIOD (1±2+3+4-5-6-7-8+9+10+11-12-13-14+15-16-18+19)	16.5.13	6,808,482	8,841,612

15.3 STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR

ITEM		Current year	Previous year
1.	Profit for the financial period	6,808,482	8,841,612
3.	Changes in the revaluation surplus from revaluations of available-for-sale financial assets	-7,772	13,616
a.	Revaluation of financial investments measured at fair value through equity	-296	0
b.	Adjustment to the revaluation surplus from revaluations of financial investments for deferred tax liabilities	-7,476	0
5.	Other components of comprehensive income	-147,717	31,350
a.	Revaluation of provisions for retirement benefits based on actuarial losses	-158,640	0
b.	Carry-over of actuarial gains to retained earnings	-1,217	0
c.	Adjustment to the revaluation surplus from revaluations of actuarial losses for deferred tax assets	10,923	0
d.	Increase in retained earnings	1,217	0
6.	Total comprehensive income for the financial period (1 + 2 + 3 + 4 + 5)	6,652,993	8,886,578

Notes to the Statement of Other Comprehensive Income are provided in section 16.5.14.



15.4 STATEMENT OF CASH FLOWS

in EUR

Item	Note	Current year	Previous year
1	2	3	4
A. Operating cash flow			
a) Operating revenue	16.6.1	100,743,131	101,209,900
Revenue from sale of goods and services		99,587,573	97,316,743
Other operating revenue		1,155,558	3,893,157
b) Operating expenses	16.6.2	-92,249,535	-88,755,029
Purchase of material and services		-64,909,390	-63,484,257
Salaries and employees' share in the profit		-20,172,295	-19,473,303
Charges (contributions and other taxes)		-6,087,820	-4,413,555
Other operating expenses		-1,080,030	-1,383,914
c) Net cash inflow or outflow in operating activities		8,493,596	12,454,871
B. Investing cash flow			
a) Inflows from investing activities	16.6.3	328,599	4,740,350
Interests and dividends received		9,627	594,877
Proceeds from disposal of property, plant and equipment		258,972	501,473
Proceeds from disposal of short-term financial investments in companies within the corporate group		60,000	644,000
Proceeds from disposal of short-term financial investments		0	3,000,000
b) Outflows from investing activities	16.6.4	-7,551,884	-11,053,341
Purchase of intangible fixed assets		-869,118	-174,781
Purchase of property, plant and equipment		-6,622,766	-10,878,560
Purchase of long-term financial investments		0	0
Purchase of short-term financial investments in companies within the corporate group		-60,000	0
Purchase of short-term financial investments		0	0
c) Net cash inflow or outflow in investing activities		-7,223,285	-6,312,991
C. Financing cash flow			
a) Inflows from financing activities	16.6.5	18,475,000	59,615,000
Loans granted by companies within the corporate group		0	2,570,000
Granted long-term loans		8,775,000	23,415,000
Granted short-term loans		9,700,000	33,630,000
b) Outflows from financing activities	16.6.6	-19,827,936	-65,702,680
Interests paid		-738,609	-1,124,965
Repayments of loans granted by companies within the corporate group		0	-2,570,000
Repayments of long-term debt		-6,270,567	-25,976,474
Repayments of short-term debt		-9,700,000	-33,630,000
Paid out dividends and other profit shares		-3,118,760	-2,401,241
c) Net cash inflow or outflow in financing activities		-1,352,936	-6,087,680
D. Closing balance			
Cash and cash equivalents in the period (sum of net cash inflows/ outflows under Ac, Bc and Cc)		24,123	106,748
Opening balance		-82,625	54,200
		106,748	52,548

15.5 STATEMENT OF CHANGES IN EQUITY

in EUR

STATEMENT OF CHANGES IN EQUITY from Jan 1, 2015 to Dec 31, 2015	Called-up capital			Revenue reserve			Revaluation surplus		Retained earnings		Net income/profit for the year		Total
	Share capital	Share premium	Legal reserves	Other revenue reserve	Revaluation surplus	Retained earnings	Net income/profit for the year						
							Share capital	Share premium	Legal reserves	Other revenue reserve	Revaluation surplus	Retained earnings	
A.1. Balance at the end of previous period	100,953,201	62,260,317	2,223,332	23,222,862	75,624	0	4,199,766	0	4,199,766	192,935,102			192,935,102
A.2. Balance at the beginning of the reporting period	100,953,201	62,260,317	2,223,332	23,222,862	75,624	0	4,199,766	0	4,199,766	192,935,102			192,935,102
B.1. Changes in equity - transactions with shareholders	0	0	0	0	0	-3,145,015	0	-3,145,015	0	-3,145,015			-3,145,015
a) Payment of dividends	0	0	0	0	0	-3,145,015	0	-3,145,015	0	-3,145,015			-3,145,015
B.2. Total comprehensive income in the reporting period	0	0	0	0	-156,706	1,217	6,808,482	0	6,808,482	6,652,993			6,652,993
a) Entry of net income/profit for the reporting period	0	0	0	0	0	0	6,808,482	0	6,808,482	6,808,482			6,808,482
b) Changes in the revaluation surplus from revaluations of financial investments	0	0	0	0	-7,772	0	0	0	0	-7,772			-7,772
c) Other components of total comprehensive income in the reporting period	0	0	0	0	-148,934	1,217	0	0	0	-147,717			-147,717
B.3. Changes in equity	0	0	340,424	4,288,780	0	3,145,015	-7,774,219	0	0	0			0
a) Allocation of the remainder of net profit of 2014 to other equity components	0	0	0	0	0	4,199,766	-4,199,766	0	0	0			0
b) Allocation of a part of net profit of 2015 to other equity components pursuant to the decision by the management and supervisory bodies	0	0	340,424	3,234,029	0	0	-3,574,453	0	0	0			0
c) Allocation of a part of net profit into building up additional reserves pursuant to the decision by the Shareholders Assembly	0	0	0	1,054,751	0	-1,054,751	0	0	0	0			0
C.1. Balance at the end of the reporting period	100,953,201	62,260,317	2,563,756	27,511,642	-81,082	1,217	3,234,029	196,443,080	1,217	3,234,029	196,443,080		196,443,080
DISTRIBUTABLE PROFIT	0	0	0	0	0	1,217	3,234,029	3,235,246	1,217	3,234,029	3,235,246		3,235,246

Notes to the Statement of Changes in Equity are provided in section 16.7.

15.5 STATEMENT OF CHANGES IN EQUITY

in EUR

STATEMENT OF CHANGES IN EQUITY from Jan 1, 2014 to Dec 31, 2014	Called-up capital			Revenue reserve			Revaluation surplus	Retained earnings	Net income/ profit for the year	Total
	Share capital	Share premium	Legal reserves	Other revenue reserve	Share premium	Legal reserves				
							Share capital	Share premium	Legal reserves	Other revenue reserve
A.1. Balance at the end of previous period	100,953,201	62,260,317	1,781,251	18,791,500	30,658	0	2,650,839	179,405,335		
A.2. Balance at the beginning of the reporting period	100,953,201	62,260,317	1,781,251	18,791,500	30,658	0	2,650,839	186,467,766		
B.1. Changes in equity - transactions with shareholders	0	0	0	0	0	-2,419,242	0	-2,419,242		
a) Payment of dividends	0	0	0	0	0	-2,419,242	0	-2,419,242		
B.2. Total comprehensive income in the reporting period	0	0	0	0	44,966	0	8,841,612	8,886,578		
a) Entry of net income/ profit for the reporting period	0	0	0	0	0	0	8,841,612	8,841,612		
b) Changes in the revaluation surplus from revaluations of financial investments	0	0	0	0	13,616	0	0	13,616		
c) Other components of total comprehensive income in the reporting period	0	0	0	0	31,350	0	0	31,350		
B.3. Changes in equity	0	0	442,081	4,431,362	0	2,419,242	-7,292,685	0		
a) Allocation of the remainder of net profit of 2013 to other equity components	0	0	0	0	0	2,650,839	-2,650,839	0		
b) Allocation of a part of net profit of 2014 to other equity components pursuant to the decision by the management and supervisory bodies	0	0	442,081	4,199,765	0	0	-4,641,846	0		
c) Allocation of a part of net profit into building up additional reserves pursuant to the decision by the Shareholders Assembly	0	0	0	231,597	0	-231,597	0	0		
C.1. Balance at the end of the reporting period	100,953,201	62,260,317	2,223,332	23,222,862	75,624	0	4,199,766	192,935,102		
DISTRIBUTABLE PROFIT	0	0	0	0	0	0	4,199,766	4,199,766		

Notes to the Statement of Changes in Equity are provided in section 16.7.

16. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

The company Elektro Celje, d.d., is organised as a public limited company with the head office at 2a Vrunčeva in Celje. The key purpose of the company is, through main-

tenance of and investment into the power network and infrastructure, to meet the needs of its customers for a reliable electricity supply.

16.1 Bases for the Preparation of Financial Statements

The financial statements present a faithful and fair account of the financial position of the company, its financial performance and cash flows. The fiscal year is the calendar year from January 1 to December 31, 2015.

Declaration of conformity

The financial statements of the company Elektro Celje are developed in conformity with the provisions of the Companies Act (ZGD-1); Slovenian Accounting Standards (SAS), the relevant interpretations and explanations, accounting rules and regulations; Energy Act (EZ-1); and other regulations governing the accounting, finance and tax systems. The Annual Report includes all disclosures required by ZGD-1, and disclosures pursuant to SAS for companies subject to mandatory audit.

Pursuant to Article 109 of EZ-1, the company provides separate accounting for the activities related to the Agree-

ment on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator, and for market activities; pursuant to the SAS, these two activities are also considered two business segments. The Balance Sheet, the Income Statement, the Statement of Cash Flows and the Statement of Changes in Equity broken down by activities are set out in section 16.10.

On March 31, 2016, the company Management Board confirmed and adopted the financial statements of the Annual Report for the year 2015, including the explanatory notes provided and the accounting policies applied thereto.

Functional and presentational currency

The financial statements are compiled in Euros (EUR) and reported rounded up to the nearest whole unit (no cents).

16.2 Principal Accounting Policies

SAS are directly applied in reporting and valuation of items recorded in the financial statements. The items for which the SAS allow a choice between various valuation methods, are defined according to the accounting policies disclosed in the Annual Report for each individual item. In 2015, the company did not introduce any changes to the accounting policies in use.

In compiling the financial statements, the company abides by the general valuation rules: going concern, consistency and accruals. In doing so it observes the quality characteristics of financial statements: readability, adequacy, reliability and comparability. The selection and application of the accounting policies is based on prudence, substance over form, and relevance.

In compliance with the provisions of the SAS, the company discloses all material items; the relevance of the individual items is defined in the accounting rules and regulations.

Intangible assets and long-term accrued revenue and deferred expenses

Measurement upon initial recognition

Intangible assets are initially recognised at cost.

Measurement after recognition

For measurement after the recognition, the company uses the historical cost model. Historical costs are subsequently reduced through amortisation.

Amortisation/depreciation and useful life

The straight-line amortisation method is used. Amortisation and depreciation rates based on useful life are 33.33 % for computer software (estimated useful life 3 years), 3.33 % for the right to use a facility (estimated useful life 30 years) and 1 % for material rights on property (estimated useful life 100 years). The amortisation/depreciation of an asset begins on the first day of the month after the asset has been made ready for use.

Tangible fixed assets – PP&E

Measurement upon initial recognition

Initial recognition of a tangible fixed asset – property, plant and equipment – is at cost, which includes purchase price, import and non-refundable duties, and costs directly attributable to the activities necessary to prepare the asset for its intended use. If the period from the date of the first invoice for the construction and installation service or equipment to the date when the fixed asset is prepared for its intended use is longer than one year, the cost of the

asset also includes loan costs related to the acquisition of the new asset for the period from the payment deadline of each invoice to the date of preparation of the asset. If the cost of the asset is high, it is reallocated over its relative parts. If these parts have significantly different useful lives in relation to the total cost of the tangible fixed asset, each part is recorded separately.

Land is valued at cost, which also includes paid land and building transaction tax and land registry fee.

The cost of a building includes costs incurred in the acquisition, construction or completion of the building, costs of the project and other documentation on the basis of which the acquisition, construction or completion was carried out, costs of land development, costs of required permits for connection, and other costs directly attributable to the preparation of the building for its intended use. The cost does not include the cost of the land on which the building is built, nor the cost of the acquisition of land intended for access to the building or for other purposes related to the use of the building.

The cost of equipment includes costs incurred in the acquisition, construction or completion of the equipment, costs of delivery, costs of installation, and any other costs incurred in the acquisition, construction or completion of the equipment.

The cost of a tangible fixed asset built or made within the company consists of the costs resulting from its construction or manufacture, and of indirect costs of construction

or manufacture attributable to the asset. The cost does not include costs unrelated to its construction or manufacture, and costs not recognised by the market. The cost of such fixed assets cannot exceed that of the same or similar assets on the market. Investments of the company are classified into:

- refurbishment, including investments to extend the initially defined useful life of an asset
- replacements and increase of capacity, including investments to replace and increase the capacity of existing assets
- new investments as investments toward acquiring new assets.

Measurement after recognition

In the valuation of tangible fixed assets (PP&E) the company uses the cost model, carrying the assets at cost minus accumulated depreciation and impairment. Assets acquired free of charge are valued at cost or at the fair value determined in the free acquisition agreement.

Subsequent costs

Subsequently incurred costs related to PP&E are recorded as maintenance costs when they are incurred in the process of restoring and maintaining future economic benefits expected as per the initial estimate of the efficiency rate, or as an increase in the cost of the asset if the future benefits increase compared to the initial estimate.

Depreciation and useful life

Depreciation rates and useful life	Minimum (in %)	Maximum (in %)	Useful life
Buildings	2.00	2.50	40 to 50 years
Infrastructural facilities	2.00	5.00	20 to 50 years
Electrical equipment of transformer substations	2.86	6.67	15 to 35 years
Other equipment	4.00	33.00	3 to 25 years
Motor vehicles	8.33	12.50	8 to 12 years

The depreciation of a tangible fixed asset begins on the first day of the month after the asset has been made available for use. The company observes the straight-line depreciation method. The depreciation rates are defined in conformity with the expected useful life of the asset. Depreciation is applied individually until it completely replaces the original value of the asset taken as the basis for the calculation. The revaluation adjustment applied to the fixed asset equals the value computed in the annual depreciation calculation. Land and assets of artistic and cultural value are not subject to depreciation.

The company regularly reviews the remaining carrying value of the PP&E for indications of impairment. In case of impairment, the recoverable value of the asset is estimated. As a rule, the company revalues the asset as soon

as its carrying value surpasses the recoverable value. The recoverable value is the higher of fair value minus selling cost and value in use. The value of land, buildings and distribution equipment is estimated by certified appraisers. As a rule, the company does not recognise impairment of other equipment, as it represents less than 5 % of total fixed assets. Tangible fixed assets (PP&E) acquired prior to December 31, 2001, are recorded at values estimated in 2001.

The remaining carrying value of a fixed asset without useful life is recognised as an expense from revaluation; if such asset is sold and its net marketable value exceeds the carrying value, such value is recognised as revenue from revaluation.

Long-term financial investments

Long-term financial investments are those which the company intends to hold for a period longer than one year, and are not held for trading. The company balance sheet reports long-term financial investments in the controlled company, and long-term investments in other shares and shareholdings. Distribution of profit from long-term financial investments is recognised as financial income in the moment when the company acquires the right to receive dividends.

Measurement upon initial recognition

Non-current equity investments made into controlled companies are valued at cost. The financial assets quoted in an active market and whose fair values can be measured with reliability are valued at fair value, whereas other financial investments are valued at cost. Exposure to various risks, particularly the risk of reduction in the value of financial investment below its cost value is not hedged by financial instruments. The value that best represents the maximum exposure to such risk is the total value of such investment. Financial investments into shares and shareholdings of other companies are classified as held for sale.

Derecognition

The financial asset is removed from the statement of financial position (derecognised) at the moment when the company no longer has any contractual obligations from the cash flows, or when all risks and rewards in connection with the ownership of the financial risk are transferred to a third party.

Deferred tax assets

Deferred tax assets include corporate income tax that will be refunded in the future. They are calculated at tax rates expected to apply in the fiscal year in which the deferred tax asset will be refunded, and are based on the tax rates and tax regulations valid up to the balance sheet date. Their recognition is based on the projection that a stable operation in the future will provide the amounts of the tax base which can be reduced by the existing deductible differences.

Inventory

The company inventory includes material and small tools which have the characteristics of inventory (protective equipment and tools). The analytical records report materials inventory by individual materials and warehouses.

Valuation of inventory

An inventory unit of material is valued at cost, which includes purchase price (minus any discount), import duties, and direct cost of acquisition. The consumption of material inventories is valued by the moving average price method. The material inventories can be revalued based on impairment when their carrying value exceeds the net realisable value.

Net realisable value of inventory

Write-downs and write-offs of damaged and obsolete inventory are carried out regularly during the year and during periodic stock verification.

Receivables

Receivables are unsettled transactions or other monetary obligations with an established payment term, which are not traded in the active market. They are divided in long-term receivables (with maturity longer than one year) and short-term receivables.

Measurement upon initial recognition

Upon initial recognition, receivables are recorded at fair value in amounts derived from appropriate documents (invoices, contracts), based on documented transactions and on the assumption of a future settlement. Receivables from legal and natural persons outside Slovenia are converted into national currency on the date of occurrence at the current reference conversion rate of the European Central Bank. In time, receivables can increase or decrease (based on subsequent discounts, complaints) and thus affect the regular operating revenue.

Measurement after recognition

The receivables are recorded in the balance sheet according to the amortised cost method, which means they are decreased by the amount of revaluation adjustment based on doubtful or bad debt. In conformity with the SAS, the revaluation adjustments are recognised in full amount for receivables in bankruptcy proceedings, receivables which are subject of legal dispute, and receivables overdue by more than 90 days as of the balance sheet day. For receivables in compulsory settlement, the revaluation adjustment is recognised based on the decisions in the proceedings of compulsory settlement, or in the amount of 80 % of the value due if the compulsory settlement has not yet been confirmed. Receivable write-downs and write-offs are recognised as and debited to negative adjustments. Write-offs require appropriate documentary evidence: judicial decision, decision on compulsory settlement, decision on bankruptcy proceeding, and other relevant documents.

Long-term trade receivables due from customers who are subject to compulsory settlement are remunerated in accordance with decisions related to compulsory settlement. The decisions define the volume and dynamics of repayment, as well as the interest rate at which receivables are remunerated (if at all). Long-term trade receivables from the company SODO bear interest in accordance to Article 84 and Section 5.3 of the Act Determining the Methodology for Charging for the Network Charge, the Methodology for Setting the Network Charge, and the Criteria for Establishing Eligible Costs for Electricity Networks (Official Gazette of the RS, no. 81 dated October 29, 2012).

Cash and cash equivalents

Cash and cash equivalents include cash in current accounts and deposits redeemable at notice. They are recognised in the amounts arising from the relevant documents, upon verification of the nature of such.

Equity

Equity is the liability to company owners (shareholders) to be liquidated when the company goes out of business. It is defined by the amounts invested in the company by the owners, and by the amounts generated during operation that belong to the owners. Equity decreases due to operating losses and through the payment of dividends. Total equity includes share capital, share premium, revenue reserves, retained earnings, and fair value reserve.

Provisions and long-term accrued expenses and deferred revenue

The purpose of provisions is to collect amounts, in the form of accrued costs or expenses, which will allow the coverage of costs or expenses incurred in the future. This item includes deferred revenue which will cover the projected expenses over a period longer than one year. Provisions and long-term accrued expenses and deferred revenue are not revalued. At the end of the accounting period they are adjusted to reconcile their value with the current value of the expenses that are estimated to be necessary to cover the liabilities.

Provisions for payments of retirement benefits and long-service awards

Pursuant to statutory provisions and the collective agreement, the company is obliged to pay long-service awards to its employees, benefits upon retirement, and allowance in the case of death, for which long-term provisions are recognised. Liabilities from provisions for long-service awards were calculated using the Projected Unit Credit method based on the multiple decrement model. The income statement recognises labour costs and interest charges, while adjustments of post-employment benefits or unrealised actuarial gains or losses are included in the other comprehensive income statement. There are no other retirement liabilities.

Provisions for lawsuits

The company recognises provisions for lawsuits in which it is represented as the defendant. The justification of the recognised provisions is verified on a yearly basis in view of the status of a legal dispute and probability of favourable or unfavourable outcome. The amount of provision is determined based on the known amount of the damage claim, or on the projected possible amount of the damage claim if the claim is still unknown.

Long-term accrued expenses and deferred revenue

The company recognises long-term accrued expenses and deferred revenue for fixed assets acquired free of charge, which are classified by categories based on the depreciation rate of the assets. Such accruals and deferrals are intended for covering depreciation costs and

are drawn at the depreciation rate of the acquired assets starting in the subsequent month. The company also recognises long-term accrued expenses and deferred revenue for average connection fees charged in the period up to June 30, 2007. These are intended for covering the depreciation of assets and are used through carry-overs to operating revenue at the prevailing rate for fixed assets of power infrastructure - i.e., at a 3 % rate.

Liabilities

Company liabilities are classified by type in financial liabilities and trade payables, and by payment deadline in long-term and short-term liabilities. Short-term liabilities are liabilities due for payment in a period shorter than one year.

Valuation upon initial recognition

Upon initial recognition, liabilities are reported in the amounts arising from relevant documents regarding their occurrence, which in the case of short-term financial debt confirm the receipt of a loan, liability for the payment of interest or dividends, discharge of an operating debt, or, in the case of short-term operating debt, the receipt of a product or service or work completed or the cost charged, and expense or share in profit.

Measurement after recognition

Liabilities are measured based on their amortised cost. Before compiling the financial statements, the company estimates the fair value of short-term liabilities based on contracts, and if the carrying values are lower than the established fair values, it increases the value of its short-term debt. Increased short-term debt increases regular financial expenses, whereas decreased short-term debt increases regular financial income. The company does not recognise or report short-term debt impairment.

Short-term liabilities denominated in foreign currency are converted into national currency on the balance sheet day at the current reference conversion rate of the European Central Bank.

Derecognition

A liability is removed from the statement of financial position only when the related obligation is settled, cancelled or has expired. The difference between the carrying value of the derecognised financial liability and the payment is recognised in the income statement.

Income Tax

The income tax for the fiscal year includes current and deferred taxes. Current tax is that tax which the company pays from the taxable profit for the year, with the application of the tax rates effective on the reporting date and established on the date of the Statement of Financial Position, and which takes into account any adjustments to tax liabilities related to previous fiscal years.

The deferred tax is reported according to the balance sheet liability method, which takes into account temporary differences between the carrying and tax values of individual assets and liabilities. The amount of the deferred

tax is based on the expected manner of recovery or settlement of the carrying value of assets and liabilities using the tax rates applicable on the reporting date.

The deferred tax asset is recognised in the amount of probable available future profit against which the deferred tax asset can be charged in the future. Deferred tax assets are reduced by the amount for which it is no longer likely that it can be claimed against tax in relation to the asset.

Revenue

Revenue is recognised if the increase of economic benefit in the accounting period is related to the increase in the value of assets or decrease in liabilities and if this increase can be measured with reliability. Revenue is broken down into operating revenue, finance income, and other income.

Operating revenue includes net sales revenue, capitalised own products and services, and other operating revenue.

Net sales revenue is recognised upon sales of products or services if it can be reasonably expected that the sales will lead to receipts when such receipts are not realised upon occurrence. Such revenue is measured based on the selling prices reported on invoices and other documents, minus any returns and discounts granted at the moment of sale or subsequently on the grounds of early payment. Recognition of revenue from services rendered is based on the method of work completion rate on the balance sheet date.

Capitalised own services are services rendered for the company's own needs and capitalised among tangible fixed assets or intangible non-current assets.

Finance income includes income from dividends received and participation in profit of subsidiaries; received interest on deposits, loans granted and cash in current accounts; exchange gains; and late charges on overdue payments of network charges and services rendered. Revenue from interest is recognised on the date of its occurrence using the effective interest rate, income from dividends on the date when the shareholder's right to receive payment is exercised, and late charges on overdue payments of network charge and services rendered at settlement when there is no doubt with respect to their amount and maturity date.

Costs and expenses

Costs and expenses are recognised when the decrease of economic benefit in the accounting period is connected with the decreased value of assets or increase in liabilities and this increase can be measured with reliability. Costs and expenses are broken down into operating, financial and other expenses.

Operating expenses include costs of goods, material and services, labour costs, write-downs, and other operating expenses. Labour costs include salaries and other labour costs in gross amounts, as well as contributions paid from these taxable bases, which are not comprised in the said gross amounts. The company paid the salaries in compliance with the provisions of general and industry collective agreements and individual employment contracts. Write-downs include depreciation and amortisation expenses, and operating expenses from revaluation. Depreciation was calculated based on the depreciation rates established by the single commission of the five distribution companies with respect to the useful life of fixed assets. Operating expenses from revaluation occur in relation to the impairment of tangible, intangible and current assets.

Financial expenses include expenses related to loans, impairment and write-downs of financial investments, exchange losses, and other expenses, and are recognised when charged, regardless of any related payments. Expenses related to loans received are recognised in the income statement by the effective interest method, except those which are capitalised and allocated to tangible fixed assets in the course of construction or development. Financial expenses are broken down into expenses related to the generation of operating revenue and expenses related to the generation of finance income.

Statement of other comprehensive income

The statement of comprehensive income is a financial statement which faithfully and fairly presents all the components of the income statement and, in addition, includes those items of income and expenses which are not recognised in the profit or loss, but affect the amount of equity.

The company uses version I of the profit and loss according to SAS 25.5. This additional statement reports the total comprehensive income including items laid down in points 18 to 24 of section 25.8 of the SAS, and items laid down in points 25 to 29 of section 25.10 of the SAS.

Statement of cash flows

The statement of cash flows faithfully and fairly presents the changes in inflows and outflows in operating, investing and financing activities.

Cash and cash equivalents in the cash flow statement include cash in current accounts, cash items in the process of collection, and deposits redeemable at notice. The statement of cash flows is compiled using the direct method, in line-by-line form (version I).

Sales revenue includes value added tax and excise duties; cash flow items in investing and financing activities are reported in non-offset amounts. The data for the items of the statement of cash flows are derived from analytical records, current account summaries, and offsets.

16.3 Disclosure of Items in the Balance Sheet

Balance sheet is a fundamental financial statement presenting a fair account of assets and liabilities as of the end of the 2015 fiscal year. It is compiled in sequential order, as defined in the SAS under 24.4 and in the Companies Act.

The items in the balance sheet are reported in carrying amounts as the difference between total value and revaluation adjustment. The principle of individual valuation of assets and liabilities is observed.

16.3.1 Intangible Assets and Long-term Accrued Revenue and Deferred Expenses

Intangible non-current assets include long-term property rights and such assets in development (ERP software).

amount of EUR 28,519 EUR, and investments into real property rights in the amount of EUR 41,195.

In 2015, investments into software in the amount of EUR 1,076,446 represented the greater share of property rights (carrying value of the refurbishment of eIS software EUR 431,830; of the DMS system EUR 169,012; of the MAXIMO programme system 123,394 EUR; of the ADV. LANDIS + GYR programme system EUR 56,416 etc.). The remaining part of property rights includes material rights to use vacation apartments for a period of 30 years in the

The value of new acquisitions in 2015 amounted to EUR 504,864, that of the activation to EUR 536,720. The two largest activation items in 2015 were the upgrade of the DMS system (EUR 203,395) and investment into the MAXIMO software (EUR 143,294).

Intangible assets are not revalued, as they represent less than 1 % of total asset value.

Intangible non-current assets (in EUR)	Dec 31, 2015	Dec 31, 2014
Property rights	1,146,160	1,342,171
Intangible assets in development	10,051	41,907
Other long-term accrued revenue and deferred expenses	150	622
Total	1,156,361	1,384,700

As of December 31, 2015, the company reports trade payables in the amount of EUR 37,227 for the acquisi-

tion of intangible assets. No intangible asset is pledged as security for debt.

Changes in intangible assets

in EUR

Intangible non-current assets	Property rights	Intangible assets in development	Other long-term accrued revenue and deferred expenses	Total
Cost				
As of Jan 1, 2014	6,785,752	540,809	0	7,326,561
Increase	0	366,021	622	366,643
Carry-over from ongoing investments	864,923	-864,923	0	0
Decrease	-20,070	0	0	-20,070
As of Dec 31, 2014	7,630,605	41,907	622	7,673,134
As of Jan 1, 2015	7,630,605	41,907	622	7,673,134
Increase	3,548	504,864	0	508,412
Carry-over from ongoing investments	536,720	-536,720	0	0
Decrease	-772,467	0	-472	-772,939
As of Dec 31, 2015	7,398,406	10,051	150	7,408,607
Revaluation adjustment				
As of Jan 1, 2014	5,632,304	0	0	5,632,304
Amortisation	672,846	0	0	672,846
Rentals from holiday facilities	3,355	0	0	3,355
Decrease	-20,071	0	0	-20,071
As of Dec 31, 2014	6,288,434	0	0	6,288,434
As of Jan 1, 2015	6,288,434	0	0	6,288,434
Amortisation	732,924	0	0	732,924
Rentals from holiday facilities	3,355	0	0	3,355
Decrease	-772,467	0	0	-772,467
As of Dec 31, 2015	6,252,246	0	0	6,252,246
Carrying value				
As of Jan 1, 2014	1,153,448	540,809	0	1,694,257
As of Dec 31, 2014	1,342,171	41,907	622	1,384,700
As of Jan 1, 2015	1,342,171	41,907	622	1,384,700
As of Dec 31, 2015	1,146,160	10,051	150	1,156,361

16.3.2 Property, Plant and Equipment

The carrying value of tangible fixed assets as of December 31, 2015 in the amount of EUR 243,904,942 represents 89.6 % of balance sheet total.

The accumulated depreciation rates of buildings and equipment are 69.8 % and 60.7 %, respectively. The largest items of tangible fixed assets according to their carrying values are office building at 2a Vrunčeva (EUR 2,912,426), meters and measuring devices at the TS-DŠM Celje (EUR 1,714,847), DTS Velenje building (EUR 1,416,640), office

Tangible fixed assets - PP&E (in EUR)	Dec 31, 2015	Dec 31, 2014
Land	5,795,804	5,862,933
Buildings	167,956,919	165,687,517
Equipment	62,180,741	62,681,968
PP&E in the course of acquisition	7,971,478	5,486,002
Total	243,904,942	239,718,420

Changes in property, plant and equipment

in EUR

Tangible fixed assets - PP&E	Land	Buildings	Equipment	Ongoing investments	Advance payments for PP&E	Total
Cost						
As of Jan 1, 2014	5,840,542	536,904,537	150,330,998	7,990,848	0	701,066,925
Increase	0	0	0	23,272,177	6,782	23,278,959
Carry-over from ongoing investments	22,391	17,066,422	8,688,210	-25,777,023	0	0
Decrease	0	-5,574,309	-2,690,021	0	-6,782	-8,271,112
As of Dec 31, 2014	5,862,933	548,396,650	156,329,187	5,486,002	0	716,074,772
As of Jan 1, 2015	5,862,933	548,396,650	156,329,187	5,486,002	0	716,074,772
Increase	0	0	0	21,640,748	2,548	21,643,296
Carry-over from ongoing investments	22,025	13,414,149	5,719,098	-19,155,272	0	0
Decrease	-89,154	-5,461,869	-3,696,205	0	-2,548	-9,249,776
As of Dec 31, 2015	5,795,804	556,348,930	158,352,080	7,971,478	0	728,468,292
Revaluation adjustment						
As of Jan 1, 2014	0	375,696,259	90,346,818	0	0	466,043,077
Depreciation	0	11,367,622	5,882,883	0	0	17,250,505
Decrease	0	-4,354,748	-2,582,482	0	0	-6,937,230
As of Dec 31, 2014	0	382,709,133	93,647,219	0	0	476,356,352
As of Jan 1, 2015	0	382,709,133	93,647,219	0	0	476,356,352
Depreciation	0	10,933,691	6,022,886	0	0	16,956,577
Decrease	0	-5,250,813	-3,498,766	0	0	-8,749,579
As of Dec 31, 2015	0	388,392,011	96,171,339	0	0	484,563,350
Carrying value						
As of Jan 1, 2014	5,840,542	161,208,278	59,984,180	7,990,848	0	235,023,848
As of Dec 31, 2014	5,862,933	165,687,517	62,681,968	5,486,002	0	239,718,420
As of Jan 1, 2015	5,862,933	165,687,517	62,681,968	5,486,002	0	239,718,420
As of Dec 31, 2015	5,795,804	167,956,919	62,180,741	7,971,478	0	243,904,942

building at 1 Mariborska (EUR 1,063,471), Mestinje business building (EUR 1,050,708), 110 kV switching gear DTS Žalec 110/20 kV (EUR 975,811), the DTS Brežice building (EUR 948,903), ZMF three-phase direct connection meters (EUR 857,262), switching gear 20/10 kV DTS Velenje (EUR 839,441), and DTS Žalec 110/20 kV facility (EUR 827,839).

The largest activations were the construction of the underground cable connecting DTS Trnovlje and DTS Lava (EUR 755,651) and renovation of the overhead power lines OPL 20kV DV Podplat - RTP Šentjur (EUR 383,919), OPL 20kV Ravne Žerjav (EUR 233,959), OPL 20kV Loke (EUR 174,845), OPL 20kV Laško – Brestanica (EUR 159,931), and OPL DV 20kV Polzela (EUR 148,541). We completed the construction of the OPL 20kV Ponikva - TP Hramše (EUR 209,858) and the connection of underground cable 20kV from OPL Jagoče to TS Gavge (EUR 148,089). In 2015, we carried out replacements or first installations of 14,402 different electricity meters for a total value of EUR 1,475,424 (mainly smart three-phase meters).

The costs of in-house construction and manufacture costs of own capitalised fixed assets in 2015 amounted to EUR 14,324,151, and the costs of fixed asset acquisition from suppliers to EUR 7,441,071, while the value of fixed assets acquired free of charge was EUR 380,390. Liabilities for acquisition of property, plant and equipment as of December 31, 2015 stand at EUR 1,527,265.

In 2015, as owner of electricity infrastructure, the company Elektro Celje, d.d., signed Amendment IV to the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator with the company SODO d.o.o., which defines the amount of lease payments and the volume of services to be rendered by the company Elektro Celje, d.d., for SODO d.o.o., as well as the amount of funds for the coverage of electricity losses in the distribution network of Elektro Celje, d.d. The carrying value of the leased electricity distribution infrastructure as of December 31, 2015 was EUR 214,469,851, that of all other assets EUR 21,568,223, with intangible assets amount-

ing to EUR 1,131,915, and tangible fixed assets to EUR 234,906,159. Based on the preliminary reconciliation of the regulatory year 2015, the earnings from the lease to SODO in the 2015 fiscal year reached EUR 26,238,701.

The company does not have any property, plant or equipment acquired by capital lease, or any tangible fixed assets pledged as security for debt.

16.3.3 Long-term Financial Investments

Long-term financial investments into companies within the corporate group are investments into the two subsidiaries:

- ECE d.o.o. in the amount of EUR 5,501,023 (contribution in kind). The subscribed capital contribution of the partner Elektro Celje, d.d., amounts to EUR 2,554,399 which is 74.3256 % of the company's share capital. Total capital of the company as of December 31, 2015 stands at EUR 17,384,409. In 2015, the company generated a net income of EUR 2,729,274.
- MHE – Elpro d.o.o. in the amount of EUR 1,745,952, of which EUR 12,519 as cash contribution and EUR 1,733,433 as contribution in kind. The company is 100 percent owned by the controlling company. Total capital of the company as of December 31, 2015 stands at

EUR 2,220,487, net income for 2015 at EUR 105,464.

The company does not recognise fair value for shares and shareholdings of companies within the corporate group, as they are not listed on stock exchange, but it does check annually for any indications that an impairment of investment might be necessary. Also, there are no reliable data on comparable sales which could provide relevant information on the fair value of these investments.

Financial investments into shares and shareholdings of other companies are classified as held for sale. Their structure is as follows:

Other shares and shareholdings (in EUR)	Dec 31, 2015	Number of shares	Dec 31, 2014	Number of shares
Zavarovalnica Triglav, d.d.	69,560	2,960	69,856	2,960
Informatika, d.d.	206,987	2,479	310,495	2,479
Stelkom, d.o.o.	56,594	0	56,594	0
Total	333,141	5,439	436,945	5,439

Revaluation adjustment of long-term financial investments available for sale at market value or fair value is recognised in the comprehensive income in the amount of EUR -296, and in the income statement in the amount of EUR -103,508.

Revaluation surplus, amounting to EUR 44,274 as of January 1, 2015, decreased by EUR 296 due to a revaluation of the shares of Zavarovalnica Triglav, d.d.; as of December 31, 2015 it stood at EUR 43,978.

Changes in long-term financial investments in 2015

in EUR

Item	Investments into companies within the corporate group	Other investments	Total
Carrying value as of Jan 1, 2014	7,246,975	423,329	7,670,304
Impairment through the Income Statement	0	0	0
Changes in the other comprehensive income	0	13,616	13,616
Carrying value as of Dec 31, 2014	7,246,975	436,945	7,683,920
Carrying value as of Jan 1, 2015	7,246,975	436,945	7,683,920
Impairment through the Income Statement	0	-103,508	-103,508
Changes in the other comprehensive income	0	-296	-296
Carrying value as of Dec 31, 2015	7,246,975	333,141	7,580,116

The impairment of long-term financial investments through the income statement, which is recognised under financial expenses, amounted to EUR 103,508 as of December 31, 2015. The company management established there were objective reasons for an impairment assessment of the financial investment into the equity instrument of the company Informatika d.d. Since the carrying value of this financial investment as of December 31, 2015 was 20 % higher than the proportional part of the carrying amount of total company

equity, and future business plans of the company also pointed at a permanent impairment of the investment, a negative adjustment in the amount of EUR 103,508 or 33 % of the investment's value was recognised.

The company is not partner in any other company in which it would bear unlimited personal liability for such company's commitments.

16.3.4 Deferred Tax Assets

Changes in the Deferred Tax Asset

in EUR

Item	Short-term receivables	Long-term receivables	Provisions for long-term benefits	Financial investments	Total
As of Jan 1, 2014	0	0	0	0	0
Recognised in the Income Statement	164,831	3,990	431,278	0	600,099
Reversed in the Income Statement	0	0	0	0	0
As of Dec 31, 2014	164,831	3,990	431,278	0	600,099
As of Jan 1, 2015	164,831	3,990	431,278	0	600,099
Recognised in the Income Statement	2,199	2,332	5,310	17,597	27,438
Recognised in the Comprehensive Income Statement	0	0	10,923	0	10,923
Reversed in the Income Statement	0	0	0	0	0
As of Dec 31, 2015	167,030	6,322	447,511	17,597	638,460

In 2015, the company recognised deferred tax assets for deductible temporary differences from past and current non-deductible expenses, related to revaluation adjustments to receivables, recognition of provisions for retirement benefits, long-service awards, and death allowance, and to impairment of investment in the total amount of EUR 638,460. The deferred tax assets was calculated us-

ing the 17 % tax rate, which is expected to apply in the following years, as well.

As of December 31, 2015, the company does not report any other significant deductible temporary differences and tax credit which could lead to recognition of additional deferred tax asset.

16.3.5 Inventory

Inventory includes inventory of material and small tools.

Inventory (in EUR)	Dec 31, 2015	Dec 31, 2014
Material	1,274,534	1,294,096
Small tools	105,995	98,651
Total	1,380,529	1,392,747

Based on the data of regular stocktaking carried out as of November 11, 2015, the company identified a deficit of EUR 597 and a surplus of EUR 379, which were recognised in the company expenses and income. In 2015, a EUR 12,136 worth of inventory was written off due to obsolescence or change in quality material.

The company has no inventory pledged as security for its liabilities.

16.3.6 Receivables

As of December 31, 2015, the company held receivables in the total amount of EUR 16,837,168, of which EUR 5,934,882 long-term trade receivables, and EUR

10,902,286 short-term receivables. Revaluation adjustment for receivables as of December 31, 2015 was recognised in the amount of EUR 1,010,646.

Changes in revaluation adjustments to short-term receivables for 2015

in EUR

Item	As of Jan 1, 2015	Write- downs and write-offs	Reconciliation		As of Dec 31, 2015
			Increase	Reversal	
Adjustments to trade receivables - network charge	775,344	95,438	115,969	0	795,875
Adjustments to trade receivables - services	111,753	1,428	3,030	0	113,355
Adjustments to trade receivables - other	31,853	221	0	17,752	13,880
A Total adjustments to trade receivables	918,950	97,087	118,999	17,752	923,110
Adjustments to late charge - network charge	60,173	13,522	22,236	0	68,887
Adjustments to late charge - services	8,539	156	0	1,695	6,688
Adjustments to late charge - other	3,186	0	663	0	3,849
B Total adjustments to late charge	71,898	13,678	22,899	1,695	79,424
Adjustments to misc. short-term receivables	6,434	78	1,756	0	8,112
C Total adjustments to misc. short-term receivables	6,434	78	1,756	0	8,112
D Adjustments to short-term advance payments made	428	428	0	0	0
TOTAL (A + B + C + D)	997,710	111,271	143,654	19,447	1,010,646

Changes in revaluation adjustments to short-term receivables for 2014

in EUR

Item	As of Jan 1, 2014	Write- downs and write-offs	Reconciliation		As of Dec 31, 2014
			Increase	Reversal	
Adjustments to trade receivables - network charge	702,801	47,170	119,713	0	775,344
Adjustments to trade receivables - services	116,581	2,900	0	1,928	111,753
Adjustments to trade receivables - other	32,061	607	399	0	31,853
A Total adjustments to trade receivables	851,443	50,677	120,112	1,928	918,950
Adjustments to late charge - network charge	60,394	4,003	3,782	0	60,173
Adjustments to late charge - services	6,261	499	2,777	0	8,539
Adjustments to late charge - other	1,782	20	1,424	0	3,186
B Total adjustments to late charge	68,437	4,522	7,983	0	71,898
Adjustments to misc. short-term receivables	5,673	541	1,302	0	6,434
Adjustments to advance payments made	0	0	428	0	428
C Total adjustments to misc. short-term receivables	5,673	541	1,730	0	6,862
TOTAL (A + B + C)	925,553	55,740	129,825	1,928	997,710

16.3.6.1 Long-term Trade Receivables

Long-term trade receivables of the company amounting to EUR 5,934,882 include long-term trade receivables due from customers in compulsory settlement proceedings (EUR 17,197), long-term trade receivables from others (EUR 7,649), and long-term receivables due from SODO (EUR 5,910,036); the long-term portion of the discounted receivable due from SODO in relation to the preliminary reconciliation of the 2014 regulatory framework - RF (EUR 2,520,535), discounted receivable due from SODO in relation to the preliminary reconciliation of the 2015 RF (EUR 3,355,430), the long-term portion of final RF reconciliations for 2012, 2013 and 2014, as well as interest (EUR 34,071) charged for unsettled deficits of preliminary and final RF reconciliations for 2012, 2013 and

2014 (due to the network charge deficit), from their occurrence up to their inclusion into the 2016-2018 RF. In compliance with SAS 5.48, the two receivables due from SODO in relation to the preliminary reconciliation of the RF for 2014 and 2015, whose remuneration terminated after their inclusion in the regulatory framework, are reported at discounted value, taking into account the deficit and surplus remuneration method from Article 85 of the Act on the Methodology Determining the Regulatory Framework and the Methodology for Charging the Network Charge for the Electricity System Operators (Official Gazette of the RS no. 66/2015 dated September 14, 2015) and the 1.4 % interest rate equal to the average fixed interest rate of all long-term loans.

Long-term trade receivables (in EUR)	Dec 31, 2015	Dec 31, 2014
Long-term trade receivables from customers	5,993,383	80,619
Minus revaluation adjustment	-37,188	-23,470
Short-term portion of long-term trade receivables from customers	-28,962	-34,000
	5,927,233	23,149
Long-term trade receivables from others	7,649	4,033,240
Minus revaluation adjustment	0	0
Short-term portion of long-term trade receivables from others	0	0
	7,649	4,033,240
Total	5,934,882	4,056,389

A part of long-term trade payables in the amount of EUR 28,962, falling due in 2015, was transferred to short-term trade receivables. Revaluation adjustment is recognised in the amount of EUR 37,188.

The company does not have any long-term receivables insured or pledged as security for its liabilities.

16.3.6.2 Short-term Trade Receivables

As of December 31, 2015, the company short-term receivables are reported at EUR 10,902,286, with 0.1 % of total receivables due from companies within the corporate group amount, 96.7 % from customers, and 3.2 % from others.

Short-term trade receivables from companies within the Group, amounting to EUR 11,772, pertain to receivables for network charges, lease income, and services, due from subsidiaries.

Short-term receivables from customers in the total amount of EUR 10,481,303 include:

- trade receivables from customers for network charges amounting to EUR 3,910,325;
- receivables related to the maintenance and lease of the power infrastructure and rendering services for SODO d.o.o., amounting to EUR 6,246,253 and not yet due;
- discounted value of the SODO receivables related to the preliminary reconciliation of the 2014 regulatory year, amounting to EUR -26,653;
- trade receivables from customers for services rendered, amounting to EUR 151,397 (accounts: 1200, 1201, 1290 and 1291);
- trade receivables from customers for lease, average connection fees, sold fixed assets and scrap material, in the amount of EUR 199,981 (accounts: 1202, 1205, 1206, 1295 and 1296).

Short-term trade receivables (in EUR)	Dec 31, 2015	Dec 31, 2014
Short-term trade receivables from companies within the corporate group	11,772	44,118
Short-term trade receivables from customers	11,431,066	9,273,816
- revaluation adjustment to trade receivables from customers	-923,110	-918,950
- discounted trade receivables from SODO as per the preliminary reconciliation statement for 2014	-26,653	0
Late charge receivables	87,720	82,592
(of which short-term portion of long-term receivables for late charge)	626	626
- revaluation adjustment to late charge receivables	-79,424	-71,898
Advance payments made	53,207	55,632
- revaluation adjustment to advance payments made	0	-428
	10,542,806	8,420,764
Short-term trade receivables from others	355,817	350,229
(of which short-term portion of long-term trade receivables)	28,962	34,000
- revaluation adjustment to short-term receivables from others	-8,112	-6,434
Receivables related to finance income	3	7
	347,708	343,802
Total	10,902,286	8,808,684

Short-term interest receivables reduced by the interest revaluation adjustment and amounting to EUR 8,296, pertain to receivables for late charges on overdue payments of network charges (EUR 7,504), receivables for late charges on overdue payments of services (EUR 166) and short-term portion of long-term receivables for late charges (EUR 626).

The majority of receivables due from others, in the total amount of EUR 347,705, pertain to receivables for input

VAT (amounting to EUR 197,901) and other short-term receivables due from state institutions (amounting to EUR 149,804).

There are no short-term receivables pledged as security for the company's liabilities. Also, the company does not report any receivables due from the Management Board, members of the Supervisory Board, and employee shareholders, except for regular invoices for electricity

16.3.7 Cash and Cash Equivalents

Cash and cash equivalents of the company Elektro Celje as of December 31, 2015 include money on current accounts

with commercial banks in the amount of EUR 15,934, and overnight deposits in the amount of EUR 8,189.

Cash and cash equivalents (in EUR)	Dec 31, 2015	Dec 31, 2014
Cash in current accounts	15,934	72,927
Overnight deposits	8,189	33,821
Total	24,123	106,748

16.3.8 Accrued Revenue and Deferred Expenses

Accrued revenue and deferred expenses include short-term deferred costs (expenses) which are expected to occur in the coming year, the occurrence of which is likely and the amount of which is reliably estimated, and which do not affect the income yet, and accrued revenue.

Accrued revenue and deferred expenses include early payments of costs in the amount of EUR 670,108 (the greater part of which is represented by accrued credit: from acquisition of electricity for coverage network losses in the amount of EUR 637,418, and from decreased costs

of documentation archiving for 2014 in the amount of EUR 20,000), VAT from advance payments received and overpayment of electricity in the amount of EUR 4.162, as well as accrued revenue in the amount of EUR 65,024 (of which EUR 47,989 correspond to projects completed in 2015 but not yet charged, and EUR 17,035 to one third of the justified expenses recognised in the 2012 – 2014 regulatory period, which will be settled in 2016, in compliance with the Act Determining the Methodology for Charging for the Network Charge).

Short-term accrued revenue and deferred expenses (in EUR)	Dec 31, 2015	Dec 31, 2014
Short-term deferred expenses (costs)	670,108	322,613
Short-term accrued revenue	65,024	733,978
VAT from advance payments received	4,098	5,217
VAT from overpayment of electricity	64	0
Total	739,294	1,061,808

Items in the balance sheet are real and do not include undisclosed reserves.

16.3.9 Equity

Total company equity consists of called-up share capital, share premium, revenue reserves, revaluation surplus, retained earnings and net profit for the fiscal year. Amounts of individual equity components as of January 1, 2015 and December 31, 2015, as well as changes in the individual equity components in 2015 are reported in table 15.5.

Share capital of the company Elektro Celje is divided into 24,192,425 freely transferable no-par value shares. All equity components outside the share capital belong to the owners of the share capital in proportion to their ownership shares. The carrying value per share as of December 31, 2015 was EUR 8.12 (as of December 31, 2014 it was EUR 7.98), while net earnings per share amounted to EUR 0.28.

Ordinary shares give their owners the right to participate in the management of the company, the right to a share of the profit (dividend), and the right to a proportionate part of the remaining assets upon the liquidation or bankruptcy of the company. There are no agreements between shareholders that could restrict the transfer of securities and voting rights. The shareholders of Elektro Celje have no restrictions in exercising their voting rights. All shares are of the same class and have been paid in full. The shares were issued in dematerialised form and are kept with the KDD – Centralna klirinško depotna družba, d. d., as per

the relevant regulations. In the financial year, the company did not perform any conditional increase of share capital and did not hold any treasury shares. Company management members have no authorisation for issuing and purchasing treasury shares. The company does not have an employee share scheme.

Share premium includes general revaluation adjustment to equity in the amount of EUR 62,260,317. Revenue reserves of EUR 30,075,398 include legal reserves in the amount of EUR 2,563,756 (5 % of net profit for the period 2003–2014, and EUR 340,424 in 2015 alone) and other revenue reserves in the amount of EUR 27,511,642 (EUR 4,288,780 in 2015 alone).

Revaluation surplus decreased by EUR 156,706 to stand at EUR -81,082. In 2015, it decreased by EUR 296 through the revaluation adjustment to Zavarovalnica Triglav, d.d., shares, by EUR 159,857 based on actuarial gain from the recognition of provisions for retirement benefits, by EUR 7,476 with the adjustment of surplus from the revaluation of financial investments for deferred tax, and it increased by EUR 10,923 through deferred tax from actuarial losses.

Undistributed net profit for the year amounts to EUR 3,234,029.

16.3.10 Provisions and Long-term Accrued Expenses and Deferred Revenue

Provisions and long-term accrued expenses and deferred revenue (in EUR)	Dec 31, 2015	Dec 31, 2014
Long-term provisions for retirement benefits and long-service awards	5,409,368	5,140,088
Provisions for lawsuits	615,626	40,000
Long-term accrued expenses and deferred revenue:		
- from received government grants (state aid)	1,063,344	1,174,144
- fixed assets acquired free of charge	9,989,558	10,098,707
- from connection fees	2,566,314	2,674,306
Total	19,644,210	19,127,245

In the structure of liabilities, long-term provisions for long-service awards, retirement benefits and death allowance in the amount of EUR 5,409,368 represent a 2 % share.

They are recognised in the amount of estimated future payments discounted on December 31, 2015.

Liabilities related to long-term employment benefits

Item	in EUR			
	Long-service awards	Retirement benefits	Death allowance	Total
As of Jan 1, 2014	1,701,315	3,191,559	163,073	5,055,947
Current service costs	110,600	145,361	9,790	265,751
Interest expense	59,546	111,705	5,707	176,958
Payments of benefits	-213,705	-141,336	-4,607	-359,648
Actuarial surplus	39,613	-31,350	-7,183	1,080
As of Dec 31, 2014	1,697,369	3,275,939	166,780	5,140,088
As of Jan 1, 2015	1,697,369	3,275,939	166,780	5,140,088
Current service costs	116,811	162,803	11,422	291,036
Interest expense	32,668	70,846	3,403	106,917
Payments of benefits	-245,445	-127,218	-15,518	-388,181
Actuarial surplus	84,261	158,640	16,607	259,508
As of Dec 31, 2015	1,685,664	3,541,010	182,694	5,409,368

The basis for establishing provisions was the actuarial estimation as of December 31, 2015 in the amount of EUR 5,409,368, which was based on the following assumptions: statistical probability of mortality and disability, retirement in accordance with the law, and employee turnover (4 % in the under 40 age group, 1 % in the 41-50 age group, 0 % in the over 51 age group), a 2 % discount rate, a 2.5 % wage growth in the Republic of Slovenia and electricity industry, a 2.25 % wage growth in the com-

pany, a 16.1 % current employer's contribution rate, and 1 % growth of amounts stated in the Decree on the Levels of Reimbursed Work-related Expenses and of Certain Income not to be Included in the Tax Base (Official Gazette of the RS 140/2006, 76/2008). The expected current value of liabilities also includes actuarial gains/losses due to changed financial and demographic assumptions and experience adjustments.

Changes in provisions and long-term accrued expenses and deferred revenue

in EUR

Item	Provisions for long-term benefits	Other provisions	Long term accrued expenses and deferred revenue	Total
As of Jan 1, 2014	5,055,947	0	14,114,048	19,169,995
Utilisation	359,648	0	0	359,648
Recognition	443,789	40,000	552,619	1,036,408
Reversal	0	0	719,510	719,510
As of Dec 31, 2014	5,140,088	40,000	13,947,157	19,127,245
As of Jan 1, 2015	5,140,088	40,000	13,947,157	19,127,245
Utilisation	388,182	31,050	0	419,232
Recognition	657,462	615,626	474,595	1,747,683
Reversal	0	8,950	802,536	811,486
As of Dec 31, 2015	5,409,368	615,626	13,619,216	19,644,210

The amount of provisions used for covering actual expenses related to long-term employee benefits in 2015 was EUR 388,181, the amount of additionally recognised provisions EUR 657,461.

In 2015, the company established EUR 380,390 of long-term accrued expenses and deferred revenue related to fixed assets acquired free of charge. A EUR 597,531 worth of long-term accrued expenses and deferred revenue were reversed for the fixed assets acquired free of charge and average connection fees, EUR 8,298 for the use of assigned contributions as per the Vocational Rehabilitation and Employment of Disabled Persons Act, and EUR 102,502 for drawing state aids for the acquisition of

fixed assets. The establishment and reversal of long-term accrued expenses and deferred revenue from EU grants in the amount of EUR 94,205 is related to the implementation of the Flex4grid pilot project.

Provisions established for lawsuits amounted to EUR 19,850, (action for damages due to the disconnection of a neutral line), the existing provision as of January 1, 2015 in the amount of EUR 40,000 were used or reversed in their entirety. In compliance with the demand for the payment of balance of the 2015 holiday pay up to the amount defined under Article 128 of the Collective Agreement for Slovenian Electricity Industry, provisions for lawsuits amounting to EUR 595,776 were recognised.

16.3.11 Long-term Financial Liabilities

The total amount of principals (capital) repaid by the company in 2015 was EUR 6,270,567, the amount of paid interest, reported under financial expenses was EUR 735,880. The loans are secured by means of bills of exchange. The average margin applied to the EURIBOR rate

in all long-term loans is 1.7 %. The company does not hedge the changes in the EURIBOR interest rate with any financial instruments. The value of principals maturing in five years from the balance sheet date is EUR 3,295,049.

Long-term financial liabilities (in EUR)	Dec 31, 2015	Dec 31, 2014
Long-term financial liabilities to banks	33,542,731	36,669,343

To finance its investments in the period 2015–2017, the company signed a loan agreement with the European Investment Bank in 2015 for the amount of EUR 28,000,000. The credit terms are negotiated and defined at the drawing of each tranche (moratorium from 2 to 36 months, maturity up to 15 years, interest rate etc.). In December 2015, the company took out a revolving credit with a 3-year maturity, a 3-month EURIBOR interest rate and a 0.85 % margin for the coverage of occasional lack of liquid assets.

The company pays all instalments of principal and interest at maturity. The short-term portion of long-term loans maturing in 2015, amounting to EUR 11,837,695, is reported under short-term financial liabilities. The company does not have any long-term debt denominated in foreign currency.

By hiring long-term loans, the company committed to reaching target values of select performance indicators in the financing period. For Elektro Celje that means a financial debt to equity ratio lower than 0.40 by 2030, and a net financial debt to EBITDA ratio lower than 2.70 by 2030; and for Elektro Celje Group, a financial debt to EBITDA ratio lower than 2.70 in 2015 and lower than 2.5 in the following years, a financial debt to equity ratio lower than 0.3, an EBITDA to financial expenses from financial liabilities ratio higher than 12, and a current ratio higher than 0.9. As of the balance sheet date the Group met all its contractual financial commitments.

The carrying value of long-term debt equals its fair value. The company's long-term debt is not exposed to any particular currency or credit risks. Interest rate risk exposure only exists in relation to potentially unfavourable changes

in the EURIBOR reference interest rate, but the company has the possibility of early repayment or refinancing of long-term debt without additional costs any time before its maturity.

16.3.12 Short-term Financial Liabilities and Trade Payables

Short-term trade payables to companies within the corporate group pertain to payables to subsidiaries ECE d.o.o. in the amount of EUR 654,248 (EUR 623,530 for electricity supplied for covering losses, EUR 10,993 for electricity and natural gas supplied, and EUR 19,725 for uninvoiced material and services), and MHE-ELPRO in the amount of EUR 32,659 (EUR 26,083 for heat supplied, and EUR 6,576 for electricity supplied).

Trade payables to suppliers as of December 31, 2015 were reported at EUR 3,210,524, of which trade payables for fixed assets amounted to EUR 1,564,492, for current assets to EUR 1,573,875, for current assets abroad to EUR 53,042, and for uninvoiced material and services to EUR 19,115. According to the balance sheet as of December 31, 2015, the company settled all its outstanding trade payables to suppliers, the remaining will be due for payment within three months after the balance sheet date.

Short-term trade payables from operations for third-party account in the amount of EUR 3,845,389 pertain to trade payables to SODO d.o.o. for the use of network as per the contract.

Short-term payables to employees in the amount of EUR 1,454,486 include salaries reported but not yet paid, retirement benefits and long-service awards for the month of December, together with the payables for the contributions on such amounts.

Payables to state and other institutions include payables for VAT charged (EUR 243,594), payables for the tax on the corporation (EUR 45,616), payables for tax levied on meeting fees, labour contracts and mandatory apprenticeship (EUR 6,223), excise duty for the December (EUR 303), and other payables to state institutions (EUR 12,736).

Current financial and operating liabilities (in EUR)	Dec 31, 2015	Dec 31, 2014
Current financial liabilities		
Short-term financial liabilities to banks	11,837,695	6,206,650
Other short-term financial liabilities	7,063	5,879
Total	11,844,758	6,212,529
Short-term trade payables		
Short-term trade payables to companies within the corporate group	686,907	666,203
- of which payables for electricity for covering distribution losses	643,255	585,677
Short-term trade payables to suppliers	3,210,524	2,386,053
Short-term trade payables from operations for third-party account	3,845,389	3,344,420
Short-term trade payables to employees	1,454,486	1,399,631
Short-term trade payables to state and other institutions	308,472	687,678
Short-term trade payables based on advance payments	65,810	73,555
Other short-term trade payables	408,717	443,887
Total	9,980,305	9,001,427

Short-term trade payables based on advance payments include advances for services (EUR 63,889), as well as received overpayment of network charges and average connection fees (EUR 1,921).

Reported among other short-term trade payables of the company are paid deposits of providers (EUR 198,149), short-term liabilities related to deductions from employees' salaries (EUR 93,811), payables for supplement employee retirement insurance (EUR 55,899), short-term payables for interest (EUR 25,000), payables to employees for long-service awards and retirement benefits (EUR 21,494), and other short-term payables (EUR 14,364).

The company does not have any payables to the Management Board, the Supervisory Board, and to employee shareholders, except for those related to salaries and meeting fees of the Supervisory Board members for the month of December 2015. The company has not granted the Management Board, the Supervisory Board or employee shareholders any loans, advance payments or security for liabilities.

None of the company liabilities are secured by real collateral (liens etc.).

16.3.13 Short-term Accrued Expenses and Deferred Revenue

Accrued expenses and deferred revenue includes accrued costs (expenses) and short-term deferred revenue, which may only be used for items for which they have been initially recognised.

Short-term accrued costs in the amount of EUR 747,606 mainly include accrued labour costs for unused annual leave of the employees for 2015 in the amount of EUR 522,805, and accrued costs of salaries related to the unpaid part of

performance bonus as per collective industry agreement in the amount of EUR 219,446.

Short-term deferred revenue amounting to EUR 47,826 pertain to costs incurred as a result of withdrawals from contractual orders (EUR 9,967), and to received EU grants for covering the costs of the pilot project, which will be incurred in 2016 (EUR 37,859).

Short-term accrued expenses and deferred revenue (in EUR)	Dec 31, 2015	Dec 31, 2014
Short-term accrued costs and expenses	747,606	854,829
Short-term deferred revenue	47,826	9,967
VAT from advance payments made	3,001	3,073
Total	798,433	867,869

16.3.14 Contingent Liabilities

Contingent liabilities (in EUR)	Dec 31, 2015	Dec 31, 2014
Ongoing litigation procedures	1,215,349	566,568
Bank guarantees given	5,911	114,949
Total	1,221,260	681,517

Contingent liabilities in the amount of EUR 1,221,260 do not qualify for recognition among balance sheet items, thus they are included in the off-balance-sheet records. The amount of contingent liabilities related to ongoing litigation procedures in which Elektro Celje, d.d., is represented as the defendant, is EUR 1,215,349, which is EUR 648,781 more than as of December 31, 2014; claims for damages in the total amount of EUR 298,035 were resolved; the value of litigation procedures begun in 2015 is EUR 946,816. Two of the minority shareholders, Cypriot financial funds AMPELUS HOLDING LIMITED, and G.I. Dakota Investments Limited filed a lawsuit challenging decision no. 3.1 adopted at the 20th regular Shareholders Assembly of the company Elektro Celje, d.d., whereby the shareholders decided to use part of the distributable profit

in the amount of 3,145,015.25 for the payment of dividends, and allocate the remaining part in the amount of EUR 1,054,750.75 to other revenue reserves. The plaintiffs demand that additional EUR 893,113 be allocated for the payment of dividends, and their claim is classified by the company as contingent liability. Even in case of an unfavourable decision for the company Elektro Celje, such liability will have no effect on the current profit and will only impact the company equity.

In 2015, the company also recognised long-term provisions in the amount of EUR 19,850 in the case of an action for damages for alleged damage that is claimed to have been caused by asymmetry in the electrical installations.

16.3.15 Contingent Assets and Other Off-balance-sheet Records

Assets included in off-balance-sheet records do not qualify for recognition among the balance sheet items.

Contingent assets and other off-balance-sheet records (in EUR)	Dec 31, 2015	Dec 31, 2014
Contingent assets:		
Bank guarantees received	2,802,156	2,618,671
Damage claims	81,559	202,301
Receivables from partners in companies cancelled from the register	176,090	149,948
Allowance for employing disabled persons	84,777	78,860
	3,144,582	3,049,780
Other off-balance-sheet records:		
Infrastructure owned by SODO d. o. o.	3,703,612	3,846,276

The value of bank performance guarantees and guarantees of defect rectification in the warranty period is EUR 2,802,156.

Damage claims against insurance companies have not been settled in full yet, therefore they cannot be objectively valued prior to the settlement by the insurance companies (when the payable is transferred to the balance sheet total). Their estimated value is EUR 81,559.

The value of receivables due from partners in companies cancelled from the register increased by EUR 26,142.

Tax reliefs for employment of persons with disabilities are reported at EUR 84,777.

The value of fixed assets transferred to SODO d.o.o., based on the mutual agreement on the transfer and acquisition of fixed assets financed with the funds from average connection fees and the sales contract, amounts to EUR 3,703,612.

16.4 Events Following the Balance Sheet Date

There were no events following the balance sheet date and up to the date of the auditor's report, which would materially affect the assets and liabilities of the company

and impair the ability of the balance sheet users to perform a relevant evaluation and reach an informed decision.

16.5 Disclosures of Items in the Income Statement

Income statement is a fundamental financial statement that provides a faithful and fair account of the income for the fiscal year. The statement is prepared according to

version I of SAS 25.5, and as such it reports the costs separately by functional groups.

16.5.1 Net Sales Revenue

Net sales revenue includes revenue from lease and maintenance of infrastructure and rendering of services for SODO d.o.o. as per the relevant agreement, and other revenue from sales of products and services. The amounts invoiced for the account and on behalf of the company SODO d.o.o., are not reported as revenue, but rather as liabilities to the company SODO d.o.o. VAT and excise duty are not reported under sales revenue, but rather as withdrawal liabilities.

The company generated EUR 53,791,561 of net sales revenue in the domestic market and no revenue in international markets.

On February 21, 2012, Elektro Celje, d.d., as owner of electricity infrastructure, signed the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator SODO d.o.o., which is the exclusive holder of the

Net sales revenue (in EUR)	2015	2014
Revenue from lease and maintenance of infrastructure and provision of services for SODO d. o. o.	52,065,913	52,342,066
Revenue from sales of goods and services	1,725,648	1,577,497
Total	53,791,561	53,919,563

concession for performing compulsory public service of distribution system operator in the Republic of Slovenia. Pursuant to the provisions of said agreement, the parties sign an amendment to the agreement each year for the current year, defining therein the amount of lease payments, the volume of services to be rendered, and the amount of funds for coverage of distribution network losses. In 2015, the revenue based on the agreement and generated with the lease and maintenance of electricity infrastructure, rendering of services for SODO d.o.o. and the coverage of distribution network losses, in the total amount of EUR 52,065,913, represented 74.8 % of total company revenue. The agreement also provides that pursuant to the Act Determining the Methodology for Charging for the Network Charge one third of justified costs for the period from January 1, 2010 to December 31, 2011 in the amount of EUR 75,678, be taken into account in the calculations for 2015. These are justified costs incurred in the period from 2010 and 2011, which were not covered by network charges charged to electricity consumers, but

were included by the Energy Agency into the calculation of network charge tariff rates for the period from 2013 and 2015, when the distribution companies were charging electricity consumers for the network charge on behalf and account of SODO d.o.o. Pursuant to this agreement and amendments thereto, SODO d.o.o. prepared a final reconciliation for 2014, which yielded the amount of EUR -188,560, and a preliminary reconciliation for the 2015 regulatory year in the amount of EUR 3,426,391. In March 2016, this amount was invoiced and the respective revenue reported for 2015, but due to the network charge deficit it will probably be paid in the next regulatory period extending from 2019 to 2021, when it will be incorporated in the network charge tariff rates applicable to consumers then.

Performance of electricity installation and other services for third parties yielded to the company EUR 1,725,648 of revenue.

16.5.2 Capitalised Own Services

By constructing own assets the company generated 20.6 % of company revenue in the amount of EUR 14,324,151.

The company recognises and reports no profit in this regard.

16.5.3 Other Operating Revenue

Other operating revenue (in EUR)	2015	2014
Income from reversal of provisions	606,481	588,159
Other revenue associated with business effects	235,386	234,089
Compensation received	162,782	2,221,956
Operating revenue from revaluation	313,165	258,323
Total	1,317,814	3,302,527

Other operating revenue in the amount of EUR 1,317,814 includes:

- revenue from reversal of provisions in the amount of EUR 606,481 (EUR 489,539 from reversal of provisions from fixed assets acquired free of charge; EUR 107,992 from reversal of provisions from average connection fees charged and received prior to July 1, 2007; and EUR 8,950 from reversal of provisions for lawsuits)
- other revenue associated with business effects in the amount of EUR 235,386 (incentives for employment of persons with disabilities and bonuses for employment of persons with disabilities above the mandatory quota in the amount of EUR 76,539; subsidies for human re-

sources from EU funds; drawing of state aid for fixed assets and grants in the total amount of EUR 158,847)

- received damage compensation from insurance companies and other compensations in the amount of EUR 162,782
- revaluation adjustments from revaluation of operating revenue in the amount of EUR 313,165 (revenue from sales of fixed assets and decommissioned material in the amount of EUR 297,455; decreased VAT liabilities, write-downs of liabilities and reversal of the revaluation adjustment to receivables in the amount of EUR 15,710).

16.5.4 Operating Costs and Expenses by Functional Groups

in EUR			
Type of expenses	Production costs	Overhead	Total
Purchase of electricity	4,925,127	0	4,925,127
Cost of material	9,485,313	183,598	9,668,911
Cost of services	5,105,298	1,627,344	6,732,642
Labour cost	18,366,695	2,726,390	21,093,085
Amortisation and depreciation	16,953,721	735,779	17,689,500
Other expenses	617,162	167,677	784,839
Total	55,453,316	5,440,788	60,894,104

Operating costs and expenses can be direct, i.e., costs), or overhead. associable with the emerging business effects (production

16.5.4.1 Cost of Goods, Material and Services

Cost of goods, material and services in the amount of EUR 21,326,680 includes cost of purchase of electricity, cost of material and cost of services.

Cost of material and services (in EUR)	2015	2014
Cost of purchase of electricity	4,925,127	5,253,908
Cost of material:		
- for maintenance	562,940	614,965
- for damage repair	171,697	394,873
- other costs of material	8,934,275	10,335,737
Cost of services:		
- for maintenance	2,134,431	2,247,986
- for damage repair	191,553	366,860
- other costs of services	4,406,657	3,874,034
Total	21,326,680	23,088,363

Costs of purchase of electricity for covering electricity losses in the distribution network amounted to EUR 4,925,127.

Cost of material in the amount of EUR 9,668,911 includes cost of material for investments carried out in-house (EUR 7,666,485), cost of fuel and energy (720.544 EUR), cost of material used in maintenance (EUR 562,939), cost of material used for damage repair (EUR 171,697), cost of material used in provision of services to customers (EUR 352,063), write-offs of material for current requirements of occupational safety and small tools (EUR 177,291), and other cost of material (EUR 17,892).

Cost of services in the amount of EUR 6,732,642 includes maintenance service cost (EUR 2,134,432), cost of services of damage repair (EUR 191,553), costs associated with provision of electrical installation services to customers (EUR 217,933), costs of business data processing (EUR 1,382,293), insurance premiums (EUR 1,228.268), cost of postal and telephone services (EUR 267,053),

costs of the Supervisory Board and its Committees (EUR 125,445), cost of water, public utilities and hazardous waste management (EUR 96,795), cost of healthcare services (EUR 81,431), cost of technical education and training services (EUR 76,624), cost of system study services (EUR 71,519), cost of auditing, consulting, attorney and notarial services (EUR 61,233), advertising, entertainment and tradeshow expenses (EUR 59,463), cost of bank services (EUR 57,467), cost of rent (EUR 41,501), reimbursement of work-related costs (EUR 33,477), cost of access to data via electronic media (EUR 23,109), and costs of other services (EUR 583,046).

Pursuant to Article 57 of Companies Act (ZGD - 1), the company is subject to mandatory audit. BDO Revizija, d.o.o., was appointed as the company auditor for the annual report of the 2015 fiscal year, and an auditing contract in the amount of EUR 8,320 (excl. VAT) was signed with said auditing firm. The mentioned amount also includes the cost of auditing the consolidated annual report in the amount of EUR 880 (excl. VAT).

16.5.4.2 Labour Costs

Labour costs (in EUR)	2015	2014
Cost of salaries	14,974,458	14,519,094
Cost of supplementary employee retirement insurance	694,363	668,144
Cost of employer contributions and other levies on salaries	2,396,291	2,324,444
Other labour costs	2,636,069	2,009,316
Provisions for long-service awards and retirement benefits	391,904	298,181
Total	21,093,085	19,819,179

As of the balance sheet day, the company recognised among labour costs EUR 450,306 of labour costs accrued for unused annual leave in 2015, EUR 189,015 from the yet unpaid performance bonus as per the industry collective agreement, and EUR 102,930 of the contributions and other levies payable from these amounts.

Other labour costs in the amount of EUR 2,636,069 include EUR 822,845 of meal allowance for employees, EUR 658,671 of costs of travel to and from work, EUR 588,821 of accrued labour costs pursuant to the demand made by the trade union for the payment of balance of the 2015 holi-

day pay up to the amount defined under Art. 128 of the Collective Agreement for Slovenian Electricity Industry, EUR 509,362 of holiday pays, and EUR 56,370 of other income. The cost of provisions for long-service awards, retirement benefits and death allowance amounted to EUR 391,904.

In the 2015 fiscal year, the company Elektro Celje had 643 employees on average at the end of each month, or 633 employees per hours worked. The education composition of the employees is provided in section 12.3.2 of the Business Report.

16.5.4.3 Write-downs and Write-offs

Write-downs and write-offs (in EUR)	2015	2014
Amortisation and depreciation	17,689,500	17,923,351
Operating expenses from revaluation of tangible and intangible fixed assets	255,756	1,292,942
Operating expenses from revaluation of current assets	154,911	158,743
Total	18,100,167	19,375,036

Depreciation and amortisation calculated based on the same rates as in 2014 amount to EUR 17,689,500,

representing 28.5 % of total company expenses.

in EUR

Amortisation and depreciation	Intangible non-current assets	Buildings	Equipment	Total
Amortisation and depreciation for the year 2015	732,923	10,933,691	6,022,886	17,689,500
Amortisation and depreciation for the year 2014	672,846	11,367,622	5,882,883	17,923,351

Operating expenses from revaluation of fixed assets in the amount of EUR 255,756 and related to losses resulting from write-offs of fixed assets, were lower than the year before by EUR 1,037,186, when ice damage, comparatively speaking, resulted in write-offs amounting to EUR 1,171,830 of the current value of the fixed assets.

Operating expenses from revaluation of current assets in the amount of EUR 154,911 were 2.4 % lower than in 2014 and include revaluation adjustments to receivables due from customers in bankruptcy and compulsory settlement proceedings for disputed receivables, and receivables overdue by over 90 days as of the balance sheet day in the total amount of EUR 142,775, as well as revaluation adjustments to materials inventory in the amount of EUR 12,136.

16.5.4.4 Other Operating Expenses

Other operating expenses in the amount of EUR 374,172 include charges for the use of construction land (EUR

219,621), court fees (EUR 17,076), and other operating expenses.

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16.5.5 Finance Income from Shareholdings

Finance income from shareholdings in other companies in the amount of EUR 7,400 pertains to dividend paid out by Zavarovalnica Triglav, d.d.

Finance income from shareholdings (in EUR)	2015	2014
Finance income from shareholdings in companies within the corporate group	0	475,281
Finance income from shareholdings in other companies	7,400	5,032
Total	7,400	480,313

16.5.6 Finance Income from Interest on Loans

Finance income from loans granted (in EUR)	2015	2014
Finance income from loans granted to companies within the corporate group	395	12,001
Finance income from loans granted to others	1,828	88,218
Total	2,223	100,219

In 2015, the company received EUR 395 from interest on loans granted to companies within the Group, and EUR

1,828 from interest on fixed-term deposits with banks..

16.5.7 Finance Income from Trade Receivables

Finance income from trade receivables in the amount of EUR 135,722 includes exchange differences (EUR 38) and finance income from late charges on payments of trade receivables from customers (EUR 135,684 – of

which EUR 50,616 for network charges, EUR 6,138 for services, EUR 78,595 from the 2014 RF reconciliation, and EUR 335 from other trade receivables).

16.5.8 Financial Expenses from Impairment and Write-downs of Financial Investments

Impairment of long-term financial investments through income, debited to financial expenses, as of December 31, 2015 amounted to EUR 103,508 and pertained to the impairment of the financial investment into the equity

instrument of the company Informatika d.d. In 2014, the company did not register any financial investment impairment or write-downs.

16.5.9 Financial Expenses from Financial Liabilities

Financial expenses from financial liabilities (in EUR)	2015	2014
Financial expenses related to loans from companies within the corporate group	0	1,239
Financial expenses related to loans from banks	720,092	1,102,691
Financial expenses related to other financial liabilities	257,835	176,958
Total	977,927	1,280,888

Financial expenses from financial liabilities include bank interest for loans taken out (EUR 720,092) and financial expenses from other financial liabilities (EUR 257,835), which include expenses for net interest estimated on the basis of an actuarial calculation as of December 31, 2015 in

relation to the expected current value of liabilities pertaining to long-service awards, retirement benefits and death allowance (EUR 106,918), as well as to the discounted receivables from the company SODO (EUR 150,917).

16.5.10 Financial Expenses from Operating Liabilities

Financial expenses from operating liabilities amount to EUR 757 and include financial expenses from interest on contributions charged (EUR 546), expenses from other

operating liabilities (EUR 82), and exchange losses (EUR 129).

16.5.11 Other Income

Other income includes extraordinary items which are not expected to appear regularly or frequently, and which are recognised when they qualify for recognition. In 2015, such income amounts to EUR 26,854, of which reim-

bursment of court fees and execution officers' expenses received amount to EUR 23,468.

Other income (in EUR)	2015	2014
Collected receivables from earlier periods, previously written off	258	196
Received payments of court fees, and compensations	23,468	15,781
Other income from extraordinary operation	3,128	1,351
Total	26,854	17,328

16.5.12 Other Expenses

Other expenses include extraordinary items and other expenses from extraordinary operation which decrease the company income. They are recognised when they qualify for recognition. Other expenses in the amount of EUR

63,416 include compensations (EUR 36,981), annuities and reimbursement claims (EUR 16,317), donations (EUR 8,350), and other expenses (EUR 1,768).

Other expenses (in EUR)	2015	2014
Fines	750	30
Compensations, indemnifications and annuities	53,298	59,164
Other extraordinary items	9,368	7,845
Total	63,416	67,039

16.5.13 Net Income/Profit

Operating profit amounts to EUR 8,539,422. Adding the effect of finance income and financial expenses, net income from ordinary operation amounts to EUR 7,602,575. Together with other income and expenses from extraordinary operation, and the corporate income tax in the amount of EUR 784,969 and deferred taxes amounting to EUR 27,438, net income for 2015 stands at EUR 6,808,482.

Pursuant to SAS 8.30 and in order to preserve the purchasing power of capital, the company is obliged to disclose its net income (profit or loss) calculated on the basis of revaluation and growth of consumer price index. Since the consumer price decreased by 0.5 % in 2015, revaluation to preserve the purchasing power of capital was not performed.

16.5.14 Statement of Comprehensive Income

The total comprehensive income for the accounting period amounts to EUR 6,652,993 and is, due to revaluation of financial assets, available for sale (EUR -7,772) and due to other changes in equity composition (EUR -147,717)

lower by EUR 155,489 than the net income for the accounting period (EUR 6,808,482).

16.5.15 Income Tax

In the 2015 fiscal year, the company proved liable for a corporate tax in the amount of EUR 784,969, recognised on the basis of tax return. Following is a representation of

reconciliation of the tax expense with the tax calculated from the accounting gains before taxation:

in EUR

Comparison between effective and statutory tax rates	2015		2014	
	Rate	Amount	Rate	Amount
Profit before tax		7,566,013		9,048,080
Income tax defined by applying the statutory tax rate	17.00 %	1,286,222	17.00 %	1,538,174
Amounts with a negative effect on base of tax		1,422,722		1,276,562
- amount decreasing the level of tax-deductible expenses		1,422,722		1,276,562
- amount increasing the level of taxable income		0		0
Amounts with a positive effect on base of tax (+) (-)		770,255		1,744,904
- amount increasing the level of tax-deductible expenses		391,770		893,507
- amount decreasing the level of taxable income		378,485		851,397
Tax deductions		3,601,017		3,835,225
- applied, reducing tax liability		3,601,017		3,835,225
Current tax for the current year	10.37 %	784,969	8.91 %	806,567
Increase/decrease in deferred taxes		-27,438		-600,099
Income tax in the Income Statement	10.01 %	757,531	2.28 %	206,468

16.6 Disclosure of Items in the Statement of Cash Flows

The net cash flow in the period January - December 2015 amounted to EUR 82,625. The initial balance of cash and cash equivalents as of January 1, 2015 was EUR

106,748, the closing balance as of December 31, 2015 was EUR 24,123.

16.6.1 Inflows from Operating Activities

In the period at hand, the inflows from operating activities amounted to EUR 100,743,131, with 98.9 % of which from the sale of products and services. The greater part of inflows from operating activities are reported from receivables for lease and services as per the agreement with SODO d.o.o., which amount to EUR 58,277,609

and represent 57.9 % of total inflows from operating activities. Inflows from the use of network amounted to EUR 37,203,800, services rendered to customers yielded EUR 1,002,866, and inflows from services rendered to customers on behalf and for the account of SODO d.o.o., amounted to EUR 260,675.

16.6.2 Outflows from Operating Activities

Outflows from operating activities amounting to EUR 92,249,535 include expenses for the purchase of material and services, salaries including contributions and taxes, value added tax, and other expenses. The largest share of outflows from operating is held by expenses for the purchase of material and services in the amount of EUR 64,909,390, which represent 70.4 % of total operating expenses.

Salary expenses amounted to EUR 20,172,295. Outflows for taxes and charges are 37.9 % higher than in 2014 and amount to EUR 6,087,820. Other outflows amount to EUR 1,080,030, which is 22 % less than in 2014; the largest share (54.8 %) is represented by supplementary employee retirement insurance. The operating surplus in the amount of EUR 8,493,596 also sufficed to settle in their totality the liabilities related to the repayment of principal and interest of company's long-term investment loans.

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16.6.3 Inflows from Investing Activities

Inflows in investing activities amounted to EUR 328,599 and included inflows from received interest and shares of profit of other companies in the amount of EUR 9,627 (dividends paid out by Zavarovalnica Triglav, d.d., in the amount of EUR 7,400, inflows from received interest on

deposits in the amount of EUR 2,227 etc.), inflows from disposal of tangible fixed assets in the amount of EUR 258,972, and inflows from disposal of short-term financial investments into companies within the corporate group in the amount of EUR 60,000.

16.6.4 Outflows from Investing Activities

Outflows from investing activities in the amount of EUR 7,551,884 include expenses for the acquisition of intangible and tangible fixed assets, and expenses for the acqui-

sition of short-term financial investments in the companies within the corporate group in the amount of EUR 60,000.

16.6.5 Inflows from Financing Activities

Inflows from financing activities in the amount of EUR 18,475,000 include drawing of long-term loans: of the long-term loan in the amount of EUR 5,000,000, taken out in 2015 with the EIB for financing investments; of the long-term loan amounting to EUR 3,600,000, hired with the SID d.d. bank for the repair of ice damage; of the long-

term revolving loan in the amount of EUR 175,000; and inflows from multiple drawing of short-term loans for a total amount of EUR 9,700,000, the repayments of which are recorded in these same amounts in financial expenses, as well.

16.6.6 Outflows from Financing Activities

Outflows from financing activities in the amount of EUR 19,827,936 include outflows for paid interest in the amount of EUR 738,609, repayments of long-term loans amounting to EUR 6,270,567, repayments of short-term

loans in the amount of EUR 9,700,000, and outflows for the payment of dividends, which were paid out pursuant to the decision by the Shareholders Assembly in the amount of EUR 3,118,760.

16.7 Disclosures of Items in the Statement of Changes in Equity

The Statement of Changes in Equity faithfully and fairly presents the changes in equity for the year 2015, according to version I (SAS 27.7), in the form of a composite table of changes of all components of equity. Total company equity consists of share capital as entered into the Register of Companies, reserves, revaluation surplus, retained earnings, and net income for the fiscal year.

Share premium in the amount of EUR 62,260,317 is reported on the basis of reversal of general revaluation adjustment to equity. Revenue reserves amounting to EUR 30,075,398 include legal reserves in the amount of EUR 2,563,756 (recognised in 2015 in the amount of EUR 340,424) and other

revenue reserves amounting to EUR 27,511,642 (recognised in 2015 in the amount of EUR 4,288,780).

Revaluation surplus in the amount of EUR -81,082 was reduced by EUR 156,706 in 2015 (i.e., by EUR 296 from the revaluation adjustment to Zavarovalnica Triglav, d.d. shares, by EUR 159,857 from actuarial gain from the recognition of provisions for retirement benefits, and by EUR 7,476 with the adjustment of surplus from the revaluation of financial investments for deferred tax, and increased by EUR 10,923 through deferred tax from actuarial losses).

Distributable profit and suggestion of its allocation:

in EUR

DISTRIBUTABLE PROFIT	2015	2014
a) Net income/profit for the accounting period	6,808,482	8,841,612
b) Retained earnings	1,217	0
c) Increase in revenue reserves	3,574,453	442,081
Increase of legal reserves pursuant to the decision by the Management Board	340,424	442,081
Increase of other revenue reserves pursuant to the decision by the Management Board	3,234,029	0
DISTRIBUTABLE PROFIT (a + b - c)	3,235,246	4,199,766

The Management Board of Elektro Celje proposes that the distributable profit for 2015 in the amount of EUR 3,235,246 be allocated in its entirety to other revenue reserves, and that such reserves in the amount of EUR 3,235,246 be used to set up a fund for the acquisition of treasury shares. The

state assets management strategy adopted by the National Assembly suggests that companies that own electricity infrastructure gradually consolidate their ownership shares so that the Republic of Slovenia eventually becomes a 100 % shareholder.

16.8 Financial Risk Management

Long-term stability of operation is ensured through active risk management. In terms of financial risk, the company is proactive in credit, market, equity and liquidity risk management. Exposure to individual risks and appropriate management

are assessed and implemented based on their effects on cash flows and financing expenses. In compliance with the adopted risk management policy, financial risks are regularly assessed and the suitability of their management is verified

16.8.1 Credit Risk

Credit risk in trade receivables (risk of loss due to non-fulfilment of debtor's liability) is related to the non-payment or late payment by electricity consumers and by recipients of the services rendered by the company. Receivables management and debt recovery are implemented in accordance with Article 76 of the Energy Act (EZ-1), Article 42 of the Decree on General Conditions for the Supply and Consumption of Electricity (SPDOEE), and the provisions of the financial regulation of the company. Risk is managed mainly by constant monitoring and accounts receivables insurance, active recovery of overdue and unpaid receivables, and late charges for overdue payments.

As of December 31, 2015, trade receivables recorded a 28.2 % year-over-year increase mainly due to the receipt of preliminary reconciliation of the regulatory framework (RF) for the year 2015 in the amount of EUR 3,426,391, which is expected to be paid in the next RF (i.e., in the years 2019–2021, one third per year). Trade receivables from deviations of the RF for the years 2012–2015 from the actual justified costs of SODO activity by Elektro Celje account for 43.9 % of total trade receivables and will due to a deficit in network charges be included in network charge items in future RFs.

Short-term trade and other receivables account for 88.6 % of the company's current assets. At the end of 2015, their value was 25.2 % higher than at the beginning of the year, mainly owing to the carry-over of short-term receivables from the company SODO in the amount of EUR 1,277,304, which will come due in 2016. The policy of receivables insurance in 2015 remained the same. Compliant with its risk management system, the company requires security for receivables

from higher-risk business partners. Security for short-term trade receivables based on debt collection instruments amounts to EUR 399,797; other company's receivables are not secured. Network charge receivables from customers are not insured because this is not anticipated in the SPDOEE.

Exposure to credit risk

As of December 31, 2015, the company has EUR 788,435 of trade receivables for network charges, services, lease, average connection fees and late charges payable within a period longer than 365 days (bankruptcies, compulsory settlements, lawsuits, and property manager debt as per the Housing Act, and a revaluation adjustment recognised for such) and EUR 9,905,234 of trade receivables not yet due. The percentage of unrecovered trade receivables from 2014 which remain unsettled even one year after their due date amounts to 0.2 %.

The maturity profile of trade receivables reports short-term receivables to the companies within the Group and to customers (without revaluation adjustments), and late charge receivables (without revaluation adjustments). Compliant with the SAS, the company recognises the revaluation adjustment for trade receivables in bankruptcy proceedings, receivables which are subject of legal dispute, and receivables overdue by more than 90 days as of the balance sheet day. Revaluation adjustment of trade receivables is further explained in section 16.2 within the accounting policies (measurement upon initial recognition). The probability of the liquidation of such debt is about 2 %. In 2015, receivables for unjustified consumption amounted to EUR 257,839, of which a little less than 38 % was actually paid.

Maturity analysis of current trade receivables due by customers (in EUR):

Maturity	Dec 31, 2015	Share in %	Dec 31, 2014	Share in %
Receivables not yet due	9,905,234	85.9	7,946,579	84.5
Overdue by less than 30 days	565,908	4.9	408,224	4.3
Overdue by 31-60 days	64,603	0.6	38,876	0.4
Overdue by 61-90 days	12,063	0.1	9,990	0.1
Overdue by 91-180 days	60,369	0.5	45,757	0.5
Overdue by 181-365 days	133,945	1.2	114,574	1.2
Overdue by over 365 days	788,435	6.8	836,526	8.9
Total	11,530,557	100.0	9,400,526	100.0

The company is also exposed to credit risk related to the financial investments within the Group which are held for sale. Credit risk arising from financial investments is a risk of higher fluctuations in the value of a financial instrument. Low creditworthiness affects the liquidity of financial instruments and makes the sale of investment more difficult. At its extreme, credit risk may lead to a situation in which an investment becomes of no value. Financial assets quoted in the active market and the fair value of which can be reliably measured are valued at fair value (i.e., 2,960 shares of Zavarovalnica

Triglav, d.d., in the amount of EUR 69,560), while others are valued at cost. On the balance sheet date, the company's management establishes whether there are any objective reasons for impairment assessment of a financial investment into an equity instrument. The value that best represents the maximum possible exposure to such risk is the total value of investment. Hedging instruments cannot be used for reducing the exposure to the risk of decrease in the value of long-term financial investments below their cost.

16.8.2 Liquidity Risk

In its operation, Elektro Celje is exposed to the risk of unbalanced liquidity, meaning that at a given moment it may not be able to settle its liabilities. The exposure is measured based on the balance of cash inflows and cash outflows.

Exposure to liquidity risk

An important element in liquidity risk management (even short-term) is cash flow planning, which is implemented by Elektro Celje on daily, weekly, monthly and annual bases. Cash flow risk is affected by the amount of collected network

charges, for due to the deficit in network charges for 2014 and 2015 the payments pursuant to the preliminary reconciliations of SODO contractual liabilities will only be made in future regulatory periods, when the Energy Agency calculates them into tariff rates for network charges payable by the customers. The company's financial position statement reports the two receivables at discounted value, as calculated for the period following the inclusion of receivables into the RF when, in compliance with the network charges act, their remuneration is terminated.

Preliminary and final reconciliations (in EUR)	Carrying value as of Dec 31, 2015	Incorporation into the regulatory framework	
		2016-2018	2019-2021
1. SODO - 2014 preliminary reconciliation (PRO 2014)	3,860,759	3,860,759	0
2. SODO - 2015 preliminary reconciliation (PRO 2015)	3,426,391	0	3,426,391
3. SODO - contractual interest for PRO 2014	77,215	77,215	0
4. EAgen - final reconciliation RF 2012-2014	-26,108	-26,108	0
5. Total deviations from the Regulatory Framework (RF)	7,338,257	3,911,866	3,426,391

To ensure daily liquidity and for the event of increased liquidity demand, in 2015, the company had a EUR 2.5 million worth of bank credit agreements with a maturity of up to one year and, since December, a long-term revolving loan in the amount of EUR 3.145 million. In 2015, the company also signed a contract with the EIB, for EUR 28 million to finance

its investments in the period 2015–2017. The risk of poor credit and timely acquisition of required borrowing consents from sectorial ministries is managed by maintaining an adequate share of equity in liabilities and high values of financial performance indicators.

Maturity of financial liabilities to banks as of Dec 31, 2015 (in EUR)	Carrying value as of Dec 31, 2015	Term		
		Up to 1 year	1 to 5 years	over 5 years
1. Investment financing loans	45,304,426	11,761,695	30,247,682	3,295,049
2. Other loans granted	76,000	76,000	0	0
Total financial liabilities to banks	45,380,426	11,837,695	30,247,682	3,295,049

Maturity of financial liabilities to banks as of Dec 31, 2014 (in EUR)	Carrying value as of Dec 31, 2014	Term		
		Up to 1 year	1 to 5 years	over 5 years
1. Investment financing loans	42,875,993	6,206,650	28,795,660	7,873,683
Total financial liabilities to banks	42,875,993	6,206,650	28,795,660	7,873,683

16.8.3 Market Risk

The major market risk to which Elektro Celje is exposed is the risk of loss (benefit) due to changes in the interest rates of loans. It is related to market fluctuations of interest rates and consequently affects interest-sensitive financial liabilities, which may result in an increase or decrease of related expenses. The exposure to interest rate risk is assessed as low, as only 16.7 % of assets are financed with bank loans.

The balance sheet as of December 31, 2015 shows that the financial liabilities were mostly subject to variable interest rates based on three or six month EURIBOR. The company is exposed to interest rate risk due to potentially unfavourable changes in the EURIBOR reference interest rate; the latter are not secured by financial instruments.

Exposure to interest rate risk

Exposure to interest rate risk is assessed by sensitivity analysis. Based on the volume of loans as of December 31, 2015, a 0.1 % change in the interest rate (IR) would result in a cash outflow amounting to EUR 15,943, a 0.2 % change in the IR would result in a cash outflow amounting to EUR 41,046, and a 0.3 % change in the IR would result in EUR 81,342 higher expenses for interest paid (the likelihood of higher EURIBOR change is estimated as low). The analysis rests on the assumption that all other variables remain the same.

16.8.4 Equity Risk

Equity is managed in order to ensure a high credit rating, capital adequacy and good financing indicators to meet the requirements of operation funding and attain the highest possible value for shareholders. In 2015, equity to total liabilities rate amounted to 72.15 % compared to 72.86 % in 2014.

Changes in equity are monitored by the financial leverage indicator calculated by dividing (net) financial liabilities by equity. Net financial liabilities include long- and short-term liabilities to banks and other financial liabilities minus cash

and cash equivalents. In making equity management decisions, the company also observes other financial commitments pursuant to credit agreements defined in section 16.3.11. On the balance sheet date, the company fulfils all contractual financial commitments.

As a precaution, the company rejects all terms of contracts that would allow the lender to subsequently change interest rates (increased costs clauses) due to changed conditions in the money and capital markets, changes in regulations and instructions by any governmental, fiscal or monetary authorities, changes in the borrower's credit ranking, etc. The company acts in accordance with the Decree on the Terms and Conditions and Methods of Borrowing by Legal Entities from Article 87 of the Public Finance Act. Pursuant to the decree, consent by the Ministry of Finance is required for any and each borrowing procedure and signing agreements with banks.

The company cannot fully manage this risk, as the management costs (interest rate hedging) or taking out loans at fixed interest rate not based on EURIBOR would exceed the benefits. A large increase of EURIBOR is not expected in 2016, and the company has succeeded several times already in reducing the EURIBOR margin defined in the existing contracts (in 2015, the effect of reduction on pre-tax income amounted to EUR 123,403, which is EUR 584,759 to the expiration of these contracts). The average EURIBOR margin for all long-term loans in 2015 amounts to 1.7 %.

Exposure to equity risk

The company's net debt to equity ratio is relatively low, which is a good starting point for obtaining a good credit rating and thereby lower costs of borrowing.

Financial leverage indicator (in EUR)	Dec 31, 2015	Dec 31, 2014
1. Loans granted and other financial liabilities	45,387,489	42,881,872
2. Minus cash and cash equivalents	-24,123	-106,748
3. Net financial liabilities	45,363,366	42,775,124
4. Equity	196,443,080	192,935,102
5. Net debt to equity ratio	23.1%	22.2%

16.9 Transactions with Associated Parties

16.9.1 Transactions with Companies within the Corporate Group

in EUR / YEAR	2015		2014	
	ECE d.o.o.	MHE - ELPRO d.o.o.	ECE d.o.o.	MHE - ELPRO d.o.o.
Assets:				
Short-term trade receivables	8,718	3,054	38,495	5,623
Accrued revenue and deferred expenses	637,418	0	292,652	0
Total assets	646,136	3,054	331,147	5,623
Liabilities:				
Short-term operating liabilities to suppliers	654,248	32,659	633,435	32,768
Total liabilities	654,248	32,659	633,435	32,768
Income				
Net revenue from sales	158,530	24,693	171,001	26,479
Finance income	0	395	11,932	69
Total income	158,530	25,088	182,933	26,548
Costs and expenses:				
Cost of material	5,002,467	145,340	5,350,360	81,002
Cost of services	86	0	160,216	0
Financial expenses	0	0	4,121	0
Total costs and expenses	5,002,553	145,340	5,514,697	81,002

16.9.2 Data on the Remuneration of the Supervisory and Management Bodies

Remuneration granted to the supervisory and management bodies for their functions in the company is as follows:

Gross receipts of groups of persons (in EUR)	2015	2014
Member of the Management Board	108,860	103,833
Members of the Supervisory Board and Supervisory Board Audit Committee	114,680	110,371
Total	223,539	214,204

The Management Board in the person of Chairman Mr. Rade Knežević received EUR 108,860 gross (92,413 EUR as fixed part of salary, EUR 13,190 as performance-linked variable part of salary, EUR 2,466 EUR as reimbursement of work-related costs, and EUR 791 as holiday pay). The costs of training and education amounted to EUR 1,344. The Chairman of the Management Board is entitled to use a company vehicle. In case of no-fault termination of office

before the expiration of the term, the employment contract of the Chairman of the Management Board provides for severance pay in the amount of six monthly salaries if the Chairman's employment is terminated. In 2015, the Chairman of the Management Board did not hold a position in supervisory or management bodies in any other company.

In 2015, members of the Supervisory Board (hereinafter SB), members of the SB Audit Committee (SBAC), and the independent third-party member of the SBAC received remuneration in the total amount of EUR 114,680 gross, or EUR 83,316 net. Pursuant to the decision adopted at the 16th Elektro Celje Shareholders Assembly held on August 31, 2011, the following basic annual remuneration shall be

paid to members of the SB in addition to their meeting fees: EUR 16,950 – Chairperson of the SB; EUR 12,430 – Deputy Chairperson of the SB; EUR 11,300 – member of the SB; EUR 4,238 – Chairperson of the SBAC; EUR 2,825 – Member of the SBAC. The meeting fee amounts to EUR 275 (up to 50 % of the basic payment for the performance of the function); the meeting by correspondence fee to EUR 220.

Receipts of members of the Supervisory Board (SB), the Supervisory Board Audit Committee (SBAC), and of the independent third-party expert, member of the SBAC

in EUR

No.	Position	Name and surname	Net receipts	Gross receipts	Meeting fees and basic payment	Reimbursement of expenses
1	2	3	4=5+6	5	6	
1	Chairman of the SB and member of the SBAC	Mirjan Trampuž	18,078	24,877	24,450	427
2	Deputy chairman of the SB and member of the SBAC	Dejan Božič	15,046	20,708	19,930	778
3	Member of the SB since Sept 1, 2014	Boris Počivavšek	10,491	14,446	14,435	11
4	Member of the SB	Mitja Vatovec	10,940	15,063	14,435	628
5	Member of the SB and Chairwoman of the SBAC	Tatjana Habjan	15,064	20,733	20,213	520
6	Member of the SB since Sept 1, 2014	Tomislav Pajić	10,507	14,468	14,435	33
7	Independent third-party expert, member of the SBAC	Darinka Virant	3,190	4,386	4,136	249
TOTAL			83,316	114,680	112,034	2,646

The Supervisory Board consists of six members, of which four represent the shareholders and two represent the employees. All members of the SB have the same rights, duties and liabilities. The SB is appointed by the company Shareholders Assembly with an ordinary majority of the votes by the shareholders present, except for the two SB members elected by the Works Council. Any changes and

amendments to the company Articles of Association are adopted by a three-quarter majority of the share capital represented at the Shareholders Assembly.

Positions in management or supervisory bodies of associated and non-associated companies held by the members of the Elektro Celje SB:

Name and Surname	Membership in Management or Supervisory Bodies
Mirjan Trampuž	Member of the Council of the Slovenian Institute of Quality and Metrology (SIQ)
Dejan Božič	/
Tatjana Habjan	Independent expert, member of the Supervisory Board Audit Committee of Slovenske železnice, d.o.o. (until September 9, 2015), and of the Supervisory Board Audit Committee of ERGO Živiljenjske zavarovalnice, d.d.; Sole proprietor of Dodana vrednost, revidiranje in svetovanje, Tatjana Habjan; Chairwoman of the EISEP – European Institute of Compliance and Ethics
Mitja Vatovec	Managing Director of Plan Plus d.o.o.; Sole proprietor of Mitja Vatovec, poslovno svetovanje s.p.
Tomislav Pajić	/
Boris Počivavšek	/

In 2015, remuneration of the members of managerial and supervisory bodies employed based on an employment contract to which the tariff part of the collective agreement

for Slovenian Electricity Industry does not apply amounted to EUR 395,163 gross, EUR 209,676 net.

16.10 Disclosures Pursuant to the Energy Act (EA)

Elektro Celje, d.d., compiles its financial statements for the company as a whole. In addition, business segments or activities are reported on pursuant to Article 109 of EA (EZ-1) and to the provisions of the SAS in order to provide

explanatory notes to the financial statements. The activities of the company include provision of electricity infrastructure and services of public utility service of DNSO as per agreement with SODO d.o.o., and market activities.

16.10.1 Balance Sheet Broken Down by Activities

Transactions affecting the accounts of assets and liabilities are recorded on an accrual basis and per activities, whereby the company applies the principle of individual valuation of assets and liabilities. Balance Sheet broken down by activities – business segments – has the form of a double-entry balance and includes items specified in SAS 24.4.

Pursuant to the rules and regulations on the criteria for separate accounting recording and reporting by the business activities of Elektro Celje, the assets and liabilities are classified according to their purpose and use under the respective activities of the company. Only the distribution network including the control centres activity is classified directly under the activity of providing power distribution infrastructure and services for the network distribution operator, while the remaining assets and liabilities of this sector that are not exclusive to one activity are classified in the appropriate category based on the number of hours spent by the sector working on each activity.

The activity of provision of power infrastructure and services is directly allocated short-term and long-term finan-

cial liabilities to banks from investment loans, short-term liabilities from operations for third-party account (SODO), and short-term and long-term trade receivables for network charge and trade receivables due from the system operator. The market activity is directly allocated two long-term investments, one into the subsidiary for power generation and distribution, and the other into the controlled company for the marketing of electricity.

Short-term financial investments and available cash and cash equivalents are calculated based on the amount of assets and liabilities of the activity. The amounts of share capital and revenue reserve are determined and do not change, while the changes of other components of capital by individual segments are disclosed and reported in the statements of changes in equity broken down by activity. The remaining assets and liabilities of the sector that are not exclusive to one activity are classified into the appropriate category based on the number of hours spent by the sector working on each activity.

With regard to assets and liabilities of shared functions the classification by activity follows these criteria:

Account	Criterion
007, 06, 07, 08, 25, 262, 263, 2655, 2663, 270, 277, 282, 285, 2851 to 2859, 320, 321, 966, 989	1
003, 004, 008, 010, 015, 020, 021, 027, 035, 040, 041, 045, 047, 048, 050, 051, 055, 058, 089, 130, 131, 968	2
120, 129, 1321, 133, 150, 151, 155, 159, 160, 161, 164, 165, 169, 190, 191, 192, 195, 260, 290, 291, 295	3
30, 31, 1320	4
2201, 230, 2212, 224, 2656/8 and 2660/1, 2, 4, 5	5
100, 101, 102, 109, 110, 111, 112, 180, 183, 189, 900, 919, 920, 923, 930, 931, 932, 963	Calculation

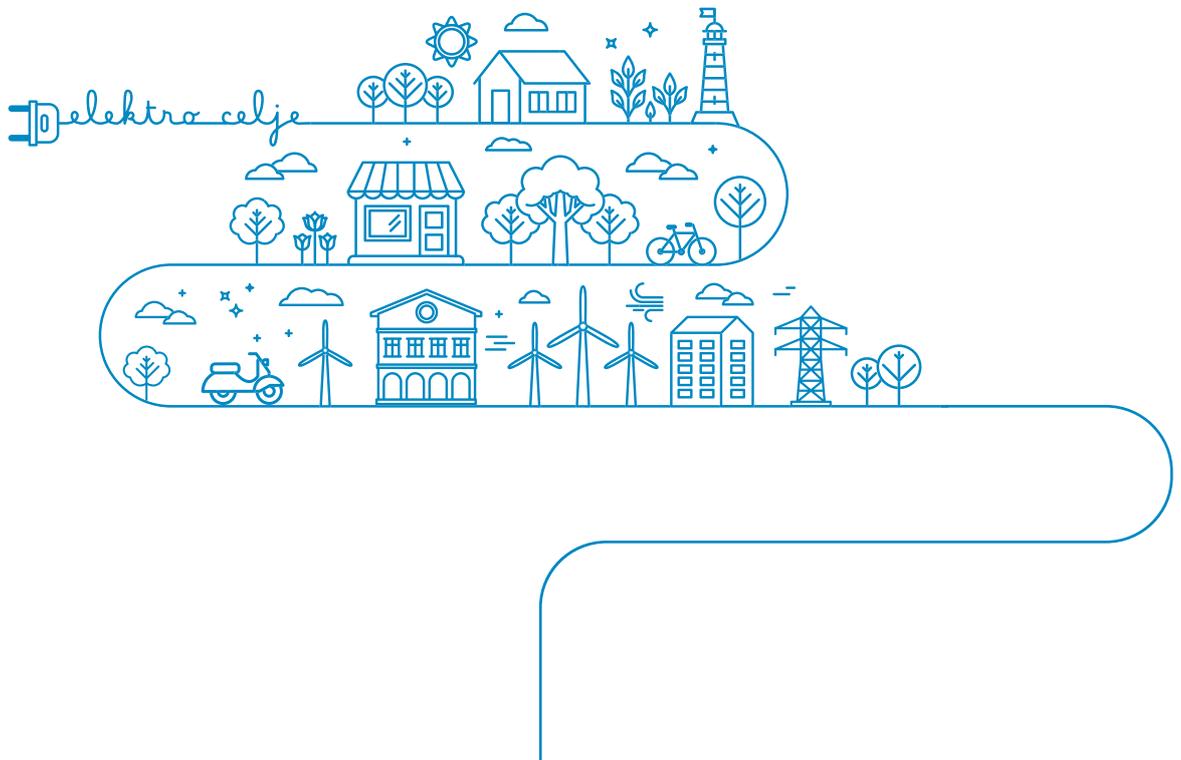
- **Criterion 1 – Share of hours worked for a particular activity in the accounting period** – is used to allocate long-term financial investments not assigned to a particular activity; long-term loans granted; long-term trade receivables; liabilities related to salaries; short-term liabilities to state and other institutions; other short-term trade payables; small tools inventory; long-term trade payables; and retained contributions for employment of persons with disabilities over the mandatory quota. These assets and liabilities are related by contents and amount to the number of hours worked or the number of employees (sale of apartments with payment in instalments, small tools purchase, employees' salaries).

- **Criterion 2 – Share of fixed assets current value** – is applied in classifying fixed assets used within shared functions. Since they serve both activities, they are allocated to the appropriated category based on the share of fixed assets pertaining to each activity in the maintenance and investment sector.

- **Criterion 3 – Share of total revenue in the accounting period, excluding the revenue from shared functions** – is applied in classifying short-term receivables, payables for VAT, and short-term accruals and deferrals that are not assigned to a particular activity. The balance of these assets and liabilities depends on the scope of invoicing and the related total revenue.

• **Criterion 4 – Share of material used in the accounting period by particular activity** (excluding the cost of electricity purchased to cover the losses) – is applied in classification of materials inventory. Greater use of material requires larger purchases and in turn larger inventory.

• **Criterion 5 – Share of cost of material and services by particular activity** (excluding the cost of electricity purchased to cover the losses) – is used in classifying trade payables to suppliers of fixed and current assets. Since these payables are based on the invoices for material and services received, which are recorded upon occurrence at the level of shared functions, they are classified based on a combined criteria of used material and services by the activities from which these payables reasonably derive.



BALANCE SHEET BY ACTIVITIES as of Dec 31, 2015

in EUR

ITEM	SODO activity	Market activities	Total
1	2	3	4
A. Non-current assets (I. + II. + III. + IV. + V. + VI.)	250,762,915	8,451,846	259,214,761
I. Intangible assets and long-term accrued revenue and deferred expenses (1 to 6)	1,142,030	14,331	1,156,361
1. Long-term property rights	1,131,915	14,245	1,146,160
4. Intangible assets in development	10,008	43	10,051
6. Other long-term accrued revenue and deferred expenses	107	43	150
II. Property, plant and equipment (1 to 4)	242,853,979	1,050,963	243,904,942
1. Land and buildings (a + b)	173,715,604	37,119	173,752,723
a) Land	5,791,678	4,126	5,795,804
b) Buildings	167,923,926	32,993	167,956,919
2. Production equipment and machinery	61,143,839	943,409	62,087,248
3. Other plant and equipment	46,716	46,777	93,493
4. Tangible fixed assets in the course of acquisition (a + b)	7,947,820	23,658	7,971,478
a) Property, plant and equipment under construction	7,947,820	23,658	7,971,478
IV. Long-term financial investments (1 to 2)	194,760	7,385,356	7,580,116
1. Long-term financial investments excl. loans (a + b + c + d)	194,760	7,385,356	7,580,116
a) Shares and shareholdings in companies within the corporate group	0	7,246,975	7,246,975
c) Other shares and shareholdings	194,760	138,381	333,141
V. Long-term trade receivables (1 to 3)	5,933,686	1,196	5,934,882
2. Long-term trade receivables from customers	5,927,233	0	5,927,233
3. Long-term trade receivables from others	6,453	1,196	7,649
VI. Deferred tax assets	638,460	0	638,460
B. Current assets (I. + II. + III. + IV. + V.)	11,020,743	1,286,195	12,306,938
II. Inventory (1 to 4)	337,488	1,043,041	1,380,529
1. Material	337,488	1,043,041	1,380,529
IV. Short-term trade receivables (1 to 3)	10,680,185	222,101	10,902,286
1. Short-term trade receivables from companies within the corporate group	9,129	2,643	11,772
2. Short-term trade receivables	10,391,791	151,015	10,542,806
3. Short-term trade receivables from others	279,265	68,443	347,708
V. Cash and cash equivalents	3,070	21,053	24,123
C. Short-term accrued revenue and deferred expenses	680,978	58,316	739,294
TOTAL ASSETS (A + B + C)	262,464,636	9,796,357	272,260,993

in EUR

ITEM	SODO activity	Market activities	Total
1	2	3	4
A. Equity	190,439,273	6,003,807	196,443,080
I. Called-up share capital	98,665,077	2,288,124	100,953,201
1. Share capital	98,665,077	2,288,124	100,953,201
II. Share premium	60,849,175	1,411,142	62,260,317
III. Revenue reserve	27,697,859	2,377,539	30,075,398
1. Legal reserves	2,446,066	117,690	2,563,756
5. Other revenue reserves	25,251,793	2,259,849	27,511,642
IV. Revaluation surplus	-93,600	12,518	-81,082
V. Retained earnings	899	318	1,217
1. Retained earnings from previous years	899	318	1,217
VI. Net income/ profit for the year	3,319,863	-85,834	3,234,029
1. Undistributed net income/ profit for the year	3,234,029	0	3,234,029
2. Net loss for the year	85,834	-85,834	0
B. Provisions and long-term accrued expenses and deferred revenue (1 to 3)	18,020,344	1,623,866	19,644,210
1. Retirement benefits and similar employee benefits	3,921,223	1,488,145	5,409,368
2. Other provisions	560,069	55,557	615,626
3. Long-term accrued expenses and deferred revenue	13,539,052	80,164	13,619,216
C. Non-current liabilities (I.+ II.+ III.)	33,550,207	0	33,550,207
I. Non-current financial liabilities (1 to 4)	33,542,731	0	33,542,731
2. Long-term financial liabilities to banks and companies	33,542,731	0	33,542,731
III. Deferred tax liabilities	7,476	0	7,476
D. Current liabilities (I. + II. + III.)	19,885,894	1,939,169	21,825,063
II. Current financial liabilities (1 to 4)	11,837,695	7,063	11,844,758
2. Short-term financial liabilities to banks and companies	11,837,695	0	11,837,695
4. Other short-term financial liabilities	0	7,063	7,063
III. Current operating liabilities (1 to 8)	8,048,199	1,932,106	9,980,305
1. Short-term trade payables to companies within the corporate group	675,510	11,397	686,907
2. Short-term trade payables to suppliers	1,881,002	1,329,522	3,210,524
4. Short-term trade payables from operations for third-party account	3,845,389	0	3,845,389
5. Short-term trade payables to employees	1,092,528	361,958	1,454,486
6. Short-term trade payables to state and other institutions	242,141	66,331	308,472
7. Short-term trade payables based on advances	1,921	63,889	65,810
8. Other short-term trade payables	309,708	99,009	408,717
E. Short-term accrued expenses and deferred revenue	568,918	229,515	798,433
TOTAL LIABILITIES (A to E)	262,464,636	9,796,357	272,260,993

BALANCE SHEET BY ACTIVITIES as of Dec 31, 2014

in EUR

ITEM	SODO activity	Market activities	Total
1	2	3	4
A. Non-current assets (I. + II. + III. + IV. + V. + VI.)	244,962,397	8,481,131	253,443,528
I. Intangible assets and long-term accrued revenue and deferred expenses (1 to 6)	1,377,630	7,070	1,384,700
1. Long-term property rights	1,335,639	6,532	1,342,171
4. Intangible assets in development	41,547	360	41,907
6. Other long-term accrued revenue and deferred expenses	444	178	622
II. Property, plant and equipment (1 to 4)	238,667,928	1,050,492	239,718,420
1. Land and buildings (a + b)	171,512,226	38,224	171,550,450
a) Land	5,858,815	4,118	5,862,933
b) Buildings	165,653,411	34,106	165,687,517
2. Production equipment and machinery	61,630,015	966,640	62,596,655
3. Other plant and equipment	41,742	43,571	85,313
4. Tangible fixed assets in the course of acquisition (a + b)	5,483,945	2,057	5,486,002
a) Property, plant and equipment under construction	5,483,945	2,057	5,486,002
IV. Long-term financial investments (1 to 2)	262,249	7,421,671	7,683,920
1. Long-term financial investments excl. loans (a + b + c + d)	262,249	7,421,671	7,683,920
a) Shares and shareholdings in companies within the corporate group	0	7,246,975	7,246,975
c) Other shares and shareholdings	262,249	174,696	436,945
V. Long-term trade receivables (1 to 3)	4,054,491	1,898	4,056,389
2. Long-term trade receivables from customers	23,149	0	23,149
3. Long-term trade receivables from others	4,031,342	1,898	4,033,240
VI. Deferred tax assets	600,099	0	600,099
B. Current assets (I. + II. + III. + IV. + V.)	9,999,467	308,712	10,308,179
II. Inventory (1 to 4)	349,748	1,042,999	1,392,747
1. Material	349,748	1,042,999	1,392,747
IV. Short-term trade receivables (1 to 3)	8,603,200	205,484	8,808,684
1. Short-term trade receivables from companies within the corporate group	35,024	9,094	44,118
2. Short-term trade receivables	8,289,723	131,041	8,420,764
3. Short-term trade receivables from others	278,453	65,349	343,802
V. Cash and cash equivalents	1,046,519	-939,771	106,748
C. Short-term accrued revenue and deferred expenses	993,694	68,114	1,061,808
TOTAL ASSETS (A + B + C)	255,955,558	8,857,957	264,813,515

in EUR

ITEM	SODO activity	Market activities	Total
1	2	3	4
A. Equity	187,956,607	4,978,495	192,935,102
I. Called-up share capital	98,665,077	2,288,124	100,953,201
1. Share capital	98,665,077	2,288,124	100,953,201
II. Share premium	60,849,175	1,411,142	62,260,317
III. Revenue reserve	23,131,940	2,314,254	25,446,194
1. Legal reserves	2,105,642	117,690	2,223,332
5. Other revenue reserves	21,026,298	2,196,564	23,222,862
IV. Revaluation surplus	21,071	54,553	75,624
V. Retained earnings	1,335,762	-1,335,762	0
1. Retained earnings from previous years	1,335,762	0	1,335,762
2. Retained losses from previous years	0	1,335,762	1,335,762
VI. Net income/ profit for the year	3,953,582	246,184	4,199,766
1. Undistributed net income/ profit for the year	3,953,582	246,184	4,199,766
B. Provisions and long-term accrued expenses and deferred revenue (1 to 3)	17,670,897	1,456,348	19,127,245
1. Retirement benefits and similar employee benefits	3,721,082	1,419,006	5,140,088
2. Other provisions	40,000	0	40,000
3. Long-term accrued expenses and deferred revenue	13,909,815	37,342	13,947,157
C. Non-current liabilities (I.+ II.+ III.)	36,669,343	0	36,669,343
I. Non-current financial liabilities (1 to 4)	36,669,343	0	36,669,343
2. Long-term financial liabilities to banks and companies	36,669,343	0	36,669,343
D. Current liabilities (I. + II. + III.)	13,022,834	2,191,122	15,213,956
II. Current financial liabilities (1 to 4)	6,210,704	1,825	6,212,529
2. Short-term financial liabilities to banks and companies	6,206,650	0	6,206,650
4. Other short-term financial liabilities	4,054	1,825	5,879
III. Current operating liabilities (1 to 8)	6,812,130	2,189,297	9,001,427
1. Short-term trade payables to companies within the corporate group	643,205	22,998	666,203
2. Short-term trade payables to suppliers	858,775	1,527,278	2,386,053
4. Short-term trade payables from operations for third-party account	3,344,420	0	3,344,420
5. Short-term trade payables to employees	1,018,484	381,147	1,399,631
6. Short-term trade payables to state and other institutions	617,537	70,141	687,678
7. Short-term trade payables based on advances	735	72,820	73,555
8. Other short-term trade payables	328,974	114,913	443,887
E. Short-term accrued expenses and deferred revenue	635,877	231,992	867,869
TOTAL LIABILITIES (A to E)	255,955,558	8,857,957	264,813,515

16.10.2 Income Statement Broken Down by Activities

Income statement broken down by business segments is compiled according to version I (SAS 25.5). All revenue, expenses and net income are broken down into the part related to activities of providing power distribution infrastructure and rendering services for SODO, and market activities.

Organizational activities are not separated; they are conducted within the maintenance and investment section, development and operations sector, and shared functions.

Revenue, costs and expenses that cannot be directly attributed to a particular activity based on the type of work are classified in the appropriate category based on the number of hours spent by the sector working on each activity. In allocating the revenue, costs and expenses of the shared functions and organizational units within the shared functions, which cannot be directly attributed to a particular activity, the classification under the appropriate category is carried out according to the following criteria:

Account	Criterion
part of 760, 765, 766, 768, 769, 770, 774, 775, 777, 78, 720, 721, 740, 743, 745, 746, 749	Shared functions
770, 772	Number of hours worked per individual activity
others 40, 41, 43, 443, 47, 48, 75, 78	Individual organisational unit within shared functions

The criteria of shared functions and individual organisational unit within the shared functions are based on the calculation of appropriate ponderers, which include the following categories:

- **activity revenue** (the criterion is calculated based on revenue by activity for the accounting period, minus the shared functions revenue)
- **current value of fixed assets associated with the activity** (the criterion is calculated based on the current value of fixed assets by activity on the last day of the accounting period)
- **consumption of material** (the criterion is calculated based on the amounts of material used, excluding the costs of electricity, by activities in the accounting period)

- **number of hours worked** (the criterion is calculated based on the actual hours worked by the employees per each activity in the accounting period)
- **cost of business data processing** (the criterion is calculated based on the shares of use of resources as per the price list from the contract signed with Informatika, d. d.)
- **transport costs** (the criterion is calculated based on the value of transports by activity in the accounting period).

Net sales revenue broken down by company activities:

Net sales revenue by activities (in EUR)	SODO activity	Market activities	Total
From lease and maintenance of infrastructure and rendering services for SODO	52,065,913	0	52,065,913
From the sale of services	474,109	1,251,539	1,725,648
Total	52,540,022	1,251,539	53,791,561

INCOME STATEMENT BY ACTIVITIES for the period January-December 2015

in EUR

ITEM	Amount		
	SODO activity	Market activities	Total
1	2	3	4
1. Net sales revenue	52,540,046	1,251,515	53,791,561
a. In the domestic market	52,540,046	1,251,515	53,791,561
3. Capitalised own products and services	0	14,324,151	14,324,151
4. Other operating revenue (incl. revaluation surplus)	1,106,610	211,204	1,317,814
5. Costs of goods, material and services (a + b)	12,035,651	9,291,029	21,326,680
a. Cost of goods and material	6,250,936	8,343,102	14,594,038
b. Cost of services	5,784,715	947,927	6,732,642
6. Labour costs (a + b + c + d)	15,197,030	5,896,055	21,093,085
a. Cost of salaries	10,733,692	4,240,766	14,974,458
b. Cost of supplementary employee retirement insurance	511,958	182,405	694,363
c. Cost of employer contributions and other levies on salaries	1,717,132	679,159	2,396,291
d. Other labour costs	2,234,248	793,725	3,027,973
7. Write-downs and write-offs (a + b + c)	17,500,191	599,976	18,100,167
a. Amortisation and depreciation	17,122,756	566,744	17,689,500
b. Operating expenses from revaluation of intangible and tangible fixed assets	232,253	23,503	255,756
c. Operating expenses from revaluation of current assets	145,182	9,729	154,911
8. Other operating expenses	334,190	39,982	374,172
9. Finance income from shareholdings (a + b)	0	7,400	7,400
b. Finance income from shareholdings in other companies	0	7,400	7,400
10. Finance income from loans granted (a + b)	1,549	674	2,223
a. Finance income from loans to companies within the corporate group	275	120	395
b. Finance income from loans to others	1,274	554	1,828
11. Finance income from trade receivables	133,722	2,000	135,722
b. Finance income from trade receivables due from third parties	133,722	2,000	135,722
12. Financial expenses from impairment and write-downs of financial investments	72,135	31,373	103,508
13. Financial expenses from financial liabilities (a + b)	950,753	27,174	977,927
b. Financial expenses related to loans from banks	720,092	0	720,092
d. Financial expenses related to other financial liabilities	230,661	27,174	257,835
14. Financial expenses from trade payables	549	208	757
c. Financial expenses from other trade payables	549	208	757
15. Other revenue	19,630	7,224	26,854
16. Other expenses	59,211	4,205	63,416
17. PROFIT FOR THE PERIOD BEFORE TAXES (1 ± 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16)	7,651,847	-85,834	7,566,013
18. Income tax	784,969	0	784,969
19. Deferred taxes	27,438	0	27,438
20. NET PROFIT/LOSS FOR THE PERIOD (1 ± 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 18 + 19)	6,894,316	-85,834	6,808,482

INCOME STATEMENT BY ACTIVITIES for the period January-December 2014

in EUR

ITEM	Amount		
	SODO activity	Market activities	Total
1	2	3	4
1. Net sales revenue	52,816,806	1,102,757	53,919,563
a. In the domestic market	52,816,806	1,102,757	53,919,563
3. Capitalised own products and services	0	15,117,824	15,117,824
4. Other operating revenue (incl. revaluation surplus)	3,144,077	158,450	3,302,527
5. Costs of goods, material and services (a + b)	12,635,284	10,453,079	23,088,363
a. Cost of goods and material	6,983,279	9,616,204	16,599,483
b. Cost of services	5,652,005	836,875	6,488,880
6. Labour costs (a + b + c + d)	14,279,829	5,539,350	19,819,179
a. Cost of salaries	10,480,343	4,038,751	14,519,094
b. Cost of supplementary employee retirement insurance	478,857	189,287	668,144
c. Cost of employer contributions and other levies on salaries	1,678,097	646,347	2,324,444
d. Other labour costs	1,642,532	664,965	2,307,497
7. Write-downs and write-offs (a + b + c)	18,802,291	572,745	19,375,036
a. Amortisation and depreciation	17,367,532	555,819	17,923,351
b. Operating expenses from revaluation of intangible and tangible fixed assets	1,287,457	5,485	1,292,942
c. Operating expenses from revaluation of current assets	147,302	11,441	158,743
8. Other operating expenses	275,863	32,043	307,906
9. Finance income from shareholdings (a + b)	0	480,313	480,313
a. Finance income from shareholdings in companies within the corporate group	0	475,281	475,281
b. Finance income from shareholdings in other companies	0	5,032	5,032
10. Finance income from loans granted (a + b)	69,452	30,767	100,219
a. Finance income from loans to companies within the corporate group	8,317	3,684	12,001
b. Finance income from loans to others	61,135	27,083	88,218
11. Finance income from trade receivables	49,201	2,649	51,850
b. Finance income from trade receivables due from third parties	49,201	2,649	51,850
13. Financial expenses from financial liabilities (a + b)	1,231,382	49,506	1,280,888
a. Financial expenses related to loans from companies within the corporate group	859	380	1,239
b. Financial expenses related to loans from banks	1,102,691	0	1,102,691
d. Financial expenses related to other financial liabilities	127,832	49,126	176,958
14. Financial expenses from trade payables	2,172	961	3,133
a. Financial expenses from trade payables to companies within the corporate group	1,998	884	2,882
c. Financial expenses from other trade payables	174	77	251
15. Other revenue	14,575	2,753	17,328
16. Other expenses	65,394	1,645	67,039
PROFIT FOR THE PERIOD BEFORE TAXES			
17. (1 ± 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16)	8,801,896	246,184	9,048,080
18. Income tax	806,567	0	806,567
19. Deferred taxes	600,099	0	600,099
NET PROFIT/LOSS FOR THE PERIOD			
20. (1 ± 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 18 + 19)	8,595,428	246,184	8,841,612

16.10.3 Statement of Cash Flows Broken Down by Activities

The statement of cash flows broken down by activities is a company financial statement that faithfully and fairly presents changes in the cash and cash equivalents by activities. It refers to the fiscal year for which it is compiled. It reports the cash flows by activity in operating, investing and financing activities. The cash flow statement is compiled in version I (SAS 26.5) using the direct method and line-by-line form.

The basis for compiling the statement of cash flows by activity are data from the relative underlying documents on the cash flows. The allocation of revenue and expenses by

activity for the relevant accounting period follows the criteria for allocating assets, liabilities, revenue and expenses.

The cash flows increasing or decreasing the values of assets and liabilities of a sector and cannot be directly attributed to one particular activity are classified under the appropriate category based on the number of hours spent by the sector working on each activity. The allocation of revenue and expenses of shared functions to the appropriate activities follows the criteria defined in the rules and regulations on the criteria for separate accounting recording and reporting by the business activities of Elektro Celje:

Account	Criterion
06, 07, 08, 25, 263, 2655, 2663, 270, 277, 282, 285, 966	C1
130, 131, 968	C2
120, 1321, 133, 150, 151, 155, 160, 161, 164, 165, 190, 191, 192, 195, 260, 290, 291, 295	C3
2201, 230, 2212, 224, 2656/8, 2660/1, 2, 4, 5, 6, 2203	C5
110, 111, 112, 176, 180, 182, 183, 272, 280	Calculation

The cash flows which increase or decrease the volume of revenue, costs and expenses of activities within the maintenance and investment sector and within the development and operations sector, and which cannot be directly attributed to a particular activity based on the type of work, will be classified under the appropriate category

based on the number of hours spent by each sector working on a particular activity. The allocation of revenue, costs and expenses of shared functions and organisational units within shared functions, which cannot be directly attributed to a particular activity, follows the criteria specified in Articles 14 and 15 of the said rules and regulations:

Account	Criterion
7772, 7773, 7862, 7863, 7460/1, 2	Shared functions
4163, 4196, 4821, 4890, 7540, 7580, 7591, 7880, 7890	Individual organisational unit within shared functions

The surplus of inflows from operating activities over the outflows from the activity of providing power distribution network and rendering services for the distribution network operator represents a funding source for investing

activities, payments to suppliers, and carrying out own investments within the company's non-power related activities.



STATEMENT OF CASH FLOWS FOR 2015

in EUR

Item	SODO activity	Market activities	Total
1	2	3	4
A. Operating cash flow			
a) Operating revenue	99,069,711	19,148,884	118,218,595
Revenue from sale of goods and services	98,238,981	18,824,056	117,063,037
Other operating revenue	830,730	324,828	1,155,558
b) Operating expenses	-77,174,304	-15,075,230	-92,249,534
Purchase of material and services	-56,548,296	-8,361,093	-64,909,389
Salaries and employees' share in the profit	-15,187,970	-4,984,325	-20,172,295
Charges (contributions and other taxes)	-4,635,516	-1,452,304	-6,087,820
Other operating expenses	-802,522	-277,508	-1,080,030
c) Net cash inflow or outflow in operating activities	21,895,407	4,073,654	25,969,061
B. Investing cash flow			
a) Inflows from investing activities	283,360	45,239	328,599
Interests and dividends received	1,812	7,815	9,627
Proceeds from disposal of property, plant and equipment	221,548	37,424	258,972
Proceeds from disposal of short-term financial investments in companies within the corporate group	60,000	0	60,000
Proceeds from disposal of short-term financial investments	0	0	0
b) Outflows from investing activities	-24,988,040	-39,308	-25,027,348
Purchase of intangible fixed assets	-858,347	-10,771	-869,118
Purchase of property, plant and equipment	-24,069,693	-28,537	-24,098,230
Purchase of short-term financial investments in companies within the corporate group	-60,000	0	0
c) Net cash inflow or outflow in investing activities	-24,704,680	5,931	-24,698,749
C. Financing cash flow			
a) Inflows from financing activities	18,475,000	17,475,464	35,950,464
Loans granted by companies within the corporate group	0	0	0
Granted long-term loans	8,775,000	0	8,775,000
Granted short-term loans	9,700,000	17,475,464	27,175,464
b) Outflows from financing activities	-16,709,176	-20,594,225	-37,303,401
Interest paid	-738,609	0	-738,609
Repayments of loans granted by companies within the corporate group	0	0	0
Repayments of long-term debt	-6,270,567	0	-6,270,567
Repayments of short-term debt	-9,700,000	-17,475,464	-27,175,464
Paid out dividends and other profit shares	0	-3,118,761	3,118,761
c) Net cash inflow or outflow in financing activities	1,765,824	-3,118,761	-1,352,937
D. Closing balance			
Cash and cash equivalents in the period (sum of net cash inflows/ outflows under A, B and C)	-1,043,449	960,824	-82,625
Opening balance	1,046,519	-939,771	106,748

STATEMENT OF CASH FLOWS FOR 2014

in EUR

Item	SODO activity	Market activities	Total
1	2	3	4
A. Operating cash flow			
a) Operating revenue	99,719,875	19,933,771	119,653,646
Revenue from sale of goods and services	96,123,704	19,636,785	115,760,489
Other operating revenue	3,596,171	296,986	3,893,157
b) Operating expenses	-70,917,208	-17,837,821	-88,755,029
Purchase of material and services	-52,402,417	-11,081,840	-63,484,257
Salaries and employees' share in the profit	-14,105,325	-5,367,979	-19,473,304
Charges (contributions and other taxes)	-3,307,783	-1,105,771	-4,413,554
Other operating expenses	-1,101,683	-282,231	-1,383,914
c) Net cash inflow or outflow in operating activities	28,802,667	2,095,950	30,898,617
B. Investing cash flow			
a) Inflows from investing activities	4,221,795	518,554	4,740,349
Interests and dividends received	114,498	480,378	594,876
Proceeds from disposal of property, plant and equipment	463,297	38,176	501,473
Proceeds from disposal of short-term financial investments of companies within the corporate group	644,000	0	644,000
Proceeds from disposal of short-term financial investments	3,000,000	0	3,000,000
b) Outflows from investing activities	-29,449,493	-47,593	-29,497,086
Purchase of intangible fixed assets	-173,889	-892	-174,781
Purchase of property, plant and equipment	-29,275,604	-46,701	-29,322,305
c) Net cash inflow or outflow in investing activities	-25,227,698	470,961	-24,756,737
C. Financing cash flow			
a) Inflows from financing activities	40,437,263	19,177,737	59,615,000
Loans granted by companies within the corporate group	1,836,008	733,992	2,570,000
Granted long-term loans	23,415,000	0	23,415,000
Granted short-term loans	15,186,255	18,443,745	33,630,000
b) Outflows from financing activities	-45,780,558	-19,922,122	-65,702,680
Interests paid	-1,124,965	0	-1,124,965
Repayments of loans granted by companies within the corporate group	-1,836,008	-733,992	-2,570,000
Repayments of long-term debt	-25,976,474	0	-25,976,474
Repayments of short-term debt	-15,186,255	-18,443,745	-33,630,000
Paid out dividends and other profit shares	-1,656,856	-744,385	-2,401,241
c) Net cash inflow or outflow in financing activities	-5,343,295	-744,385	-6,087,680
D. Closing balance			
Cash and cash equivalents in the period (sum of net cash inflows/ outflows under Ac, Bc and Cc)	-1,768,326	1,822,526	54,200
Opening balance	2,814,845	-2,762,297	52,548



Elektro Celje





INTEGRATION

We provide electricity to almost one quarter of Slovenia. This is a responsibility we implement by managing a modern distribution network, in which all electric power devices and equipment are integrated into an efficient system.



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17. CONSOLIDATED FINANCIAL STATEMENTS OF ELEKTRO CELJE GROUP

17.1 CONSOLIDATED BALANCE SHEET

in EUR

ITEM	Note	Amount	
		Current year	Previous year
A. Non-current assets (I. + II. + III. + IV. + V. + VI.)		257,668,990	249,934,024
I. Intangible assets and long-term accrued revenue and deferred expenses (1 to 6)	18.3.1	1,787,304	1,670,260
1. Long-term property rights		1,629,895	1,627,731
4. Intangible assets in development		157,259	41,907
6. Other long-term accrued revenue and deferred expenses		150	622
II. Property, plant and equipment (1 to 4)	18.3.2	246,489,479	242,253,976
1. Land and buildings (a + b)		174,835,032	172,674,287
a) Land		5,862,153	5,928,244
b) Buildings		168,972,879	166,746,043
2. Production equipment and machinery		63,265,765	64,002,019
3. Other plant and equipment		417,204	91,668
4. Tangible fixed assets in the course of acquisition (a + b)		7,971,478	5,486,002
a) Property, plant and equipment under construction		7,971,478	5,486,002
III. Investment property	18.3.3	321,318	298,773
IV. Long-term financial investments (1 to 2)	18.3.4	684,777	436,944
1. Long-term financial investments excl. loans (a + b + c + d)		684,777	436,944
c) Other shares and shareholdings		684,777	436,944
V. Long-term trade receivables (1 to 3)	18.3.8.1	6,928,016	4,170,788
2. Long-term trade receivables from customers		6,919,719	136,177
3. Long-term trade receivables from others		8,297	4,034,611
VI. Deferred tax assets	18.3.5	1,458,096	1,103,283
B. Current assets (I. + II. + III. + IV. + V.)		54,096,194	34,940,768
I. Available-for-sale assets	18.3.6	51,628	0
II. Inventory (1 to 4)	18.3.7	1,426,577	1,451,015
1. Material		1,380,529	1,392,747
3. Products and merchandise		46,048	58,268
IV. Short-term trade receivables (1 to 3)	18.3.8.2	50,761,120	31,486,204
2. Short-term trade receivables from customers		47,167,231	29,407,821
3. Short-term trade receivables from others		3,593,889	2,078,383
V. Cash and cash equivalents	18.3.9	1,856,869	2,003,549
C. Short-term accrued revenue and deferred expenses	18.3.10	479,360	838,620
TOTAL ASSETS (A + B + C)		312,244,544	285,713,412

in EUR

ITEM	Note	Amount	
		Current year	Previous year
A. Equity	18.3.11	207,638,928	196,839,551
Equity share of non-controlling interests		4,463,343	0
Equity share of controlling interests		203,175,585	196,839,551
I. Called-up share capital		100,953,201	100,953,201
1. Share capital		100,953,201	100,953,201
II. Share premium		62,260,317	62,260,317
III. Revenue reserve		30,076,650	25,447,446
1. Legal reserves		2,565,008	2,224,584
5. Other revenue reserves		27,511,642	23,222,862
IV. Revaluation surplus		-40,448	76,927
V. Retained earnings		3,903,111	2,009,567
1. Retained earnings from previous years		3,903,111	2,009,567
VI. Net income/ profit for the year		6,022,754	6,092,093
1. Undistributed net income/ profit for the year		6,022,754	6,092,093
B. Provisions and long-term accrued expenses and deferred revenue (1 to 3)	18.3.12	20,206,307	19,457,685
1. Retirement benefits and similar employee benefits		5,971,465	5,470,528
2. Other provisions		615,626	40,000
3. Long-term accrued expenses and deferred revenue		13,619,216	13,947,157
C. Non-current liabilities (I.+ II.+ III.)		33,632,922	36,770,278
I. Non-current financial liabilities (1 to 4)	18.3.13	33,609,060	36,770,278
2. Long-term financial liabilities to banks and companies		33,609,060	36,770,278
II. Non-current operating liabilities (1 to 5)		7,659	0
4. Long-term operating liabilities related to advance payments		7,659	0
III. Deferred tax liabilities	18.3.14	16,203	0
D. Current liabilities (I. + II. + III.)		48,742,355	30,519,657
II. Current financial liabilities (1 to 4)		13,879,624	6,247,502
2. Short-term financial liabilities to banks and companies		13,872,561	6,241,623
4. Other short-term financial liabilities		7,063	5,879
III. Current operating liabilities (1 to 8)		34,862,731	24,272,155
2. Short-term trade payables to suppliers		18,974,262	12,321,912
4. Short-term trade payables from operations for third-party account		11,455,151	7,896,043
5. Short-term trade payables to employees		1,725,717	1,536,620
6. Short-term trade payables to state and other institutions		1,105,221	1,627,062
7. Short-term trade payables based on advances		970,217	429,827
8. Other short-term trade payables		632,163	460,691
E. Short-term accrued expenses and deferred revenue	18.3.15	2,024,032	2,126,241
TOTAL LIABILITIES (A + B + C + D + E)		312,244,544	285,713,412

17.2 CONSOLIDATED INCOME STATEMENT

in EUR

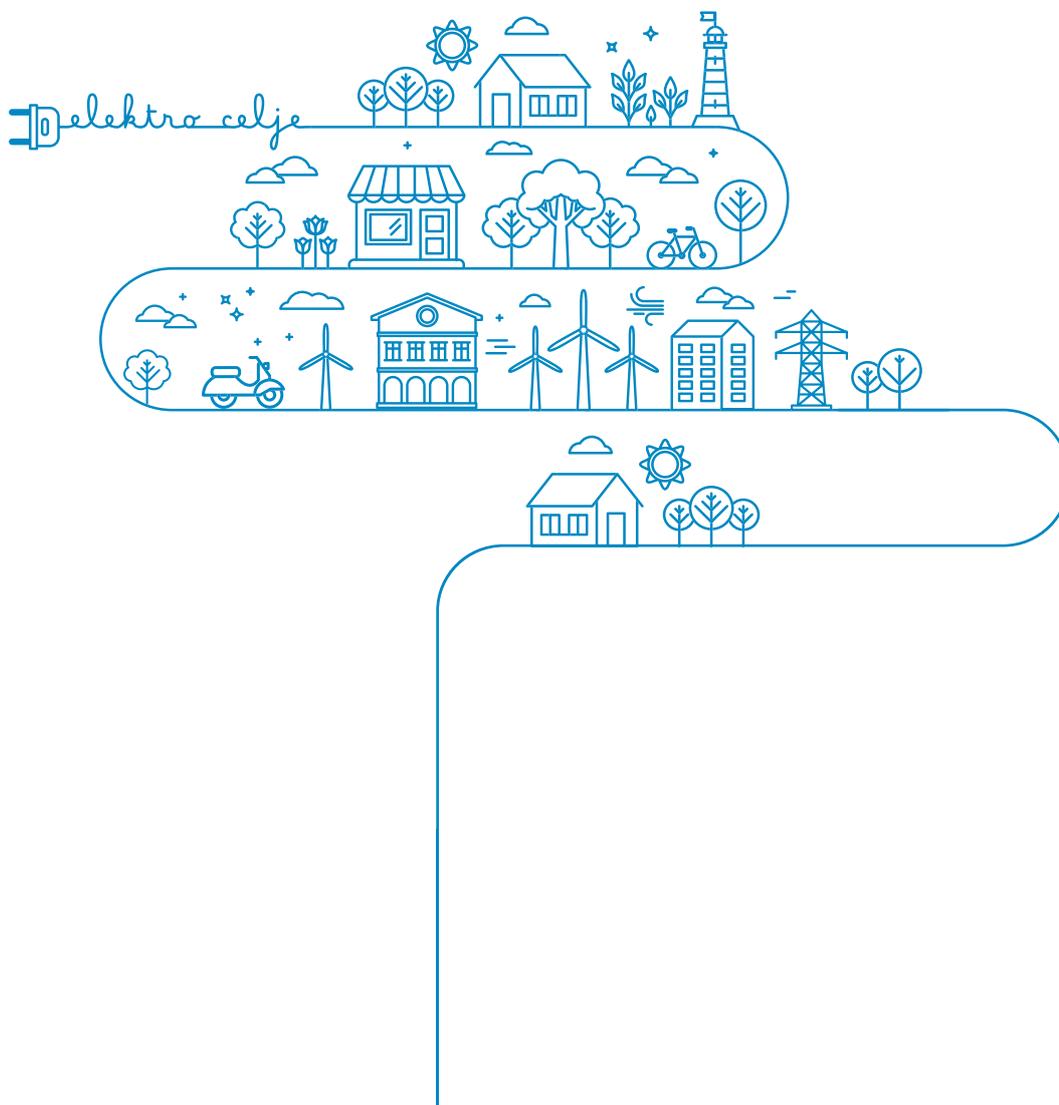
ITEM	Note	Amount	
		Current year	Previous year
1. Net sales revenue (a + b)	18.5.1	162,405,192	140,389,018
a. In the domestic market		162,405,192	140,389,018
3. Capitalised own products and services	18.5.2	14,324,151	15,117,824
4. Other operating revenue (incl. revaluation surplus)	18.5.3	2,896,270	3,406,268
5. Costs of goods, material and services (a + b)	18.5.4.1	124,291,002	103,981,806
a. Cost of goods and material		114,250,970	94,774,053
b. Cost of services		10,040,032	9,207,753
6. Labour costs (a + b + c + d)	18.5.4.2	23,094,512	21,382,411
a. Cost of salaries		16,481,894	15,648,468
b. Cost of supplementary employee retirement insurance		749,645	714,451
c. Cost of employer contributions and other levies on salaries		2,639,158	2,510,559
d. Other labour costs		3,223,815	2,508,933
7. Write-downs and write-offs (a + b + c)	18.5.4.3	19,357,839	20,797,151
a. Amortisation and depreciation		18,069,944	18,248,905
b. Operating expenses from revaluation of intangible and tangible fixed assets		256,951	1,542,069
c. Operating expenses from revaluation of current assets		1,030,944	1,006,177
8. Other operating expenses	18.5.4.4	654,297	377,510
9. Finance income from shareholdings (a + b + c)	18.5.5	7,400	5,032
b. Finance income from shareholdings in other companies		7,400	5,032
10. Finance income from loans granted (a + b)	18.5.6	4,333	99,392
b. Finance income from loans to others		4,333	99,392
11. Finance income from trade receivables (a + b)	18.5.7	334,781	190,559
b. Finance income from trade receivables due from third parties		334,781	190,559
12. Financial expenses from impairment and write-downs of financial investments	18.5.8	103,508	0
13. Financial expenses from financial liabilities (a + b + c + d)	18.5.9	985,557	1,305,291
b. Financial expenses related to loans from banks		727,722	1,116,955
d. Financial expenses related to other financial liabilities		257,835	188,336
14. Financial expenses from trade payables (a + b + c)	18.5.10	13,996	2,405
b. Financial expenses from trade payables to suppliers and liabilities arising from bills of exchange		398	2,147
c. Financial expenses from other trade payables		13,598	258
15. Other revenue	18.5.11	165,497	145,605
16. Other expenses	18.5.12	107,209	87,859
17. PROFIT FOR THE PERIOD BEFORE TAXES (1 + 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16)	18.5.13	11,529,704	11,419,265
18. Income tax	18.5.15	1,114,450	1,369,444
19. Deferred taxes		182,023	-684,118
20. NET PROFIT/LOSS FOR THE PERIOD (1 + 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 18 + 19)	18.5.13	10,233,231	10,733,939
21. NET PROFIT SHARE OF CONTROLLING INTERESTS		9,597,207	
22. NET PROFIT SHARE OF NON-CONTROLLING INTERESTS		636,024	

17.3 CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

in EUR

	ITEM	Current year	Previous year
1.	Profit for the financial period	10,233,231	10,733,939
3.	Changes in the revaluation surplus from revaluations of available-for-sale financial assets	22,430	13,616
5.	Adjustment to the revaluation surplus from revaluations of actuarial gain/loss	-124,552	32,653
6.	Total comprehensive income for the financial period (1 + 2 + 3 + 4 + 5)	10,131,109	10,780,208

Explanatory notes to the Consolidated Comprehensive Income Statement are provided in section 18.5.14.



17.4 CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR

Item	Note	Current year	Previous year
1	2	3	4
A. Operating cash flow			
a) Operating revenue	18.6.1	356,512,724	265,540,976
Revenue from sale of goods and services		354,565,167	261,769,977
Other operating revenue		1,947,557	3,770,999
b) Operating expenses	18.6.2	-349,999,300	-248,808,822
Purchase of material and services		-306,354,368	-213,712,088
Salaries and employees' share in the profit		-23,049,499	-20,980,031
Charges (contributions and other taxes)		-19,361,929	-13,069,719
Other operating expenses		-1,233,504	-1,046,984
c) Net cash inflow or outflow in operating activities		6,513,424	16,732,154
B. Investing cash flow			
a) Inflows from investing activities	18.6.3	758,336	3,612,810
Interests and dividends received		19,364	112,969
Proceeds from disposal of property, plant and equipment		258,972	499,841
Proceeds from disposal of short-term financial investments		480,000	3,000,000
b) Outflows from investing activities	18.6.4	-8,375,124	-11,595,597
Purchase of intangible fixed assets		-1,201,028	-373,735
Purchase of property, plant and equipment		-6,794,096	-11,221,862
Purchase of short-term financial investments		-380,000	0
c) Net cash inflow or outflow in investing activities		-7,616,788	-7,982,787
C. Financing cash flow			
a) Inflows from financing activities	18.6.5	40,955,055	73,145,117
Granted long-term loans		8,775,000	23,415,000
Granted short-term loans		32,180,055	49,730,117
b) Outflows from financing activities	18.6.6	-40,352,095	-80,580,705
Interest paid		-748,163	-1,138,385
Repayments of long-term debt		-6,305,172	-26,011,079
Repayments of short-term debt		-30,180,000	-51,030,000
Paid out dividends and other profit shares		-3,118,760	-2,401,241
c) Net cash inflow or outflow in financing activities		602,960	-7,435,588
D. Closing balance			
Cash and cash equivalents in the period (sum of net cash inflows/ outflows under Ac, Bc and Cc)		-500,404	1,313,779
Opening balance		2,357,273	689,770

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17.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY from Jan 1, 2015 to Dec 31, 2015	Called-up capital		Revenue reserve			Revaluation surplus	Retained earnings		Net income/ profit for the year	Total equity share of the non-controlling interests	Total
	Share capital	Share premium	Legal reserves	Other revenue reserve	Retained earnings		Retained earnings				
						Share capital		Share premium	Legal reserves	Other revenue reserve	Retained earnings
A.1. Balance at the end of previous period	100,953,201	62,260,317	2,224,584	23,222,862	76,927	2,009,567	2,009,567	6,092,093	196,839,551	0	196,839,551
A.2. Balance at the beginning of the reporting period	100,953,201	62,260,317	2,224,584	23,222,862	76,927	2,009,567	2,009,567	6,092,093	196,839,551	0	196,839,551
B.1. Changes in equity - transactions with shareholders	0	0	0	0	0	-3,145,015	-3,145,015	0	-3,145,015	3,813,283	668,268
a) Payment of dividends	0	0	0	0	0	-3,145,015	-3,145,015	0	-3,145,015	0	-3,145,015
b) Effects of the merger by acquisition	0	0	0	0	0	0	0	0	0	3,813,283	3,813,283
B.2. Total comprehensive income in the reporting period	0	0	0	0	-116,158	0	0	9,597,207	9,481,049	650,060	10,131,109
a) Entry of net income/ profit for the reporting period	0	0	0	0	0	0	0	9,597,207	9,597,207	636,024	10,233,231
b) Changes in the revaluation surplus from revaluations of financial investments	0	0	0	0	22,430	0	0	0	22,430	10,433	32,863
c) Adjustment of the revaluation surplus - actuarial gains	0	0	0	0	-138,588	0	0	0	-138,588	3,603	-134,985
B.3. Changes in equity	0	0	340,424	4,288,780	-1,217	5,038,559	-9,666,546	0	0	0	0
a) Allocation of the remainder of net profit of 2014 to other equity components	0	0	0	0	0	6,092,093	-6,092,093	0	0	0	0
b) Allocation of a part of net profit of 2015 to other equity components pursuant to the decision by the management and supervisory bodies	0	0	340,424	3,234,029	0	0	-3,574,453	0	0	0	0
c) Allocation of a part of net profit into building up additional reserves pursuant to the decision by the Shareholders Assembly	0	0	0	1,054,751	0	-1,054,751	0	0	0	0	0
d) Other changes in equity	0	0	0	0	-1,217	1,217	0	0	0	0	0
C. Balance at the end of the reporting period	100,953,201	62,260,317	2,565,008	27,511,642	-40,448	3,903,111	6,022,754	203,175,585	4,463,343	207,638,928	

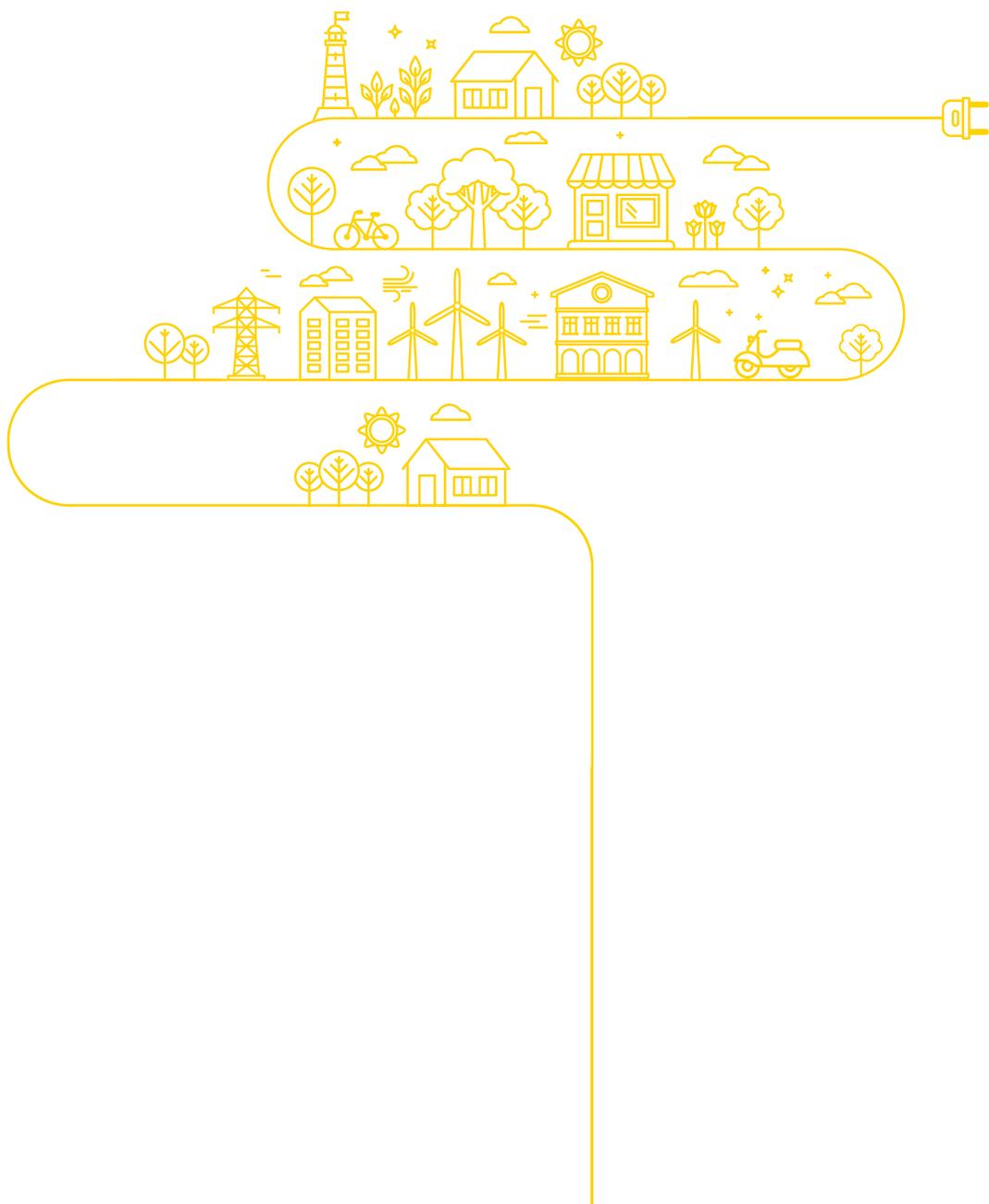
Explanatory notes to the Consolidated Statement of Changes in Equity are provided in section 18.7.

17.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY from Jan 1, 2014 to Dec 31, 2014	Called-up capital			Revenue reserve			Revaluation surplus	Retained earnings	Net income/ profit for the year	Total
	Share capital	Share premium	Legal reserves	Other revenue reserves	Share premium	Legal reserves				
							Share capital	Share premium	Legal reserves	Other revenue reserves
A.1. Balance at the end of previous period	100,953,201	62,260,317	1,782,503	18,791,500	30,658	950,898	3,709,507	188,478,584		
b) Ex-post adjustments	0	0	0	0	0	1	0	1		
A.2. Balance at the beginning of the reporting period	100,953,201	62,260,317	1,782,503	18,791,500	30,658	950,899	3,709,507	188,478,585		
B.1. Changes in equity - transactions with shareholders	0	0	0	0	0	-2,419,242	0	-2,419,242		
a) Payment of dividends	0	0	0	0	0	-2,419,242	0	-2,419,242		
B.2. Total comprehensive income in the reporting period	0	0	0	0	46,269	0	10,733,939	10,780,208		
a) Entry of net income/ profit for the reporting period	0	0	0	0	0	0	10,733,939	10,733,939		
b) Changes in the revaluation surplus from revaluations of financial investments	0	0	0	0	0	0	13,616	13,616		
c) Adjustment of the revaluation surplus - actuarial gains	0	0	0	0	32,653	0	0	32,653		
B.3. Changes in equity	0	0	442,081	4,431,362	0	3,477,910	-8,351,353	0		
a) Allocation of the remainder of net profit of 2013 to other equity components	0	0	0	0	0	3,709,507	-3,709,507	0		
b) Allocation of a part of net profit of 2014 to other equity components pursuant to the decision by the management and supervisory bodies	0	0	442,081	4,199,765	0	0	-4,641,846	0		
c) Allocation of a part of net profit into building up additional reserves pursuant to the decision by the Shareholders Assembly	0	0	0	231,597	0	-231,597	0	0		
C. Balance at the end of the reporting period	100,953,201	62,260,317	2,224,584	23,222,862	76,927	2,009,567	6,092,093	196,839,551		

Explanatory notes to the Consolidated Statement of Changes in Equity are provided in section 18.7.



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18. DISCLOSURES AND EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Elektro Celje Group is composed by the controlling company Elektro Celje, d.d., and two subsidiaries:

- ECE, energetska družba, d.o.o., with the head office in Celje. The company equity amounts to EUR 17,384,409. In 2015, ECE generated EUR 2,729,274 of net income.

- MHE – ELPRO, družba za proizvodnjo in trženje električne energije, d.o.o. The equity of the company amounts to EUR 2,220,487. In 2015, MHE - ELPRO generated EUR 105,464 EUR of net income.

18.1 Bases for the Preparation of Consolidated Financial Statements

The consolidated financial statements present a faithful and fair account of the financial assets, liabilities and equity of the Group, its financial performance and cash flows. The fiscal year is the calendar year from January 1 to December 31, 2015.

Declaration of Conformity

The consolidated financial statements are developed in conformity with the Slovenian Accounting Standards (SAS), including the relevant interpretations and explanations, and with the provisions of the Companies Act. The Annual Report includes all disclosures required by the Companies Act, and disclosures pursuant to the SAS for companies subject to mandatory audit. The Group does

not disclose information for which it may reasonably estimate that such disclosure could cause significant damage.

On April 21, 2016, the Management Board confirmed and adopted the consolidated financial statements of the Annual Report for the year 2015, including the explanatory notes provided and the accounting policies applied thereto.

Functional and presentational currency

The consolidated financial statements are compiled in Euros (EUR) and reported rounded up to the nearest whole unit (no cents).

18.2 Accounting Policies

Elektro Celje Group abides by the same accounting policies for all periods reported in the consolidated financial statements.

In the compilation of the consolidated financial statements, the same accounting policies were followed as in the compilation of the annual financial statements of the controlling company Elektro Celje. In 2015, the Group did not introduce any changes to the accounting policies in use.

Basis of Consolidation

A subsidiary is a company controlled by a parent company. The control is exercised when the parent company has the possibility to decide on the financial and business focuses of the controlled company in order to obtain benefit from its operation. The assessment of the influence of the controlling company is based on the existence and effect of any voting rights that are presently exercisable or convertible. The financial statements of the subsidiar-

ies are included in the consolidated financial statements from the date when the controlling influence begins to be exercised, to the date when the parent company ceases to have a controlling financial interest in the subsidiary.

The consolidated financial statements are compiled based on the separate financial statements of the individual consolidated companies, prepared by using uniform accounting policies and taking into account consolidation adjustments. The financial statements of the companies in the Elektro Celje Group are combined into group financial statements on the basis of complete consolidation, by grouping related assets, liabilities, equity, revenue and expenses. The Group is presented as if it were one single company, thus its financial statements exclude investments of the controlling company into the equities of its subsidiaries, and the corresponding shares of the controlling company in the equities of its subsidiaries, as well as the financial positions, revenues, expenses, and the unrealised net gains and net losses arising from related party transactions.

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The consolidated revenue and expenses of the Group include the revenue, expenses and costs of the companies Elektro Celje, d.d., and MHE – Elpro d.o.o., for the period from January 1, 2015 to December 31, 2015, as well as the revenue, expenses and costs of the companies Elektro Celje Energija for the period from January 1, 2015 to September 30, 2015, and ECE for the period from October 1, 2015 to December 31, 2015. The consolidation excludes transactions between the controlling company and its subsidiaries.

Intangible assets and long-term accrued revenue and deferred expenses

Intangible non-current assets of the Group include property rights, assets in the course of development, goodwill, and other long-term accrued revenue and deferred expenses.

The **property rights of the Group** include investments into software, material property rights, and material rights to the use of vacation apartments. They are reported at cost and decreased by amortisation.

Subsequent costs

Subsequent costs incurred in relation to intangible assets are only capitalised when they increase the future economic benefits arising from the asset to which the expenses refer.

Amortisation/depreciation and useful life

The straight-line amortisation method is used. Amortisation and depreciation rates based on useful life are 33.33 % for computer software (estimated useful life 3 years), 3.33 % for the right to use a facility (estimated useful life 30 years) and 1 % for material rights on property (estimated useful life 100 years). The amortisation/depreciation of an asset begins on the first day of the month after the asset has been made ready for use.

Intangible assets are not revalued, as they represent less than 1 % of total assets. The Group does not hold any intangible assets pledged as security for liability.

Tangible fixed assets – PP&E

Property, plant and equipment of Elektro Celje Group include land, buildings, equipment and such assets in the course of acquisition or construction. In the measurement after recognition, the Group applies the cost model and reports such values at cost, minus depreciation revaluation adjustments and accrued impairment losses.

The cost includes purchase price, import and non-refundable duties, and costs directly attributable to the activities necessary to prepare the asset for its intended use. If the period from the date of the first invoice for the construction and installation service or equipment to the date when the fixed asset is prepared for its intended use is longer than one year, the cost of the asset also includes costs of loans related to the acquisition of the new asset for the period from the payment deadline of each invoice to the date of preparation of the asset.

Land is valued at cost, which also includes paid land and building transaction tax and land registry fee. The cost of a building includes costs incurred in the acquisition, construction or completion of the building, costs of the project and other documentation on the basis of which the acquisition, construction or completion was carried out, costs of land development, costs of required permits for connections, and other costs directly attributable to the preparation of the building for its intended use. The cost does not include the cost of the land on which the building is built, nor the cost of the acquisition of land intended for access to the building or for other purposes related to the use of the building. The cost of equipment includes costs incurred in the acquisition, construction or completion of the equipment, costs of delivery, costs of installation, and any other costs incurred in the acquisition, construction or completion of the equipment.

The cost of a tangible fixed asset built or made within the Group consists of the cost of material, direct labour cost, and other costs resulting from its construction or manufacture, as well as indirect costs of construction or manufacture which can be attributed to the asset. The cost of such fixed assets cannot exceed that of the same or similar assets in the market.

If the cost of the asset is high, it is reallocated over its relative parts. If these parts have significantly different useful lives in relation to the total cost of the tangible fixed asset, each part is recorded as a separate asset.

Depreciation

Depreciation is calculated using the method of straight-line depreciation method and taking into account the useful life of each individual asset or their constituent parts.

Land and assets in the course of acquisition/construction are not depreciated. The depreciation rates applied in 2015 are as follows:

Depreciation rates applied in 2015:	Minimum (in %)	Maximum (in %)	Useful life
Buildings	2.00	2.50	40 to 50 years
Infrastructural facilities	2.00	5.00	20 to 50 years
Electrical equipment of transformer substations	2.86	6.67	15 to 35 years
Other equipment	4.00	50.00	2 to 25 years
Motor vehicles	8.33	20.00	5 to 12 years
Equipment in the SHP	5.00	6.67	15 to 20 years

Investment property

Investment property is property that has been acquired with the intention of earning a return on the investment through rent.

In measuring its investment property, the Group uses the historical cost model. The adjustment to the value of investment property is made in the amount equal to the depreciation calculated using the straight-line depreciation method. The expected useful life of investment property is 50 years.

Long-term financial investments

Long-term financial investments are those that the Group intends to hold for a period longer than one year, and are not held for trading. The Group balance sheet reports long-term financial investments in other shares and shareholdings. Distribution of profit from long-term financial investments is recognised as finance income at the moment when a company acquires the right to receive dividends.

Non-current financial investments quoted in an active market and whose fair values can be measured with reliability are valued at fair value, whereas other financial investments are valued at cost. Exposure to various risks, particularly the risk of reduction in the value of financial investment below its cost value is not hedged by financial instruments. The value that best represents the maximum exposure to such risk is the total value of such investment. Financial investments into shares and shareholdings of other companies are classified as held for sale.

Deferred tax assets

Deferred tax assets include corporate income tax that will be refunded in the future. They are calculated at the tax rate of 17 %, which is expected to apply in the fiscal year in which the deferred tax asset will be refunded.

Inventory

The Group inventory includes material and small tools which have the characteristics of inventory (protective equipment and tools), as well as merchandise. The analytical records report materials inventory by individual materials and warehouses.

In the statements of financial position, inventory is valued at the lower of cost and net realisable value. An inventory unit of material and small tools is valued at cost (purchase price minus any discount), including all direct costs of purchase. The consumption of material inventories is valued by the moving average price method. Material inventories can be revalued based on impairment when their carrying value exceeds the net realisable value.

Quantitative stock of merchandise is recorded at retail prices including VAT; the consumption of the inventory is valued at the most recent average cost.

Receivables

The Group reports long-term and short-term trade receivables, which do not include any trade receivables between the controlling company and its subsidiaries, for these are internal accounting relationships. The receivables are recorded in the balance sheet according to the amortised cost method, which means they are decreased by the amount of revaluation adjustment based on doubtful or bad debt. Before compiling the annual statement of accounts, the companies in the corporate group verify the recorded amounts of the individual claims.

Long-term trade receivables due from customers who are subject to compulsory settlement are remunerated in accordance with decisions related to compulsory settlement. The decisions define the volume and dynamics of repayment, as well as the interest rate at which receivables are remunerated (if at all). Long-term trade receivables from the company SODO bear interest in accordance to Article 84 and Section 5.3 of the Act Determining the Methodology for Charging for the Network Charge, the Methodology for Setting the Network Charge, and the Criteria for Establishing Eligible Costs for Electricity Networks (Official Gazette of the RS, no. 81 dated October 29, 2012).

Cash and cash equivalents

Among cash and cash equivalents, the Group reports money in current accounts with commercial banks, cash items in the process of collection, and cash equivalents (overnight deposits).

Equity

Equity is the liability to the owners of the companies within the corporate group, to be liquidated when the companies go out of business. It is defined by the amounts invested in the companies by the owners, and by the amounts generated during operation that belong to the owners. Equity decreases due to operating losses and through the payment of dividends. Total equity includes share capital, share premium, revenue reserves, retained earnings, and fair value reserve.

Provisions and long-term accrued expenses and deferred revenue

Provisions for payments of retirement benefits and long-service awards

Long-term provisions of the Group are recognised for long-service awards, retirement benefits, and death allowances. They are recognised with the intention of collecting amounts, in the form of accrued costs or expenses, which will allow the coverage of costs or expenses incurred in the future. Pursuant to statutory provisions and the industry collective agreement, the companies within the Group are obliged to pay long-service awards to their employees, benefits upon retirement, and allowance in the case of death, for which long-term provisions are recognised. Liabilities from provisions for long-service awards were calculated using the Projected Unit Credit method based on the multiple decrement model. The income statement of the Group recognises labour costs and interest charges, while adjustments of post-employment benefits or unrealised actuarial gains or losses are included in the other comprehensive income statement.

Provisions for lawsuits

The Group recognises provisions for lawsuits in which it is represented as the defendant. The justification of the recognised provisions is verified on a yearly basis in view of the status of a legal dispute and probability of favourable or unfavourable outcome. The amount of provision is determined based on the known amount of the damage claim, or on the projected possible amount of the damage claim if the claim is still unknown.

Long-term accrued expenses and deferred revenue

Long-term accrued expenses and deferred revenue recognise revenue which will, within a period longer than one year, cover the projected expenses. They are recognised by the controlling company in relation to fixed assets acquired free of charge, and are intended for covering depreciation costs. They are drawn at the depreciation rate of the acquired assets starting in the subsequent month. The controlling company also recognises long-term accrued expenses and deferred revenue for average connection fees charged in the period up to June 30, 2007.

These are intended for covering the depreciation of assets and are used through carry-overs to operating revenue at the prevailing rate for fixed assets of power infrastructure - i.e., at a 3 % rate.

Provisions and long-term accrued expenses and deferred revenue are not revalued. At the end of the accounting period they are adjusted to reconcile their value with the current value of the expenses that are estimated to be necessary to cover the liabilities.

Liabilities

The Group's liabilities are classified by type in financial liabilities and trade payables, and by payment deadline in long-term and short-term liabilities. Short-term liabilities are liabilities due for payment in a period shorter than one year. Liabilities are measured at amortised cost.

Short-term liabilities denominated in foreign currency are converted into national currency on the balance sheet day at the current reference conversion rate of the European Central Bank.

Income tax

The income tax for the fiscal year includes current and deferred taxes. Income tax is reported in the income statement, except in the part associated with items directly reported in the comprehensive income. Current tax is payable from the taxable income for the year, calculated at the rates effective on the reporting date, and from any adjustments to tax liabilities related to previous fiscal years. The deferred tax is reported according to the balance sheet liability method, which takes into account temporary differences between the carrying value of assets and liabilities for financial reporting purposes and values for taxation purposes. The deferred tax reports exclude the following temporary differences: initial recognition of assets or liabilities in transactions which do not represent business mergers and which have no effect on either accounting gains or taxable income; differences related to investments into subsidiaries and jointly-controlled undertakings in the amount unlikely to be adjusted in the foreseeable future. The deferred income tax is also not reported in the case of taxable temporary differences upon initial recognition of goodwill.

The amount of the deferred tax is based on the expected manner of recovery or settlement of the carrying value of assets and liabilities using the tax rates applicable on the reporting date. The deferred tax assets and deferred tax liabilities are offset if there exists a legal right to set off current tax assets against current tax liabilities related to income tax, and if the deferred taxes all relate to the same taxable entity and the same taxation authority.

The deferred tax asset is recognised in the amount of probable available future taxable income against which the deferred tax asset can be charged in the future. Deferred tax assets are reduced by the amount for which it is no longer likely that it can be claimed against tax in relation to the asset.

Revenue

Revenue is broken down into operating revenue, finance income, and other income. Revenue is recognised if the increase of economic benefit in the accounting period is related to the increase in the value of assets or decrease in liabilities and if this increase can be measured with reliability.

Net sales revenue includes revenue from sale of electricity, revenue from lease and maintenance of infrastructure and service rendered for SODO, revenue from sales of other energy-generating products (wood pellets, natural gas), and other net sales revenue (revenue from services rendered, leases/rentals).

Net sales revenue is recognised upon sales of products or services if it can be reasonably expected that the sales will lead to receipts when such receipts are not realised upon occurrence. Recognition of revenue from services rendered is based on the work completion rate on the reporting date.

Other operating revenue mainly includes revenue from reversals of provisions, received damage compensations from insurance companies, and operating revenue from revaluation, generated through sale of fixed assets and decommissioned material.

Finance income includes income from dividends received; proceeds from disposal of available-for-sale financial assets; income from revaluation of financial assets measured at fair value through profit and loss; received interest on deposits, loans granted and cash in current accounts; exchange gains; and late charges. Revenue from interest is recognised on the date of its occurrence using the effective interest rate, income from dividends on the date when the shareholder's right to receive payment is exercised.

Costs and expenses

Operating expenses include costs of goods, material and services, labour costs, write-downs, and other operating expenses. Labour costs include salaries and other labour costs in gross amounts, as well as contributions paid from these taxable bases, which are not comprised in the said gross amounts. The companies within the corporate group paid the salaries in compliance with the provisions of general and industry collective agreements and individual employment contracts. Other operating expenses include costs of travel to work, meal allowance for employees, costs of holiday pays, reimbursement of material costs, and provisions for long-service awards and retirement benefits. Operating expenses from revaluation occur in relation to the impairment of tangible, intangible and current assets.

Financial expenses include borrowing expenses, impairment and write-downs of financial investments, exchange losses, and other expenses, and are recognised when charged, regardless of any related payments. Borrowing expenses are recognised by the companies in the Group in their income statements by the effective interest method, except those which are capitalised and allocated to tangible fixed assets in the course of construction or development. Financial expenses are broken down into expenses related to the generation of operating revenue and expenses related to the generation of finance income.

Statement of other comprehensive income

The statement of comprehensive income is a financial statement which faithfully and fairly presents all the components of the income statement and, in addition, includes those items of income and expenses which are not recognised in the profit or loss, but affect the amount of equity.

The Group uses version I of the income statement according to SAS 25.5. This additional statement reports the total comprehensive income including items laid down in points 18 to 24 of section 25.8 of the SAS, and items laid down in points 25 to 29 of section 25.10 of the SAS.

Statement of cash flows

The Group's statement of cash flows faithfully and fairly presents the changes in inflows and outflows and explains the changes in cash and cash equivalents during the fiscal year. The statement of cash flows is compiled using the direct method, in line-by-line form (version I), and reports the inflows and outflows in operating, investing and financing activities.

Statement of changes in equity

The statement of changes in equity is a faithful and fair account of the changes in the composition of equity during the calendar year according to version I (SAS 27.2), in the form of a composite table reporting changes in all equity components. Total equity of the Group includes share capital as entered in the Register of Companies, reserves, retained earnings, and net profit for the fiscal year.

18.3 Disclosure of Items in the Consolidated Balance Sheet

Consolidated balance sheet is a fundamental financial statement presenting a fair account of assets and liabilities of Elektro Celje Group as of the end of the 2015 fiscal year. It is compiled in sequential order, as defined in the SAS under 24.4 and in the Companies Act.

The consolidated balance sheet of Elektro Celje Group includes assets and liabilities of the controlling company Elektro Celje and its subsidiaries ECE and MHE – EL-PRO. The following items were excluded in the consolidation process: short-term trade receivables from com-

panies within the corporate group in the amount of EUR 725,407, short-term accrued revenue and deferred expenses in the amount of EUR 657,143, short-term trade payables to companies within the Group in the amount of EUR 745,132, accrued expenses and deferred revenue in the amount of EUR 637,418, investments of the controlling company into its subsidiaries in the amount of EUR 7,246,976, equity of the subsidiaries in the amount of EUR 8,409,048, and reversal of goodwill in the amount of EUR 1,162,071.

in EUR/ YEAR	Electricity distribution		Purchase and sale of electricity		Electricity generation		Intra-group transactions		Elektro Celje Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Assets as of Dec 31	272,260,993	264,813,515	47,350,864	26,871,840	2,424,284	2,333,750	-9,791,597	-8,305,693	312,244,544	285,713,412
Equity as of Dec 31	196,443,080	192,935,102	17,384,409	9,036,403	2,220,487	2,115,022	-8,409,048	-7,246,976	207,638,928	196,839,551



18.3.1 Intangible Assets and Long-term Accrued Revenue and Deferred Expenses

Intangible non-current assets (in EUR)	Dec 31, 2015	Dec 31, 2014
Property rights	1,629,895	1,627,731
Intangible assets in development	157,259	41,907
Other long-term accrued revenue and deferred expenses	150	622
Total	1,787,304	1,670,260

Changes in intangible assets

in EUR

Intangible fixed assets	Property rights	Intangible assets in development	Other long-term accrued revenue and deferred expenses	Total
Cost				
As of Jan 1, 2014	7,522,697	743,026	0	8,265,723
Increase	0	624,369	622	624,991
Carry-over from ongoing investments	1,076,361	-1,076,361	0	0
Write-downs of ongoing investments	0	-249,127	0	-249,127
Decrease	-135,928	0	0	-135,928
As of Dec 31, 2014	8,463,130	41,907	622	8,505,659
As of Jan 1, 2015	8,463,130	41,907	622	8,505,659
Increase	441,783	664,037	201	1,106,021
Carry-over from ongoing investments	548,685	-548,685	0	0
Decrease	-772,467	0	-874	-773,341
As of Dec 31, 2015	8,681,132	157,259	150	8,838,541
Revaluation adjustment				
As of Jan 1, 2014	6,118,439	0	0	6,118,439
Amortisation	795,468	0	0	795,468
Rentals from holiday facilities	3,355	0	0	3,355
Decrease	-81,863	0	0	-81,863
As of Dec 31, 2014	6,835,399	0	0	6,835,399
As of Jan 1, 2015	6,835,399	0	0	6,835,399
Amortisation	984,949	0	0	984,949
Rentals from holiday facilities	3,355	0	0	3,355
Decrease	-772,466	0	0	-772,466
As of Dec 31, 2015	7,051,237	0	0	7,051,237
Carrying value				
As of Jan 1, 2014	1,404,258	743,026	0	2,147,284
As of Dec 31, 2014	1,627,731	41,907	622	1,670,260
As of Jan 1, 2015	1,627,731	41,907	622	1,670,260
As of Dec 31, 2015	1,629,895	157,259	150	1,787,304

Group's property rights include investments into software in the amount of EUR 1,560,181, real property rights in the amount of EUR 41,195, and material rights to use vacation apartments in the amount of EUR 28,519.

Depreciation and amortisation amounted to a total of EUR 984,949, amortisation of investments into material rights to use vacation apartments amounted to EUR 3,355.

No intangible asset is pledged as security for liabilities.

18.3.2 Property, Plant and Equipment

Property, plant and equipment (in EUR)	Dec 31, 2015	Dec 31, 2014
Land	5,862,153	5,928,244
Buildings	168,972,879	166,746,043
Equipment	63,682,969	64,093,687
Property, plant and equipment in the course of acquisition	7,971,478	5,486,002
Total	246,489,479	242,253,976

The controlling company Elektro Celje owns 99 % of the tangible fixed assets of the Group. The largest investments into immovable property, machines and equipment were the installation and replacement of electricity meters (EUR 1,475,424), construction of the underground cable connecting DTS Trnovlje and DTS Lava (EUR 755,651) and renovation of the overhead power lines OPL 20kV DV Podplat - RTP Šentjur (EUR 383,919), and OPL 20kV Ravne Žerjav (EUR 233,959).

Major investments of the subsidiary ECE include replacement of the outdated computer equipment (EUR 38,040), acquisition of company vehicles (EUR 30,715), and investments into office furniture and equipment (EUR 11,211). The subsidiary MHE-ELPRO completed in 2015 the activation of equipment in the co-generation facilities Selce, Slovenj Gradec and Krško (EUR 30,232), and activated 7 charging stations.

The controlling company, as the owner of the electricity distribution infrastructure signed the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator SODO d.o.o., which is the exclusive holder of the

concession for performing compulsory public service of distribution system operator in the Republic of Slovenia. Pursuant to the provisions of said agreement, the parties sign an amendment to the agreement each year for the current year, which defines the amount of lease payments and the volume of services to be rendered by the company Elektro Celje, d.d., for SODO d.o.o., as well as the amount of funds for the coverage of electricity losses in the distribution network of Elektro Celje, d.d. The carrying value of the leased electricity infrastructure as of December 31, 2015, was EUR 236,038,074; of which intangible fixed assets in the value of EUR 1,131,915, and tangible fixed assets in the value of EUR 234,906,159. Based on the preliminary reconciliation of the regulatory year 2015, the earnings from the lease to SODO in the 2015 fiscal year reached EUR 26,238,701.

The decrease in the value of tangible fixed assets is mainly a result of write-downs of the current values of the controlling company's tangible assets pertaining to the electricity infrastructure. The calculated depreciation of the Group amounts to EUR 17,343,849. The accumulated depreciation rates of buildings and equipment are 69.7 % and 60.5 %, respectively.



Changes in property, plant and equipment

in EUR

Tangible fixed assets	Land	Buildings	Equipment	Ongoing investments	Advance payments for PP&E	Total
Cost						
As of Jan 1, 2014	5,905,853	538,462,502	152,252,892	7,996,841	0	704,618,088
Increase	0	0	0	23,627,958	6,782	23,634,740
Carry-over from ongoing investments	22,391	17,066,422	9,049,984	-26,138,797	0	0
Decrease	0	-5,574,309	-2,707,916	0	-6,782	-8,289,007
As of Dec 31, 2014	5,928,244	549,954,615	158,594,960	5,486,002	0	719,963,821
As of Jan 1, 2015	5,928,244	549,954,615	158,594,960	5,486,002	0	719,963,821
Increase	1,038	0	313,625	21,794,584	2,548	22,111,795
Carry-over from ongoing investments	22,025	13,414,149	5,872,934	-19,309,108	0	0
Decrease	-89,154	-5,461,869	-3,751,100	0	-2,548	-9,304,671
As of Dec 31, 2015	5,862,153	557,906,895	161,030,419	7,971,478	0	732,770,945
Revaluation adjustment						
As of Jan 1, 2014	0	376,153,130	91,076,692	0	0	467,229,822
Depreciation	0	11,410,189	6,024,904	0	0	17,435,092
Decrease	0	-4,354,747	-2,600,323	0	0	-6,955,067
As of Dec 31, 2014	0	383,208,572	94,501,273	0	0	477,709,845
As of Jan 1, 2015	0	383,208,572	94,501,273	0	0	477,709,845
Depreciation	0	10,976,259	6,387,590	0	0	17,363,849
Decrease	0	-5,250,815	-3,541,413	0	0	-8,792,228
As of Dec 31, 2015	0	388,934,016	97,347,450	0	0	486,281,466
Carrying value						
As of Jan 1, 2014	5,905,853	162,309,372	61,176,200	7,996,841	0	237,388,266
As of Dec 31, 2014	5,928,244	166,746,043	64,093,687	5,486,002	0	242,253,976
As of Jan 1, 2015	5,928,244	166,746,043	64,093,687	5,486,002	0	242,253,976
As of Dec 31, 2015	5,862,153	168,972,879	63,682,969	7,971,478	0	246,489,479

The Group does not have any property, plant or equipment acquired by capital lease, or any tangible fixed as-

sets pledged as security for debt.



18.3.3 Investment Property

Investment properties include the office building owned by the subsidiary ECE and leased out under an operating

lease. The earnings from the rent in 2015 amounted to EUR 6,410, and the expenses related to it EUR 7,080.

Changes in investment property

in EUR

Investment property	Amount
Cost	
As of Jan 1, 2014	917,182
As of Dec 31, 2014	917,182
As of Jan 1, 2015	917,182
Increase	40,889
As of Dec 31, 2015	958,071
Revaluation adjustment	
As of Jan 1, 2014	600,065
Depreciation	18,344
As of Dec 31, 2014	618,409
As of Jan 1, 2015	618,409
Depreciation	18,344
As of Dec 31, 2015	636,753
Carrying value	
As of Jan 1, 2014	317,117
As of Dec 31, 2014	298,773
As of Jan 1, 2015	298,773
As of Dec 31, 2015	321,318

18.3.4 Long-term Financial Investments

Long-term financial investments (in EUR):	Dec 31, 2015	Number of shares	Dec 31, 2014	Number of shares
Gorenjska Banka, d. d.	288,766	2,350	0	0
Zavarovalnica Triglav, d. d.	132,430	5,624	69,855	2,960
Informatika, d. d.	206,987	2,479	310,495	2,479
Stelkom, d. o. o	56,594	0	56,594	0
Total	684,777	10,453	436,944	5,439

Long-term financial investments of Elektro Celje Group in the amount of EUR 684,777 pertain to the investment of the controlling company into 2,960 shares of Zavarovalnica Triglav, d.d., amounting to EUR 69,560; investment into 2,479 shares of the company Informatika, d.d., amounting to EUR 206,987; shareholding in the company

Stelkom d.o.o., amounting to EUR 56,594; as well as to the investment of the subsidiary ECE into 2,664 shares of Zavarovalnica Triglav, d.d., amounting to EUR 62,870, and investment into 2,350 shares of Gorenjska banka d.d. Kranj amounting to EUR 288,766.

Changes in long-term financial investments in 2015

in EUR

Other shares and shareholdings	Amount
Carrying value as of Jan 1, 2014	423,329
Impairment through the Income Statement	0
Changes in other comprehensive income	13,615
Carrying value as of Dec 31, 2014	436,944
Carrying value as of Jan 1, 2015	436,944
Increase due to merger by acquisition	351,637
Impairment through the Income Statement	-103,508
Changes in other comprehensive income	-296
Carrying value as of Dec 31, 2015	684,777

As of December 31, 2015 the controlling company adjusted the value of its long-term financial investments available for sale to market or fair value. The management of the company estimated there were objective reasons for an impairment assessment of the financial investment into the equity instrument of the company Informatika d.d. and an impairment of the investment was performed through net profit/income debited to financial expenses in

the amount of EUR -103.508. The revaluation adjustment to the shares of Zavarovalnica Triglav, d.d., reduced the revaluation surplus from the revaluation of Zavarovalnica Triglav, d.d., shares.

Long-term financial investments into companies within the corporate group in the amount of EUR 7,246,976 are excluded on the grounds of consolidation.

18.3.5 Deferred Taxes

Changes in deferred tax assets

in EUR

Changes in deferred tax assets (in EUR)	Jan 1, 2015	Deferred tax assets from the merger by acquisition	Transfer	Increase in the Income Statement	Reversal in the Income Statement	Recognition in the Comprehensive Income Statement	Dec 31, 2015
Trade receivables	617,862	0	153,005	154,898	0	0	925,765
Long-term provisions	485,421	0	20,347	9,715	32,492	10,923	493,914
Financial investments	0	0	0	17,597	0	0	17,597
Deferred tax assets arising from temporary differences	0	173,352	-173,352	0	0	0	0
Deferred tax assets for tax loss	0	352,561	0	0	331,741	0	20,820
Total	1,103,283	525,913	0	182,210	364,233	10,923	1,458,096

The recognition of deferred tax assets for 2015 amounted to EUR 193,133, reversal of deferred tax assets to EUR 364,233, and total amount of deferred tax asset as of December 31, 2015 amounted to EUR 1,458,096 (recognition of adjustments to short-term and long-term trade receivables, costs of provisions for retirement benefits, long-service awards and death allowance, and impair-

ment of financial investments through comprehensive income statement).

As of December 31, 2015, the company does not report any other material deductible temporary differences and tax credit which could lead to recognition of additional deferred tax asset.

18.3.6 Assets Held for Sale

Assets held for sale as of December 31, 2015, are investments of the subsidiary ECE into the company Stelkom

amounting to EUR 51,628. As of December 31, 2014, the Group did not hold any assets held for sale.

18.3.7 Inventory

Inventory (in EUR)	Dec 31, 2015	Dec 31, 2014
Material	1,274,534	1,294,096
Small tools	105,995	98,651
Merchandise	46,048	58,268
Total	1,426,577	1,451,015

Inventory of the Group includes the inventory of material and small tools (protective equipment and tools) of the controlling company in the amount of EUR 1,380,529, and the value of merchandise (pellets) inventory of the subsidiary ECE in the amount of EUR 46,048.

In 2015, no write-offs of merchandise inventory due to being unusable were carried out (in 2014, these amounted to EUR 6,823), while obsolescence and change in quality of the material were reason for write-offs of material inven-

tory in the amount of EUR 12,136 (the 2014 amount was EUR 8,436). During regular stocktaking carried out as of November 11, 2015, the controlling company identified a deficit of EUR 597 (as opposed to EUR 1,101 in 2014) and a surplus of EUR 379 (as opposed to EUR 958 in 2014), which were recognised in the company expenses and income.

The Group has no inventory pledged as security for its liabilities.

18.3.8 Receivables

The revaluation adjustment to receivables in terms of Group amounted to EUR 1,065,798 in 2015, its reversal amounted to EUR 22,300. The total adjustment to receivables as of December 31, 2015 was EUR 5,891,504.

The revaluation adjustment to short-term receivables arising from the merger with acquisition into ECE d.o.o., as of January 1, 2015 amounted to EUR 1,272,747.

Changes in revaluation adjustments to short-term trade receivables for 2015

in EUR

Item	As of Jan 1, 2015	Write-downs and write-offs	Reconciliation			As of Dec 31, 2015
			Increase	Transfer between accounts	Reversal	
Adjustments to trade receivables - energy-generating products	3,912,645	368,390	859,543	143,870	0	4,547,668
Adjustments to trade receivables - network charge	775,344	95,438	115,969	0	0	795,875
Adjustments to trade receivables - services	111,753	1,428	3,030	0	0	113,355
Adjustments to trade receivables - other	31,853	221	0	0	17,752	13,880
A Total adjustments to trade receivables	4,831,595	465,477	978,542	143,870	17,752	5,470,778
Adjustments to late charge - network charge	60,174	13,522	22,236	0	0	68,888
Adjustments to late charge - services	8,539	156	0	0	1,695	6,688
Adjustments to late charge - other	269,871	22,753	167,967	-143,870	2,853	268,362
B Total adjustments to late charge	338,584	36,431	190,203	-143,870	4,548	343,938
Adjustments to misc. short-term receivables	183,571	3,836	-102,947	0	0	76,788
C Total adjustments to misc. short-term receivables	183,571	3,836	-102,947	0	0	76,788
D Adjustments to advance payments made	428	428	0	0	0	0
TOTAL (A + B + C + D)	5,354,178	506,172	1,065,798	0	22,300	5,891,504

Changes in revaluation adjustments to short-term trade receivables for 2014

in EUR

Item	As of Jan 1, 2014	Write- downs and write-offs	Reconciliation		As of Dec 31, 2014
			Increase	Reversal	
Adjustments to trade receivables - network charge	702,801	47,170	119,713	0	775,344
Adjustments to trade receivables - services	116,581	2,900	0	1,928	111,753
Adjustments to trade receivables - tariff	423,803	41,307	80,171	0	462,667
Adjustments to trade receivables - justified	1,792,260	143,259	588,416	0	2,237,417
Adjustments to trade receivables - other	53,939	669	-1,721	0	51,549
A Total adjustments to trade receivables	3,089,384	235,305	786,579	1,928	3,638,730
Adjustments to late charge - network charge	60,394	4,003	3,782	0	60,173
Adjustments to late charge - services	9,936	579	2,557	0	11,914
Adjustments to late charge - tariff	7,241	408	-6,833	0	0
Adjustments to late charge - justified	159,897	18,009	41,542	0	183,430
Adjustments to late charge - other	1,782	21	1,424	0	3,185
B Total adjustments to late charge	239,250	23,020	42,472	0	258,702
Adjustments to misc. short-term receivables	58,905	3,726	128,392	0	183,571
Adjustments to advance payments made	0	0	428	0	428
C Total adjustments to misc. short-term receivables	58,905	3,726	128,820	0	183,999
TOTAL (A + B + C)	3,387,539	262,051	957,871	1,928	4,081,431

18.3.8.1 Long-term Trade Receivables

Under long-term trade receivables Elektro Celje Group recognises receivables with a maturity longer than one year. Long-term trade receivables in the gross amount of EUR 6,928.016 include long-term trade receivables to customers amounting to EUR 6,919,719, of which long-term trade receivables of the controlling company to the company SODO in the amount of EUR 5,910,036, and

long-term trade receivables to others in the amount of EUR 8,297. The adjustment to receivables amounted to EUR 37.188.

The Group does not have any long-term receivables insured or pledged as security for its liabilities.

Long-term trade receivables (in EUR)	Dec 31, 2015	Dec 31, 2014
Long-term trade receivables from customers	7,525,192	304,391
Minus revaluation adjustment	-37,188	-23,470
Short-term portion of long-term trade receivables from customers	-568,285	-143,604
	6,919,719	137,317
Long-term trade receivables from others	8,297	4,033,471
Minus revaluation adjustment	0	0
Short-term portion of long-term trade receivables from others	0	0
	8,297	4,033,471
Total	6,928,016	4,170,788

18.3.8.2 Short-term Trade Receivables

Short-term trade receivables (in EUR)	Dec 31, 2015	Dec 31, 2014
Short-term trade receivables from customers	52.518.098	32.939.150
- revaluation adjustment to trade receivables from customers	-5.470.778	-3.638.730
- discounted trade receivables from SODO as per the preliminary reconciliation	-26.653	0
Late charge receivables	409,867	310,899
- revaluation adjustment to long-term receivables for late charge	-343,938	-258,702
Advance payments made	80,635	55,632
- revaluation adjustment to advance payments made	0	-428
	47,167,231	29,407,821
Short-term trade receivables from others	3,670,674	2,261,947
(of which short-term portion of long-term trade receivables)	568,285	143,604
- revaluation adjustment to short-term receivables from others	-76,788	-183,571
Receivables related to finance income	3	7
	3,593,889	2,078,383
Total	50,761,120	31,486,204

Short-term trade receivables of the Group are recognised in the amount of EUR 50,761,120, of which EUR 47,167,231 pertains to short-term trade receivables to customers. The majority (77.5 %) of these are reported by the subsidiary ECE (mainly in relation to the sale of electricity to business and household customers). The controlling company reports 22.4 % of all short-term receivables (of which trade receivables for network charges due from customers amount to EUR 3,910,325, and receivables for the maintenance and lease of electricity infrastructure and provision of services for SODO d.o.o. amount to EUR

6,246,253), and the subsidiary MHE – ELPRO 0.1 %. Short-term trade receivables from others in the amount of EUR 3,593,889 mainly include receivables from input VAT.

Companies in the corporate group do not report any receivables due from the Management Board, members of the Supervisory Board, and employee shareholders, except for regular invoices for electricity.

The value of short-term trade receivables excluded in the process of consolidation amounted to EUR 725,407.

18.3.9 Cash and Cash Equivalents

Cash and cash equivalents (in EUR)	Dec 31, 2015	Dec 31, 2014
Cash in current accounts	1,847,082	1,147,749
Cash items in the process of collection	1,598	21,013
Overnight deposits	8,189	834,787
Total	1,856,869	2,003,549

Cash and cash equivalents of the Group as of December 31, 2015 include money on current accounts with commercial banks in the amount of EUR 1,847,082, cash items

in the process of collection amounting to EUR 1,598, and overnight deposits in the amount of EUR 8,189.

18.3.10 Short-term Accrued Revenue and Deferred Expenses

Short-term accrued revenue and deferred expenses (in EUR)	Dec 31, 2015	Dec 31, 2014
Prepaid expenses	6,190	11,349
Short-term deferred expenses (costs)	34,315	30,559
Short-term accrued revenue	273,655	735,300
VAT from advance payments received	4,098	61,412
VAT from overpayment of electricity	161,102	0
Total	479,360	838,620

Short-term accrued revenue and deferred expenses include early payments of costs (EUR 6,190), short-term deferred costs which are expected to occur within one year, the occurrence of which is likely and the amount of which is reliably estimated (EUR 34,315), accrued revenue (EUR 273,655), and VAT from received advance payments and overpayments of electricity (EUR 165,200). The greater part of short-term accrued revenue and deferred ex-

penses pertain to the subsidiary ECE; VAT from overpayments of electricity (EUR 160,306) and reconciliation of deviations to the company HSE (EUR 173,740).

The value of short-term accrued revenue and deferred expenses excluded in the process of consolidation amounted to EUR 657,143.

18.3.11 Equity

Equity (in EUR)	Dec 31, 2015	Dec 31, 2014
Equity share of non-controlling interest	4,463,343	0
Equity share of controlling interest	203,175,585	0
Share capital	100,953,201	100,953,201
Revenue reserves	62,260,317	62,260,317
Legal reserves	2,565,008	2,224,584
Other revenue reserves	27,511,642	23,222,862
Revaluation surplus	-40,448	76,927
Retained earnings from previous years	3,903,111	2,009,567
Undistributed net income/profit for the year	6,022,754	6,092,093
Total	207,638,928	196,839,551

The equity share of the non-controlling interest in the amount of EUR 4,463,343 pertains to the company Elektro Gorenjska, which entered the ECE company as a partner in the process of merger with acquisition of its subsidiary Elektro Gorenjska Prodaja as the company acquired by the company Elektro Celje Energija. The business share of the partner in the share capital of ECE amounts to 25.6744 %. The profit for the year pertaining to the non-controlling interest amounts to EUR 636,024.

The equity of the holder of the controlling interest, company Elektro Celje, in the amount of EUR 203,175,585 is composed of called-up capital, share premium, revenue reserves, revaluation surplus, retained earnings from pre-

vious years and the net income for the year. The business share of the company Elektro Celje in the share capital of ECE amounts to 74.3256 %. The profit for the year pertaining to the controlling interest amounts to EUR 9,597,207.

The share capital of the Group is equity capital divided into 24,192,425 freely transferable ordinary no-par shares. Revenue reserves report share premium in the amount of EUR 62,260,317. The changes in the individual equity components in 2015 and the nature and purpose of all types of reserves are presented in the statement of changes in equity under section 17.5. with explanatory notes provided under section 18.7.

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The net profit for the year reported in the balance sheet in the amount of EUR 6,022,754, is composed of the distributable income of the controlling company in the amount of EUR 3,234,029, distributable incomes of the subsidiaries MHE – ELPRO d.o.o. in the amount of EUR 105,464 and ECE d.o.o. in the amount of EUR 1,841,244, and of the consolidation difference in the amount of EUR 842,017.

The companies of the corporate group are not partners in any other company in which they would bear unlimited personal liability for the liabilities of the Group. In 2015, the companies in the corporate group did not own any treasury shares, did not implement conditional increases of share capital, and did not issue bonds or other securities.

The value of equity of subsidiaries excluded in the process of consolidation amounted to EUR 8,409,048.

18.3.12 Provisions and Long-term Accrued Expenses and Deferred Revenue

Provisions and long-term accrued expenses and deferred revenue (in EUR)	Dec 31, 2015	Dec 31, 2014
Long-term provisions for retirement benefits and long-service awards	5,971,465	5,470,528
Provisions for lawsuits	615,626	40,000
Long-term accrued expenses and deferred revenue:	13,619,216	13,947,157
- from received state grants	1,063,344	1,174,144
- from fixed assets acquired free of charge	9,989,558	10,098,707
- from connection fees	2,566,314	2,674,306
Total	20,206,307	19,457,685

In 2015, the Group recognised EUR 380,390 in long-term accrued expenses and deferred revenue from fixed assets acquired free of charge. Reversals of long-term accrued expenses and deferred revenue for fixed assets acquired free of charge and average connection fees amounted to EUR 597,531, reversals intended for the use of assigned contribution as per the Decree on Employment of Persons with Disabilities amounted to EUR 8,298, reversals for drawing state aids for the acquisition of fixed assets amounted to EUR 102,502. The recognition and reversal of long-term accrued expenses and deferred revenue from EU grants in the amount of EUR 94,205 pertains to the implementation of the pilot project Flex4Grid.

In 2015, the controlling company recognised provisions for lawsuits in the amount of EUR 19,850 (action for damage due to the disconnection of a neutral line), the existing provisions as of January 1, 2015 in the amount of EUR 40,000 were used in their entirety or reversed. In compliance with the demand for the payment of balance of the 2015 holiday pay up to the amount defined under Article 128 of the Collective Agreement for Slovenian Electricity Industry, provisions for lawsuits amounting to EUR 595,776 were recognised.

The basis for establishing provisions for liabilities to the employees related to post-employment and other long-term employment benefits was the actuarial estimation based on the following assumptions: statistical probability of mortality and disability, retirement in accordance with the law, and employee turnover (4 % in the under 40 age group, 1 % in the 41-50 age group, 0 % in the over 51 age group), a 2 % discount rate, a 2.5 % wage growth in the Republic of Slovenia and electricity industry, a 2.25 % wage growth in the company, a 16.1 % current employer's contribution rate, and 1 % growth of amounts stated in the Decree on the Levels of Reimbursed Work-related Expenses and of Certain Income not to be Included in the Tax Base (Official Gazette of the RS 140/2006, 76/2008). The expected current value of liabilities also includes actuarial gains/losses due to changed financial and demographic assumptions and experience adjustments.

Payments of benefits amounted to EUR 427,248, additional recognition amounted to EUR 699,062, and the actuarial surplus of the Group amounted to EUR 229,124.



Liabilities related to long-term employment benefits

in EUR

Item	Long-service awards	Retirement benefits	Death allowance	Total
As of Jan 1, 2014	1,820,895	3,388,346	171,827	5,381,068
Current service costs	121,763	157,608	10,558	289,929
Interest expense	63,731	118,592	6,013	188,336
Payments of benefits	-234,870	-141,336	-4,607	-380,813
Actuarial surplus	33,230	-32,653	-8,570	-7,993
As of Dec 31, 2014	1,804,749	3,490,557	175,221	5,470,527
As of Jan 1, 2015	1,804,749	3,490,557	175,221	5,470,527
Liabilities related to benefits of the employees of the company acquired	91,252	150,104	0	241,356
Current service costs	134,665	184,979	19,159	338,803
Interest expense	36,837	78,473	3,593	118,903
Payments of benefits	-258,774	-152,956	-15,518	-427,248
Actuarial surplus	66,798	145,908	16,418	229,124
As of Dec 31, 2015	1,875,527	3,897,065	198,873	5,971,465

18.3.13 Long-term Financial Liabilities

Long-term financial liabilities of the Group include liabilities of the controlling company to commercial banks for loans granted and intended for investments, amounting to EUR 33,542,731, and two long-term bank loans of the subsidiary MHE-ELPRO, d.o.o. in the total amount of

EUR 66,329, with a 2.6 year maturity and the six month EURIBOR interest rate with an annual 2.9 % margin (for investments into SPTE SRCE and solar power plants in Mestinje). Average margin to EURIBOR in long-term loans of the controlling company amounts to 1.7 %.

Long-term financial liabilities (in EUR)	Dec 31, 2015	Dec 31, 2014
Long-term financial liabilities to banks	33,609,060	36,770,278

The company pays all instalments of principal and interest at maturity. All loans in the Group are insured with bills of exchange. The value of principals maturing in 5 years after the balance sheet day amounts to EUR 3,295,049. The commitments made by the Group in hiring long-term loans entail monitoring of the performance indicators defined at the level of Group financial statements: financial

debt to EBITDA ratio (lower than 2.7 in 2015 and lower than 2.5 in the years to follow), financial debt to equity ratio (lower than 0.3), EBITDA to financial expenses from financial liabilities ratio (higher than 12), current ratio (higher than 0.9). As of the balance sheet date the Group met all its contractual financial commitments.



18.3.14 Short-term Financial Liabilities and Trade Payables

Short-term financial liabilities and trade payables (in EUR)	Dec 31, 2015	Dec 31, 2014
Short-term financial liabilities		
Short-term financial liabilities to banks	13,872,561	6,241,623
Other short-term financial liabilities	7,063	5,879
Total	13,879,624	6,247,502
Short-term trade payables		
Short-term trade payables for purchasing electricity	14,470,117	8,742,886
Short-term trade payables to suppliers	4,504,145	3,579,026
Short-term trade payables from operations for third-party account	11,455,151	7,896,043
Short-term trade payables to employees	1,725,717	1,536,620
Short-term trade payables to state and other institutions	1,105,221	1,627,062
Short-term trade payables based on advance payments	970,217	429,827
Other short-term trade payables	632,163	460,691
Total	34,862,731	24,272,155
Total	48,742,355	30,519,657

Short-term financial liabilities of the Group pertain to short-term portions of long-term debt to banks maturing in 2015 and amounting to EUR 13,872,561 (value of the loans of the controlling company is EUR 11,837,695; value of the loans of the subsidiary ECE is EUR 2,000,000; value of the loans of the subsidiary MHE - ELPRO is EUR 34,866), and to the amounts of unpaid dividends in the amount of EUR 7,063.

Short-term trade payables mainly record payables related to the purchase of electricity, trade payables from operations for third-party account (liabilities to SODO d.o.o. for the use of network as per the agreement), trade payables to suppliers for the acquisition of fixed assets, material

and services, trade payables from operations for third-party account, liabilities to the employees and payables to the state.

The Group does not have any payables to the Management Board, the Supervisory Board, and to employee shareholders, except for those related to salaries and meeting fees of the Supervisory Board members for the month of December 2015. None of the liabilities of the companies within the corporate group are secured by real collateral. The value of short-term trade payables excluded in the process of consolidation amounts to EUR 745,132.



18.3.15 Short-term Accrued Expenses and Deferred Revenue

Short-term accrued costs in the amount of EUR 1,737,098 mainly include accrued labour costs for unused annual leave of the employees for 2015 (EUR 621,192), accrued costs of salaries related to the unpaid part of performance bonus as per collective industry agreement

(EUR 263,066), and uninvoiced purchased electricity from the subsidiary ECE (EUR 684,284). Short-term deferred revenue in the amount of EUR 282,007 mostly includes compensation of the subsidiary ECE.

Short-term accrued expenses and deferred revenue (in EUR)	Dec 31, 2015	Dec 31, 2014
Short-term accrued costs and expenses	1,737,099	1,876,034
Short-term deferred revenue	282,007	244,148
VAT from advance payments made	4,926	6,059
Total	2,024,032	2,126,241

The value of short-term accrued expenses and deferred revenue excluded in the process of consolidation amount-

ed to EUR 637,418 (credit of ECE against the controlling group for the purchase of electricity for covering losses).

18.3.16 Contingent Liabilities

Contingent liabilities (in EUR)	Dec 31, 2015	Dec 31, 2014
Ongoing litigation procedures	1.215.349	566.568
Bank guarantees given	29.896.911	17.318.109
Total	31,112,260	17,884,677

Contingent liabilities in the amount of EUR 31,112,260 do not qualify for recognition among balance sheet items, thus they are included in the off-balance-sheet records. Among ongoing litigation procedures there are two actions for damages claimed against the controlling company, one in the amount of EUR 19,850 and claiming damage supposedly caused by asymmetry in the electrical installation, and the other in the amount of EUR 893,113, related to the claim for damages by minority shareholders (i.e., Cypriot financial funds AMPELUS HOLDING LIMITED, and G.I. Dakota Investments Limited), which filed a lawsuit challenging decision no. 3.1 adopted at the 20th regular Shareholders Assembly of the company Elektro Celje, d.d., whereby the shareholders decided to use part

of the distributable profit in the amount of 3,145,015.25 for the payment of dividends, and allocate the remaining part in the amount of EUR 1,054,750.75 to other revenue reserves. The plaintiffs demand that additional EUR 893,113 be allocated for the payment of dividends. Even in case of an unfavourable decision for the Group, such liability will have no effect on the current profit and will only impact the Group's equity.

The bank guarantees granted mostly include guarantees of the subsidiary ECE in the amount of EUR 29,891.000; the largest was given to the company SODO, in the amount of EUR 10,647.476.



18.3.17 Contingent Assets and Other Off-balance-sheet Records

Contingent assets and other off-balance-sheet records (in EUR)	Dec 31, 2015	Dec 31, 2014
Contingent assets:		
Bank guarantees received	2,802,156	2,618,671
Damage claims	81,559	202,301
Receivables from partners in companies cancelled from the register	297,201	230,463
Allowance for employing persons with disabilities	84,777	78,860
	3,265,693	3,130,295
Other off-balance-sheet records:		
Infrastructure owned by SODO d. o. o.	3,703,612	3,846,276

The value of bank performance guarantees and guarantees of defect rectification in the warranty period is EUR 2,802,156; damage claims against insurance companies which have not been settled in full yet and therefore cannot be objectively valued prior to the settlement by the insurance companies, amount to EUR 81,559; the value

of receivables due from partners in companies cancelled from the register amounts to EUR 297,201; tax reliefs for employment of persons with disabilities are reported at EUR 84,777; and the value of fixed assets financed with the funds from average connection fees and transferred to SODO d.o.o. amounts to EUR 3,703,612.

18.4 Events Following the Balance Sheet Date

There were no events following the balance sheet date and up to the date of the auditor's report, which would materially affect the assets and liabilities of the Group and

impair the ability of the balance sheet users to perform a relevant evaluation and reach an informed decision.

18.5 Disclosures of Items in the Consolidated Income Statement

The consolidated income statement is prepared according to version I of SAS 25.5. The income and expenses of the Group include income, expenses and costs of the companies Elektro Celje, d.d., and MHE-Elpro d.o.o for the period from January 1, 2015 to December 31, 2015, and income, expenses and costs of the companies Elektro Celje Energija for the period between January 1, 2015

and September 30, 2015, and ECE for the period between October 1, 2015 and December 31, 2015. The process of consolidation excludes mutual transactions between the controlling company and its subsidiaries. The total amount of income and expenses excluded in the process of consolidation is EUR 5,520,221.

in EUR/YEAR	Electricity distribution		Purchase and sale of electricity		Electricity generation		Intra-group transactions		Elektro Celje Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net income/profit	6,808,482	8,841,612	2,477,268	2,220,656	105,464	146,952	842,017	-475,281	10,233,231	10,733,939
Net sales revenue	53,791,561	53,919,563	113,651,626	92,047,446	481,811	434,477	-5,519,806	-6,012,468	162,405,192	140,389,018

18.5.1 Net Sales Revenue

Net sales revenue (in EUR)	2015	2014
Revenue from the sale of electricity	104,540,205	84,988,206
Revenue from lease and maintenance of infrastructure and provision of services for SODO d. o. o.	52,065,913	52,342,066
Revenue from the sale of wood pellets	1,421,476	346,457
Revenue from the sale of natural gas	2,698,506	1,283,214
Revenue from the sale of services	1,679,092	1,429,075
Total	162,405,192	140,389,018

18.5.2 Capitalised Own Services

Capitalised own services are services in the amount of EUR 14,324,151 (in 2014, they amounted to EUR 15,117,824) which the controlling company performed for its own requirements, capitalising them among tangible fixed assets or intangible non-current assets. EUR 7,666,485 is the

value of the material used in the process, EUR 5,446,155 the value of the work performed, and EUR 1,211,511 the value of the motor vehicle transport. The company does not recognise or report any profit in this regard.

18.5.3 Other Operating Revenue

Other operating revenue (in EUR)	2015	2014
Income from reversal of provisions	606,490	652,216
Other revenue associated with business effects	914,732	234,089
Compensation received	162,782	2,235,716
Operating revenue from revaluation	370,249	284,247
Other operating revenue	842,017	0
Total	2,896,270	3,406,268

Other operating revenue in the amount of EUR 2,896,270 mainly includes the income of the subsidiary ECE from deviations in the sale of electricity in 2014 in the amount of EUR 674,779, income from reversal of provisions of the

controlling company in the amount of EUR 606,481, and gain on a bargain purchase of the property of the company Elektro Gorenjska Prodaja, in the amount of EUR 842,017.

18.5.4 Operating Costs and Expenses by Functional Groups

Costs and expenses can be direct, i.e., associable with the emerging business effects (production costs), or over-

head (management, administration).

Expenses by type (in EUR)	2015	2014
Production costs	155,156,642	135,622,388
Cost of sales	6,800,220	5,896,450
Overhead	5,440,788	5,020,040
Total	167,397,650	146,538,878

18.5.4.1 Cost of Goods, Material and Services

Costs of goods, material and services (in EUR)	2015	2014
Cost of electricity purchased	100,701,762	81,616,121
Cost of goods	3,928,583	1,832,904
Cost of material	9,620,625	11,325,028
Cost of services	10,040,032	9,207,753
Total	124,291,002	103,981,806

Cost of goods, material and services of the Group in the amount of EUR 124,291,002 includes cost of purchase of electricity amounting to EUR 100,701,762, cost of wood pellets and natural gas in the amount of EUR 3,928,583, and cost of material and services in a total of EUR 19,660,657.

Cost of material in the amount of EUR 9,620,625 mainly includes cost of material for investments carried out in-house (EUR 7,666,485), cost of material used in maintenance (EUR 566,127), cost of fuel and energy (EUR 517,188), cost of material used in provision of services to customers (EUR 352,063), write-off of material for current requirements of occupational safety and small tools (EUR 189,418) and cost of material used for damage repair (EUR 171,697).

Cost of services in the amount of EUR 10,040,032 mainly include maintenance service cost (EUR 2,289,458), cost of intellectual and personal services (EUR 1,488,008), costs of business data processing (EUR 1,382,293), insurance premiums (EUR 1,243,671), cost of postal and phone telephone services (EUR 961,453), advertising, entertainment and tradeshow expenses (EUR 822,480), and cost of services of damage repair (EUR 191,553).

Pursuant to Article 57 of Companies Act (ZGD - 1), the Group is subject to mandatory audit. The contractual amount for auditing services in 2015 amounted to EUR 14,230 (excl. VAT).

The cost of material, services and the cost value of merchandise excluded in the consolidation process amount to EUR 5,517,809.

18.5.4.2 Labour Costs

Labour costs (in EUR)	2015	2014
Cost of salaries	16,481,894	15,648,468
Cost of supplementary employee retirement insurance	749,645	714,451
Cost of employer contributions and other levies on salaries	2,639,158	2,510,559
Other labour costs	2,801,796	2,193,725
Provisions for long-service awards and retirement benefits	422,019	315,208
Total	23,094,512	21,382,411

Labour costs include accrued labour costs of the employees of the controlling company, more specifically, for unused annual leave in 2015.

In 2015, Elektro Celje Group employed 700 persons on the average. The education composition of the employees is provided in section 12.3.2.



18.5.4.3 Write-downs and Write-offs

Write-downs and write-offs (in EUR)	2015	2014
Amortisation and depreciation	18,069,944	18,248,905
Operating expenses from revaluation of tangible and intangible fixed assets	256,951	1,542,069
Operating expenses from revaluation of current assets	1,030,944	1,006,177
Total	19,357,839	20,797,151

Depreciation and amortisation of the Group is calculated individually, using the straight-line depreciation method and applying the same depreciation rates as in 2014.

					in EUR
Amortisation and depreciation	Intangible non-current assets	Buildings	Equipment	Investment property	Total
2015	928,363	10,976,258	6,146,979	18,344	18,069,944
2014	795,468	11,410,189	6,024,904	18,344	18,248,905

Expenses from revaluation of fixed assets pertain mostly to the controlling company (99.6 %), while operating ex-

penses from revaluation of current assets mostly relate to the subsidiary ECE (90.3 %).

18.5.4.4 Other Operating Expenses

Other operating expenses in the amount of EUR 654,297 (in 2014, they amounted to EUR 377,510) include mainly

charges for the use of construction land and paid court fees.

18.5.5 Finance Income from Shareholdings

Finance income from shareholdings in other companies in the amount of EUR 7,400 pertains to dividend paid out by

Zavarovalnica Triglav, d.d., to the controlling company (in 2014, they amounted to EUR 5,032).

18.5.6 Finance Income from Interest on Loans

Finance income from interest on loans in the amount of EUR 4,333 are mostly related to interest on fixed-term de-

posits with commercial banks (in 2014, they amounted to EUR 99,392).

18.5.7 Finance Income from Trade Receivables

Finance income from trade receivables in the amount of EUR 334,781 include late charges on late payments from customers in relation to trade receivables for network

charge, electricity and services (in 2014, they amounted to EUR 190,559).

18.5.8 Financial Expenses from Impairment and Write-downs of Financial Investments

Impairment of long-term financial investments of the controlling company through income, debited to financial expenses, amounted to EUR 103,508 in 2015, and is related to the impairment of the financial investment into the eq-

uity instrument of the company Informatika d.d. In 2014, the Group recorded no impairments or write-downs to financial investments.

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18.5.9 Financial Expenses from Financial Liabilities

Financial expenses from financial liabilities include bank interest for loans taken out, in the amount of EUR 727,722 (in 2014, they amounted to EUR 1,116,955), and expenses for net interest estimated on the basis of an actuarial

calculation as of December 31, 2015 on the expected current value of liabilities related to long-term employee benefits, in the amount of EUR 257,835 (in 2014, they amounted to EUR 188,336).

18.5.10 Financial Expenses from Operating Liabilities

Financial expenses from operating liabilities amount to EUR 13,996 (in 2014, they stood at EUR 2,405).

18.5.11 Other Income

Other income includes extraordinary items and other income which increase the net income/profit. The majority

of other income (83.8 %) pertains to the subsidiary ECE.

Other income (in EUR)	2015	2014
Collected receivables from earlier periods, previously written off	12,732	3,491
Penalty payments and compensations	53,318	66,728
Other income from extraordinary operation	99,447	75,386
Total	165,497	145,605

18.5.12 Other Expenses

Other expenses (in EUR)	2015	2014
Fines	750	30
Compensations, indemnifications and annuities	53,298	59,164
Other extraordinary items	53,161	28,665
Total	107,209	87,859

Compensations, indemnifications and annuities amount to EUR 53,298. Other extraordinary items include donations

in the amount of EUR 15,050.

18.5.13 Net Income/Profit

Operating profit amounts to EUR 12,227,963. Adding the effect of finance income and financial expenses, net income from ordinary operation amounts to EUR 11,471,416. Together with other income and expenses from extraordinary operation, and the corporate income tax in the amount of EUR 1,114,450 and deferred taxes amounting to EUR 182,023, net income of the Group for 2015 stands at EUR 10,233,231. The share in the net profit pertaining to the holders of controlling interest is EUR 9,597,207, whereas the share in the net profit per-

taining to the holders of non-controlling interest is EUR 636,024.

Pursuant to SAS 8.30 and in order to preserve the purchasing power of capital, the Group is obliged to disclose its net income (profit or loss) calculated on the basis of revaluation and growth of consumer price index. Since the consumer price decreased by 0.5 % in 2015, revaluation to preserve the purchasing power of capital was not performed.

18.5.14 Statement of Comprehensive Income

The total comprehensive income for the accounting period amounts to EUR 10,131,109 and is, due to revaluation of financial assets available for sale (EUR 22,430) and

due to changes in the surplus from revaluation of actuarial losses (EUR -124,552) lower by EUR 102,122 than the net income for the accounting period (EUR 10,233,231).

18.5.15 Income Tax

In the 2015 fiscal year, the Group proved liable for a corporate tax in the amount of EUR 1,114,450, recognised on the basis of tax return.

Following is a representation of reconciliation of the tax expense with the tax calculated from the accounting gains before taxation:

in EUR

Comparison between effective and statutory tax rates	2015		2014	
	Rate	Amount	Rate	Amount
Profit before tax		10,939,693		11,894,546
Income tax defined by applying the statutory tax rate	17.00 %	1,859,748	17.00 %	2,022,073
Amounts with a negative effect on base of tax		2,522,296		2,212,928
- amount decreasing the level of tax-deductible expenses		2,522,281		2,212,928
- amount increasing the level of taxable income		15		0
Amounts with a positive effect on base of tax (+) (-)		1,218,332		1,953,249
- amount increasing the level of tax-deductible expenses		820,709		1,098,248
- amount decreasing the level of taxable income		397,623		855,001
Tax deductions		5,688,067		4,098,674
- applied, reducing tax liability		5,688,067		4,098,674
Current tax for the current year	10.19 %	1,114,450	11.51 %	1,369,444
Increase/decrease in deferred taxes		182,023		-684,118
Income tax in the Income Statement	11.85 %	1,296,473	5.76 %	685,326

18.6 Disclosure of Items in the Statement of Cash Flows

The process of consolidation excluded the mutual inflows in the Group in the amount of EUR 7,332,347, outflows amounting to EUR 7,334,520 incurred by the companies in the operation within the Group, inflows from investing activities in the amount of EUR 60,395, outflows from investing activities in the amount of EUR 100,889, inflows from financing activities in the amount of EUR 60,000, and outflows from financing activities in the amount of EUR 60,395.

The net cash flow in the period January - December 2015 amounted to EUR -500,404. The initial balance of cash and cash equivalents as of January 1, 2015 was EUR 2,357,273, the closing balance as of December 31, 2015 was EUR 1,856,869, of which EUR 1,689,403 at the subsidiary ECE.

18.6.1 Inflows from Operating Activities

The inflows from operating activities in 2015 amounted to EUR 356,512,724, which is 89.5 % of total inflows of the Group. The larger part of inflows from the sales of products and services pertains to the subsidiary ECE (in the amount of EUR 262,573,634), mostly from the sales of electricity. Inflows from the sales of products and services

of the controlling company amount to EUR 100,743,131 and are associated mostly with receivables for the lease and services as per the agreement with SODO d.o.o., and with inflows from the use of network. Other inflows in the operation of the Group amounted to EUR 1,947,557 and included mainly inflows from received compensation.

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18.6.2 Outflows from Operating Activities

Outflows from operating activities amounting to EUR 349,999,300 include expenses for the purchase of material and services, salaries including contributions and taxes, and other expenses. The largest share of outflows from operating is held by expenses for the purchase of material and services, and expenses for salaries (94.1 %). Expenses for the purchase of material and services mostly pertain to the subsidiary ECE (75.7 %), while expenses for salaries are mainly related to the controlling company (87.5 %).

The surplus of inflows from operating activities stands at EUR 6,513,424. In 2015, the Group's operation within its main activity was in the black, and the Group was able to settle all its liabilities related to the repayment of principal and interest of long-term investment loans, and partly investment expenses, as well.

18.6.3 Inflows from Investing Activities

Inflows in investing activities amounted to EUR 758,336 and included inflows from received interest on deposits and shares of profit of other companies in the amount of EUR 19,364, inflows from disposal of tangible fixed as-

sets in the amount of EUR 258,972, and inflows from the repayments of short fixed-term deposits of the subsidiary ECE in the amount of EUR 480,000.

18.6.4 Outflows from Investing Activities

Outflows from investing activities in the amount of EUR 8,375,124 include expenses for the acquisition of intangi-

ble and tangible fixed assets.

18.6.5 Inflows from Financing Activities

Inflows from financing activities in the amount of EUR 40,955,055 include drawing of long-term loans: of the long-term loan in the amount of EUR 5,000,000, taken out in 2015 with the EIB for financing investments; of the long-term loan amounting to EUR 3,600,000, hired with

the SID d.d. bank for the repair of ice damage; of the long-term revolving loan in the amount of EUR 175,000; and inflows from multiple drawing of short-term loans for a total amount of EUR 32,180,055, the repayments of which are recorded in financial expenses.

18.6.6 Outflows from Financing Activities

Outflows from financing activities in the amount of EUR 40,352,095 include outflows for paid interest in the amount of EUR 748,163, repayments of long-term loans amounting to EUR 6,305,172, repayments of short-term

loans in the amount of EUR 30,180,000, outflows for the payment of dividends of the controlling company in the amount of EUR 3,118,760, which were paid out pursuant to the decision by the Shareholders Assembly.

18.7 Disclosures of Items in the Consolidated Statement of Changes in Equity

Share premium in the amount of EUR 62,260,317 is reported on the basis of reversal of general revaluation adjustment to equity.

Revenue reserves amounting to EUR 30,076,650 include legal reserves in the amount of EUR 2,565,008 (recognised in 2015 in the amount of EUR 340,424) and other revenue reserves amounting to EUR 27,511,642 (recognised in 2015 in the amount of EUR 4,288,780).

Revaluation surplus in the amount of EUR -40,448 includes the revaluation adjustment to financial investments in the amount of EUR 36,502, actuarial losses recognised in the establishment of provisions for retirement benefits in the amount of EUR -76,950.

Consolidated equity as of December 31, 2015 stands at EUR 207,638,928; of which equity pertaining to the holders of the controlling interest amounts to EUR 203,175,585, and equity pertaining to the holders of non-controlling interest amounts to EUR 4,463,343.

18.8 Financial Risk Management

Exposure to individual risks and appropriate management are assessed and implemented based on the effects on cash flows and financing expenses. The Group regularly

assesses them and verifies the suitability of their management.

18.8.1 Credit Risk

Credit risk in trade receivables (risk of loss due to non-fulfilment of debtor's liability) is related to the non-payment or late payment by electricity consumers and by recipients of the services rendered by the Group. Receivables management and debt recovery are implemented in accordance with Article 76 of the Energy Act (EZ-1), Article 42 of the Decree on General Conditions for the Supply and Consumption of Electricity (SPDOEE), and the provisions of the financial regulation of the controlling company. Risk is managed mainly by constant monitoring and accounts receivables insurance, active recovery of overdue and unpaid receivables, and late charges for overdue payments.

According to the balance sheet as of December 31, 2015, short-term trade receivables recorded a 60.4 %, year-over-year increase mainly due to the merger by acquisition of the company Elektro Gorenjska Prodaja into Elektro Celje Group, and the receipt of preliminary reconciliation of the regulatory framework (RF) for the year 2015 at the controlling company, which amounted to EUR 3,426,391. The latter is expected to be paid in the next RF (i.e., in the years 2019–2021, one third per year).

The policy of receivables insurance in 2015 remained the same. Receivables due from large customers of ECE d.o.o. are insured with a contract with the insurance company SID - Prva kreditna zavarovalnica d.d., Ljubljana, whereas trade receivables from household customers are not insured with hedging instruments, as this is not anticipated in the SPDOEE. The amount of granted insurance limits as of December 31, 2015 was EUR 2,715.652. Receivables for electricity due from some higher-risk business partners are secured with bills of exchange, bank guarantees or debt collection instruments. The insurance of short-term trade receivables from customers by means of debt collection instruments at the controlling company amounts to EUR 399,797, while other receivables are not insured (trade receivables for network charges due from customers are not secured, as this is not anticipated in the SPDOEE).

Exposure to credit risk

As of December 31, 2015, the Group has EUR 4,689,659 of trade receivables for network charges, services, lease, average connection fees, electricity and other energy-generating products, and late charges payable within a period longer than 365 days (bankruptcies, compulsory settlements, lawsuits, and property manager debt as per the Housing Act, and a revaluation adjustment recognised for such) and EUR 41,853,331 of trade receivables not yet due.

Maturity profile of current trade receivables due by customers (in EUR):

Maturity	Dec 31, 2015	Share in %	Dec 31, 2014	Share in %
Receivables not yet due	41,853,331	79.1	25,082,416	75.4
Overdue by less than 30 days	3,906,193	7.4	2,834,531	8.5
Overdue by 31-60 days	1,004,451	1.9	730,512	2.2
Overdue by 61-90 days	374,791	0.7	169,800	0.5
Overdue by 91-180 days	525,283	1.0	397,741	1.2
Overdue by 181-365 days	574,257	1.1	212,215	0.6
Overdue by over 365 days	4,689,659	8.9	3,822,834	11.5
Total	52,927,965	100.0	33,250,049	100.0

The maturity profile of trade receivables reports short-term receivables of the companies within the Group to customers (without revaluation adjustments). Compliant with the SAS, the companies in the Group recognise the revaluation adjustment for trade receivables in bankruptcy proceedings, receivables which are subject of legal dispute, and receivables overdue by more than 90 days as of the balance sheet day. Revaluation adjustment of trade receivables is further explained in section 18.2 within the accounting policies (measurement upon initial recogni-

tion). In 2015, receivables for unjustified consumption amounted to EUR 257,839, of which a little less than 38 % was actually paid.

Credit risk arising from financial investments is a risk of higher fluctuations in the value of a financial instrument. Low creditworthiness affects the liquidity of financial instruments and makes the sale of investment more difficult. At its extreme, credit risk may lead to a situation in which an investment becomes of no value. Financial assets

quoted in the active market and the fair value of which can be reliably measured are valued at fair value (i.e., 5.624 shares of Zavarovalnica Triglav, d.d., in the amount of EUR 132,430, and 2,350 shares of Gorenjska banka d.d. in the amount of EUR 288,766), while others are valued at cost. On the balance sheet date, the managements of the companies within the corporate group establish whether there

are any objective reasons for impairment assessment of a financial investment into an equity instrument. The value that best represents the maximum possible exposure to such risk is the total value of investment. Hedging instruments cannot be used for reducing the exposure to the risk of decrease in the value of long-term financial investments below their cost.

18.8.2 Liquidity Risk

Elektro Celje Group measures the exposure to liquidity risk based on the balance of cash inflows and cash outflows, while an important element in liquidity risk management is also cash flow planning. The Group's cash flow risk is affected by the amount of collected network charges, for due to the deficit in network charges for 2014 and 2015 the payments pursuant to the preliminary reconciliations of SODO contractual liabilities amounting to EUR 7,287,150 will only be made in future regulatory periods, when the Energy Agency calculates them into tariff rates for network charges payable by the customers.

To ensure daily liquidity and for the event of increased liquidity demand, in 2015, the Group had several bank credits for 4.5 mio EUR with a maturity of up to one year, and since December it is drawing a long-term revolving loan in the amount of EUR 3.145 million. In 2015, the controlling company also signed a contract with the EIB for EUR 28 million to finance its investments in the period 2015–2017. The risk of poor credit and timely acquisition of required borrowing consents from sectorial ministries is managed by maintaining an adequate share of equity in liabilities and high values of financial performance indicators.

Maturity of financial liabilities as of Dec 31, 2015 (in EUR)	Carrying value as of Dec 31, 2015	Term		
		Up to 1 year	1 to 5 years	over 5 years
1. Investment financing loans	45,405,621	11,796,561	30,314,011	3,295,049
2. Other loans granted	2,076,000	2,076,000	0	0
Total financial liabilities	47,481,621	13,872,561	30,314,011	3,295,049

Maturity of financial liabilities to banks as of Dec 31, 2014 (in EUR)	Carrying value as of Dec 31, 2014	Term		
		Up to 1 year	1 to 5 years	over 5 years
1. Investment financing loans	43,011,901	6,241,623	28,896,595	7,873,683
Total financial liabilities to banks	43,011,901	6,241,623	28,896,595	7,873,683

18.8.3 Market Risk

The major market risk to which Elektro Celje Group is exposed is the risk of loss (benefit) due to changes in the interest rates of loans. The Group is exposed to interest rate risk due to potentially unfavourable changes in the EURIBOR reference interest rate; the latter are not secured by financial instruments. The Group's exposure to interest rate risk is estimated as low, for only 15.2 % of the Group's assets is financed with bank loans.

Exposure to interest rate risk is assessed by sensitivity analysis. Based on the volume of loans as of December 31, 2015, a 0.1 % change in the interest rate (IR) would result in a cash outflow amounting to EUR 16,097, a 0.2 % change in the IR would result in a cash outflow amounting to EUR 41,251, and a 0.3 % change in the IR would result in EUR 81,671 higher expenses for interest paid (the likelihood of higher EURIBOR change is estimated as low). The analysis does not take into account the two short-

term loans of the subsidiary ECE in the amount of EUR 2,000,000, and maturity on January 13, 2016. The analysis rests on the assumption that all other variables remain the same.

As a precaution, the Group rejects all terms of contracts that would allow the lender to subsequently change interest rates (increased costs clauses) due to changed conditions in the money and capital markets, changes in regulations and instructions by any governmental, fiscal or monetary authorities, changes in the borrower's credit ranking, etc. The controlling company acts in accordance with the Decree on the Terms and Conditions and Methods of Borrowing by Legal Entities from Article 87 of the Public Finance Act. Pursuant to the decree, consent by the Ministry of Finance is required for any and each borrowing procedure and signing agreements with banks.

18.8.4 Equity Risk

The Group's net debt to equity ratio is relatively low, which is a good starting point for obtaining a good credit rating and thereby lower costs of borrowing.

Financial leverage indicator (in EUR)	Dec 31, 2015	Dec 31, 2014
1. Loans received and other financial liabilities	47,488,684	43,017,780
2. Minus cash and cash equivalents	-1,856,869	-2,003,549
3. Net financial liabilities	45,631,815	41,014,231
4. Equity	207,638,928	196,839,551
5. Net debt to equity ratio	22.0%	20.8%

18.8.5 Transactions with Associated Parties – Remuneration Data

Remuneration granted to groups of persons for their work in the Group is as follows:

- Management Board of the controlling company, represented by the Chairman of the Management Board Rade Knežević, received EUR 108,860 gross (EUR 92,413 as fixed part of salary; EUR 13,190 as variable part of salary – performance bonus; EUR 2,466 as reimbursement of work-related expenses; and EUR 791 as holiday pay). The costs of training and education amounted to EUR 1,344. The Chairman of the Management Board is entitled to the use of a company vehicle.
- Members of the Supervisory Board, Audit Committee of the SB, and the independent expert, member of the Audit Committee of the Supervisory Board of the controlling company received in 2015 EUR 114,680 gross or EUR 83,316 net receipts.
- Receipts of employees with an employment contract to which the tariff part of the industry collective agreement does not apply, amounted to EUR 468,747 gross or EUR 240,813 net in 2015.
- Managing director of the subsidiary ECE Mitja Terče received EUR 89,199 gross (EUR 77,761 as fixed part of salary; EUR 8,771 as variable part of salary – performance bonus; EUR 1,876 as reimbursement of work-related expenses; and EUR 791 of holiday pay). The managing director of the company is entitled to use a company vehicle.
- Managing director of the subsidiary MHE – ELPRO d.o.o., Gregor Milanez received in the period between January 2015 and April 30, 2015 a salary of EUR 2,899 gross, and in the period from May 1, 2015 to December 31, 2015 on the basis of a management contract EUR 6,400 (EUR 800 gross per month).

The Group did not grant any loans, advance payments, or securities for liabilities of the Management Board, members of the managerial body or members of the Supervisory Board.



19. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of the company Elektro Celje hereby confirms the financial statements disclosed and presented in this Annual Report, and all other components thereof.

The Management Board of Elektro Celje is responsible for compiling the financial statements and presenting them to the interested public in such way that the statements present a faithful and fair account of the financial position and performance of the company Elektro Celje and Elektro Celje Group.

The Management Board hereby declares that:

- all financial statements have been compiled in compliance with professional standards and legislation regulating operation, accounting, taxation, and finance;
- the financial statements of the company and group have been prepared under the assumption of going concern;

- the selected accounting policies are implemented consistently, and any changes in such policies are duly disclosed;
- the accounting estimates are prepared with the prudence and diligence befitting a good manager;
- the financial statements do not include any material or immaterial errors made in order to achieve a particular presentation of the company's financial position, financial performance or cash flows.

On April 21, 2016, the company Management Board confirmed and adopted the financial statements and the Annual Report for the year 2015.

Rade Knežević, univ. dipl. inž. el.
Chairman of the Management Board



LIST OF ABBREVIATIONS

BDoc	Bidding Documents
BSC	Balanced Scorecard
CA	Construction Act
CApp	Connection Approval
CHPP	Combined Heat and Power Plant
CD	Conceptual Design (IDZ)
CS	Cable Shaft
DD	Detailed Design (PIZ)
D.D.	Public Limited Company (Joint-Stock Company)
DER	Distributed Energy Resources
DCC	Distribution Control Centre
DMD	Dynamic Mimic Diagram
DMS	Distribution Management System
DNSO	Distribution Network System Operator
D.O.O.	Public Limited Company (Limited Liability Company)
DS	Distribution substation
DTD	Database of Technical Data
DTs	Distribution Transformer Substation
DU	Distribution Unit
EA	Energy Act
EAgen	Energy Agency of the Republic of Slovenia
EAM	Enterprise Asset Management
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EDC	Electricity Distribution Company
EDI	Electricity Distribution Infrastructure
EDS	Electricity Distribution System
EE	Energy Efficiency
EIB	European Investment Bank
EIMV	Milan Vidmar Electric Power Research Institute
ELES	Elektro – Slovenija, d.o.o. (ELES, Ltd., Electricity Transmission System Operator)
EMS	Environmental Management System
ERP	Enterprise Resource Planning
FS	Fire Safety
GDP	Gross Domestic Product
GIS	Geographic Information System
GPS	Global Positioning System
GURS	Surveying and Mapping Authority of the Republic of Slovenia
GWh	Gigawatt Hour
HEP	Hrvatska elektroprivreda d.d. (Croatian National Electricity Company – HEP d.d.)
HV	High Voltage
HVUC	High-voltage Underground Cable
IP	Internet Protocol
ISO	International Organization for Standardization
km	Kilometer

kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt Hour
LV	Low Voltage
LVUC	Low-voltage Underground Cable
MDM	Meter Data Management
MDSP	Municipal Detailed Spatial Plan
MV	Medium Voltage
MW	Megawatt
MWh	Megawatt Hour
NCC	National Control Centre
OHS	Occupational Health and Safety
OHSAS	Occupational Health and Safety Management Systems (BS OHSAS 18001)
OMS	Outage Management System
OPEX	Operational Expenditure
OPL	Overhead Power Line
PD	Preliminary Design (IDP)
PQ	Power Quality
PSI	Software Solution for Distribution Control Centres
PU	Public Utility
PUS	Public Utility Service
PX3	A scheme where the generation source produces electricity for its own consumption
QMS	Quality Management System
RCC	Regional Control Centre
RCS	Remote-Controlled Switchgear
RES	Renewable Energy Sources
RS	Republic of Slovenia
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SCS	Security and Control System
SED	Slovene Electricity Distribution
SHP	Small Hydropower Plant
SICAD	Geographic Information System Software Solution
SODO d.o.o.	Distribution Network System Operator for the Republic of Slovenia
SPS	Small-scale Photovoltaic System
SS	Switching Substation
SSH	Slovenski državni holding, d.d. (Slovenian Sovereign Holding)
TC	Telecommunication
TIS	Technical Information System
TS	Transformer Substation
TR	Transformer
UC	Underground Cable



Elektro Celje