IN A SAFE NETWORK OF ENERGY AND PEOPLE.

Annual Report
of the Company Elektro Celje
and the Elektro Celje Group
for

2020

Elektro Celje

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A NETWORK OF RELIABILITY

An invisible partner of life

The covid-19 outbreak and measures to limit the spread of the epidemic resulted in an unimaginable turning point. Due to the closure of public life, even more everyday activities have become completely dependent on the supply of electricity and online devices. Treatment, schooling, creation, work and, last but not least, socialising and entertainment. The reliable supply enabled the electricity to remain an invisible self-evident service for most citizens, even in times of the Corona crisis, even though a new normal everyday life would not exist without it.

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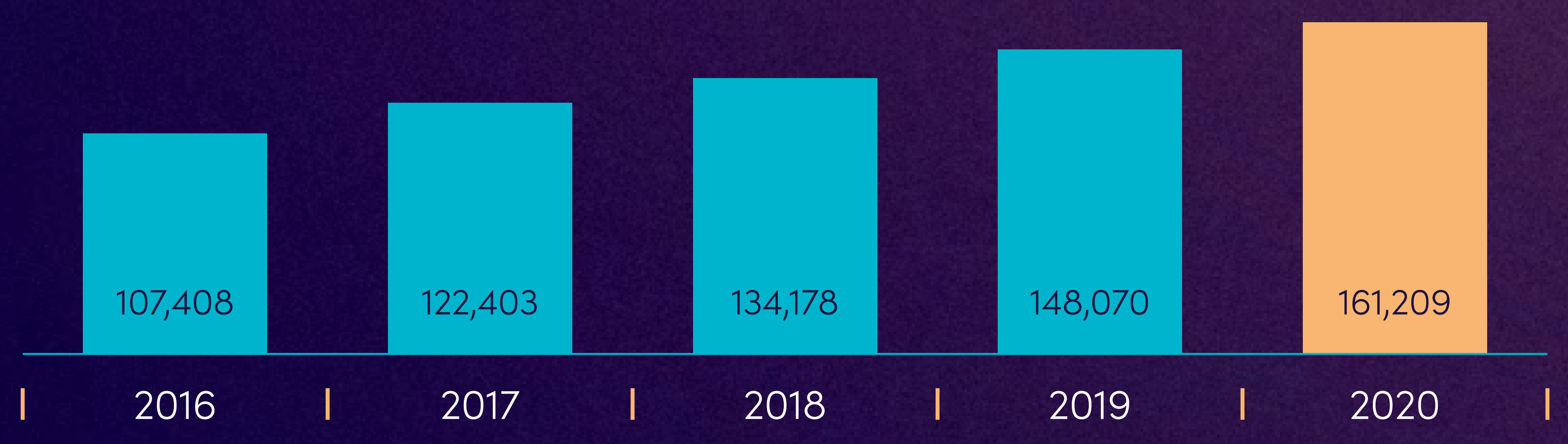
Key Indicators of Operations

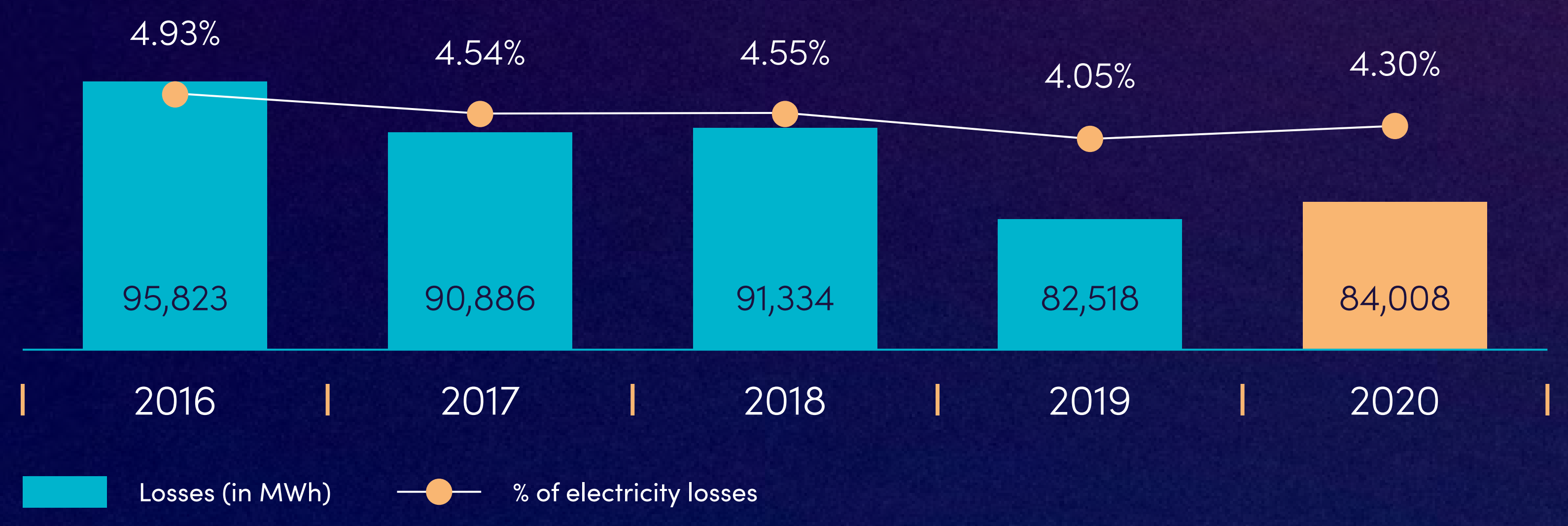
of the Company Elektro Celje

+5.4% (compared to 2019)	+10.4% (compared to 2019)	+1.2% (compared to 2019)
Investments	Capitalised own products and own services	Equity
EUR 26 million	**EUR 16.7 million**	**EUR 222 million**

Number of remote metering points



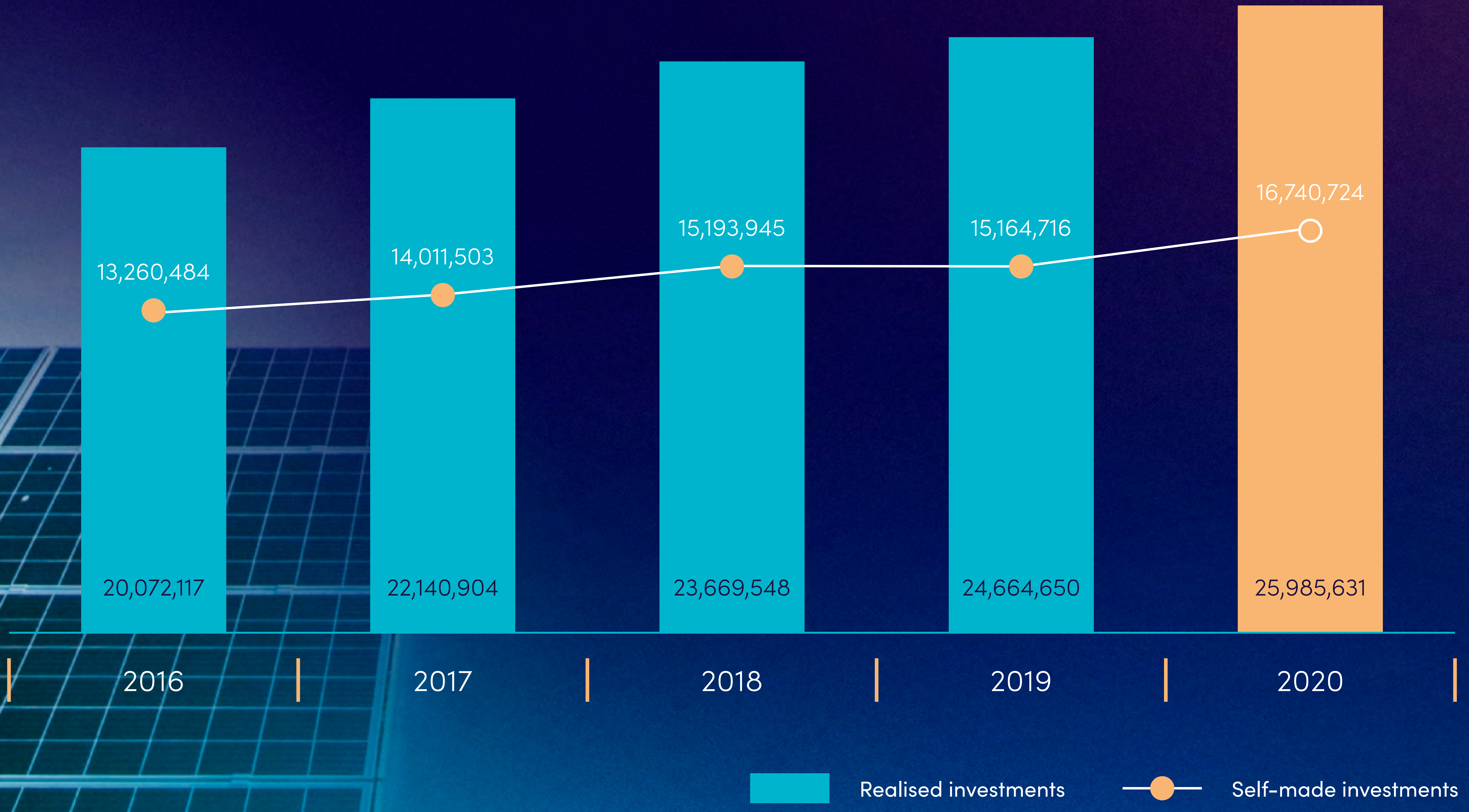
Electricity losses in the network



Company Elektro Celje (in EUR)	Achieved 2016	2017	2018	2019	2020	Graphical comparison
SAIDI (System Average Interruption Duration Index) – unplanned interruptions	18.06	46.22	33.84	31.13	30.67	
SAIFI (System Average Interruption Frequency Index) – unplanned interruptions	0.48	1.03	0.80	0.66	0.65	
MAIFI (Momentary Average Interruption Frequency Index)	3.11	4.51	3.49	2.93	3.26	
SAIDI (System Average Interruption Duration Index) – planned interruptions	154.85	144.40	167.69	170.28	133.52	
SAIFI (System Average Interruption Frequency Index) – planned interruptions	1.00	0.88	1.09	1.11	0.88	
NET SALES REVENUE	49,517,923	49,823,026	50,512,707	50,831,032	47,072,367	
NET PROFIT	9,435,710	9,062,759	10,428,778	9,252,820	5,535,289	
EQUITY	200,929,373	207,146,133	214,215,726	219,909,447	222,482,388	
ASSETS	276,059,990	279,697,695	284,080,642	290,471,682	293,952,609	
FINANCIAL DEBT/EQUITY	0.226	0.195	0.179	0.182	0.178	
ROE	4.86	4.44	4.95	4.26	2.50	

Investment at the Company Elektro Celje

(in EUR)



Key Indicators of Operations

of the Elektro Celje Group

+1.4% (compared to 2019)

Equity

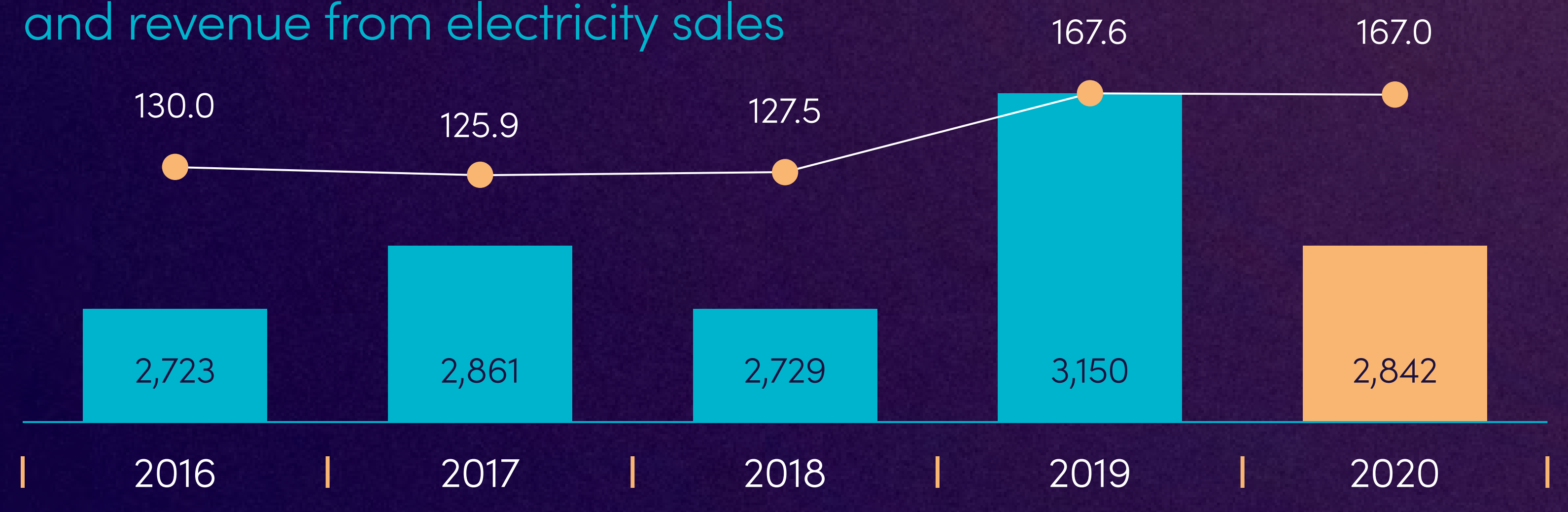
EUR 236.5 million

+1.6% (compared to 2019)

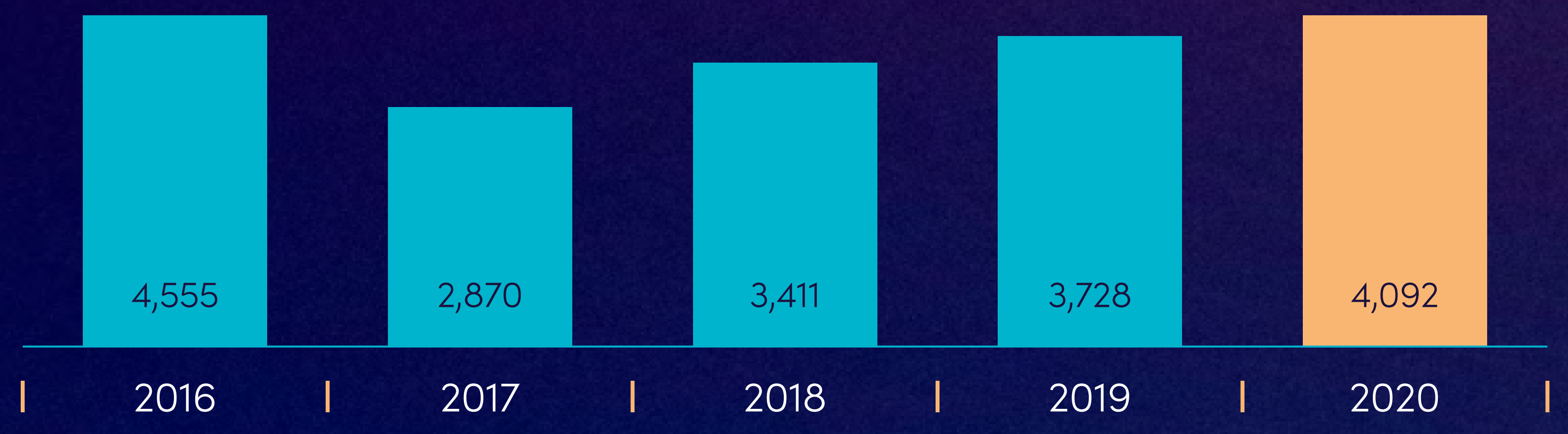
Assets

EUR 337.3 million

Electricity sales and revenue from electricity sales



Electricity production in the subsidiary Elektro Celje OVI in MWh



Elektro Celje Group (in EUR)	Achieved 2016	2017	2018	2019	2020	Graphical comparison
SALES REVENUE*	10,747,578	9,843,544	12,550,115	8,595,312	6,237,847	
EBITDA*	30,468,792	30,256,783	33,122,836	27,600,203	24,353,489	
EBIT*	10,793,236	11,353,737	14,908,206	9,363,522	6,097,788	
EQUITY	213,314,562	219,770,154	228,621,568	233,303,669	236,545,580	
ASSETS	314,273,205	318,122,910	323,636,596	332,064,289	337,297,991	
GROSS VALUE ADDED*	55,176,463	54,971,932	58,888,825	50,728,306	48,652,881	
ROE*	5.11%	4.55%	5.60%	3.72%	2.66%	

* The data are not comparable due to the changed consolidation explained in Section 5.2 (g) of the Financial Report.

Foreword by the Chairman of the Management Board

In the first phase, the activities focused on business in changed circumstances and the identification and management of risks, as well as ensuring the uninterrupted supply of electricity to our customers.

In the COVID-19 epidemic, the Company Elektro Celje noticed a decrease in electricity consumption in 2020 of 3.8%.

The Company Elektro Celje operates mainly in a regulated and partly in a competitive environment, which is influenced by the Slovene economic trend and legislation. In January and February 2020 the Company's operations were smooth, while in March the situation worsened. The Elektro Celje Group responded quickly, entirely and successfully to the crisis caused by the epidemic.

This means ensuring a safe and reliable supply of energy services according to marketing and sustainable development principles to customers, taking into account its efficient use, economical use of renewable energy sources and environmental protection conditions. In spite of demanding working conditions, we have built a robust and powerful electricity network that provides adequate power and quality of voltage and current in accordance with current Standards successfully.

The organisation of the work has been fully adapted to the conditions of demanding operations in a pandemic situation, using digital technologies and engaging all the necessary potential of the Company. We have been following the goal of protecting our employees and users from the spread of infections. Security of electricity supply, maintenance and investment in the power distribution network have become the foundation of prosperity and stability in the country.

In the COVID-19 epidemic, the Company Elektro Celje noticed a decrease in electricity consumption in 2020 of 3.8%. The consequence of the legislative measures to mitigate the consequences of the epidemic is also reflected in the Profit and Loss.

Operating Results Indicate a Job Well Done

Responsible management and actions are reflected in the numbers at the end of the year, and the Company Elektro Celje ended 2020 with good operating results. The achieved values for the **SAIDI (30.67)**, **SAIFI (0.65)** and **MAIFI (3.26)** power supply reliability indicators for 2020 are more favourable than the values planned, from the values in the preceding period, as well as from the values established by the Energy Agency. In 2020, **the share of losses** per unit of electricity distributed with the quantity of electricity distributed amounting to 1,952,512 MWh, stood at **4.30%**, while recognised losses as per the Energy Agency regulatory framework amounted to 4.81%.

A new Strategic Business Plan for the period 2021–2025 was prepared in 2020.

The value of investments amounted to **EUR 25,985,631**, representing a 5.4% increase compared to the previous year. This also means that CAPEX in net sales revenue (54.0%) is higher than in 2019 (48.5%).

The Company Elektro Celje completed the financial year 2020 with **a net profit of EUR 5,535,289**, which is EUR 2,581,011 less than planned, but the reduction in the recognised rate of return adopted by the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy reduced the Company's network charge revenue by EUR 2,825,733. The Company Elektro Celje thus contributed significantly to mitigating the consequences of the pandemic.

We are Ready for Change and Strengthening Participation in European Projects

The Company Elektro Celje operates in a rapidly changing technological environment. We have responded appropriately to all of the changes and are certainly among the companies that provide answers to the contemporary challenges of the systemic transition to renewable energy, electric mobility, the use of alternative, environmentally friendly energy products, the development of sustainable mobility and the provision of integrated intelligent electricity consumption management services. There are new technologies on the march which will demand huge investments in electricity infrastructure, Information Technology and the acquisition of new knowledge. Electricity will certainly be the energy of the future due to its properties. The classical energy supply system that was present in the past will certainly no longer exist in the future.

We are aware of the importance of cooperation in the field of Technological Development and Innovative Activities, and that is why we participate in development projects that relate directly to the technological fields of electricity distribution. In 2020, we participated in several European projects, such as the **Compile** Project, the **X-Flex** Project, the **i-Flex** Project, the **BD4OPEM** Project and the **Use Smartly** Project. We have also joined a consortium for the promotion and acceleration of the green transformation of Slovene energy, with the aim of decarbonising Slovenia by 2050.

We Will Cope with the New Development Trends

On 27 February 2020, the Government of the Republic of Slovenia adopted the comprehensive **National Energy and Climate Plan of the Republic of Slovenia**, which sets out objectives, policies and measures for the period by 2030 (with a view by 2040) on the five dimensions of the Energy Union, such as decarbonisation, energy efficiency, energy security, internal market and research, innovation and competitiveness.

Consequently, we pay a great deal of attention to upcoming new development, electrification, decentralisation of production resources and digitalisation trends, and lay the groundwork for the transformation of the company. We are taking effective change management as a challenge and an opportunity. **A new Strategic Business Plan for the period 2021–2025** was prepared in 2020.

We have focused on innovative development of those market activities that are acceptable from the EU, as well as the Slovene Regulation standpoints, and provide comprehensive solutions for customers. A key element of a comprehensive corporate strategy is the timely construction of electricity infrastructure to keep up with the goal of 100% involvement of all the customers in the network. A lot of effort is being put into optimising the planning and implementation of electricity infrastructure investments. We are upgrading and integrating software solutions that enable the optimal evaluation of investment initiatives in the energy planning phase, and the correct and timely preparation of investment project suggestions. Since we collect and process a large amount of various data, we have started to set up a business reporting system that will enable us to analyse large amounts of data and convert them into meaningful, high-quality and useful information that will be available to internal and external users. With the accelerated digitalisation of operations, we are getting more and more involved in cyberspace, increasing the risk of cyber attacks. In accordance with the national and international legislation for protection against such cyber attacks, we have been upgrading the applicable systems intensively, and establishing a cyber defence strategy, while strengthening cooperation with other electricity distribution companies.

In 2020 we devoted a lot of activities to the introduction of the Advanced Distribution Management System (ADMS), which offers a comprehensive network management solution, including tools for monitoring, analysis, control, optimisation, planning and training of new personnel. The new ADMS offers a modular and flexible platform, a common data model and integration framework, and a cyber-secure infrastructure for these functionalities.

In addition to the controlling Company Elektro Celje, the Elektro Celje Group also includes the subsidiaries ECE, as a supplier of electricity and other energy sources, and Elektro Celje OVI, as a producer of electricity and an engineering services contractor and provider. The impact of the epidemic was also reflected in the operations of subsidiaries, which adapted their operations to the situation.

Employees are the key to this success story

The main purpose of the planned construction of the organisational culture is to achieve business efficiency and to adapt employees to the Company's strategy in order to promote the process of change. Being a member of the Elektro Celje Group means implementing the culture of work and coexistence that connects us. In 2020, the Group had more than 700 employees. We develop their competences, care constantly for their education and monitor their satisfaction. Employees build up the strength and reputation of the Group with their commitment, motivation and knowledge.

Sustainable Operations

The operations, services and activities of the companies within our corporate group incorporate the principles of sustainable development in a way that meets today's needs, without compromising the ability of future generations to meet their own needs. Global responsibility, intergenerational justice and solidarity, the integration of social and environmental goals, the precautionary principle and the cooperation principle are our responsibilities towards all stakeholders.

We are proud of our Family Friendly Company Certificate and ISO 9001, ISO 14001, ISO 45001 and ISO 27001 Certificates. We have a system in place that ensures compliance of our operations with legislation, Regulations and internal acts, as well as a Risk Management and internal control system as an integral part of the Company's management.

THE MANAGEMENT BOARD RESPONSIBILITY STATEMENT

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, and that the Financial Statements of the Company Elektro Celje are drawn up in accordance with Slovenian Accounting Standards and the Consolidated Financial Statements of the Elektro Celje Group in accordance with the International Financial Reporting Standards adopted in the European Union.

The Management Board of the Company Elektro Celje is responsible for compiling the Financial Statements and presenting them to the interested public in such a way that the Statements present a faithful and fair account of the financial position and business performance of the Company and Group.

The Management Board hereby declares that all Financial Statements have been compiled in compliance with professional Standards and legislation regulating operations, accounting, taxation, and finance, and that the accounting estimates are prepared with the prudence and diligence befitting a good manager, and under the assumption of continuing operations of the Company and Group companies in the future.

The Management Board is responsible for the implementation of measures to ensure that the value of the assets is maintained, and for the prevention and detection of fraud and other irregularities.

The Management Board of the Company approved the Annual Report on 30 April 2021.

Chairman of the Management Board,
Boris Kupec, MSc

Major Business Events

January

H2020 BD4OPEM

We started the H2020 BD4OEM Project, where the Company Elektro Celje, in addition to the power operators from Spain, Turkey, Belgium and Denmark, takes part as a pilot partner, whose data and knowledge will contribute to the development of data-analytics services, for the better functioning of the networks of European power operators.

February

On 27 February 2020, the Government of the Republic of Slovenia adopted the comprehensive **National Energy and Climate Plan of the Republic of Slovenia**, which sets out objectives, policies and measures for the period by 2030 (with a view by 2040) on the five dimensions of the Energy Union, such as decarbonisation, energy efficiency, energy security, internal market and research, innovation and competitiveness.

March

Pursuant to Article 7 of the Contagious Diseases Act, Slovenia declared a epidemic on 12 March 2020 due to an increase in the number of COVID-19 infections. The Company Elektro Celje has taken various measures to protect the employees to the greatest extent possible, while ensuring a smooth supply of electricity and performance of public utility services. As part of the measures to mitigate the social and economic consequences of the spread of the coronavirus, the Energy Agency has implemented an emergency measure to change tariff lines for network charges. For the period from 1 March to 31 May 2020, household and small commercial customers were not charged with tariff lines for capacity charges, or the price for this charge was EUR 0/kW.

April

On 2 April 2020, the National Assembly adopted the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, and on 29 April 2020 the Act Amending the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Hereinafter ZIUZEEOP-A). In it, the EAgen orders the change to the general Act for determining the methodology and eligible costs of the electricity distribution system, so that the recognised return on assets rate for 2020 amounts to 4.13%.

April

150,000

We decided to launch a charity campaign, in which we donated 150,000 three-layer certified masks to 23 Health Care Institutions through the company ECE, with the support of the parent Company Elektro Celje.

May

On 29 May, the Energy Agency issued the Act amending the Legal Act on the methodology determining the regulatory framework and network charge for the electricity distribution system, which, inter alia, reduced the rate of return on assets for 2020 from 5.26% to 4.13%.

June

The 25th regular Shareholders' Assembly of Elektro Celje d. d. took place on 24 June. The shareholders adopted, among other things, Decisions on the use of distributable profit for 2019, the granting of discharge from liability to the Company's Management and Supervisory Boards for the work performed in the previous year, and the increased share capital. The Shareholders' Assembly also approved the amendments to the Articles of Association and elected Miha Kerin, MSc as a member of the Supervisory Board of the Company Elektro Celje, shareholder representative, for a four-year term starting on 2 September 2020.

May

On 1 May 2020, Boris Kupec, MSc took up the second four-year term of office of the Chairman of the Management Board of the Public Limited Company Elektro Celje.

May

In May we obtained the final approval of the Ministry of Finance for an investment loan in the amount of EUR 13.1 million.

July

In July, the subsidiary ECE took part in the "Bisnode" conference and received a platinum award of excellence.

September

On 30 September 2020, the Company Elektro Celje paid dividends in the amount of EUR 2,934,605 following the Assembly's resolution on the use of distributable profit from 2019.

October

On 19 October 2020, the Government of the Republic of Slovenia issued a Decree re-proclaiming the epidemic of the communicable disease COVID-19 throughout the country.

October

At the beginning of October, we started the implementation of the European project "OneNet – One Network for Europe", in which the consortium will seek a solution for coordinated cross-border cooperation between transmission and distribution electricity system operators while establishing new flexibility markets.

November

iFlex

On 5 November, a constitutive meeting was held for the iFlex Project, which aims to empower users in the area of smart grids in a way that will facilitate their participation in integrated energy management and demand management programmes, by creating the technological conditions for the increased deployment of dispersed renewable energy sources.

December

On 1 December 2020, a Contract on the sale and transfer of business shares in the Company ECE d. o. o. was signed, subject to the approval of the Slovenian Competition Protection Agency (AVK) and to the condition of the acceptance of the new Shareholders' Agreement of the company ECE d. o. o., in which the Company Elektro Celje, d. d. will hold a 36.4195 per cent shareholding and HSE, d. d. a 51 per cent shareholding (EUR 2,805,522). The purchase price received by the Company Elektro Celje under the contract for the sold 37.9061% of the company ECE d. o. o. amounts to EUR 8,263,529.80. Financial revenue under this heading for the year 2021 will amount to EUR 5,458,008.

December

An optional agreement with the company HSE d. o. o. was signed on the sales or purchase option for the remaining shareholding of the Company Elektro Celje, d. d. in the company ECE in the period from 1 January 2025 to 31 May 2025, which is defined in detail in Sections 2.4.5 and 5.2 (g) of the Financial Report.

Post-Balance-Sheet Events

December

In December, a recertification audit took place of the Quality Management System in accordance with the ISO 9001:2015, the Environmental Management System in accordance with the ISO 14001:2015 and the Occupational Health and Safety System in accordance with the ISO 45001:2018, as well as a control audit of the Information Safety Management System, in accordance with the ISO 27001:2013 Standard.

December

At the end of December we completed the installation of electrical equipment in the newly built DTS 110/20 kV Vojnik facility, and performed functional and start-up tests of equipment. The value of the total investment made by the Company Elektro Celje in the new DTS was EUR 3,650,918. The value of the investment of the Company Elektro Celje in the new DTS in 2019 and 2020 amounted to EUR 3,628,208.

January

We started a pilot implementation of the USE SMARTLY Project, in which we will test the introduction of dynamic tariffing of the network charge for electricity for household and small business customers.

January

On 1 January, the new Rules on the internal organisation and job classification entered into force. By concluding new Employment Contracts the basic gross salary of employees was also harmonised to the newly defined salary grade rates in each tariff class under the Corporate Collective Agreement.

March

As of 1 March 2021, the new Rules on the System Operation of the Electricity Distribution Network (SONDSEE) apply.

A NETWORK OF STABILITY

Uninterrupted supply in all conditions

A safe and reliable supply of electricity at the time of the covid-19 epidemic has gained importance, since it was clear that this is one of the segments of the economy that should not be affected by the health crisis directly. Even in the crisis period and during the most severe measures to contain the spread of the disease, the Company Elektro Celje did everything to ensure a smooth supply to all our customers. In exceptional circumstances, we acted, and still act, in a responsible, stable and responsive manner.

Presentation of the Company Elektro Celje

Profile of the Company Elektro Celje

Name:	ELEKTRO CELJE, podjetje za distribucijo električne energije, d. d.
Abbreviated name:	ELEKTRO CELJE, d. d.
Head office:	Vrunčeva 2a, 3000 Celje
Telephone:	+386 (0)3 42 01 000
Call Centre:	+386 (0)3 42 01 180
Press contact:	+386 (0)3 42 01 435
E-mail address:	info@elektro-celje.si
Website:	http://www.elektro-celje.si
Entry in the Companies Register:	Register of Companies of the District Court of Celje, Reg. No. 1/00600/00
VAT identification number:	SI62166859
Registration number:	5223067000
Share capital:	EUR 150,955,089.64
Number of shares:	24,192,425
Company size (according to the provisions of the Companies Act – ZGD-1):	Large company
Number of employees as of 31 December 2020:	629
Number of MWh distributed in 2020:	1,952,512 MWh
Number of customers as of 31 December 2020:	173,859
Chairman of the Management Board:	Boris Kupec, MSc
Chairwoman of the Supervisory Board:	Rosana Dražnik, MSc

Mission, Vision and Values

MISSION

We enable development and progress to network users by providing reliable, quality, cost-effective and environmentally friendly electricity supply and modern services.

VISION

Elektro Celje, d. d. is an efficient and innovative company with a technology advanced electricity network, making us recognized as a reliable partner in ensuring sustainable development.

VALUES

At Elektro Celje, we respect and promote activities that ensure that the following principles and values are expected:

ACCOUNTABILITY and RELIABILITY

We are responsible and reliable.

We operante concentrientiously, with inheritance, in accordance with rules and ethical standards. We stick to agreements. We are personally responsible for fulling obligations. We are aware that we are a part of a wider Community connected to the energy network. Through our activities, we contribute to the safety and quality of life. We ensure that the distribution of electricity is reliable, safe and uninterrupted. We respect the work and time of others.

DIALOG and COOPERATION

Open and respectfl communication is the foundation of successive cooperation.

We build good relations with a clear expression and respect of the other party. We contribute to a good working atmosphere, mutual trust and respect. We work for the common good and in partnership between employees, suppliers, suppliers and owners. We respect personal differences, follow the values of a family-friendly company, and coordinate different tasks and activities to fulfill common goals.

KNOWLEDGE and EXCELLENCE

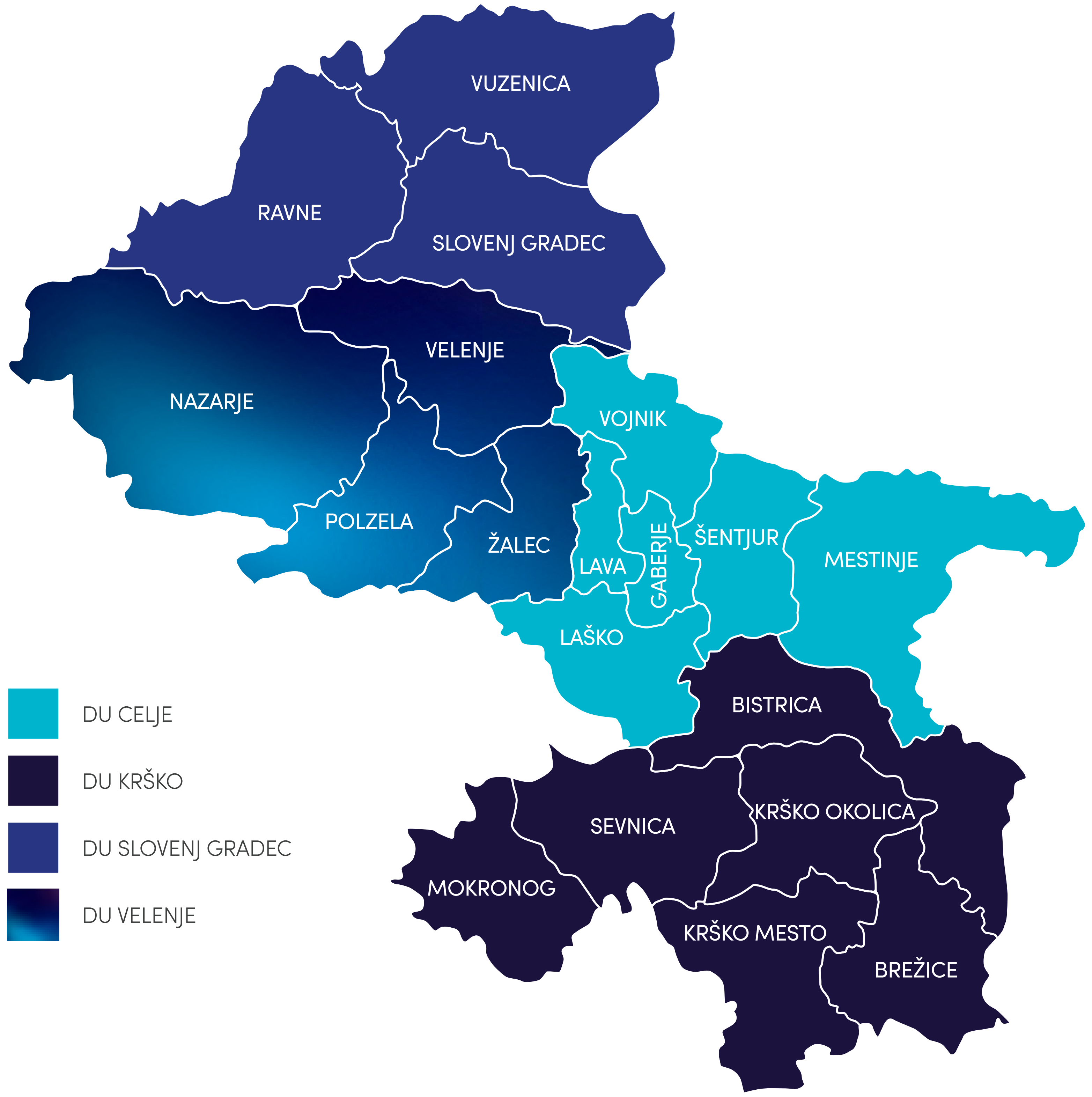
We develop knowledge and skills and achieve excellence results.

By acquiring and sharing knowledge and experience, consolidating for innovation and following best practices continued, we build professionalism, improve our operations and remain committed to finding the best solutions for continuous improvement of the quality of electricity supply. Through our commitment and creativity, we are growing the culture of development and the achievement of outstanding results.

The Company Elektro Celje, d. d. is the owner of an electricity distribution infrastructure (12,870 km of low-voltage networks, 1,192 km of medium-voltage underground cables, 68 km of 110 kV overhead power lines, 2,480 km of medium-voltage overhead power lines, 20 distribution transformer substations, 16 distribution substations and 3,576 transformer substations), which it designs, builds, maintains and leases to the holder of the concession of the public utility service of the electricity distribution system operator, the company SODO.

Field of Activity

Distribution and control units of the Company Elektro Celje

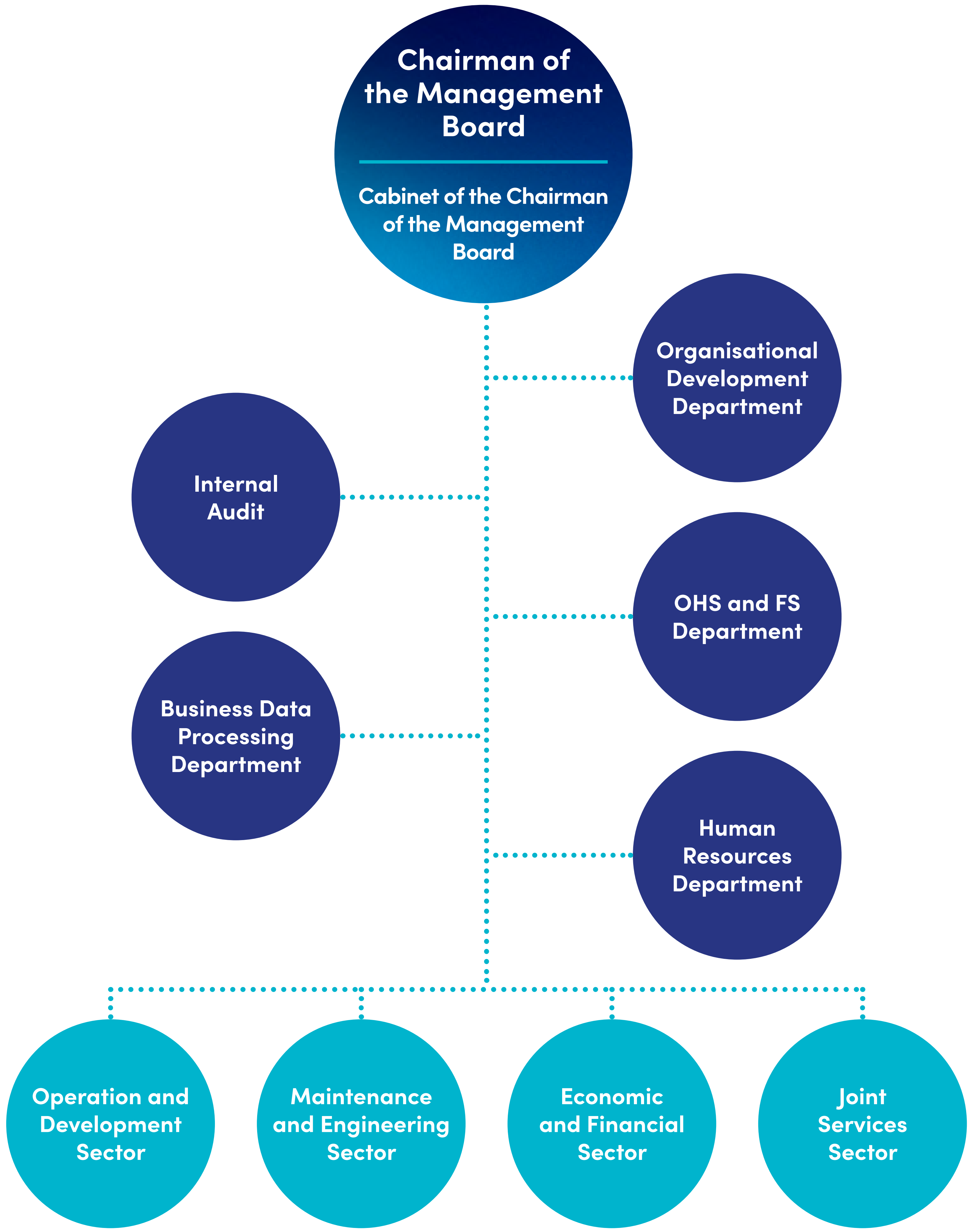


Ownership Structure

Elektro Celje operates as a Public Limited Company. The Republic of Slovenia with a 79.5% stake is the largest shareholder. Other shareholders as of 31 December 2020 were: Pension funds (1.57%), investment companies and other legal entities (15.28%), natural persons (2.27%), and 1.38% are Company's own shares (333.849 own shares in the purchase value of EUR 886.371).

Organisational Structure

The organisational chart is based on the applicable Rules on Organisation and Job Classification, which are set to ensure the expert, efficient and rational performance of the operations of the Company Elektro Celje, as well as provide effective internal control.



Strategic Challenges and Goals of the Company Elektro Celje

Strategic Guidelines of the Company Elektro Celje

The following Strategic Guidelines intended for preparing and defining strategic goals, activities and tasks, were adopted for the strategic period 2017–2020, based on an analysis of changes in the internal and external environments and a SWOT analysis:

Strategic Objectives and Diagram

Strategic Objectives, enabling us to ensure the expected development and successful operations of the Company, were set for implementing the Strategic Guidelines. Strategic Goals represent an agreement on what we will achieve in the period 2017–2020, dealt with for the realisation of the Company's mission and vision. Of course, goals can be achieved successfully only with a clearly elaborated strategy on how to reach those goals, that is, which strategic activities will be performed and, until when, as well as, in particular, who is responsible for their successful performance. A system of balanced indicators (BSC) as an established managerial tool for strategy planning and implementation was used for the in-depth understanding of the strategy, and mainly for ensuring its integrity and consistency. A selection of strategic indicators was defined for monitoring the successful strategy implementation and achieving Strategic Goals.

PROVISION OF HIGH-QUALITY SERVICES FOR CUSTOMERS BY STRENGTHENING THE DISTRIBUTION NETWORK

The success of the implementation of this Strategic Guideline is linked to ensuring the best possible supply of electricity to customers, improving communication with customers, raising awareness of employees, introducing modern information support, optimal demarcation between own execution of works and implementation with subcontractors and introduction of new technologies.

OPTIMISATION AND INCREASED EFFICIENCY OF BUSINESS PROCESSES

The following are related to optimisation and increased operational efficiency: Optimisation of costs and the entire business operation, improving warehouse operations and distribution of material to working grounds, improving the work conditions of field workers, optimising the Company's debt position, managing energy losses, introducing new technologies, improving the performance of the operative sector at distribution units (process planning) and managing transport costs.

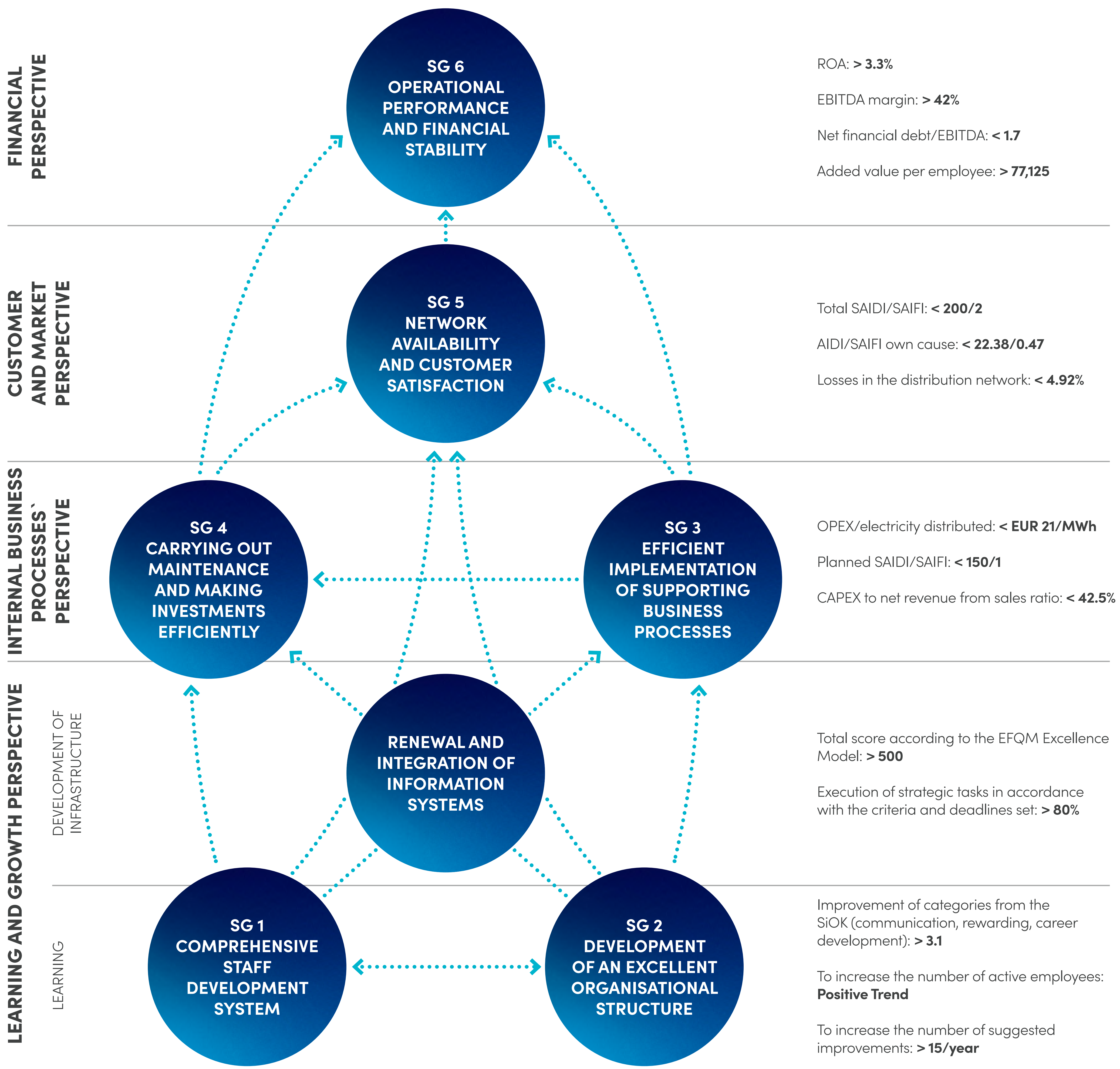
CORPORATE GOVERNANCE OF SUBSIDIARIES AND INVESTMENTS OF THE COMPANY ELEKTRO CELJE

Transparent investment management pursuant to the Management Policy is ensured for investments of the Company Elektro Celje, d. d. in ECE d. o. o. (a 74.3256% ownership stake) and Elektro Celje OVI, d. o. o. (a 100% ownership stake).

Interlinks between Strategic Goals (understanding the cause-consequence relation) are shown schematically in the Strategic Diagram.

A semi-annual Report on the achievement of Strategic Objectives was presented to the Supervisory Board of the Company with the final Report, which was discussed and adopted by the Supervisory Board and presented at the end of the period. It was ascertained that the Strategic Plan was realised successfully in view of the implementation of the perspectives, and, thus, the development of employee competences, where their motivation and enthusiasm lead to the successful development of infrastructure and management of all assets (Learning and Growth Perspective), enabling successful implementation of other processes (Internal Business Processes` Perspective). Successful and efficient processes enable the realisation of the Company's mission which is: To provide a reliable, high-quality, cost-effective and environmentally-friendly electric power supply and related services to customers (Customer and Market Perspective).

Balance Scorecard – Strategic Diagram and Goals



Strategic Business Plan 2021–2025

In 2020, we started reviewing the current strategy and Strategic Objectives. The Strategic Guidelines stemming from the Company's mission have not changed. We set ourselves new Strategic Goals, which were set in a transparent and structured manner, in accordance with the Company's process organisation. Following an analysis of the external business environment, the needs and expectations of key stakeholders and the internal environment, a SWOT analysis was carried out to assist in strategic decisions aimed at the sustainable development of the Company:

- Provision of quality customer services by strengthening the distribution network, introducing new technologies and services,
- Optimisation and increased efficiency of business processes and ensuring profitability for the owners,
- Sustainable development.

The Company's sustainable development forms a constituent part of the business processes at the Company Elektro Celje. The integration of sustainable development and social responsibility principles into business processes will contribute to the creation of value added, ensuring compliance of the Company's operations with the quality policy, operations within the framework of regulatory provisions and ethical standards, strengthening concern for employees and efforts to improve their satisfaction, concern for environment protection and encouragement of efficient energy use of customers.

We will represent a quality, trustworthy and desirable business partner for all participants in the value chain. We will adapt quickly and efficiently to all modern challenges, trends and various external factors.

In order to implement the Strategic Guidelines, we have identified eight strategic projects with the responsible promoters responsible for achieving the objectives in the planned periods. Key guidelines for the period ahead include the **DEVELOPMENT OF NEW SERVICES**, **THE DIGITISATION OF OPERATIONS** and **SUPPLY QUALITY** and **RELIABILITY**.

In the Company's Strategic Plan, the digitisation of operations is one of the key guidelines. Among other things, we have set ourselves the goal to enable all employees the use of the information infrastructure and access to information. There is also a great emphasis on the digitisation of processes for field work, where we started with the introduction of mobile applications that will enable employees to work more efficiently with the help of mobile devices. By introducing an electronic signature, we want to take a step toward paperless operations. CRM will be introduced in order to provide our customers with a single entry point that will allow access to various services in a friendly and ergonomic manner.

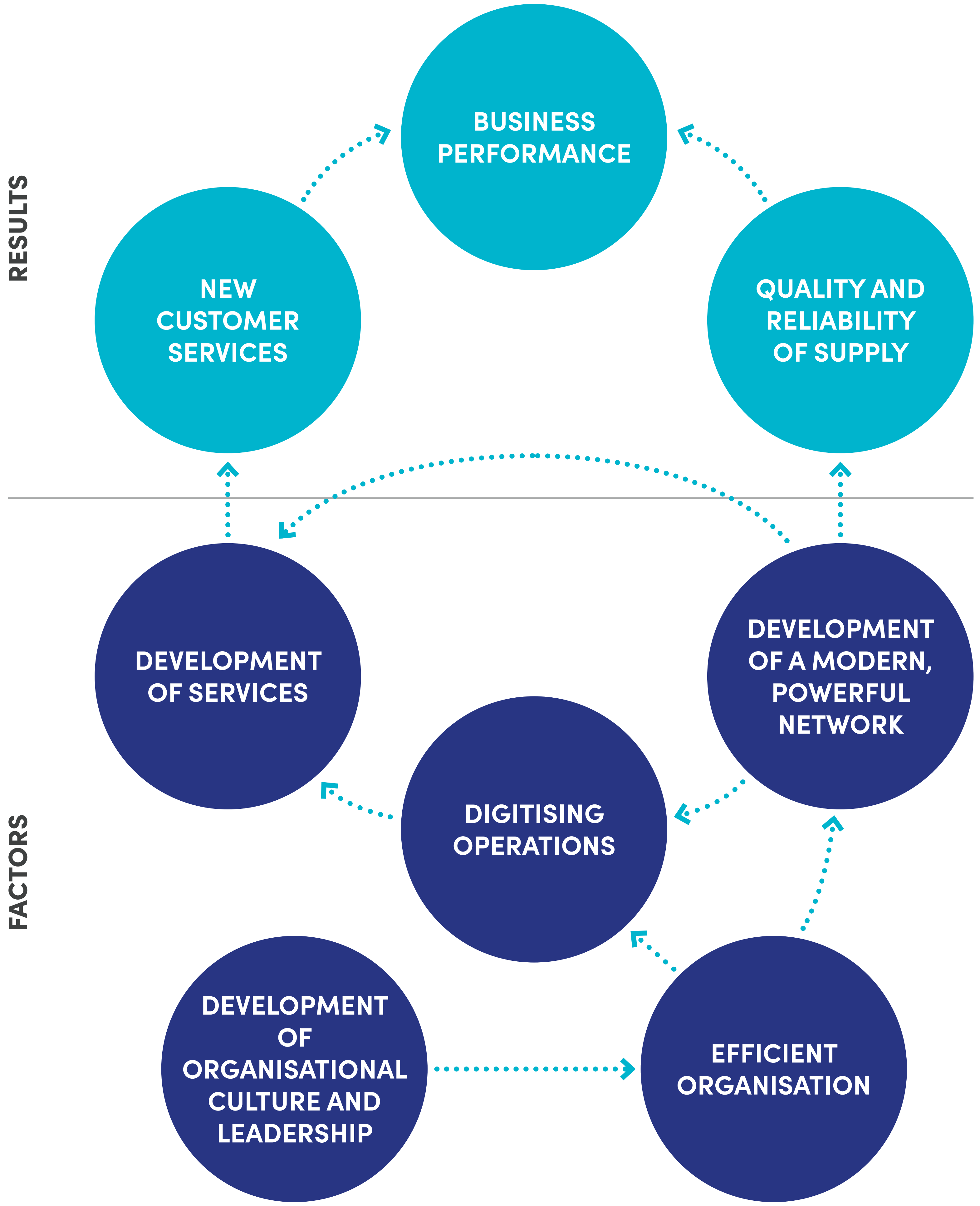
Sustainable Performance

SG 1: To increase the percentage of cabling of the MV network to 48% and the LV network to 63% with increased investment in new construction and network reconstruction by 2025.

SG 2: SAIDI own cause 0.7 and SAIFI 30.1 and planned SAIDI 145 and SAIFI 0.98.

SG 3: To ensure the expected return on equity of 4.86% in 2025.

SG 4: To introduce a lean and efficient organisation.



The new strategy is the commitment of all employees to achieve the Strategic Objectives. It will only be possible to achieve the Strategic Objectives fully through the wider involvement of all employees, their knowledge and motivation.

In order to ensure the achievement of Strategic Goals, we will carry out a semi-annual evaluation of operations. If major changes take place in the environment in which the Company Elektro Celje operates, we will make possible adjustments to strategic activities and objectives.

In the strategic period which ended on 31 December 2020, the Strategic Goals of the integrated personnel development system were achieved, and the objectives in the field of The Implementation of Support Processes were achieved in accordance with the expectations and criteria set. The objectives in the field of The Implementation of Maintenance and Engineering have been achieved and met, as have the Strategic Goals in the area of ensuring network availability and customer satisfaction, except for the Strategic Goals of continuity of electricity supply as own cause, which was set too ambitiously in the Strategic Business Plan; however, the revised target values from the three-year and annual plans approved by the Supervisory Board have been met and exceeded. The Strategic Goals in the field of Business Performance and Financial Stability, which are the result of the achievement of other Strategic Objectives, have been partly achieved, except for the objectives in relation to the Profit or Loss reported. The reasons for the failure were discussed regularly by the Supervisory Board. The Strategic Goals of the development of an excellent organisation have largely been achieved. In order to confirm credibly that the goals in the strategic cycle have been achieved, a self-assessment under the EFQM model will be carried out on the results of the financial year 2020 to complement the criterion for achieving the goal in 2021.

Business Goals of the Company Elektro Celje

are set out in the Business Plan of the Company Elektro Celje, d. d. and the Elektro Celje Group for 2021 with baselines for 2022 and 2023. They are based on: The Regulatory Framework of the Energy Agency for 2021, the Plan for the development of the electricity distribution network for the period 2019–2028, forecasts of current macroeconomic developments, recommendations by the capital assets management of the Republic of Slovenia, Slovenski državni holding, d. d., binding regulations and internal acts of the Company Elektro Celje, and requests from other stakeholders of the Company Elektro Celje and the Elektro Celje Group.

Operational goals of the Company Elektro Celje and their achievement	LNU 2020	Plan 2020	Achieved 2020	Plan 2021
SAIDI (System Average Interruption Duration Index)	≤ 30.50	≤ 31.00	30.67	≤ 30.50
Share of distributed electricity loss (in %)	≤ 4.30	≤ 4.40	4.30	≤ 4.37
OPEX per electricity distributed (in EUR/MWh)	≤ 19.70	≤ 19.72	20.98	≤ 20.06
SAIFI (System Average Interruption Frequency Index)	≤ 0.70	≤ 0.70	0.65	≤ 0.70
MAIFI (Momentary Average Interruption Frequency Index)	≤ 3.70	≤ 3.80	3.26	≤ 3.70
ROA (in %)	≥ 3.10	≥ 2.73	1.89	≥ 2.82
EBITDA margin (in %)	≥ 41.30	≥ 40.60	36.79	≥ 41.17
Net financial debt/EBITDA (in EUR)	≤ 1.50	≤ 1.57	1.58	≤ 1.63
CAPEX to net revenue from sales ratio (in %)	≥ 50.38	≥ 50.38	55.20	≥ 50.55
Value added per employee (in EUR 000)	≥ 80.30	≥ 80.72	79.83	≥ 83.15
Net profit (in EUR)		≥ 7,974,500	5,535,289	≥ 8,449,190
Investment realisation (in EUR)		≥ 25,000,000	25,985,631	≥ 26,000,000
Self-made investment realisation (in EUR)		≥ 15,845,994	16,740,724	≥ 15,511,000
Realisation of customer services (in EUR)		≥ 1,480,000	2,054,017	≥ 1,745,200

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Business Activities of the Company Elektro Celje

Operation and Development of the Distribution Network

> In 2020, the number of issued permits for connection to the distribution network increased significantly.

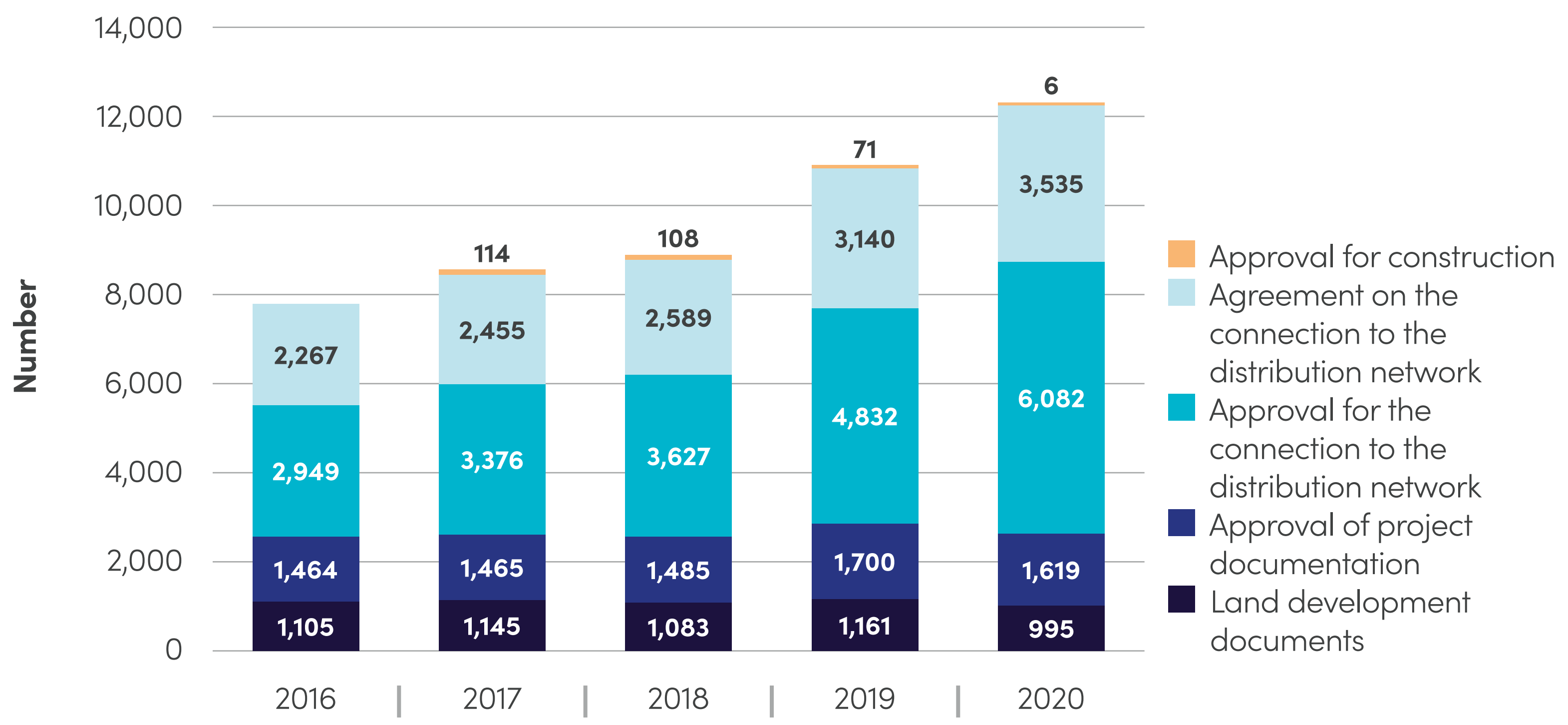
The Company Elektro Celje performs the control, management and operation of the distribution network and telecommunications systems, plans network development, complies with systemic operational instructions, manages the electricity transmission via the distribution network and exchange with other networks, provides optimum restoration of system operations following any faults, coordinates operation of the distribution network with connected networks, provides system protection of the distribution network, conducts operational measurements in the distribution network, conducts measurements and analyses in the field of The Quality of Electricity Supply, and settles network charges.

Development of the Distribution Network

In 2020, due to the increased number of applications for dispersed resources (the method of self-supply connection), the number of issued permits for connection to the distribution network increased significantly.

Land Development Documents

Land development documents issued



Quality of Electricity Supply and Network Development

At the Company Elektro Celje, we plan our network so as to supply electricity of adequate quality with the possibility of allowing the connection of new customers and production resources. To include new, larger customers and distributed energy sources, analyses of the network are performed with the use of appropriate software.

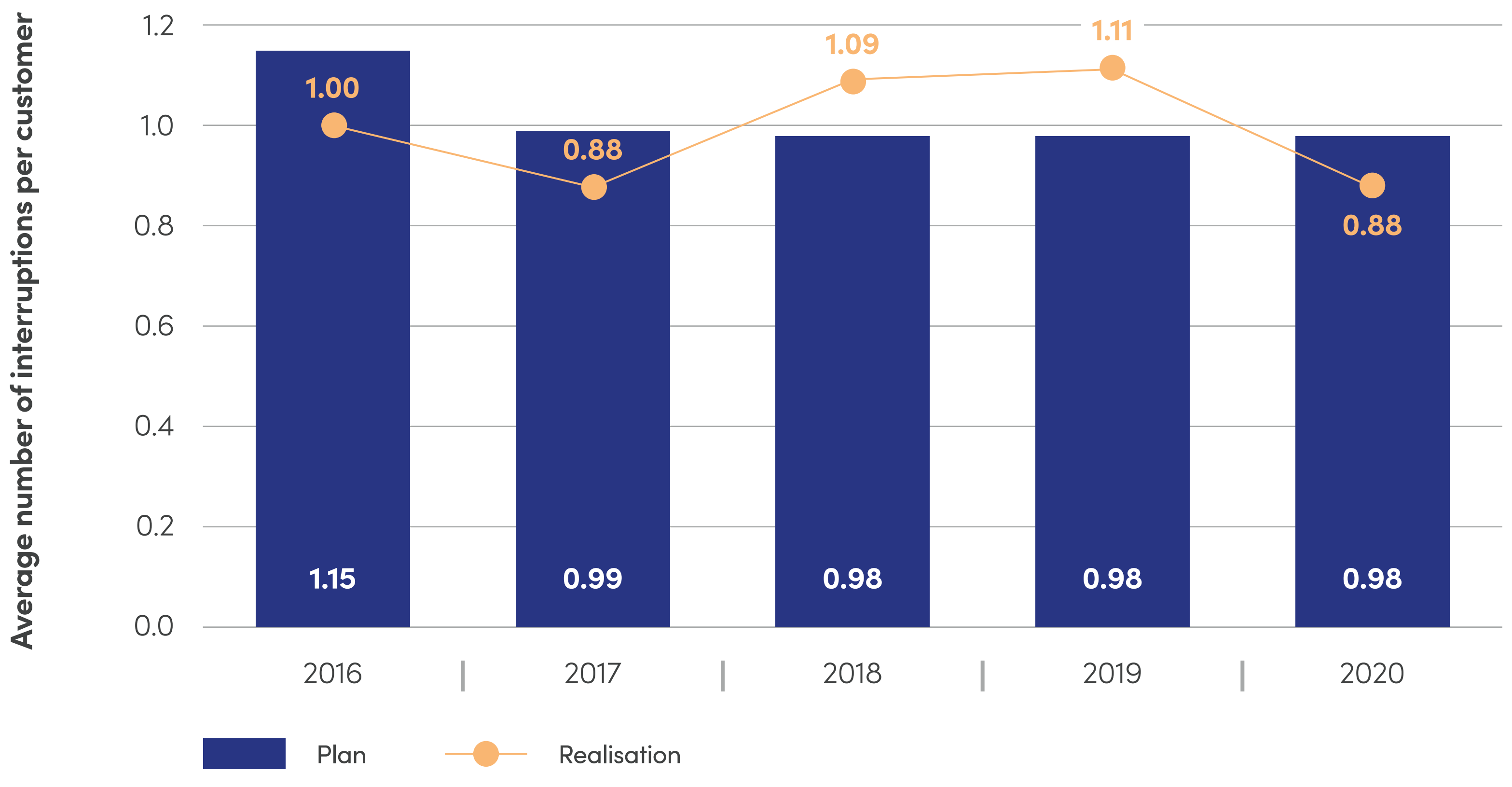
By following the power supply reliability indicators (SAIFI, SAIDI and MAIFI), which are included in the set of strategic indicators of the Company Elektro Celje, we monitor the progress towards one of our key Strategic Goals – reliability and safety of network operation – and the implementation of strategic activities towards the achievement of the following goals: Ensuring reliability of the network operation, efficient control of voltage conditions, MV network automation upgrade, MV network cabling, and optic cable upgrade. In 2020, the Company Elektro Celje received 100 consumer complaints about the quality of electricity provided (106 in 2019), of which 79 were justified (85 in 2019).

The total values of SAIFI and SAIDI reliability indicators for 2020 regarding the cause of interruption are shown below.

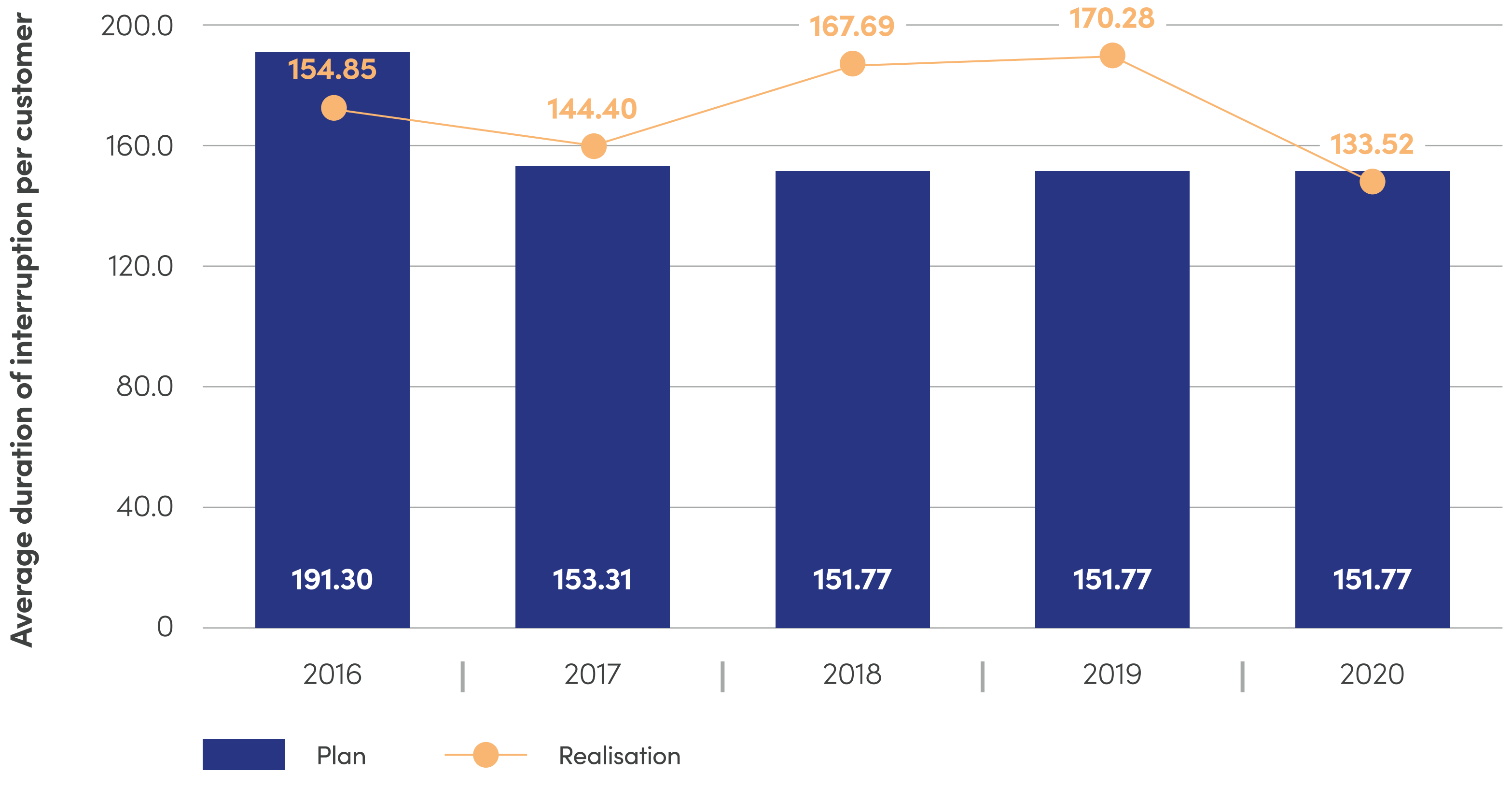
SAIFI/SAIDI reliability indicators	UNPLANNED INTERRUPTIONS						PLANNED INTERRUPTIONS	
	OWN CAUSE		THIRD-PARTY CAUSE		FORCE MAJEURE			
	SAIFI [int./cust.]	SAIDI [min/cust.]	SAIFI [int./cust.]	SAIDI [min/cust.]	SAIFI [int./cust.]	SAIDI [min/cust.]	SAIFI [int./cust.]	SAIDI [min/cust.]
Skupna vrednost	0.65	30.67	0.29	15.72	0.41	40.45	0.88	133.52

Planned interruptions for the Company Elektro Celje for 2020 amounted to:
- The SAIFI indicator: 0.876 interruptions/customer, which is 21.4% more than the average of EDCs (0.721 interruptions/ customer),
- The SAIDI indicator: 133,519 minutes/customer (the average of EDCs is 100,268 minutes/customer).

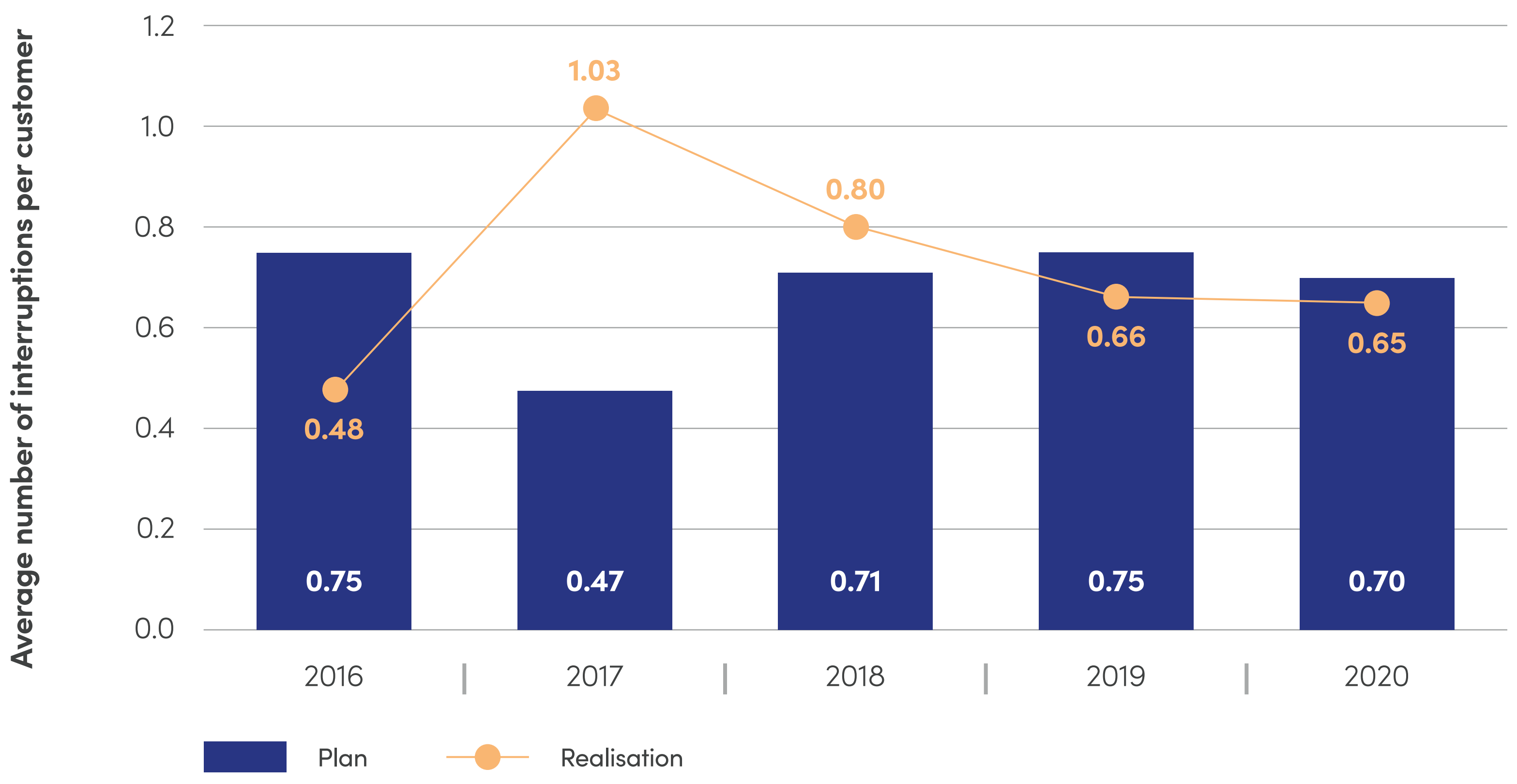
SAIFI: planned interruptions – own cause



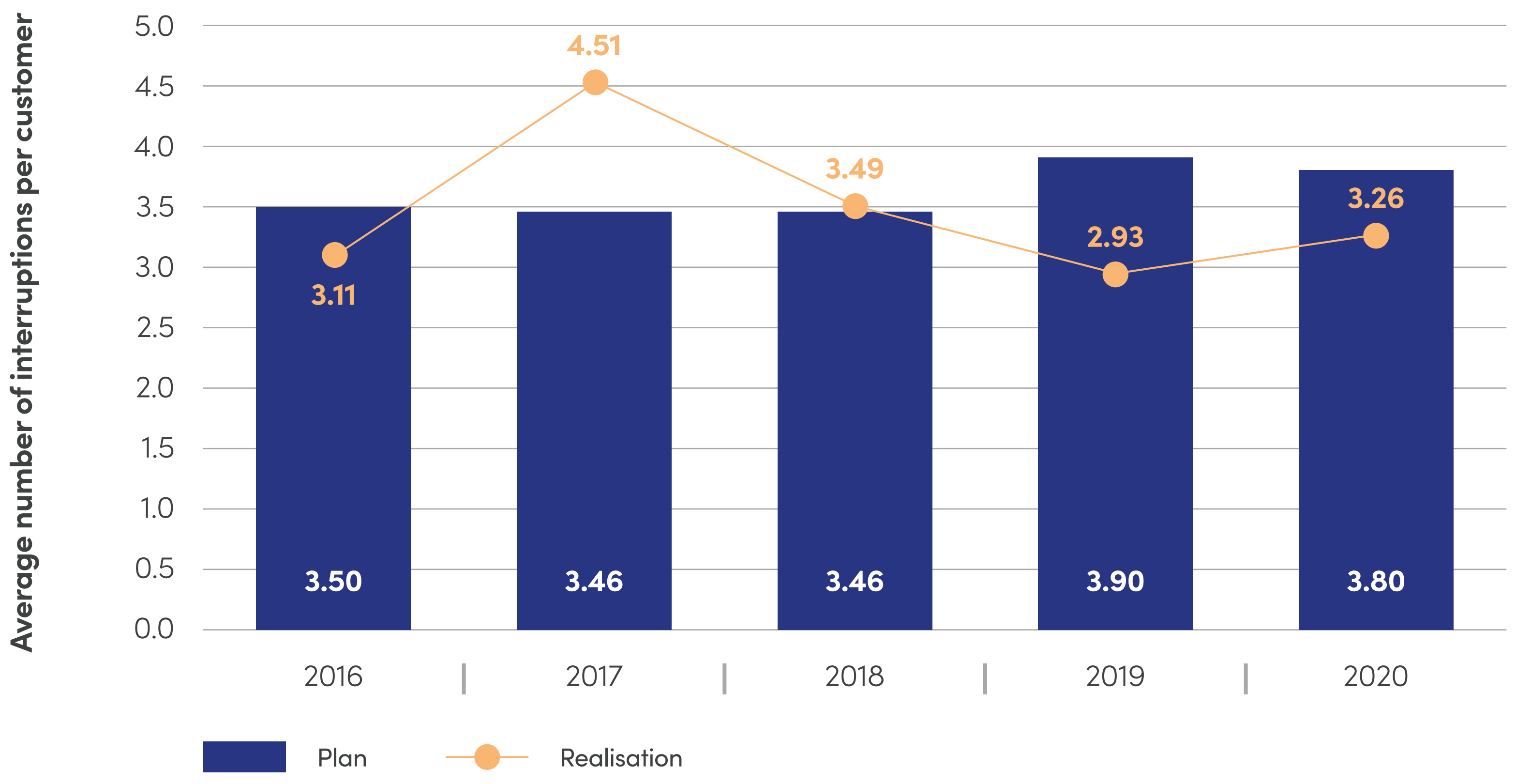
SAIDI: planned interruptions – own cause



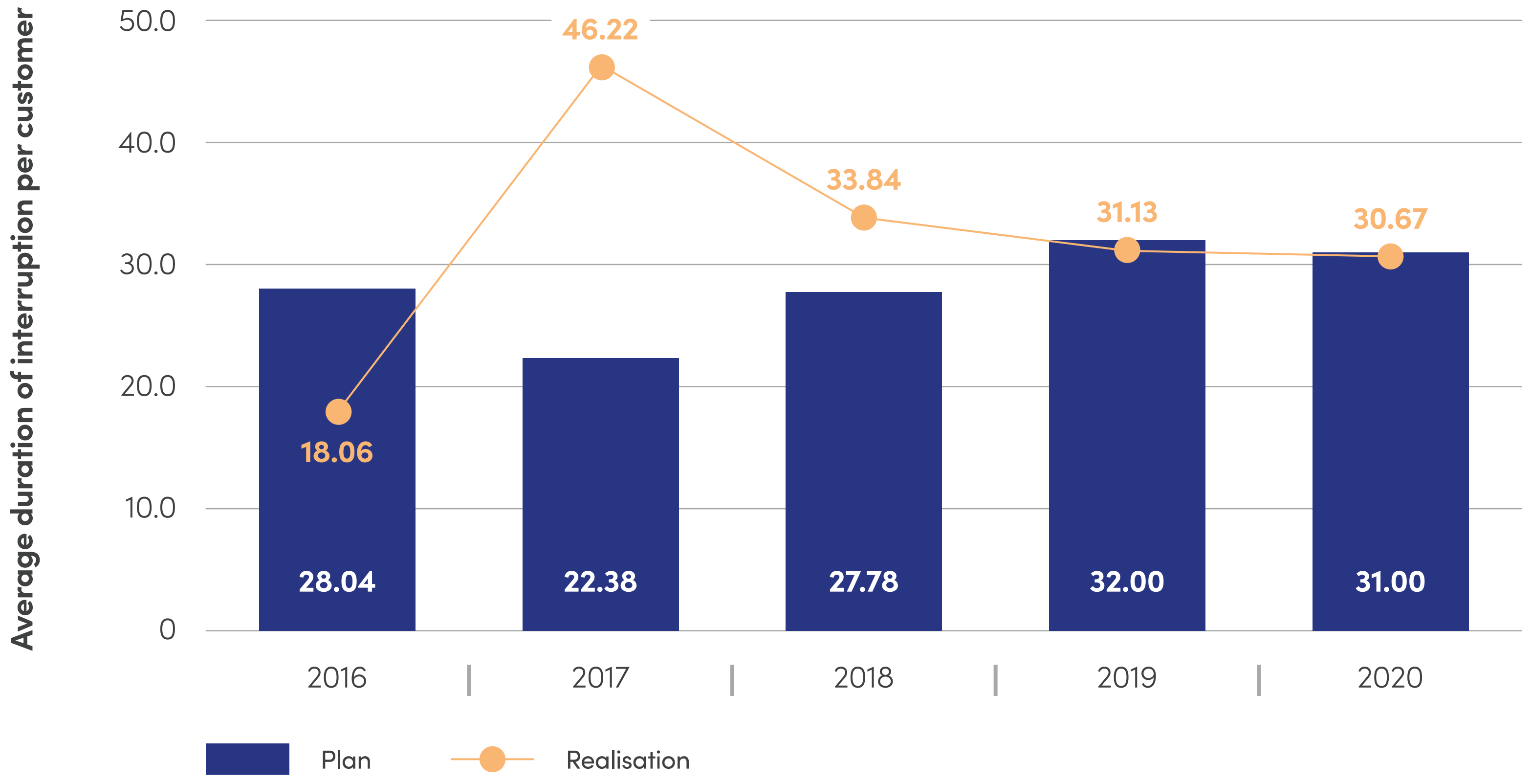
SAIFI: unplanned interruptions – own cause



MAIFI: unplanned momentary interruptions



SAIDI: unplanned interruptions – own cause



Operation of the Distribution Network

In 2020, the greatest emphasis was placed on the editing of data needed for the exchange between SCADA and ADMS v3 software tools at the Distribution Control Centre. In January 2020, SE DMS Novi Sad conducted a System Engineer training, which then continued with FAT tests in February and ended in March. Due to the COVID-19 epidemic, education and testing for PRESAT and SAT were carried out using the MS Teams application. In September we started with the correction of errors and P2P tests. The time to make all necessary corrections of errors and complete the P2P tests in SCADA ADMS v3 was extended until the end of March 2021, due to the COVID-19 epidemic.

In GIS, DMS and PSI AG (SCADA) and the new SCADA ADMS v3, we introduced changes to the network, which are important for the dispatchers at the Distribution Control Centre to control and execute all necessary switch manipulations reliably that are performed for the purpose of regular maintenance, investment and fault resolution.

Protection and Remote Control

In 2020, we performed tests of adequate operation of protection, measurement of earthing resistance, galvanic connections, short-circuit loops, quality of electrical energy, tests of flawless functioning of underground cables, maintenance of RUPS` uninterruptible systems and setting up protection and remote control relays.

The RUPS uninterruptible system was replaced at DTS Mozirje, DTS Selce and DS Emo, with batteries replaced at DTS Mozirje, DS Radlje, DS Nazarje, DS Podgračeno and DS Podplat, and the remote control system replaced and upgraded (from SCU810 to SYS600) at DS Laško town and DTS Brežice. We also carried out the inclusion and start-up test of the new DTS Vojnik, remote control of four transformer substations and established 4 RCS sets.

The number of RCSs is expected to decrease slightly over the years, while the number of remote-controlled transformer substations will increase.

Telecommunications Support

The Company Elektro Celje maintains an optical network, the IP/MPLS Ethernet network in several redundant rings, a 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. The Company ensures advanced firewalls with the support of software mechanisms for cybersecurity and information security, a microwave connection system, a corporate video conference system and the Wi-Fi wireless network, for marketing surplus telecommunications capacities through the Company Stelkom, and for renting the remaining TC infrastructure.

Due to poor coverage of our own radio network, two new repeaters were installed in 2020 (at the control unit Mestinje, at the location of TS Zgornji Log Artič for the area of Rogatec, and at the control unit Vojnik, at the location of TS Spodnja Brdce for the area of Dobrna). Several repeaters were activated on the digital radio system. Additional microwave connections between base stations were installed to ensure the reliability of the interconnections.

We continued building our own optical connections between distribution units to the most important TSs. Investments were carried out in active telecommunications equipment of the Ethernet/IP and IP/MPLS network, which is connected via an optical network, and in cyber security equipment and services.

One of the most modern investments in the field of Cyber Security was the project of implementing an anomaly detection system for a process network with the support of Artificial Intelligence and visibility over services, protocols and devices. The system protects the networks and services belonging to the process part, i.e. at the level of power facilities of DTSs, DSs and DCCs.

Access to the Network

Access to the distribution network includes the process of managing the entire collection of data on metering points in the area of administration of the Elektro Celje network and the processes directly related thereto.

Input (Production) Balance

In 2020, the total input of electricity into the distribution network of the Company Elektro Celje amounted to 2,036,872 MWh, which is 3.9% less than in 2019, while the maximum peak load reached a limit of 343 MW in December. The total amount of electricity distributed to customers amounted to 1,952,512 MWh (4.1% less than in the previous year). Electricity losses in the distribution network in 2020 amounted to 84,008 MWh or 4.3% of the quantities distributed.

2,036,872 MWh

input of electricity into the network of the Company Elektro Celje in 2020

4.3%

losses of distributed amounts of electricity

Input and output (generation and consumption) balance	2016 in MWh	Share in %	2017 in MWh	Share in %	2018 in MWh	Share in %	2019 in MWh	Share in %	2020 in MWh	Share in %
Transmission network	1,868,970	91.61	1,922,865	91.90	1,928,955	91.93	1,944,017	91.75	1,858,719	91.25
Producers	152,298	7.46	150,134	7.18	149,636	7.13	155,556	7.34	160,910	7.90
Unregulated supply	19,032	0.93	19,337	0.92	19,703	0.94	19,216	0.91	17,243	0.85
Total input into the distribution network	**2,040,300**	**100.00**	**2,092,336**	**100.00**	**2,098,294**	**100.00**	**2,118,789**	**100.00**	**2,036,872**	**100.00**
Total output of electricity	**1,944,411**	**/**	**2,001,430**	**/**	**2,006,905**	**/**	**2,036,262**	**/**	**1,952,512**	**/**
Unregulated output	66	/	19	/	55	/	9	/	323	/
Losses	95,823	4.93	90,886	4.54	91,334	4.55	82,518	4.05	84,008	4.30

Network Users

173,859 electricity consumers (including consumers with generation units and self-supply) and 3,347 generation units connected directly to the network were connected to the distribution network of the Company Elektro Celje at the end of 2020.

Number of electricity consumers connected to the Elektro Celje network

	2016	2017	2018	2019	2020
Business customers	20,021	20,147	20,362	20,516	20,689
Household customers	150,667	151,193	151,770	152,411	153,170
Total	**170,688**	**171,340**	**172,132**	**172,927**	**173,859**

Number of operating power plants in 2020 by energy source

Energy source	Number of power plants	Production (in MWh)
Sun	3,116	56,449
Water	127	30,039
Biomass	12	47,581
Municipal waste	1	12
Gas	88	26,828
Wind	3	0
Total	**3,347**	**160,909**

In 2020, the total number of power plants increased by 50.4% compared to 2019. In 2020, 13,873 customers switched their electricity supplier in the Elektro Celje distribution area, which is 1,410 more than in the previous year.

94.7%

of the Company Elektro Celje customers have meters installed to allow remote data transfer

Metering Equipment

In the remote metering system, there were 3,068 concentrators/collectors installed at TSs (86.4% of all TSs) and 2,990 control meters (84.2% of all TSs) at the end of 2020. There were 164,613 meters, enabling remote transmission of data, installed (94.7% of all customers connected to the distribution network of the Company Elektro Celje). At the end of 2020, the number of customers billed based on actual electricity consumption was 161,209.

Network Charge Calculation

Pursuant to the Agreement with SODO, the Company 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 amounted to EUR 78,763,900, which is 11.1% less than in 2019.

Services of the Network Charge Department

	2016	2017	2018	2019	2020
Agreements on access to the distribution network	13,658	14,477	12,214	13,346	13,150
Manual meter reading – annual reading	71,341	52,701	50,673	31,994	17,443
Manual meter reading – monthly reading	44,189	25,988	20,745	14,607	24,333
Remote meter reading – household and business customers	1,172,177	1,401,387	1,531,041	1,686,040	1,843,925
Manual meter reading due to change of supplier	6,570	4,374	2,630	2,278	1,213
Remote meter reading due to change of supplier	8,949	8,722	7,507	10,185	12,660

Network Maintenance

The Company Elektro Celje takes care of the maintenance and perfect technical condition of electricity installations, fast implementation of interventions and the rectification of consequences of defects and emergencies.

The Tables below show the data on the amount and value of maintenance of electricity infrastructure by type of assets and work for 2020.

Maintenance by class of asset and type of work (physical realisation)

	Type of work	Unit of measurement	DU CELJE	DU KRŠKO	DU SLOVENJ GRADEC	DU VELENJE	TOTAL ELEKTRO CELJE
110 kV infrastructure							
HV overhead power lines	inspection	km	81	0	0	7	88
	clearance	km	23	0	0	6	29
DTS 110/MV kV, DS 110 kV	inspection	number	72	60	53	57	242
	revision	number	89	68	62	84	303
MV infrastructure							
MV overhead power lines	inspection	km	716	791	414	608	2,530
	clearance	km	257	28	49	32	366
MV underground cables	inspection	km	55	77	32	28	193
DTS MV/MV, DS MV with control and protection	inspection	number	48	44	37	54	183
	revision	number	35	7	1	37	80
TS MV/0.4 kV, TS MV/0.95 kV, TS 0.95/0.4 kV	inspection	number	1,083	1,031	785	882	3,781
	revision	number	226	198	145	165	734
LV network	inspection	km	814	674	384	574	2,445
	clearance	km	76	3	52	55	186

Maintenance of EI by type of asset (financial realisation)						(in EUR)
	DU CELJE	DU KRŠKO	DU SLOVENJ GRADEC	DU VELENJE	OTHER	TOTAL ELEKTRO CELJE
HV overhead power lines	59,348	221	2,461	3,643	0	65,672
DTS 110/MV kV, DS 110 kV	89,625	67,519	58,905	85,461	39,163	340,672
Total 110 kV infrastructure	**148,973**	**67,740**	**61,366**	**89,103**	**39,163**	**406,344**
MV overhead power lines	558,077	359,172	438,019	436,599	0	1,791,866
MV underground cables	32,817	53,454	27,528	26,786	4,410	144,994
DTS MV/MV, DS MV (with control and protection)	39,413	15,001	16,798	20,467	3,246	94,925
TS MV/0.4 kV, TS MV/0.95 kV, TS 0.95/0.4 kV	415,094	257,773	255,674	183,113	507	1,112,160
Total MV infrastructure	**1,045,400**	**685,399**	**738,019**	**666,965**	**8,163**	**3,143,946**
LV network	1,092,208	647,176	569,544	1,090,628	151	3,399,707
Total LV network infrastructure	**1,092,208**	**647,176**	**569,544**	**1,090,628**	**151**	**3,399,707**
GENERAL	**568,371**	**812,748**	**722,375**	**692,719**	**3,285,402**	**6,081,614**
TOTAL MAINTENANCE OF PRIMARY EQUIPMENT and INFRASTRUCTURE	**2,854,952**	**2,213,063**	**2,091,304**	**2,539,415**	**3,332,878**	**13,031,612**

The table does not include the costs of:
- organisation and provision of emergency services,
- management-operation and process management,
- TC support and operation of protective devices.

In 2020, due to various causes, interruptions and faults occurred on the power distribution equipment, which the personnel at the distribution units repaired in the shortest time possible, with the normal operation of the network being restored.

The greatest extent of network damage was caused by a strong wind (wind damage), which accompanied extreme weather events and plenty of snow at greater altitudes in December.

In 2020, we replaced 21 transformers due to the increased capacity, and 32 due to faults and wear. We also restored 641 LV connections.

Number of interruptions and the time required to repair the faults					
	DU CELJE	DU KRŠKO	DU SLOVENJ GRADEC	DU VELENJE	TOTAL ELEKTRO CELJE
Number of interruptions on the 110 kV infrastructure	2	0	0	1	3
Duration of interruptions on the 110 kV infrastructure	2.05	0.00	0.00	0.05	2.10
Number of interruptions longer than 3 minutes on the MV infrastructure	67	129	58	111	365
Number of hours required to repair the faults on the MV infrastructure	3,726	1,240	4,179	4,560	13,705
Number of faults on the LV network	1,329	372	185	1,007	2,893
Number of hours required to repair the faults on the LV network	14,401	4,405	2,133	10,185	31,124

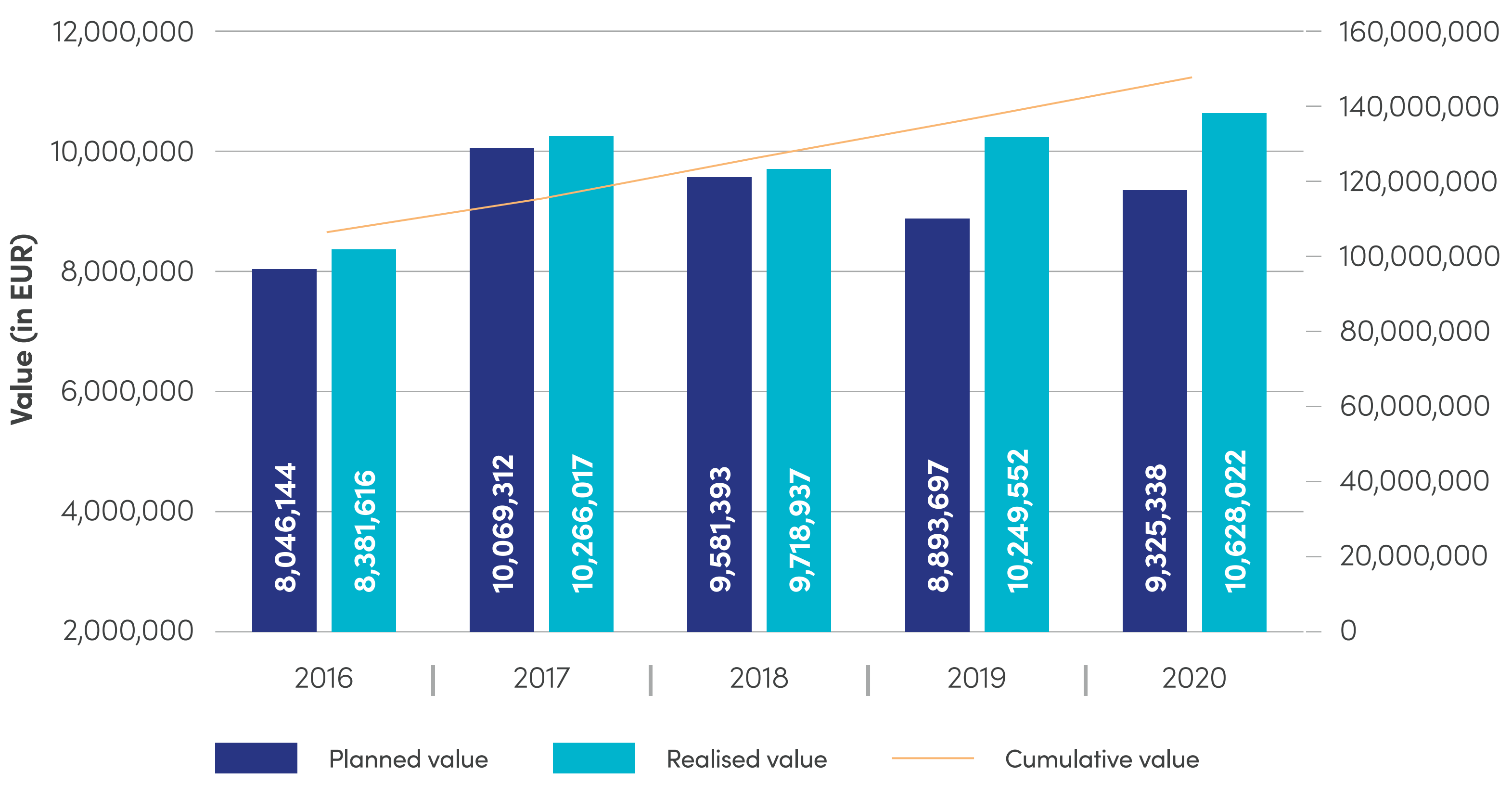
Investments and Projects

In the field of Investments, we at the Company Elektro Celje plan, control and direct investments and draft project documentation (for new MV and LV infrastructure, DSs, DTSs and 110 kV lines, we manage investments from the preparation of the project task to the very introduction of the facilities into operation). We devote a considerable amount of time to the integration of facilities into the environment, impacts on the environment, matters related to legal issues regarding land, coordination regarding electrical power line routes and the location of electricity installations with landowners, negotiating the amount of easement compensations, and concluding Contracts of Easement.

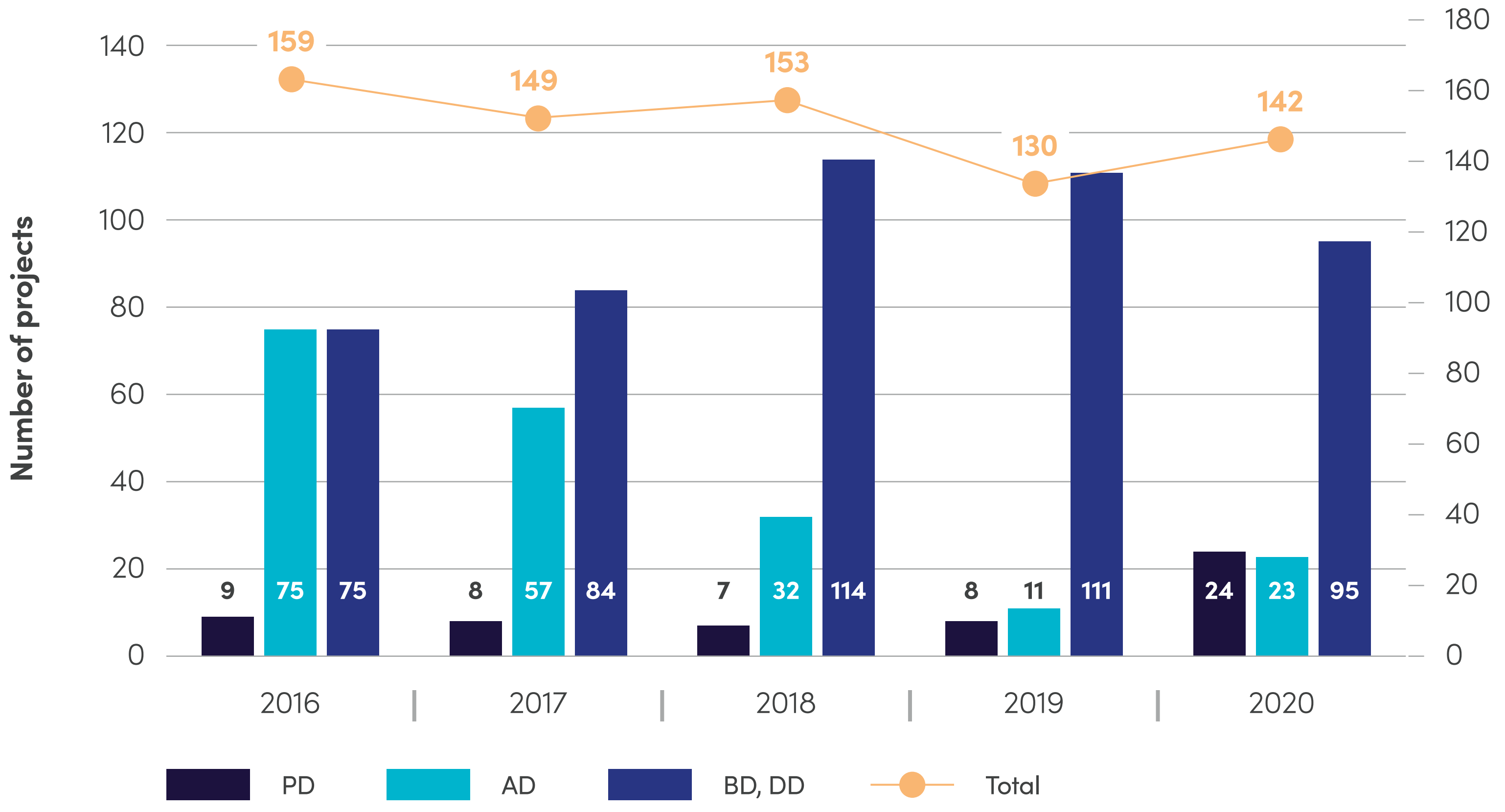
Project Planning

The total investment value of completed project documentation for obtaining a building permit (DGD, DNZO) and project documentation for the execution of the works DD in 2020 amounted to EUR 10,628,022.

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



Number of projects completed by year

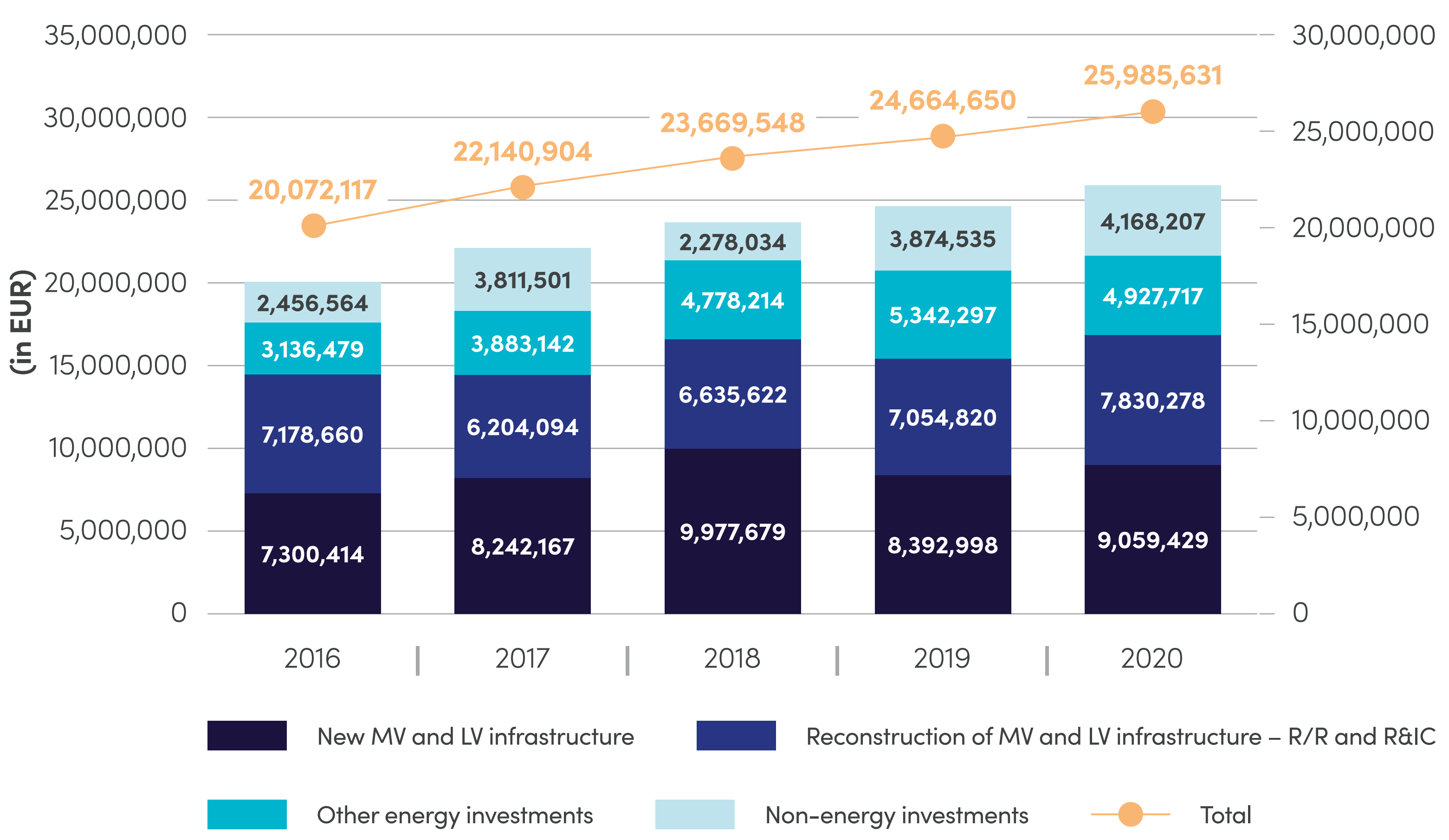


Investments

In 2020, investments we at the Company Elektro Celje made amounted to EUR 25,985,631, which is equivalent to 103.9% of the annual plan of EUR 25,000,000. The favourable weather conditions contributed to the high realisation of investments in the new MV and LV infrastructure. The realisation of non-energy investments is higher than planned due to the exceeded assets in the segment of Business Informatics and Transport Means.

Realisation of investments in 2020 (in EUR)	**Plan**	**Achieved**	**Index ach./plan**
New MV and LV infrastructure	8,250,000	9,059,429	109.8
Reconstruction of MV and LV infrastructure – R/R and R&IC	7,934,000	7,830,278	98.7
Other energy investments	4,998,000	4,927,717	98.6
Non-energy investments	3,818,000	4,168,207	109.2
TOTAL	25,000,000	25,985,631	103.9

Value and structure of investments



Presentation of the Ten Largest Investments in 2020

DTS 110/20 kV Vojnik – Structure, primary and secondary equipment
At DTS 110/20 kV Vojnik we completed the in-house installation of electric power equipment, and performed functional and start-up tests of the equipment. We are in the process of obtaining the Operating Permit. In 2020, the realisation amounted to EUR 1,137,876.

MV outputs from DTS Vojnik II
For the integration of DTS 110/20 kV Vojnik into the 20 kV network, we performed MV outputs in the direction of Tuš Vojnik, Šmartno, Frankolovo, Nova Cerkev and Dobrna. The value of the investment in 2020 amounted to EUR 686,413.

EUR 2,054,017

revenue from the sale of services to customers in 2020

MV outputs Ločica Poligon, Prebold and Šentrupert from DS Ločica

For the needs of the integration of DS Ločica into the network, three underground cables were built, namely: UC 20 kV DS Ločica – TS Ločica range 1, UC 20 kV TS Ločica – OPL 20 kV D 14 Prebold, pt. 122 and UC 20 kV DS Ločica – TS Šentrupert petrol station. We dismantled the existing OPL 20 kV Prebold from DTS Mozirje. The realisation amounted to EUR 551,752.

Replacement of TR1 20 MVA at DTS Selce

We replaced the power transformer 110/20/(10.5) kV at DTS Selce. The value of the investment amounted to EUR 542,510.

UC 20 kV TS Poštaje OC – TS Frelih

The connecting 20 kV UC TS Poštaje OC – TS Šentrupert OC Frelih connects the existing TS Poštaje OC and Šentrupert OC Frelih. We built the replacement TS Šentrupert OC and integrated it into the MV network (connection to the 20 kV underground cable between UC OPL Škrljevo – OPL Hom). TS Šentrupert OC supplies electricity to existing and planned customers in the settlements of Šentrupert, Kamnje and Draga pri Šentrupertu. The value of the investment amounted to EUR 308,677.

Replacement of the primary and secondary equipment of the MV switchyard at DTS Lava

Phase 1 of the replacement of the primary and secondary equipment of the MV switchyard was carried out at DTS Lava. The investment amounted to EUR 270,809.

Underground cable 20 kV OPL 20 kV D4 Poljana section Holmec and a replacement TS Vodovnik

The 20 kV D4 overhead power line, Holmec section, was seriously damaged by the wind, so we carried out the most urgent maintenance work. Due to the reliability of the power supply, the overhead power line was cabled on four sections. First section: From the existing stand position D4/3 to the existing TS Poljana, second section: From TS Poljana to the replacement TS Vodovnik, third section: Represents the new UC 20 kV from the replacement TS Vodovnik to the stand position D4/31, fourth section: It represents the new 20 kV UC from the replacement TS Vodovnik to TS Holmec (stand position No. D4/4). The value of the investment in 2020 amounted to EUR 243,565.

MV UC OPL Lokovica – TS Smrekovec (replacement)

We built the new TS Smrekovec with a connection 20 kV UC from OPL 20 kV Lokovica and arranged and included an LV network. The realisation amounted to EUR 239,551.

TS Dovže SHPP Muš

In the area of TS Kovše in Dovže, loads have increased (among other things, the construction of an SHPP with a power of 78 kVA was planned on the Dovžanka stream). For connection to the electricity network a new TS was built, and the existing 20 kV D14 overhead power line was cabled with a cable connection for the newly built TS. TS Kovše was dismantled within the framework of the investment. The value of the investment in 2020 amounted to EUR 215,079.

TS Parovž Replacement and Power Lines

To increase the reliability of the operation of the 20 kV network, and due to the inaccessibility of stand positions in the area of the existing TS Parovž, we built a replacement TS, three MV underground cables and rearranged the existing LV network. The value of the investment in 2020 amounted to EUR 194,760.

Market Services

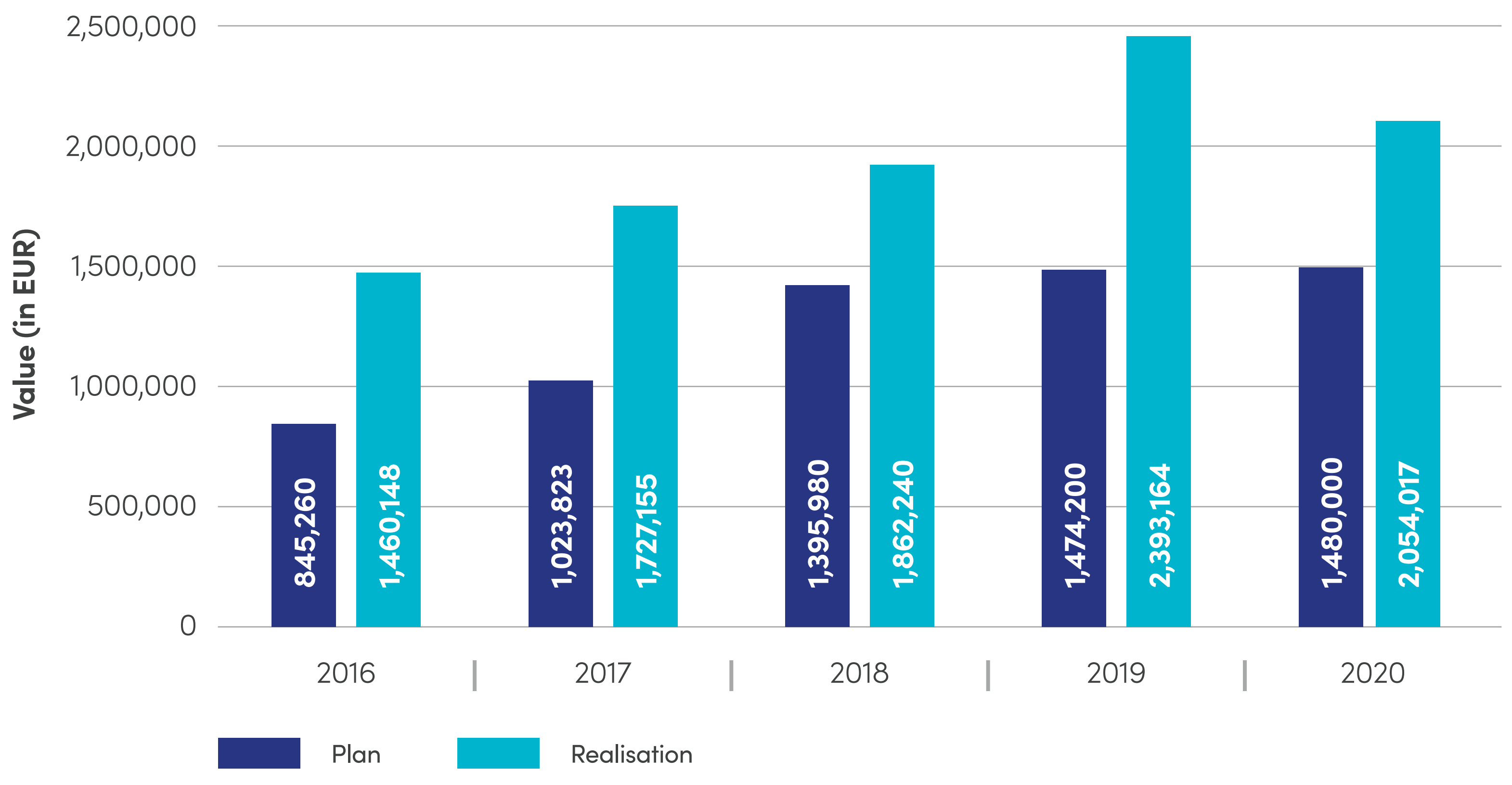
Market services in the Company Elektro Celje are classified into several groups:

- Preparation of project documents,
- Construction and electric installation work for the construction of MV and LV lines and transformer substations,
- Maintenance of third-party devices, various measurements for customers,
- Other work of non-energy market activities (network switchovers, supervision during construction of facilities, setting outs etc.),
- Installation and replacement of third-party electrical energy measuring devices.

In 2020, revenue from the sale of services to customers amounted to EUR 2,054,017, which is 29.8% more than planned for 2020. The largest share is held by the construction of new, larger MV and LV facilities for customers, other works in non-energy marketing activities, design for customers and the construction of LV connections.

The planned revenue was exceeded, due mainly to the planned implementation of the preparation of offers and communication with potential subscribers to our services.

Revenue from customer services



Operation and Performance Analysis of the Company Elektro Celje

Operating Conditions

By amending and supplementing the Act for 2020, the Energy Agency, inter alia, **reduced the rate of return on assets for 2020 from 5.26% to 4.13%.**

Economic trends indicators	2016	2017	2018	2019	2020
GDP, real growth (in %)	3.2	4.8	4.4	3.2	–5.5
Registered unemployment rate (in %)	11.2	9.5	8.2	7.7	8.9
Inflation, annual average (in %)	–0.1	1.4	1.7	1.6	–0.1
Average gross salary in the Republic of Slovenia, nominal growth (in %)	1.8	2.7	3.4	4.3	5.8
Average gross salary in the Republic of Slovenia, real growth (in %)	1.9	1.3	1.7	2.7	5.9

According to the first estimate, the ***GDP*** in the Republic of Slovenia in 2020 stood at EUR 46,297 million (EUR 48,393 million in 2019). It decreased in real terms by 5.5%. The outbreak of the COVID-19 epidemic caused a sharp fall in economic activity, with strict measures to contain it in the second quarter of 2020. In the last quarter of 2020, when the containment measures were tightened in the second epidemiological wave, this was reduced again, but much less than in the first. The impact of measures to contain the epidemic on economic activity was, as expected, very pronounced in the first and second waves in service activities, which were blocked or restricted, thereby increasing the likelihood of their future insolvency. Many, relatively early implemented State measures to provide assistance and liquidity to the economy and the ECB's expansionary monetary policy at historically low interest rates have reduced the frequency of insolvency significantly.

The average registered unemployment rate increased in 2020 from 7.7% in 2019 to 8.9%. According to data from the Employment Agency of the Republic of Slovenia, there were 87,283 registered unemployed persons in Slovenia as of the end of December 2020, which is 15.9% more than in December 2019.

Although the State has taken measures to safeguard jobs, companies have also responded by reducing the number of employees, particularly those with temporary employment, and by increasing the number of employees laid off by companies sharply. The measures have largely mitigated the impact of the fall in economic activity on the fall in employment and the increase in unemployment.

The annual inflation rate equalled -1.1% in 2020 (1.8% in 2019). The epidemic and the measures taken to contain it have also had a major impact on the evolution of certain prices of services and goods, due to lower demand. The interim fall in consumer prices deepened slightly at the end of 2020 due to a substantial stabilisation in the rise in prices of services and food. Average annual inflation rate equalled -0.1% (1.6% in 2019). Lower prices of petroleum products, as well as lower prices of package holidays and lower prices of clothing and footwear, contributed most to the annual deflation. On the other hand, the annual price level in 2020 increased due to the prices of products and services in the Health sector (by 4,9%). Real-estate prices, which have risen sharply, are not included in the calculation of the inflation rate statistically.

The average monthly gross salary for 2020 in Slovenia amounted to EUR 1,856.20. It grew compared to the average monthly gross salary in 2019, having increased by 5.8% in nominal and 5.9% in real terms. The growth in the average gross salary increased as a result of the payment of crisis bonuses.

Compared to the average monthly gross salary in 2019, the average monthly gross salary in 2020 increased most significantly in health and social work activities (by 17.7%), due mostly to payments of (exceptional) additions linked to the COVID-19 epidemic, while the biggest decrease was observed in the Catering industry (by 3.8%).

Anti-crisis measures contributed to economic recovery and to maintaining the economic potential of the country, but at the cost of weakening the position of government finances.

The Energy Regulatory Environment of the Operations of the Company Elektro Celje

Electricity distribution companies are crucial for the development of a cost-efficient distribution network in Slovenia, ensuring high-quality and a reliable supply to customers in Slovenia. The development of the electricity distribution network, with the active role of consumers, will allow the transition to a low-carbon society with the production of electricity from renewable energy sources.

The role of distribution in the Slovene electric power system is defined by the Energy Act, together with the Resolution on the National Energy Programme, which sets objectives and sets out mechanisms for the transition from the provision of energy products and electricity to a reliable, competitive and environmentally friendly supply of energy services. Important starting points for efficient energy use are set out in the National Energy Efficiency Action Plan.

The goal of the Energy Policy is to ensure conditions for a safe and reliable supply of energy services according to marketing and sustainable development principles to customers, taking into account its efficient use, economical use of renewable energy sources and environmental protection conditions.

The implementation of the public utility service for the distribution of electricity is also defined in the Ten-Year Development Plan for the Electricity Distribution Network in the Republic of Slovenia, for which previous consent must be given by the Energy Agency and the competent Ministry of Infrastructure. The main focus of the Guidelines is mainly on ensuring the long-term, reliable, high-quality, efficient and competitive supply of electricity to distribution system users, and enabling users to play an active role in the distribution system.

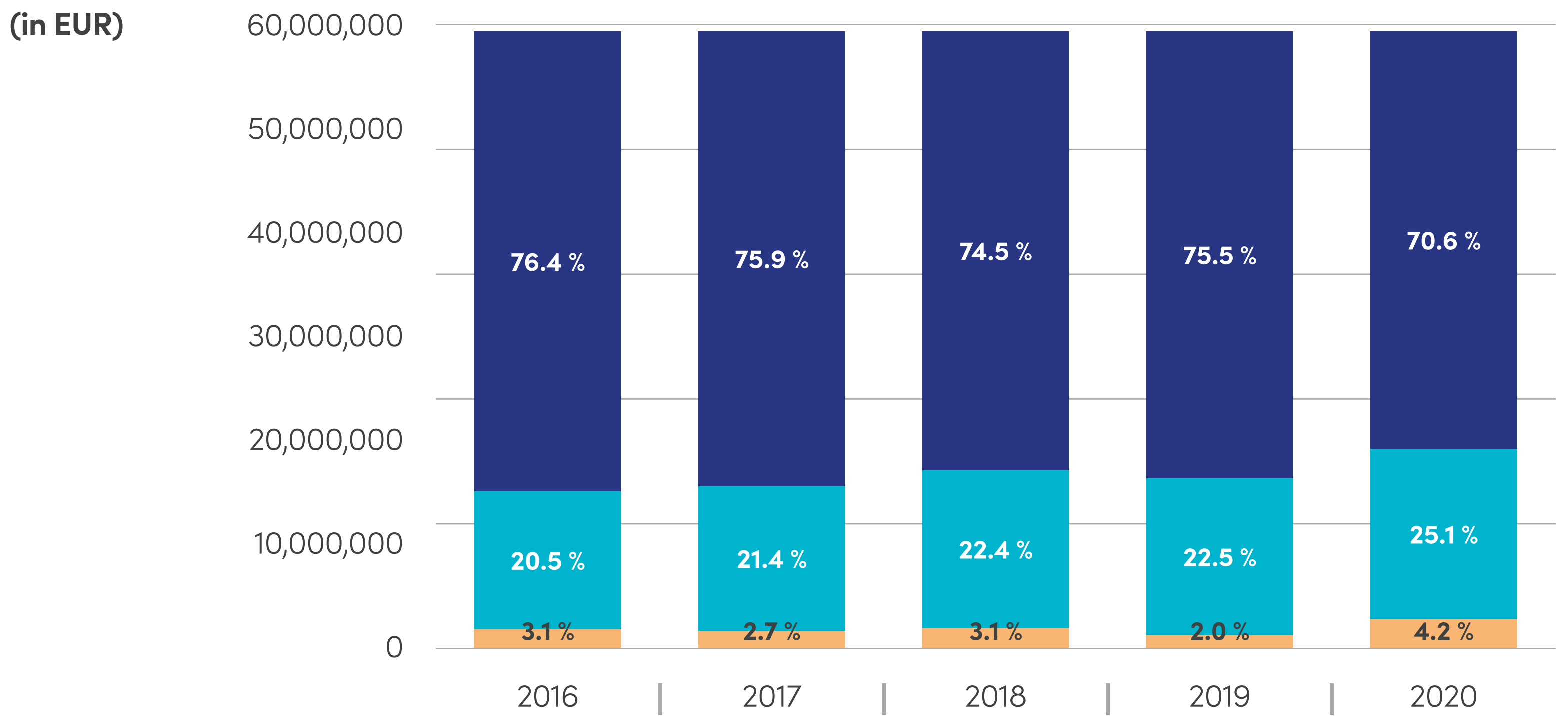
The Energy Agency, pursuant to the Energy Act, has the authority to determine the methodology for calculating network charges and eligible costs of providers of system operator activities. The Legal act on the methodology for determining the Regulatory Framework and network charges for the electricity distribution system sets out elements of the Regulatory Framework (eligible costs, network charge, other revenue, derogation from the RF of the previous years, compensation), criteria for determining and the method for calculating individual RF elements, types of eligible costs (including regulated return), criteria and how to determine them, rules and a method for ascertaining deviations from the RF and how to take into account the deviations ascertained. It defines the parameters of the individual quality dimensions, their reference values and the methods and Standards for their calculation further. It also lays down rules for calculating the impact of quality on eligible costs, minimum quality standards for different services provided by the electricity operators and the level of compensation, as well as the methods and deadlines for paying compensation for breaches of the guaranteed Quality Standards.

By amending and supplementing the Act for 2020, the Energy Agency, inter alia, **reduced the rate of return on assets for the 2020 budget from 5.26% to 4.13%.**

Performance Analysis

Profit or Loss

Operating revenue of the Company Elektro Celje



	2016	2017	2018	2019	2020
Net sales revenue	49,517,923	49,823,026	50,512,707	50,831,032	47,072,367
Capitalised own products	13,260,484	14,011,503	15,193,945	15,164,716	16,740,724
Other operating revenue	2,011,845	1,801,851	2,120,225	1,328,264	2,819,224

In 2020, the **operating revenue** of the Company Elektro Celje amounted to EUR 66,632,315, which is 0.6% less than planned for 2020.

Revenue from the lease and maintenance of infrastructure and provision of services for SODO amounted to EUR 44,431,069, of which EUR 22,534,961 is from leasing the infrastructure and EUR 21,896,108 for the provision of services to SODO. They also include a release to the Statement of Income of deviations from the preliminary reconciliation for the regulatory year 2020 amounting to EUR 1,045,063, with the final reconciliation of the regulatory year 2018 amounting to EUR -524,944.

Revenue from the construction of own fixed assets was generated in the amount of EUR 16,740,724, which is 5.6% more than planned and represents 64.4% of the investments in 2020.

Revenue from the sale of services to customers, which comprise mainly the provision of electrical installation services for external customers, were generated in the amount of EUR 2,054,017 (EUR 574 thousand more than planned), with value added of EUR 904,601 (EUR 207 thousand more than planned).

Other operating revenue in the amount of EUR 2,819,224 is higher than planned by 79.8%, due mainly to the pension and disability insurance contributions accrued in accordance with ZIUZEOP and not yet paid, and refunds of sickness allowances (EUR 891,722) and for refunds of sickness allowances disclosed among revenue (EUR 574,869). The revenue from the use of grants from EU funds amounting to EUR 30,260 is, due to delays in the implementation of pilot projects (due to the COVID-19 epidemic), lower than planned by EUR 233 thousand.

Operating expenses of the Company Elektro Celje amounted to EUR 60,168,454, which is 4.3% more than planned for 2020.

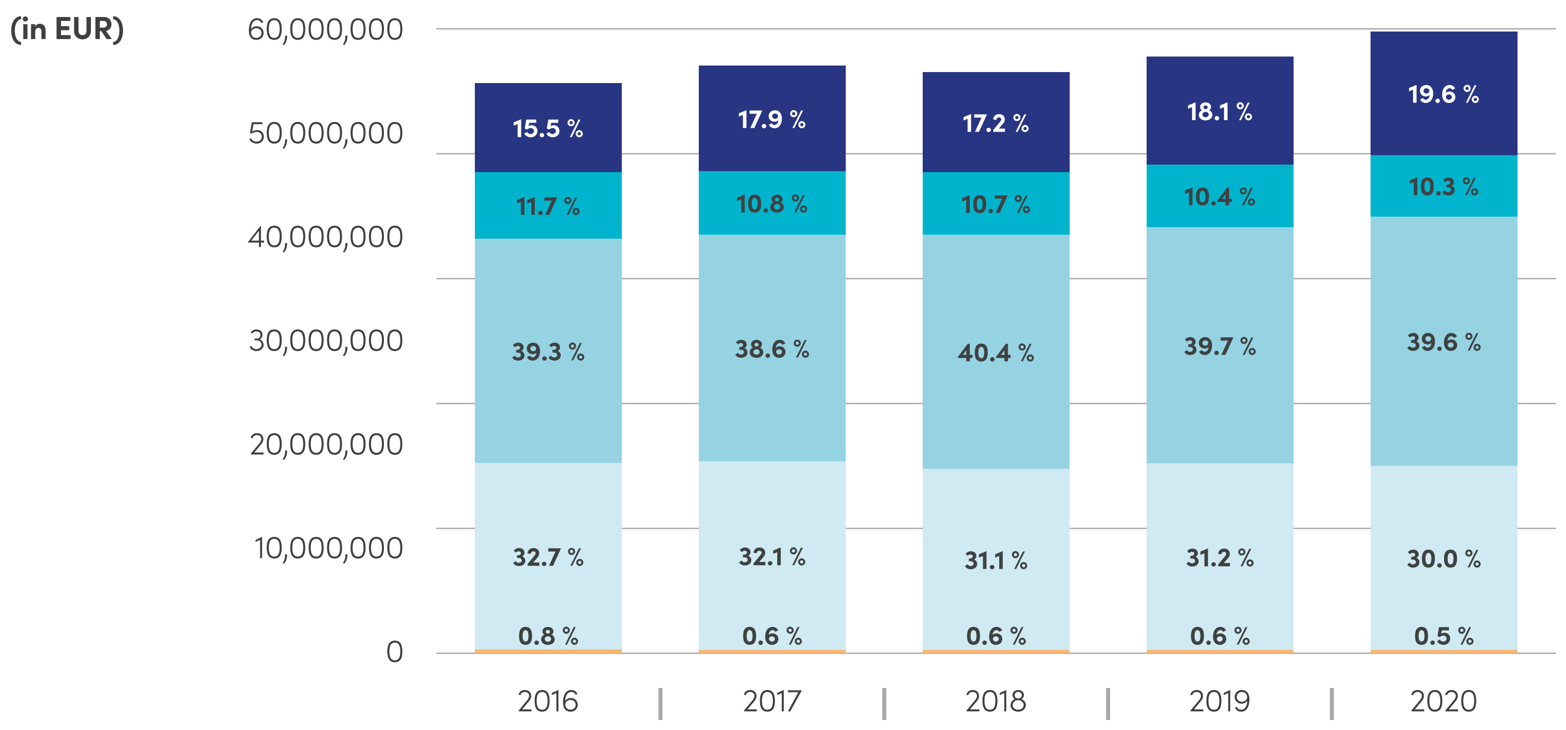
Cost of materials and services in the amount of EUR 17,988,931 was EUR 1.8 million higher than planned, due mainly to higher self-made investments, which were made with a higher proportion of installed material (by EUR 1.4 million), higher values of maintenance costs (by EUR 174 thousand), with services provided to customers to a greater extent than planned, making costs of materials and services from services to customers also increase (by EUR 367 thousand). Important costs of services are also the costs of insurance premiums (EUR 1,064,253), which are 4,8% lower than planned and information support costs (EUR 1,016,596). The latter are 20% higher than planned, due mainly to additional orders executed on the process part (implementation of ADMS – software and hardware).

Labour costs in the amount of EUR 23,845,507 make up 39.3% of total expenses. The average gross salary per employee based on working hours increased by 1.4% compared to the previous year, and amounted to EUR 2,242 (EUR 2,271 or 2.7% growth with regard to crisis bonus), which is much lower than the growth in Slovenia. Compared to the average gross salary in Slovenia for 2020, which increased by 5.8% compared to the previous year, it was up by 22.4%. The accrued costs of salaries resulting from the unused annual leave for 2020 and the accrued contributions under this heading amount to EUR 559,624. The refunded sickness allowances, which have been recognised as labour costs since 2020, amount to EUR 574,869. Other labour costs in the amount of EUR 3,427,239 also include labour costs for the payment of the crisis bonus (EUR 257,459) and the cost of the creation of provisions for long-service bonuses and severance pay (EUR 469,777).

Write-offs in the amount of EUR 18,047,436 including amortisation and depreciation costs (EUR 17,770,533), operating expenses from revaluation of fixed assets (i.e. loss for the elimination or sale of fixed assets) in the amount of EUR 266,492, and valuation adjustments to inventory and the write-off of trade receivables (EUR 10,411), were 1.1% higher than planned.

Other operating expenses in the amount of EUR 286,580 are 7.2% lower than planned.

Operating expenses of the Company Elektro Celje



	2016	2017	2018	2019	2020
Cost of material	8,593,165	10,189,292	9,709,206	10,464,641	11,806,061
Cost of services	6,483,331	6,171,799	6,049,823	6,043,125	6,182,870
Labour costs	21,748,590	21,976,626	22,748,559	22,952,006	23,845,507
Write-offs	18,078,803	18,293,089	17,489,803	18,057,545	18,047,436
Other operating expenses	368,196	316,640	324,987	328,216	286,580

Financing Revenue and Expenses

Item (in EUR)	The Company Elektro Celje				
	Achieved 2016	Achieved 2017	Achieved 2018	Achieved 2019	Achieved 2020
Financial revenue	470,426	1,805,998	1,099,051	1,067,415	103,654
Financial expenses	–642,354	–455,770	–417,422	–413,001	–369,028
Net financial profit or loss	**–171,928**	**1,350,228**	**681,629**	**654,414**	**–265,374**

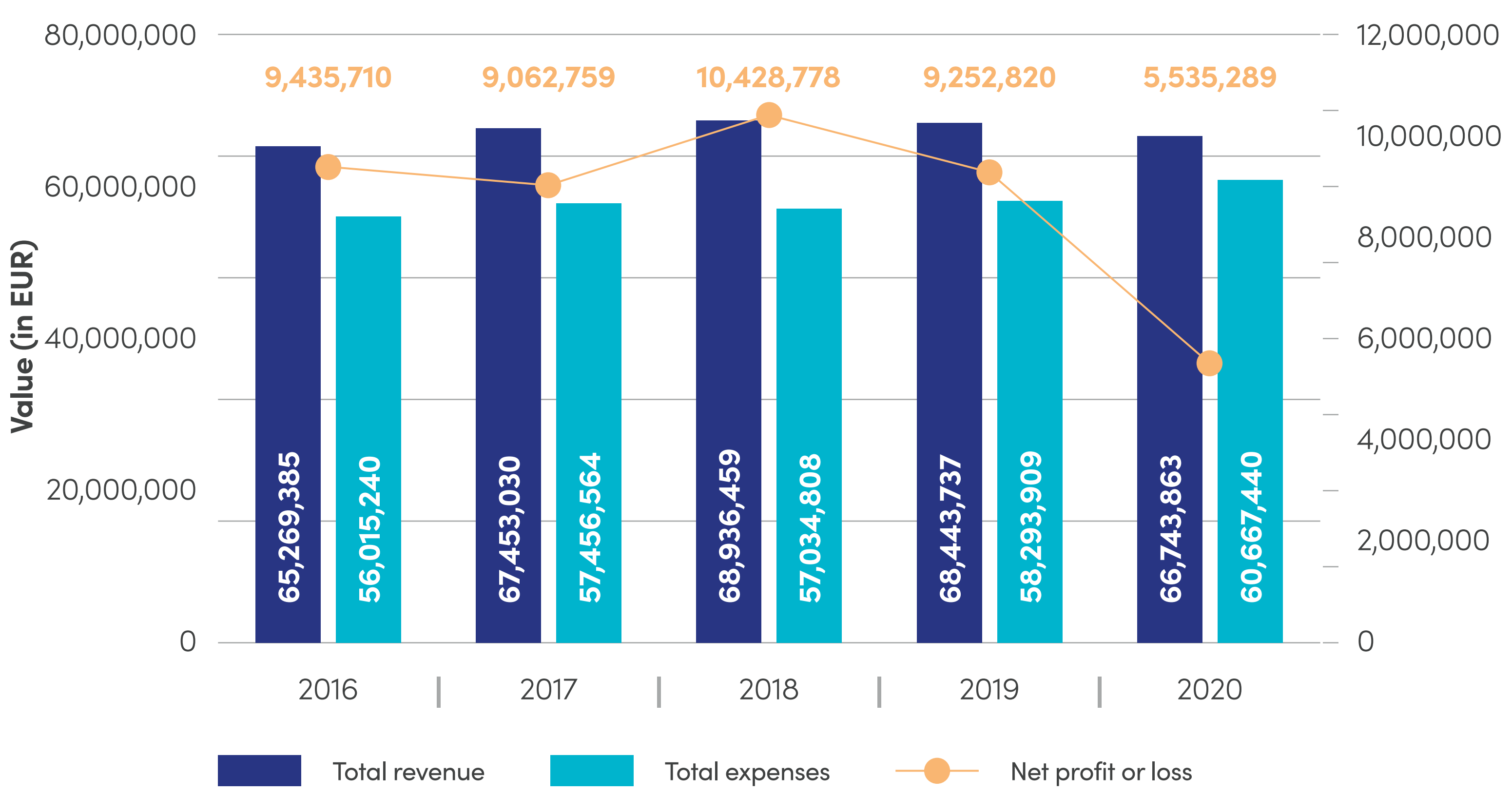
Financial revenues in the amount of EUR 103,654 are lower than planned by EUR 57 thousand, due mainly to lower dividends received of the subsidiary ECE (EUR 73 thousand less than planned for 2020 and EUR 951 thousand less than in the previous year). ***Financial expenses*** in the amount of EUR 369,028 include mainly interest on borrowings (EUR 297,912) and net interest expenses calculated by the actuarial calculation on 31 December 2020 (EUR 49,599).

Other revenue from extraordinary activities in the amount of EUR 7,894 are EUR 6 thousand lower than planned, due mainly to lower reimbursement of court fees and bailiffs. Other ***expenses from extraordinary activities*** amounted to EUR 129,958, and were EUR 53 thousand higher than planned, due mainly to higher compensation (EUR 58 thousand more than planned).

The total revenue of the Company Elektro Celje amounted to EUR 66,743,863, which is 0.7% less than planned. Total expenses amounted to EUR 60,667,440 (4.2% more than planned). In the financial year 2020, the Company Elektro Celje operated with a total profit of EUR 6,076,423, which is EUR 2.9 million lower than planned for 2020. Based on the government intervention measures taken to contain the COVID-19 epidemic and mitigate its consequences for citizens and the economy, the Energy Agency, by amending the Network Charges Act, set a lower rate of return on assets for 2020 (reduction from 5.26% to 4.13%), thus reducing the Company's revenue from the network charge by EUR 2,825,733.

The net profit of the Company Elektro Celje in 2020 amounted to EUR 5,535,289, which is 68.2% of the plan and 59.8% of the achievement in the previous year.

Total revenue, total expenses and net profit or loss of the Company Elektro Celje



Economic and Financial Position

The Balance Sheet total of the Company Elektro Celje on 31 December 2020 amounted to EUR 293,952,609, and was 1.2% higher than in 2019.

Assets (in EUR)	The Company Elektro Celje				
	31 December 2020	Share (in %)	31 December 2019	Share (in %)	Index 2020/2019
Long-term assets	**278,031,060**	**94.6**	**275,357,738**	**94.8**	**101.0**
Intangible assets and long-term deferred expenses and accrued revenue	4,970,713	1.7	4,252,408	1.5	116.9
Tangible fixed assets	266,511,447	90.7	260,519,495	89.7	102.3
Long-term investments	4,911,671	1.7	7,666,961	2.6	64.1
Long-term operating receivables	129,761	0.0	1,340,801	0.5	9.7
Deferred tax assets	1,507,468	0.5	1,578,073	0.5	95.5
Current assets	**15,708,237**	**5.3**	**12,832,650**	**4.4**	**122.4**
Assets held for sale	3,609,473	1.2	0	–	–
Inventories	1,592,644	0.5	1,616,344	0.6	98.5
Short-term operating receivables	9,908,308	3.4	10,801,812	3.7	91.7
Cash	597,812	0.2	414,494	0.1	144.2
Short-term accrued revenue and deferred expenses	**213,312**	**0.1**	**2,281,294**	**0.8**	**9.4**
Total assets	**293,952,609**	**100.0**	**290,471,682**	**100.0**	**101.2**

The majority (94.6%) of assets are represented by **long-term assets**, of which intangible and tangible fixed assets represent 92.4%. ***Tangible fixed assets***, amounting to EUR 266,511,447, increased by EUR 6 million in 2020, due mainly to investments in electricity facilities.

Long-term investments include investments in the subsidiaries ECE, which, on 31 December 2020, amounted to EUR 2,695,501 (part of the investment of EUR 2,805,522 was allocated to non-current assets held for sale by the Company) and Elektro Celje OVI amounting to EUR 1,805,952, a share in the associated company Informatika, investments in shares of the Zavarovalnica Triglav insurance company and the holding in Stelkom d. o. o. The value of the investment in Zavarovalnica Triglav decreased by EUR 9,768 in 2020.

At the end of 2020, ***long-term operating receivables*** decreased by EUR 1.2 million compared to the situation as of 31 December 2019, due mainly to long-term receivables from SODO, which, as of 31 December 2020, amounted to EUR 94,412 (EUR 1,146,535 as of 31 December 2019).

At the end of the year, the value ***of the assets held for sale*** amounted to EUR 3,609,473, and includes 51% of the investment of the Company Elektro Celje in the company ECE and the assets of public and road lighting, for which the Sale Agreements with municipalities are still in progress in 2021. As at 31 December 2020, ***short-term operating receivables*** decreased by EUR 894 thousand compared to 31 December 2019, also due to lower consumption of electricity. ***Short-term accrued revenue and deferred costs*** at the end of 2020 also include mainly accrued projects in 2020 (EUR 114,913) and accrued costs (EUR 72,524).

Value of ***inventories*** as of 31 December 2020 amounted to EUR 1,592,644, and is EUR 24 thousand lower than at the end of 2019. The index of average inventory commitment in 2020 amounted to 62 days, which is 20 days less than in 2019.

Equity and liabilities (in EUR)	The Company Elektro Celje				
	31 December 2020	Share (in %)	31 December 2019	Share (in %)	Index 2020/2019
Equity	222,482,388	75.7	219,909,447	75.7	101.2
Provisions and long-term accrued expenses and deferred revenue	19,742,276	6.7	19,098,746	6.6	103.4
Long-term liabilities	31,297,203	10.6	29,024,849	10.0	107.8
Short-term liabilities	18,723,115	6.4	21,880,727	7.5	85.6
Short-term accrued expenses and deferred revenue	1,707,627	0.6	557,913	0.2	306.1
Total equity and liabilities	**293,952,609**	**100.0**	**290,471,682**	**100.0**	**101.2**

The equity of the Company as of the end of 2020 amounted to EUR 222,482,388, which is 1.2% more than on 31 December 2019. It includes 333,849 Treasury shares, which is 1.3799% of the total shares of the Company, in the purchase value of EUR 886,371 or the emission value of EUR 1,393,127. The Share Capital of the Company, which amounted to EUR 100,953,201 as of 31 December 2019, increased in 2020 from the Company's assets by converting other profit reserves in the amount of EUR 50,001,889 to Share Capital, with the Company's Share Capital after the increase amounting to EUR 150,955,090. In accordance with the Resolution of the Shareholders' Assembly on 30 September 2020, the Company paid the distributable profit in 2019 (EUR 2,934,605) in the gross value of EUR 0.123 per share.

Provisions and long-term accrued expenses and deferred revenue increased by EUR 644 thousand compared to the end of 2019, due to higher long-term provisions for severance pay and long-service bonuses (EUR 238 thousand more than on 31 December 2019).

The total amount of ***financial liabilities to banks*** from investment loans as at 31 December 2020 amounted to EUR 38,944,047 (with those outstanding in 2021 comprising EUR 7,721,488). The average weighted interest rate on investment loans as of 31 December 2020 amounted to 0.793%.

Short-term deferred costs and accrued revenue include mostly the accrued costs of unused annual leave (EUR 559,624) and a negative deviation from the reconciliation of RF 2020 (EUR 1,045,063).

Cash Flow Statement

	The Company Elektro Celje	
Cash flow (in EUR)	**2020**	**2019**
Net operating cash flow	13,572,585	11,100,628
Net investing cash flow	–10,088,345	–9,118,391
Net financing cash flow	–3,300,922	–2,077,775
Change in net cash and cash equivalents	183,318	–95,538

The cash assets of the Company Elektro Celje increased by EUR 183,318 in 2020. Cash flows from operating activities showed a surplus of inflows, while cash flows from investing and financing activities showed a surplus of outflows. The negative cash flow from investing activities was influenced mainly by expenditures for the acquisition of intangible and tangible fixed assets (EUR 10,483,223) and a loan given to a subsidiary (EUR 60,000). The negative cash flow from financing activities is attributed mainly to the payment of long-term bank loans.

Performance Indicators

The achieved values of the power reliability indicators (**SAIDI** – 30.67, **SAIFI** – 0.65 and **MAIFI** – 3.26) for 2020 are more favourable than the planned values, values in the previous period and also the values specified in the Act by the Energy Agency.

In 2020, the **share of losses per unit of electricity distributed** with the quantity of electricity distributed amounting to 1,952,512 MWh, stood at 4.30% (4.05% in 2019), while recognised losses as per the Energy Agency regulatory framework amounted to 4.81%. Due to the smaller volume of distributed electricity, **the OPEX indicator per distributed electricity** exceeded the planned value.

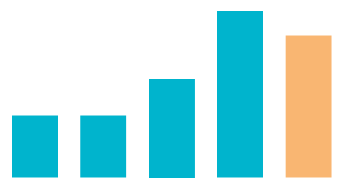
The **ROA** indicator, at 1.89%, is lower than the planned value (2.73%) by 0.84 percentage points, due mainly to the lower total profit of the Company as a result of the reduction in the rate of return under the Network Charge Act in the context of the measures taken by the State during the COVID-19 epidemic.

The indicator of **net financial debt/EBITDA** shows that the cash flow generated in 2020 would be sufficient to liquidate all financial liabilities in 1.6 years (excluding investment in this period). The **EBITDA margin** was reached in 2020 at 36.79%, which is 90.6% of the planned value.

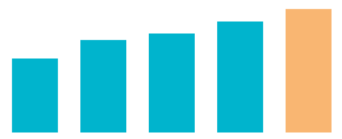
The gross value added per employee amounts to EUR 79,832, which is EUR 886 less than the value planned for this year. The average number of employees per hours worked is 20 employees lower, with the gross value added also being lower (due mainly to the lower revenue of SODO, which is lower due to the impact of the COVID-19 epidemic measures).

As the investment plan in 2020 was exceeded by EUR 986 thousand, **CAPEX in net sales revenue** also increased (55.20%) compared to the plan for 2020 (50.38%).

A. FINANCING INDICATORS (INVESTMENTS)

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Equity	207,146,133	214,215,726	219,909,447	224,706,410	222,482,388	
Liabilities	279,697,695	284,080,642	290,471,682	295,583,243	293,952,609	
Equity financing rate	**74.06%**	**75.41%**	**75.71%**	**76.02%**	**75.69%**	
Sum of equity and long-term debt (including provisions) and long-term accrued expenses and deferred revenue	255,517,623	259,834,540	268,033,042	277,250,080	273,521,867	
Liabilities	279,697,695	284,080,642	290,471,682	295,583,243	293,952,609	
Long-term financing rate	**91.35%**	**91.47%**	**92.28%**	**93.80%**	**93.05%**	

B. INVESTMENT INDICATORS

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Fixed assets (carrying values)	247,578,613	254,312,030	260,519,495	267,392,315	266,511,447	
Assets	279,697,695	284,080,642	290,471,682	295,583,243	293,952,609	
PP&E to total assets ratio	**88.52%**	**89.52%**	**89.69%**	**90.46%**	**90.66%**	
Fixed assets (PP&E) plus long-term accrued revenue and deferred expenses (carrying value), investment property, Long-term investments and long-term trade receivables	262,430,181	267,266,695	273,779,665	280,027,964	276,523,592	
Assets	279,697,695	284,080,642	290,471,682	295,583,243	293,952,609	
Long-term assets rate	**93.83%**	**94.08%**	**94.25%**	**94.74%**	**94.07%**	

in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
Actual investments	22,140,904	23,669,548	24,664,650	25,000,000	25,985,631	
Planned investments	22,400,000	22,000,000	23,000,000	25,000,000	25,000,000	
Investment realisation rate	**98.84%**	**107.59%**	**107.24%**	**100.00%**	**103.94%**	
Investing cash flow	22,140,904	23,669,548	24,664,650	25,000,000	25,985,631	
Net sales revenue	49,823,026	50,512,707	50,831,032	49,624,978	47,072,367	
CAPEX to net revenue from sales ratio	**44.44%**	**46.86%**	**48.52%**	**50.38%**	**55.20%**	

C. HORIZONTAL FINANCIAL STRUCTURE INDICATORS

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Equity	207,146,133	214,215,726	219,909,447	224,706,410	222,482,388	
Fixed assets (carrying values)	247,578,613	254,312,030	260,519,495	267,392,315	266,511,447	
Equity to operating fixed assets ratio	**0.837**	**0.842**	**0.844**	**0.840**	**0.835**	
Liquid assets	171.061	510.032	414.494	535.567	597.812	
Current liabilities	23,452,968	23,622,058	21,880,727	17,816,115	18,723,115	
Immediate solvency ratio	**0.007**	**0.022**	**0.019**	**0.030**	**0.032**	

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Sum of liquid assets and short-term receivables	10,638,718	10,816,138	11,216,306	10,593,577	10,506,120	
Current liabilities	23,452,968	23,622,058	21,880,727	17,816,115	18,723,115	
Quick ratio	**0.454**	**0.458**	**0.513**	**0.595**	**0.561**	

D. ECONOMIC INDICATOR

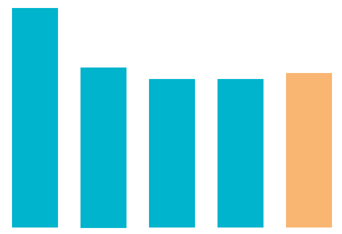
in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
Operating revenue	65,636,380	67,826,877	67,324,012	67,038,960	66,632,315	
Operating expenses	56,947,446	56,322,378	57,845,533	57,668,485	60,168,454	
Operating efficiency ratio	**1.153**	**1.204**	**1.164**	**1.162**	**1.107**	

E. PROFITABILITY INDICATORS

in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
EBITDA	26,982,023	28,994,302	27,536,024	27,218,670	24,511,297	
Gross operating profit	65,636,380	67,826,877	67,324,012	67,038,960	66,632,315	
EBITDA margin	**41.11%**	**42.75%**	**40.90%**	**40.60%**	**36.79%**	
EBIT	8,688,934	11,504,499	9,478,479	9,370,475	6,463,861	
Gross operating profit	65,636,380	67,826,877	67,324,012	67,038,960	66,632,315	
EBIT margin	**13.24%**	**16.96%**	**14.08%**	**13.98%**	**9.70%**	
Net profit	9,062,759	10,428,778	9,252,820	7,974,500	5,535,289	
Average equity	204,037,753	210,680,930	217,062,587	221,909,380	221,195,918	
Net return on equity (ROE)	**4.44%**	**4.95%**	**4.26%**	**3.59%**	**2.50%**	
Net profit	9,062,759	10,428,778	9,252,820	7,974,500	5,535,289	
Average assets	277,878,843	281,889,169	287,276,162	291,770,192	292,212,146	
Return on assets (ROA)	**3.26%**	**3.70%**	**3.22%**	**2.73%**	**1.89%**	

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Sum of dividends for the fiscal year	2,636,124	3,145,015	3,220,908	3,220,908	2,934,605	
Average share capital	100,953,201	100,953,201	100,953,201	100,953,201	125,954,146	
Dividends to share capital ratio	**0.026**	**0.031**	**0.032**	**0.032**	**0.023**	
Dividend paid out in the year	2,636,124	3,145,013	3,220,907	3,220,908	2,934,605	
Average equity	204,037,753	210,680,930	217,062,587	221,909,380	221,195,918	
Dividend to equity ratio	**1.29%**	**1.49%**	**1.48%**	**1.45%**	**1.33%**	

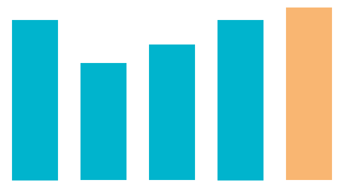
F. LABOUR PRODUCTIVITY INDICATOR						
in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
Gross value added	48,958,649	51,742,861	50,488,030	50,529,370	48,356,804	
Number of employees per hours worked	624.13	629.47	615.66	626.00	605.73	
Gross value added per employee	**78,443**	**82,201**	**82,006**	**80,718**	**79,832**	

G. TECHNICAL INDICATORS						
	2017	2018	2019	Plan 2020	2020	Graphical comparison
SAIDI (System Average Interruption Duration Index) – **unplanned interruptions – own cause**	46.22	33.84	31.13	31.00	30.67	
SAIFI (System Average Interruption Frequency Index) – **unplanned interruptions – own cause**	1.03	0.80	0.66	0.70	0.65	
MAIFI (Momentary Average Interruption Frequency Index)	4.51	3.49	2.93	3.80	3.26	
SAIDI (System Average Interruption Duration Index) – **planned interruptions – own cause**	144.40	167.69	170.28	151.77	133.52	
SAIFI (System Average Interruption Frequency Index) – **planned interruptions – own cause**	0.88	1.09	1.11	0.98	0.88	

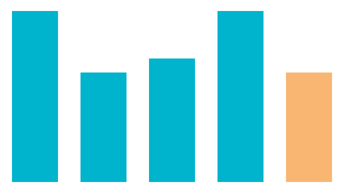
G. TECHNICAL INDICATORS

in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
Losses (MWh)	90,886	91,334	82,518	89,486	84,008	
Electricity distributed (MWh)	2,001,430	2,006,905	2,036,262	2,033,769	1,952,512	
Losses to electricity distributed ratio	**4.54%**	**4.55%**	**4.05%**	**4.40%**	**4.30%**	
Electricity supplied in the time interval (MW)	239	239	242	242	232	
Peak power in the time interval (MW)	335	341	338	338	343	
Load factor (LF)	**0.71**	**0.70**	**0.71**	**0.72**	**0.68**	
Electricity distributed (MWh)	2,001,430	2,006,905	2,036,262	2,033,769	1,952,512	
Standardised network length (km)	584	583	577	602	587	
Power distribution per standardised network length	**3.427**	**3.445**	**3.528**	**3.378**	**3.325**	
Number of connection approvals issued by consumer category						
– MV (1 – 35 kV)	16	31	49	47	35	
– 0.4 kV measured power	145	180	245	247	138	
– 0.4 kV without measured power	857	805	756	771	814	
– households	1,405	2,226	2,842	2,769	3,550	
– electric vehicle charging			1		2	
Standardised network length (km)	584	583	577	602	587	
Number of employees	628	633	628	626	629	
Standardised network length per employee	**0.93**	**0.92**	**0.92**	**0.96**	**0.93**	

H. TECHNICAL ECONOMIC INDICATORS OF REGULATED ACTIVITY

in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
Operating expenses of regulated activity (in EUR)	41,169,008	39,236,015	40,702,409	40,101,052	40,957,514	
Electricity distributed (MWh)	2,001,430	2,006,905	2,036,262	2,033,769	1,952,512	
OPEX per electricity distributed	**20.57**	**19.55**	**19.99**	**19.72**	**20.98**	
Operating expenses of regulated activity (in EUR)	41,169,008	39,236,015	40,702,409	40,101,052	40,957,514	
Standardised network length (km)	584	583	577	602	587	
OPEX per standardised network length	**70.495**	**67.344**	**70.512**	**66.613**	**69.741**	
Investments in regulated activity (in EUR)	21,606,689	23,669,548	24,268,183	24,870,219	25,592,207	
Electricity distributed (MWh)	2,001,430	2,006,905	2,036,262	2,033,769	1,952,512	
Investment per electricity distributed	**11**	**12**	**12**	**12**	**13**	
Labour costs of regulated activity (in EUR)	16,297,584	15,633,136	16,141,614	16,437,857	16,603,790	
Number of customers	171,340	172,132	172,927	173,371	173,859	
Labour costs per customer (in EUR)	**95**	**91**	**93**	**95**	**96**	
Operating revenue of regulated activity (in EUR)	49,676,656	50,444,747	49,519,229	49,508,524	47,144,564	
Electricity distributed (MWh)	2,001,430	2,006,905	2,036,262	2,033,769	1,952,512	
Operating revenue per electricity distributed	**25**	**25**	**24**	**24**	**24**	

I. INDICATORS OF COMPLIANCE WITH BANK COMMITMENTS

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Financial debt	39,730,756	37,676,913	39,589,797	43,148,349	39,324,681	
Average equity	204,037,753	210,680,930	217,062,587	221,909,380	221,195,918	
Financial debt/Equity*	**0.195**	**0.179**	**0.182**	**0.194**	**0.178**	
Net financial debt	39,559,695	37,166,881	39,175,303	42,612,782	38,726,869	
EBITDA	26,982,023	28,994,302	27,536,024	27,218,670	24,511,297	
Net financial debt/EBITDA*	**1.466**	**1.282**	**1.423**	**1.566**	**1.580**	

* Indicators referring to commitments to the SID bank

Sustainable Operations

Sustainable Operations allow future generations to develop.

The Company's sustainable development forms a constituent part of the business processes at the Company Elektro Celje. The integration of sustainable development and social responsibility principles into business processes contributes to the creation of value added, ensuring compliance of the Company's operations with the Quality Policy, operations within the framework of regulatory provisions and ethical standards, strengthening concern for employees and efforts to improve their satisfaction, concern for environment protection and encouragement of efficient energy use of customers. The promotion of personal growth of employees enables the development of their potentials and abilities, with an organisational culture focused on enhancing the awareness of employees of the importance of customer satisfaction at all levels, enabling the Company's growth and development in the future.

In relationships with stakeholders, the Company Elektro Celje exercises its rights responsibly, and fulfils the obligations assumed in a manner that is consistent with the Company's objectives and enables its long-term benefits. It maintains best business practices in relation to stakeholders and protects their business secrets. It takes into account the legitimate interests of stakeholders in its concrete decisions, and informs and reports in accordance with the objectives of the Company.

The main stakeholders of the Company and their expectations

Network users	• Achievement of the planned level of supply continuity to electricity customers on the distribution network, • The quality of the voltage in accordance with the Standards and continuous improvements in commercial quality, • Long-term stability, reliability and availability of the distribution network, • The long-term development of the power distribution network to meet future consumption, and to increase the volume of distributed electricity generation, including the introduction of active networks, • Protection of access to electrically live facilities, • Introduction of modern technologies, maintenance of a dialogue based on openness and fairness, creation of opportunities for market cooperation, de-bureaucratisation and simplification of procedures, • Innovation and inclusion of network users in the development of new services, • Minimisation of the impact on the local environment, • Protection of information.
Power sellers	• Reliable billing data support, • Simple procedures for switching suppliers, • Achievement of the planned level of power supply continuity, • The quality of the voltage in accordance with the Standards and continuous improvements in commercial quality, • Availability of reliable and credible data on electricity consumption, • Introduction of advanced technologies in the field of Smart Metering, • Minimisation of the impact of operations on the local environment.
Electricity producers (connected to the distribution network)	• Affordable and as fast as possible connections of power facilities to the distribution network, • A stable robust network, partnership cooperation, • Co-financing of the network, protection of access to electrically live facilities, • Management of environmental pollution prevention, • Introduction of modern technologies, • Neutrality and fair treatment, • Creation of opportunities for market participation, de-bureaucratisation and simplification of procedures, • Offer of new services and products, focus on the network user.

Employees	• Stimulative wages, • An orderly working environment, • Provision of the means to carry out work effectively and safely, • Respect and correct attitude, • Employment security, compliance with collective agreements and other acts, • Clear instructions and feedback and dialogue, • The provision of conditions for appropriate waste and environmental management, • Personal data protection, • Participation in management (works council, trade union).
Suppliers of materials, equipment and services	• The procedure of purchasing materials, construction and other services relating to the performance of the tasks of maintaining and developing the electricity distribution network, in accordance with the Public Procurement Act, • A competitive and transparent selection process, by sending a demand to several bidders for purchases below the Public Procurement threshold, • The search for synergy with suppliers, mutual respect, stability in relationships and the long duration of contracts, • Availability of reliable and credible information regarding the services required, • Payment discipline, development partnership, • Protection of personal data and other information, • Provision of the conditions for the safe performance of works and compliance with the legislation in terms of Occupational Health and Safety, • Clear environmental requirements for material supply, service delivery and waste management.
Owners	• An adequate amount and stability of dividends, • Growth in the value of the Company, • The possibility of sale of ownership stakes, • Compliance with the Corporate Governance Code and the recommendations and expectations of SSH.
Banks	• Repayments of annuities within the contractual deadlines, • Fulfilment of financial commitments, • Compliance with other provisions of Credit Agreements.
SODO (electricity distribution system operator)	• Acting in accordance with the Contract, • Compliance with Regulations and rules, flexibility to business changes, • Participation in projects, up-to-date data transmission, access to the data required, • Acceptance of service prices set, availability of reliable and credible data on electricity consumption, • Compliance with all Environmental, Occupational Health and Safety requirements and Information Protection requirements in the performance of contractual tasks.
ELES (system operator of the electricity transmission network)	• Adaptation to the transmission network strategy, • Respect for operational agreements, coordination of network development, • Participation in projects and development partnerships, • Due consideration of legislation in the area of Occupational Health and Safety and in terms of Information Protection.
Energy Agency of the Republic of Slovenia	• The quality of the electricity supply in accordance with the applicable Standards (continuity, voltage quality, commercial quality of services), • Participation in the preparation of regulatory Acts, comments and initiatives, adaptation to new Guidelines and Regulations, • Facilitation of the development of new markets and stakeholders, • Cost-effective implementation of the regulated activity, • Transmission of data and reports within the deadlines set.

Competent Ministries	• Quality of electricity supply, • An appropriate network to support the competitiveness of the economy, • Respect for legislation, responsiveness, • Participation in the preparation of SEC and NECP, • Transmission of up-to-date data and planning documents on network development, • Transmission of electromagnetic radiation measurement data.
Aggregators	• Development of new system services, • Connection of alternative systems, • Access to data, • Compliance of operations with legislation and local Regulations in terms of Environmental Management, Occupational Health and Safety and Information Protection.
Economic Interest Association for Electricity Distribution	• Coordinated operation, active role, • Exchange of good practices and information, • A joint Agreement with the regulator and SODO.
Certification and accreditation organisations (Bureau Veritas and Slovene accreditation)	• Ensuring compliance with management systems, • Facilitation of inspections and audits for certification purposes and timely resolution of non-compliance, • Ensuring the professional qualification of employees, • Fulfilment of the requirements of the accreditation Standard in the field of The Measurement Laboratory, • The resolution of any non-compliance by the SA within a specified time limit, • Ensuring the professional competence of the staff of the Laboratory.
Certified auditors, The Financial Administration of the Republic of Slovenia (FURS), inspectorates	• Drawing up the Financial Statements and Annual Report in accordance with the provisions of the Companies Act (ZGD-1), the Slovene Accounting Standards and the International Financial Reporting Standards, • The levying and payment of taxes and other charges in accordance with the legislation, • Compliance with laws, rules and other Regulations.
Educational and Development Research Institutions (Institutes, Faculties etc.)	• Cooperation and stability in relationships and the long duration of contracts.
Local communities, sports and cultural institutions	• Coordinated and simultaneous development of infrastructure, rapid response to change, development partnership with as little of own input as possible, • Donations, compliance with legislation and local Regulations in terms of Environmental Management, Occupational Health and Safety and Information Protection.
Environmental organisations, civil initiatives	• Compliance with legislation and Regulations on Environmental Management, Occupational Health and Safety and Information Protection.

Relations with stakeholders are presented in the Section Social Perspective.

Sustainable Development Goals

The Company Elektro Celje reports on its sustainable operations for ensuring sufficient information on the Company's socially responsible behaviour. For measuring orientation towards sustainable development, we have laid down indicators for measuring orientation towards sustainable environmental protection, relation towards employment, employee satisfaction, protection of the health of employees and, most importantly, provision of a constant electricity supply to consumers as a condition of sustainable development of the society at large.

The Company monitors the achievement of the goals of non-financial indicators in the Performance Indicators System. Some of them are already presented in the other sections of the Annual Report (Land development documents and power supply reliability indicators – SAIDI, SAIFI and MAIFI in the Section Development of the Distribution Network, meter reading indicators in the Section Network Charge Calculation, number of interruptions and the time required to repair the fault in the Section Network Maintenance and environmental indicators in the Section Environmental Perspective.

The achievement of the goals of SSH from the AMP is shown in the Section Strategic Challenges and Goals of the Company Elektro Celje.

The Company Elektro Celje also monitors the following non-financial indicators:

Non-financial indicators	Target	Achieved
Average time required to issue a connection approval (in days)	13.18	17.05
Average time required to issue an agreement on connection to the LV network (in days)	7.77	10.81
Average time required to respond to a complaint regarding voltage quality (in days)	21.81	13.657
Average time required to resolve voltage deviations (in months)	6	1.337
Average time required to repair a meter fault (in days)	5	5.784
Average time required to eliminate defects in the TC network (in hours)	1	4
Average time required for response to written inquiries, complaints or user requests (in days)	7	3.879
Number of hours of training and education per employee (in hours)	20	21.19
Assessment of efficiency of employee training and education (1–5)	4.5	4.26

The Plan of the Development of the Distribution Network

The development of the distribution network of the Company Elektro Celje is defined by:

- The Development Plan for the Electricity Distribution Network from 2021 to 2030, which foresees EUR 279 million of investments for a ten-year period.
- The Business Plan of the Company Elektro Celje d. d. for 2021 with baselines for 2022 and 2023, which includes investment in the amount of EUR 79 million (EUR 26 million in 2021 and 2022 and EUR 27 million in 2023).

The Plan for the Development of the Electricity Distribution Network for the period 2021 to 2030 defines investments in the distribution system in the amount of EUR 279 million (the basic variant with the sources of financing provided), including new constructions in the share of 52.4% of all planned assets. Reconstruction works, which are also intended to increase infrastructure capacity, will account for 39.6%, while the remaining 8% of the value of investments is investment in project documentation and purchase of the infrastructure required to carry out the PUS of DO.

The Development Plan is prepared based on new findings and orientations, as well as on the National (National Energy Climate Plan) and European Energy Policy. The electricity system faces major challenges resulting from the increase in the share of energy from dispersed renewable sources and new ways of using electricity. Connections of newly built electric vehicle chargers, increased use of heat pumps, increased share of energy from renewable energy sources in end-use of energy and active engagement of customers in the role of consumer and manufacturer require, in addition to investments in the primary electricity infrastructure, also the renovation and replacement of the low-voltage network (renovation and cabling of LV networks, construction of new MV/0.4 kV TSs), as well as new constructions and renovations at high voltage levels (MV and HV). Updating the distribution network with new technologies and installation of modern metering systems for obtaining accurate and more representative information on electricity consumption in the network is also essential for the optimal utilisation of the power distribution system. Active network users and related flexibility services can have a significant impact on the concept of network planning and operation. They can prevent overloading in the network by managing their energy production, storage and use devices and systems properly.

FUNDAMENTAL OBJECTIVES FOR EFFICIENT PLANNING OF THE DISTRIBUTION NETWORK:

- Ensure planned and actual consumption of electricity and meet the requirements regarding electricity;
- Satisfy requirements for including distributed production of electricity and other system users;
- Ensure the network and condition thereof, which corresponds to state-of-the-art;
- Ensure a long-term increase in or maintenance of the quality of supply according to the target level of quality;
- Ensure the long-term stability, reliability and availability of the distribution network;
- Ensure a cost-effective network;
- Ensure environmental protection in accordance with the legislation;
- Meet the requirements from Slovenia's Energy concept (SEC);
- Meet the requirements indicated by the national energy climate objectives.

Ecological investments will focus on the Regulation of ecological islands for waste, waste water and faeces treatment, and the connection of facilities to public sewerage networks.

Based on an analysis of the situation of the distribution network, the planned development of individual regions, the foreseen greater loads and projected increase in electricity consumption in the coming years, the following new and renewable investments were identified as priority projects in drawing up the Development Plan of the Company:

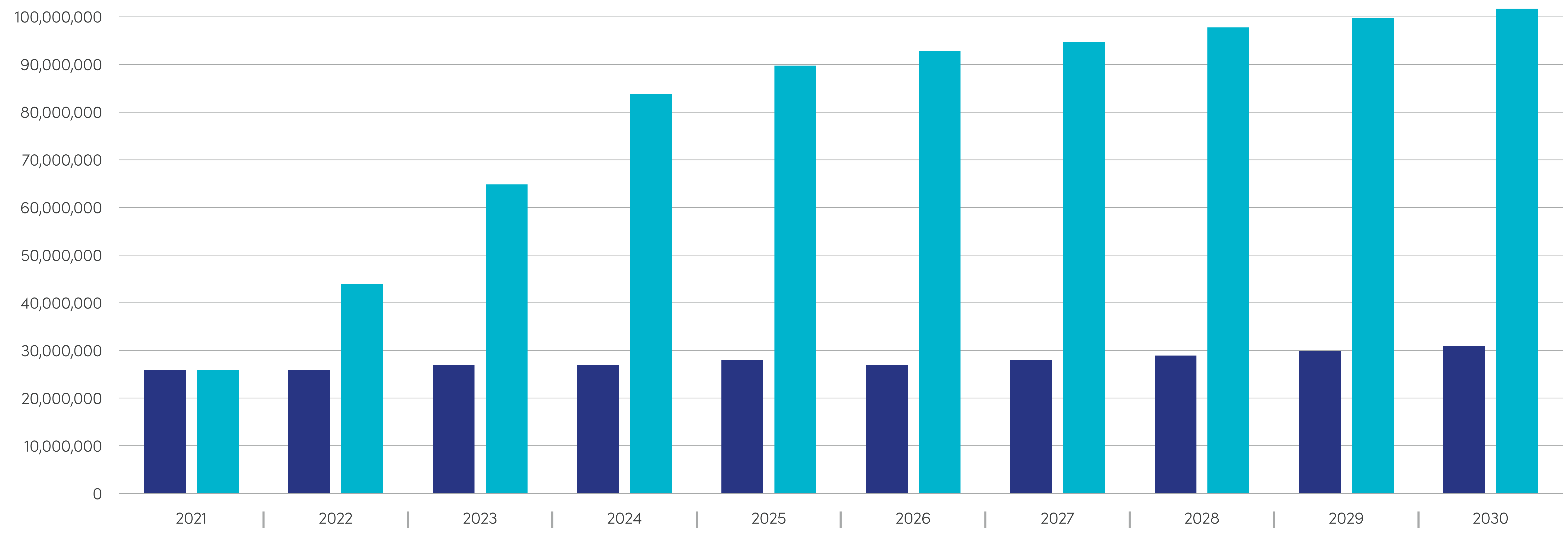
- The construction of 2 × 110 kV OPL DTS Trebnje – DTS Mokronog (approx. 9 km) and 2 x 110 kV UC DTS Trebnje – DTS Mokronog (0.4 km) in 2024.
- The construction of 2 x 110 kV OPL DTS Ravne to DTS Mežica (approx. 8 km) and 2 x 110 kV UC DTS Ravne to 2 x 110 kV OPL DTS Mežica (approx. 0.5 km) by 2032.
- The construction of 110/20 kV DTS Mokronog by 2025.
- The construction of 110/20 kV DTS Mežica by 2032.
- Major renovations and reconstructions are planned at DTS Ravne and DTS Velenje (reshaping of the 110 kV switchyard in GIS execution). The 110/20 kV transformers are to be replaced at DTS Krško, DTS Brežice, DTS Sevnica, DTS Trnovlje, DTS Selce, DTS Šentjur, DTS Laško and DTS Velenje. At individual DTSs, the replacement of primary and secondary equipment, own use of the management system, RUPS and AKU batteries will be carried out, based on age or operational uncertainties. Construction work (anti-corrosion protection of metal parts, restoration of foundations, facades, oil pits and roofs) will also be carried out if necessary.
- It is envisaged to replace the conductors at 110 kV OPL DTS Podlog – DTS Lava – DTS Šentjur (18.3 km) in 2026 and 2027.
- Investments in existing TSs, as well as MV and LV lines and facilities, are foreseen in the light of the projected growth in electricity consumption, the state of the installed technology, adequate assurance of supply quality, increased demands for connection of renewable sources of electricity, environmental requirements and terms of consent authorities.
- Investments in the MV and LV networks will be implemented, based on the projected electricity consumption growth, construction of new business and residential zones, adequate supply quality and increased requirements for the connection of renewable sources of electricity. New lines are built mainly in the underground cable version.
- The continuation of the transition from 10 to 20 kV lines in the area of Celje.
- Upgrade of remote control and protection devices (DCCs), replacement of the RUPS uninterruptable system and batteries and network automation (advanced technological solutions of control and protection systems at DTSs, DSs, for remote-controlled TSs and remote-controlled switchgears).
- Completion of the construction of an advanced metering system consisting of system meters, associated Information Communication infrastructure and IT systems (all system meters that will allow customers to be billed based on actual electricity consumption will be reinstalled; The benefits of modernising electricity metering will also be reflected in a more active role for end-users, more efficient use of existing infrastructure, active management of electricity, and support for consumers producing electricity for their needs).
- Investments in the telecommunications infrastructure include further expansion of our own optical network in redundant rings throughout the power system of DTS and DS facilities and to key TSs. Great emphasis will be placed on all levels of telecommunications networks and information systems, on cyber and information security, both in IT and particularly in OT – process networks and systems: In addition to all the measures taken so far, the introduction of advanced security mechanisms with Artificial Intelligence support (including for SCADA protocols) and the establishment of a joint (inter) sector Security Operations Centre).
- Ecological investments will focus on the Regulation of ecological islands for waste, waste water and faeces treatment, and the connection of facilities to public sewerage networks. To ensure the energy efficiency of facilities, investments will continue in the renovation and reorganisation of commercial, operation and storage buildings, the reorganisation of heating using renewable energy sources, the reduction of light pollution of commercial and power facilities and the insulation of facades and roofs.

The planned investment in the distribution network will ensure the development of the distribution network, which will follow the expected trends in electricity consumption. The development of a modern and efficient distribution network is outlined in the Strategic Business Plan for the Company for the period 2020 to 2025, which foresees an increase in the share of the underground network over the next five years. The increased extent of cabling will improve transmission capacity and operational reliability of the network, which also leads to achieving more favourable values for the SAIDI and SAIFI indicators, and, consequently, stimulation in the calculation of deviations from the regulatory framework. The increased extent of cabling will also reduce the impact of extreme weather events on the operation of the electricity network and, consequently, contribute to reducing costs for the elimination of damage. The company set itself the Strategic Goal of achieving a share of the electricity network cabling by 2025 totalling 60% (48% for the MV network and 63% for the LV network), which will be achieved by increasing total investment (EUR 28 million by 2025).

The Economic and Financial Perspective

Possible significant increases in investment in the amount of EUR 797 million in the period up to 2030 following the extended variant could be achieved by providing additional financial resources (increase of own resources, changes in activity regulation, dedicated contribution to the distribution network, EU subsidies etc.), and only if there is a systematic approach and coordinated action by all stakeholders (the Energy Agency as an activity regulator, SODO, the Ministry of Infrastructure, EU etc.).

Planned 10-year investment for the period 2021 to 2030 (EUR)



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Basic variant	26,000,000	26,000,000	27,000,000	27,000,000	28,000,000	27,000,000	28,000,000	29,000,000	30,000,000	31,000,000
Extended variant	26,000,000	44,000,000	65,000,000	84,000,000	90,000,000	93,000,000	95,000,000	98,000,000	100,000,000	102,000,000

Research and Innovation Projects

The European Project "OneNet – One Network for Europe"

one network for Europe

Co-financed by the Connecting Europe Facility of the European Union

In early October 2020, the implementation of the European project "OneNet – One Network for Europe" began, in which the consortium will seek a solution for coordinated cross-border cooperation between electricity transmission and distribution network system operators while establishing new flexibility markets.

The Project aims to develop an open and flexible architecture that will help transform the European electricity system currently managed at national or regional levels. The result will be a smarter, cost-effective pan-European system in which the market and network operation will be mutually coordinated between countries close to real-time, while allowing active participation of network end-users in the electricity market.

The partners of the Project from Slovenia, Hungary, the Czech Republic and Poland will develop and expand the capacities of existing market platforms to offer flexibility and other system services to electricity transmission and distribution network operators. The emphasis will be on the coordinated activation of flexibility services for congestion management and system balancing.

The method of dynamic determination of thermal load of distribution transformers will be tested in the Slovene power distribution network, taking into account the influence of the ambient temperature and the temperature of the transformer, or the dynamic thermal rating (DTR). This will allow us to overload the MV/LV transformer for some time without damage to the infrastructure. However, when the dynamic thermal rating detects an unacceptable overload, flexibility services offered by the electricity supplier or aggregator are activated to help relieve the local grid load. In this way, we can delay investment at the local transformer substation and use the existing infrastructure much more efficiently.

In the area of Elektro Celje, the pilot project will be carried out at two local transformer substations.

CES PLATFORM

The Community Energy storage (CES) platform will enable the simple and transparent participation of stakeholders in investments. By introducing autonomously implemented Smart Contracts and simple establishment and management of relationships among investors and the transferability of ownership shares, it represents a significant technological leap. It enables transparency and automation of accounts by means of real-time and fixed data recording. The long-term purpose of the project is to establish the CES platform as one of the leading technologies in investing in community energy storage facilities, and to market it as a comprehensive solution for collective investment in energy infrastructure, together with the GIT product, which enables collective investment in photovoltaic power plants and electric vehicle chargers. The investment is co-financed by the Republic of Slovenia and the European Union through the European Regional Development Fund (https://www.eu-skladi.si).

EVROPSKA UNIJA
EVROPSKI SKLAD ZA REGIONALNI RAZVOJ
NALOŽBA V VAŠO PRIHODNOST

REPUBLIKA SLOVENIJA
MINISTRSTVO ZA GOSPODARSKI RAZVOJ IN TEHNOLOGIJO

European X-FLEX Project

Co-financed by the Connecting Europe Facility of the European Union

The European X-Flex Project, in which the Company Elektro Celje participates as a partner, aims to introduce integrated technological solutions that will allow an optimal combination of decentralised sources of flexibility. This will allow all stakeholders, including final consumers, to offer their flexibility in the electricity market. Four pilot tests will be carried out within the Project, two of them in Slovenia, Luče and Ravne na Koroškem. In Luče, a Traffic Light System will be developed and tested in conjunction with the SCADA system for efficient cooperation between the distribution network operator and the aggregator, and for the implementation of algorithms and market mechanisms for the management of the domestic charging infrastructure. The results of the testing will also be used to develop the system services for the distribution network operator and the methodology for the financial evaluation of these system services.

Improvements in reliability of supply through cooperation between system operators during times of extreme weather conditions will be demonstrated in Ravne na Koroškem.

European BD4OPEM Research Project

The objective of the BD4OPEM Project is to establish an environment for the development and use of software analytical services which, based on the use of large amounts of data, will enable the electricity distribution system to manage, maintain and plan electricity networks in a more optimal and cost-efficient way. Data analytical services will be developed using Artificial Intelligence methods.

In the Project, the Company Elektro Celje participates in the testing of services for calculating network observability, assessment of the impact of dispersed sources, e-vehicles and new loads, detection of unjustified consumption, forecasting of flexibility, non-invasive load assessment and predictive maintenance. The Project contributes data from the MV/LV transformer substations, as well as anonymised data of smart meters installed on these LV networks, geographic information and network data, weather data etc.

"Use Smartly" Project

Uporabljaj pametno

Through the "Use Smartly" Project we will answer the key development issues regarding the active participation of consumers in the electricity market in Slovenia. The Project aims to reduce the load on the local network during peak loads, to ensure the balance between generation and consumption of energy, to ensure consumption of locally produced electricity from renewable sources, to reduce technical losses and to inform consumers about "alternative methods" to ensure the stability and maintenance of the power distribution network.

The European iFlex Project

The iFlex Project aims to empower electricity users and make it easier for them to participate in the electricity market in response to demand. The focus is mainly on households and the response to the demand for supporting high penetration of renewable energy sources.

The Project addresses key EU policies directly: The Climate and Energy Framework by 2030 and the Energy Union, with a strong focus on renewable energy sources, own production, energy market reform and consumer empowerment. The Project will develop so-called intelligent assistants to manage the flexibility of users, who optimise comfort, energy costs and the environmental footprint on their behalf and according to their wishes, while offering flexibility to manage the electricity network.

The pilot test, which will be run by the Company ECE in the Kozjansko region and the Savinja Valley, will involve up to 100 users with a solar power plant or larger consumers, such as heat pumps or electric vehicle chargers.

Personnel

The year 2020 has confirmed that, with good relationships, effective operation and clearly set goals, we can follow the changes responsibly, including those that are beyond our direct influence. Due to the spread of the coronavirus disease, the epidemiological situation has led us to adapt the method of work constantly to achieve our goals. Employees were involved actively and responsibly in the flow of changes dictated by this unpredictable period.

Even though 2020 was special and demanding in many different aspects and has opened up new challenges on a daily basis faced by the management of the Company Elektro Celje as well as employees, we have managed to maintain and upgrade the competence of Human Resources through systematic, professional and comprehensive approaches, which was essential for the successful implementation of business processes. They have adapted to the situation, as has the organisation of work within individual organisational units. The lack of Human Resources due to viral diseases or quarantine has been bridged well by managers in cooperation with their colleagues.

It has been shown that the Human Resource Management Strategy can only be implemented through mutual understanding, a proactive approach of the management in cooperation with the employees, and by complying with legal norms and ethical rules. This builds the reputation, and preserves the integrity of the Company while taking account of and respecting the rights of an individual.

The managers monitored their employees more intensively, and provided conditions for the personal and professional growth of their employees, both through open dialogue with their colleagues, as well as through various training sessions. Through accessible communication, they built good relationships and maintained a level of motivation required for the realisation of joint projects.

In accordance with recommendations and instructions, they created a safe working environment to prevent the spread of COVID-19 infections, and adapted the work so that the work process was running smoothly and without major deviations. The situation has shown that, despite rapid changes, we can adapt and implement the objectives set successfully. From unforeseen situations, we have risen stronger and better prepared for the new challenges that 2021 offers us.

The Human Resources Management process has been established to ensure competence, commitment and work efficiency, to acquire and maintain human resources, to ensure Occupational Health and Safety and to implement labour legislation and other legislation related to employees. In accordance with the established Human Resources Strategy, we ensure and maintain competent staff and promote changes to build commitment and business excellence.

629

number of employees at the Company as of 31 December 2020

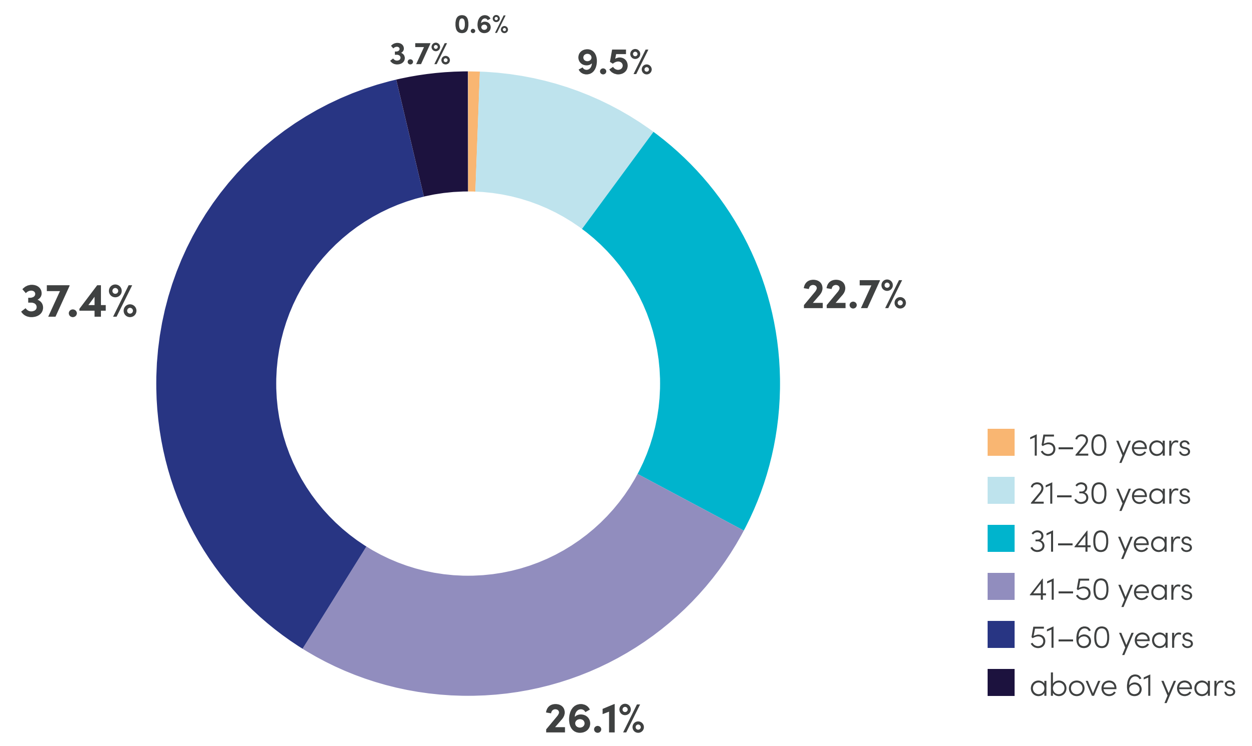
Employee Structure

The fluctuation in the number of employees in the period 2016–2020, the structure of employees by employment status, the percentage of employees by gender and the average age for the entire Elektro Celje Group are shown in the Section Employees and Social Responsibility at the Elektro Celje Group.

In 2020, the Company Elektro Celje recruited 23 new employees, while the employment relationship was terminated for 24 employees. Given the epidemiological situation and already existing requirements within the working processes, the employment area has been a particular challenge. 14 employees retired. The trend for older employees opting not to retire immediately after meeting the first condition but rather continue to work still remains. This is due mainly to stimulative legislation, which rewards continuation of work financially, and the fact that pensions are lower than wages.

The Company Elektro Celje exceeds the share of employees with the status of a disabled person, as regulated by the Decree Establishing an Employment Quota for Persons with Disabilities in the field of Electricity Supply. For several years, we have been reaching an 8% share of employees with the status of a disabled person, which is 2% more than determined by the Decree for the field of Electricity Supply.

Age structure of employees at the Company Elektro Celje



We ensure our disabled employees and those with various health limitations continuation of their work, even after the disability occurs, by adapting the work process and relocating them to a more fitting post, which is adjusted to their work capabilities. We also encourage professional retraining of those who can no longer perform their work, taking an active part in it.

An increase in long-term sick leave due to illness, injury or care of family members was noticed at the Company Elektro Celje in 2020. Sick leave amounted to a 6.4% (*proportion of hours in relation to hours worked in the period referred to, which includes refundable and non-refundable hours*), which is 0.8 percentage points more compared to the previous year. In 2020, additional deterioration in mental and physical health was caused by stress, which increased as a result of the epidemiological circumstances.

We monitored the absence of employees and conducted statistics on a daily basis, recording the COVID-19 sick leave and absence due to quarantine. Data at the end of the year show that 8.5% of employees were absent due to illness in December.

We tried to prevent sick leaves related to COVID-19 by taking protective and organisational measures by enabling employees to work from home, work in remote locations at DTSs, split part of larger groups into smaller groups, and the use of compulsory protective equipment (protective masks, gloves, disinfectant) was also provided. Such work organisation has become a practice in the current situation, which will continue to be the case in the case of an epidemic. Additional attention was paid to occupational health promotion and the management of psychosocial workload risks.

Since we as a company feel responsible toward our employees and their well-being, we have introduced an additional benefit in addition to the existing collective pension insurance and collective accident insurance as of 1 May 2020, and included all employees in collective health insurance, which enables the costs of certain self-paid services in the field of Specialist Medical Services, Surgeries and obtaining a second opinion to be covered. The insurance also provides free assistance provided by the insurance company to facilitate access to services and the possibility of including family members.

Supplementary Pension Insurance of Employees

The Company Elektro Celje established a retirement plan of supplementary pension insurance in 2001. All employees are included in the second pension pillar. Premiums for supplementary pension insurance are paid by the Company Elektro Celje (EUR 797,540 in 2020) in a contractually defined share of the maximum premium amount, and employees have the opportunity to pay their share of the premium themselves additionally.

Employment

The Human Resources Policy at the Company Elektro Celje enables us to pursue the objectives of positioning suitable staff in appropriate jobs, and to assure equal opportunities for all candidates, regardless of their gender or other circumstances, without discrimination, with the focus on expertise, commitment, target-orientation, competence and ethics in the selection. In the trend of rapid changes, it is extremely important that the staffing enables us to achieve multitasking, a high degree of expertise and readiness for change.

Employees who leave are mostly replaced through internal redistribution. We thus cultivate knowledge transfer among employees, and enable promotion for employed staff, which is an additional work motivation. It is, therefore, important to identify key personnel and key positions in a timely fashion. When searching for new colleagues, we are publishing job vacancies on the ESS and My Work portals.

The transfer of expertise and good practices is ensured through a mentoring system. The mentor introduces new employees, employees who are transferred to other positions or return from long-term sick leave, into the working process, and ensures that they are integrated into the working environment by following its example.

Employee Development and Training

The year 2020 stood out mainly from the point of view of the way training was carried out, which has moved to the e-environment, allowing employees to acquire additional skills despite the epidemic. The Training Plan was based on the priorities set in the ***annual development interviews***. They were carried out in five workshops for Managers, which provided Guidelines for conducting interviews, for further work with colleagues, and presented individual content in the field of Human Resource Management.

We take care of the development of employees within the "Knowledge Centre", where employees acquire new knowledge, which they then incorporate actively into the work process. We wish to cover all branches of education, thus strengthening the professional areas of operations of our company, and upgrading the competences of individuals. We enable individuals to acquire a higher level of education and other specific skills and, thus, make personal and career progress.

The vast majority of the training was held via web portals after the epidemic announcement. The training was carried out by external contractors via the MS Teams application. Some of the planned training sessions were cancelled or postponed. A great emphasis has been placed on training for mentors.

In the field of Protection of Personal Data, we started with the implementation of the renewal training Regula (in a web version), carried out Safe Driving Training at the Ljubečna range, completed professional training for engineers and training in the field of Auditing and ISO Standards. In addition, computer training, English language courses and professional training were organised from the fields of OHS and FS.

A large part of the internal training was carried out for the design and implementation of the document system. This is a major step forward toward traceability and better access to data.

The development of intellectual personnel is crucial for the successful operations and growth of the Company Elektro Celje. It is the result of the successful work of professionally trained and enthusiastic staff who develop new intellectual staff through pupils and students on practical training at our Company, and thus help us to accept budding, active and professionally trained new staff under our auspices in the future.

Feedback regarding satisfaction with education and training is obtained based on reports and training efficiency assessments. According to these assessments, employees were satisfied with the implemented education and training.

Human Resources Projects

In 2020, the Company Elektro Celje completed the ***Job Classification System Renewal Project***, which defines responsibilities within individual jobs in a transparent and flexible manner and the method for carrying out the work processes successfully. The Project, which is the result of multi-layered co-operation of external contractors with employees, trade unions, works councils and the management, designed and renovated the following systems in line with the vision and Strategic Objectives of the organisation: Internal organisation and job classification system, competence model and promotion system.

The purpose of the Project is to increase productivity and establish working conditions that further motivate employees, and enable them to develop based on accurately set goals, since we are aware that we can only succeed if individuals within the Company are successful. With the competence model, we have defined competences by individual workplaces and thus outlined how we dictate how to work to be successful in meeting our set goals. We have divided our competences into three parts, where basic competences dictate the standards of behaviour, with specific and professional competences directing us to the method of work within our operational area.

Job classification and the competence model are linked closely to the promotion system that enables the possibility of promotion at the same workplace, and is linked to the transition to a higher salary grade. The new Regulation also introduced new salary grades as of 1 January 2021. Promotion opportunities are determined by a new system that gives the individual clear information on what and how he or she should work to achieve the objectives set. By doing so, we have contributed to the additional motivation of our employees.

Activities within the framework of the ***Energija Competence Centre Project*** took place in conjunction with the Project Office of the Energy System Educational Centre – ICES, which, as an external actor, led the Company's involvement in education, mainly in the fields of Digitisation, Automation and Foreign Language, as well as in the field of Obtaining Management Skills and Effective Communication.

The Project aims to develop key competences of the future, for employees to acquire specific knowledge and skills, to raise awareness of the necessity of lifelong learning, to have a unified approach to HR development for the challenges of the future, to increase competitiveness among employees and companies, to establish long-term partnerships with the expansion of the partner network, to increase Research and Development investment, to have a single voice in the market and to establish a dialogue with the public.

With the ***Munera 3*** Project and in co-operation with the School Centre Celje, our employees were included in further vocational education and training programmes, to improve their competences to meet labour market needs, increase their employability and mobility between the fields of work, develop personally and function in modern society.

EVROPSKA UNIJA
EVROPSKI SOCIALNI SKLAD
NALOŽBA V VAŠO PRIHODNOST

REPUBLIKA SLOVENIJA
MINISTRSTVO ZA IZOBRAŽEVANJE, ZNANOST IN ŠPORT

MUNERA3

The Company Elektro Celje prepared two own expert programmes with the duration of 50 hours:

- Design and execution of power facilities in the event of reconstructions of facilities,
- Management and optimisation of work in the installation of the "smart meters" metering/control devices.

SPIN Project – Ready for Change

EVROPSKA UNIJA
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NALOŽBA V VAŠO PRIHODNOST

REPUBLIKA SLOVENIJA
MINISTRSTVO ZA DELO, DRUŽINO, SOCIALNE ZADEVE IN ENAKE MOŽNOSTI

SPIN
2019 - 2022

We have completed the first set of training courses for mentors successfully, which enabled participants to acquire additional competences in the field of Transfer of Knowledge and Coaching. The training was carried out in cooperation with the external contractor Racio razvoj. Individual workshops covered both the individual treatment of participants and specific education from pedagogical andragogical content, which are key to the implementation of the mentoring process. This project will also continue in 2021.

Concern for Employees

POLNI CERTIFIKAT
Družini prijazno podjetje

As the holder of the Family Friendly Certificate, we perform activities to help manage the work-life balance. In addition to the challenges and opportunities, 2020 has also brought more difficult situations in which our colleagues and their close relatives found themselves due to the epidemiological situation. Various hardships have emerged in the personal and business lives of employees, but these have been dealt with regularly in cooperation with each other. We have been working with a high standard of care, proactively, and to prevent any form of conflict, intolerance, discrimination or even violence, in constant concern for the well-being of employees.

Communication with Employees

Open and regular communication between employees and the Company's management, as well as among the employees, is of key importance. We ensure responsible and ethical communication and promote communication at all levels. That is how we create a productive working atmosphere, increase the sense of belonging 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. One of the forms of employee informing is the **GEC internal newsletter**, a joint newsletter of the Elektro Celje Group with three issues per year.
- **Annual development interviews** are an important instrument for the targeted management of human resources in modern organisations striving for excellence. The annual development interview is an in-depth dialogue regarding current tasks, implemented work, results, objectives and tasks for the future, and the employee's personal development and career path.
- Through our **Intranet site**, we notify all employees regularly and transparently about the news, events and activities at the Company. Immediate superiors also play a major role in internal communication, as we strive to ensure that information is forwarded to all employees.

Social Perspective

The basis for operating in changed conditions and for maintaining the economy is a secure electricity supply.

Responsibility towards Investors and the Financial Public

Communication with shareholders and the financial public is transparent and compliant with all effective provisions. The information provided to shareholders relates to business performance and the Company's future strategy. Public information (Annual Report, Quarterly Reports, concluded Contracts, General Assembly meetings and material thereof) is disclosed on the corporate website www.elektro-celje.si. Shareholder communication is based on SSH recommendations and OECD guidelines for corporate governance of state-owned enterprises that emphasise three main principles: Transparency, efficiency and responsibility.

Responsibility towards Customers and the Influential Public

In 2020, electricity consumption at the time of the epidemic decreased significantly in almost all business entities, while, at the same time, a significant increase in consumption was observed in households.

While the majority of the Slovene population were confined to their homes, many companies decided to work from home, pupils learned remotely, the use of online shops was on the increase; on the other hand, many used online social platforms for amusement and to keep in touch with families and colleagues. The basis for the operation of these services and the preservation of the economy is a reliable electricity supply, which, in addition to all the above, also takes care of the power supply of appliances that most of us take for granted.

Employees were faced with new challenges. Restrictive measures were necessary to prevent the spread of infection, but, at the same time, it was our duty to ensure a smooth process of reliable and secure distribution of electricity. We have been forced to introduce new solutions to ensure a secure and reliable supply of electricity. We have acted according to the instructions of Health Institutions. We were responsible to our customers. The working method was often difficult, due to mandatory preventive measures, but still safe and reliable. The employees of the Company Elektro Celje have constantly endeavoured to ensure that our users, population and economy were supplied with electricity in a stable and reliable manner, even in times of crisis.

Communication with Customers

The Call Centre is available for the users of the Company Elektro Celje, where operators receive and handle complaints, consumer notifications regarding meter faults, metering device statuses required for annual billing, notify consumers on planned power supply interruptions, reply to customers' general questions, communicate regularly with workers in the field and electricity suppliers.

The **website of the Company Elektro Celje** is used as a tool for communicating with the public. The website contains all information required by our operator and the Public Information Act. The customers of the Company Elektro Celje are also provided with an online application on the website for informing about the planned power supply interruptions in households, companies or other facilities. By registering, they receive a notification to an e-mail address or in the form of an SMS message to a mobile phone.

Notification of customers on planned power supply interruptions is necessary and essential for the safe performance of all necessary work on electricity installations as soon as possible. The works are planned carefully, therefore, we can inform our customers about planned power supply interruptions at least 48 hours in advance. Notifications of planned power supply interruptions are published on the Company's website and announced via radio stations.

"Moj Elektro": A Single Metering Data Access System

Electricity companies have set up a joint free, unified web portal Moj elektro – Single Metering Data Access System, where customers can access their metering data, regardless of the electricity distribution area or the supplier. It is intended for end-users (consumers and producers of electricity), who did not have the possibility of centralised access to the metering data for their or authorised metering points until now. Customers will, with appropriate authorisations, also be able to access the data of other beneficiaries on the portal.

Communication with business customers is based on personal contacts and e-communication. Personal contacts are necessary in the business world; therefore, our business partners are treated on an individual basis.

Communication with the Influential Public

We communicate with the key influential public, which includes the government institutions of the Republic of Slovenia, the line ministries and other important institutions (EAgen, SDH, d. d. etc.) about topics related to the regulation and legislation.

As we plan and site electricity installations, as well as in the construction and operation of the network, we strive to integrate and listen to the different interests of local communities.

Participation in the Economic Interest Association of Electricity Distribution Companies

The Company Elektro Celje cooperates with other electricity distribution companies in Slovenia, joined within the scope of the Economic Interest Association for Electricity Distribution (EIA ED). The basic goals of the Economic Interest Association for Electricity Distribution are to facilitate, coordinate and step up the activity of the public utility services of DNSO, and the supply of electricity to tariff consumers, to improve the results in the activity, as well as facilitate and coordinate other activities.

Responsibility Towards the Community

At the Company Elektro Celje, we strive for responsible, careful and fair treatment of the environment, while looking for ways in connection with natural integration into the environment to become more successful, improve the quality of life of employees, local communities and wider society, while, at the same time, serving the interests of the owners.

As we plan and site electricity installations, as well as in the construction and operation of the network, we strive to integrate and listen to the different interests of local communities and to achieve as many goals as possible for the common good. We are not only electricity distributors, but we look at our operations in the environment more widely, and try to find common points in different areas for better co-existence. We strive for transparency in our operations, which is achieved through the publication of a variety of data and information on our operations on the Company's website, and being compliant with the adopted good corporate governance practices and governance codes.

Our **media relations** are based on transparent and up-to-date communication based primarily on the Company operations, new services and sponsorship cooperation, network innovations and completed major power facilities. We are regular contributors to the Slovene power industry newsletter, Naš stik (Our Contact), publishing news and contributions.

Relations with Suppliers and the Purchasing Policy

The Company Elektro Celje organises and carries out the procurement of the goods, services and constructions relating to the performance of the tasks of maintaining and developing the electricity distribution network, in accordance with the contract with SODO d. o. o. and the Public Procurement Act. All procurement procedures respect the basic principles of public procurement and the economic perspective.

Orders with the estimated value calculated in accordance with the provisions of the Public Procurement Act (PPA) exceeding the publication thresholds defined in the PPA shall be awarded as Public Contracts under the provisions of the PPA. In cases where the Company Elektro Celje is a contractor for orders for third parties that are not liable for public procurement, goods, services and constructions with the estimated value exceeding the publication thresholds defined in the PPA may be ordered without the execution of a public procurement under the procedure of the PPA.

Goods and services for which no more than one bid is required, but require acting with due diligence, are services sold according to uniform price lists in the Republic of Slovenia and published in the Official Gazettes, purchase or rental of real-estate, purchase of professional literature, participation in expert seminars, legal and notary services, etc.

The Company Elektro Celje manages a harmonised and unified procurement policy, which contains strategic guidelines and principles of the transparent procurement process. The aim of the Company's procurement policy is to seek synergy with suppliers in terms of quality of goods, increase trust between partners and favourable commercial conditions.

In procedures below the public procurement threshold, the Company Elektro Celje provides a competitive and transparent selection process by sending an inquiry to several bidders.

Every year we evaluate existing suppliers, assessing the adequacy, timeliness and reliability of their supplies. Internal acts stipulate that the inclusion of an anti-corruption clause in all procurement contracts is mandatory. In addition, the Company has adopted several internal rules with regard to procurement, defining the procedures and other instructions (Instructions regarding the implementation of procurement and public procurement, Assessment of suppliers, Instructions regarding the method for taking over the goods from suppliers, Minutes on a complaint or non-compliance etc.).

Sponsorships and Donations

When providing sponsorships, we observed the principle of balance, economic benefit and diversification, while, in providing donations, the principle of social responsibility was applied in accordance with the Rules on the allocation of sponsorship and donor assets. To ensure transparency, we publish a list of concluded sponsorship and donor contracts on the Company's website.

In 2020, we allocated funds to social welfare institutions that were most affected by the epidemic and socially deprived individuals, supported sports and other events, and funded various humanitarian activities in the local communities where the Company Elektro Celje is active in the New Year's holiday period. Instead of business gifts, we have earmarked funds for charitable purposes.

Environmental Perspective

Strategic and operational planning is based on the principles of sustainable development.

With the adopted Environmental Management Policy, the Company Elektro Celje commits itself to meet the requirements of environmental legislation and Regulations, Agreements and Standards and its own requirements. Strategic and operational planning and reviewing the achievement of the set objectives take into account the principles of sustainable development and, therefore, in addition to meeting legal and other requirements, the Company is seeking to achieve the highest possible degree of natural resource management and reuse of raw materials. At the same time, we are also building a sustainable attitude toward the environment in areas that are not defined by law. We care for the natural environment through prudent siting of power facilities in any given area, and our utmost respect for legislation regarding electromagnetic, thermal and light radiation and noise.

Our employees are familiar with the environmental management policy and are committed to bringing it to the attention of all those working on behalf of the Company. We improve the environmental aspects of our operations continuously, with emphasis on preventive handling and the introduction of environmentally friendly materials and technologies, economical use of natural resources, energy and materials, reducing waste production and promoting their efficient management.

The Company periodically evaluates suppliers' environmental suitability (additional points are awarded to suppliers who have an ISO 14001 Environmental Management System in place).

Our infrastructure often also represents home to some birds, so we ensure the isolation of exposed parts of overhead power lines and parts of devices inside power facilities, thus protecting birds from accidents. In doing so, we cooperate with local communities, municipalities and the Institute of the Republic of Slovenia for Nature Conservation. Special concern is focused on white storks, which are a protected species in Slovenia. We strive to move the nests from overhead power lines with bare electrical conductors to a new pole with a self-supporting wiring harness, and eliminate any possibility of contact of the storks with electricity.

The Company involves all employees, suppliers, external contractors and other business partners in its concern for energy efficiency, comprehensive corporate responsibility and sustainable development actively. The fundamental principle in the realisation of a responsible attitude towards the natural environment is to enable employees, users and other stakeholders a healthy lifestyle in accordance with the sustainable development principles in the long term. The Company also provides the possibility of responsible energy and environmental management to its users, to enable them to reduce their carbon print significantly in their business and private lives. By implementing energy efficiency principles, the Company wishes to enable a quality of life and environment comparable to today to future generations.

The following environmental indicators are monitored at the Company Elektro Celje:

Indicator	2016	2017	2018	2019	2020	Graphical comparison
Electricity consumption (in MWh)						
With the energy renovation of buildings (installation of heat pumps and CHP plants), insulation and high-quality builders' joinery, we will contribute to reduced electricity consumption.	816.6	910.2	857.1	917.6	879.4	
Water consumption (in m³)						
We take care of rational drinking water consumption through the improvement of the control of the water supply system and reducing losses in the water supply network and use of rainwater for domestic and process water.	3,733	4,797	11,105	5,786	6,822	
Share of transformers with environmentally sound oil (in %)						
We are systematically integrating TRs with environmentally sound oil into the electricity network. Where sensible/permissible, chestnut wood or coniferous tree wood impregnated with environmentally acceptable impregnation is used for the construction of OPLs.	26,6	26,3	29	32	32,8	
Reported hazardous waste (number)						
TR waste oil, used oil filters, discarded electronic equipment containing dangerous substances and other hazardous waste are collected in specially marked containers. Their removal is arranged by the contractual transferee. The amount of hazardous waste depends on the reconstruction of infrastructure in each year.	8	7	18	13	7	
Mixed municipal waste (kg)						
Municipal waste collection is organised according to the decrees issued by municipalities and competent local public utility companies. The Company takes care of the comprehensive management of useful (recyclable) and useless waste.	110,833	110,900	110,800	111,200	69,200	

The costs associated with environmental management amounted to EUR 38,576 in 2020, and were 13% higher than in the previous year.

Management Systems

The management systems provide methodological support to the management in the organisational development of the Company, based on a process approach.

The management system at the Company Elektro Celje is based on the following certified systems:

- The Quality Management System in accordance with the ISO 9001:2015 Standard,
- The Occupational Health and Safety System in accordance with ISO 45001:2018,
- The Information Security Management System in accordance with ISO 27001:2013, and
- The Environmental Management System in accordance with ISO 14001:2015.

Through their activities, the systems provide methodological support to the management in the organisational development of the Company, based on a process approach. Together with the compliance of the Guidelines of the Risk Management System according to ISO 31000:2018, they form an integrated management system. The Company has policies in place for all segments of the integrated management system with which we are committed to being responsible in the areas of Quality Management, employees' health, information security, environmental management and risk management. We review, update and inform employees about policies regularly.

The integrated management system means that, in practice, the systems function comprehensively under identical procedures for documentation and risk management, communication, preventive and corrective measures, corrections and improvements, management reviews and other activities that enable the improvement of operations. All documentation related to the certified management systems is published on the Company's website and available to all employees. The umbrella document that defines the management system, the processes and procedures, is referred to as "Poslovnik vodenja" (Rules of Management) of the Company Elektro Celje, d. d. Important tools used in Company management are internal audits, management reviews and external control and certification audits. With regular implementation of internal audits, the following are provided:

- Maintenance of the level of quality that is necessary for the certification of and maintaining the Certificate,
- Creation of conditions that ensure constant improvement,
- Determination of the efficiency of achieving the goals pursued.

With the management review, we determine the efficiency and suitability of the management system. A comprehensive management review shall, as a general rule, take place once a year in the second quarter of the financial year. Depending on the needs of the management and coordination of business processes, partial management reviews may also be carried out. Measures whose management depends on the management review are also important management tools. Examiners from the Bureau Veritas Slovenia review the functioning of the management system on an annual basis. In 2020, recertification audits of the Quality Management, Occupational Health and Safety and Environmental Management Systems were carried out, for which new Certificates were issued, and a control audit of the Information Security Management System for which the Certificate was renewed.

In the field of the **Quality Management System**, which is the basic standard for the management of the Company, we have continued to improve processes, introducing additional measures for improvements for optimal operation of processes and sub-processes. Due to changes at the Company and in the Company's environment, it was necessary to adapt existing processes, to design some new sub-processes or to add new objectives to existing processes.

Safe work and a healthy lifestyle are not only legal obligations, but values and fundamental tasks of the Company Elektro Celje. In 2020, due to the COVID-19 epidemic, many measures were related to providing preventive protection for employees, to protect employees, limiting risk contacts and preventing the introduction of infections into the Company. Familiarity of employees with internal investigations of accidents and dangerous events enables us to identify dangers in the work process, and to find solutions to prevent similar accidents and events.

In 2020, we registered 6 minor accidents at work and documented 7 dangerous events, 4 of which were connected to the use of, or work at or in the immediate vicinity of electrical installations. Based on the provisions of legislative Regulations and the approved Statement on Safety with Risk Assessment, we carried out periodic checks of work and personal safety equipment, and random checks of electric power facilities and work and building sites.

The Information Security Management System includes the protection of the Company's assets and information. In addition to its own requirements for information security, the requirements of the Critical Infrastructure Act and the Information Security Act are also incorporated into the Company's operations.

Our activity is carried out in an environmentally friendly manner, in accordance with the requirements of **the Environmental Management System** and legal requirements.

In 2020, the Company implemented some of the improvements identified in the most recent self-appraisal following the EFQM excellence model carried out in the most demanding way, with the simulation of cooperation within the scope of the Business Excellence Prize of the Republic of Slovenia (PRSPO), in 2018.

Corporate Governance

All employees have signed the Statement on acquaintance with and observation of the provisions of the Code of Ethics. “

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

The Management Board is composed of a single member appointed by the Company's Supervisory Board for a four-year mandate. In 2020, the Company Elektro Celje was managed by the Management Board, represented by the Chairman of the Management Board Boris Kupec, MSc.

The Supervisory Board has six members, four of whom are shareholder representatives and two who are employee representatives. The members of the Supervisory Board are appointed for four-year terms and are eligible for re-election. The members of the Supervisory Board representing shareholders are elected to the Supervisory Board by the Shareholders' Assembly with a simple majority of the shareholders present. The two Board members representing employees are elected by the Company's Works Council.

Supervisory Board of the Company Elektro Celje	
Representatives of shareholders	
Rosana Dražnik, MSc	Chair
Mirjan Trampuž, MSM and MSc Energetics	Deputy Chairman
Miha Kerin, MSc	Member
Drago Štefe, MSc	Member
Representatives of employees	
Miran Ajdnik, Bachelor of Electrical Engineering	Member
Janko Čas, Electronics Engineer and Energetics expert	Member

Supervisory Board Committees of the Company Elektro Celje	
Audit Committee	**Human Resources Committee**
Miha Kerin, MSc, Chairman	Drago Štefe, MSc, Chairman
Ignac Dolenšek, MSc, external expert member	Rosana Dražnik, MSc, member
Darinka Virant, BA in Economics, external expert member	Janko Čas, Electronics Engineer, member

Corporate Integrity and Code of Ethics

Ethical rules, which we as employees must follow in certain circumstances, are laid down in the **Elektro Celje Group Code of Ethics**. It provides an additional basis for ensuring compliance of operations with positive legislation and codes, a legal framework for ensuring data protection and integrity and prevention of discrimination of all forms in the workplace. It was distributed to all employees in a printed edition, and is published on the Company's intranet, as well as on its website, to inform the internal and external public about its content. All employees have signed the Statement on acquaintance with and observation of the provisions of the Code of Ethics. The Company adopted organisational and technical measures, which, through an additional communication channel, enable anonymous notification of any irregularities or violations of compliance of operations. Any procedures for disclosure of conflicts of interest, self-elimination and adoptions of Decisions on elimination are also recorded through the Corporate Integrity Officer appointed by the Management Board.

The objective of the Code of Ethics is:

- The definition of the basic principles and rules to be followed by the employees of the Elektro Celje Group,
- Ensuring compliance with the applicable laws, implementing regulation and other regulations, policies and codes applicable to the Company and the Group,
- Data protection and integrity,
- Prevention of discrimination in the workplace and hostile working environment,
- Announcement and treatment of non-compliance or breach of this Code.

Corporate integrity at the Elektro Celje Group is understood as operating in accordance with the legislation, rules, recommendations, internal rules of the Company, and in accordance with good business practices and ethical principles.

The Corporate Integrity Plan, together with the Code of Ethics, is a tool for establishment/monitoring of integrity within the Elektro Celje Group, as well as identifying/eliminating the susceptibility of the Group, its individual companies and their employees to acts of corruption.

Risks related to corporate integrity are included in the Risk Register, where they are identified, assessed and managed through suggested measures. Through a Corporate Integrity Officer, a mechanism was established for regular and comprehensive identification of corporate integrity risks, their assessment, and systematic and independent control of risk management measures` efficiency.

Risk Management at the Company Elektro Celje

The purpose of risk management is to create and protect the value of the Company, improve its operations and promote the achievement of the business and strategic goals set, by assessing and managing key business risks adequately.

> The purpose of risk management is to create and protect the value of the Company, improve its operations and promote the achievement of the business and strategic goals set.

Risk Management is based on the Company's Policy on Risk Management and meeting the requirements of the ISO 31000, ISO 45001, ISO 14001 and ISO 27001 Standards. A risk management sub-process within the management process, which defines the necessary activities and responsibilities for risk assessment and management, management of the Key Risk Register, monitoring and updating risks, adopting and implementing measures, reporting on risk management and operating and controlling the risk management process, has been put in place by the Company.

Risks prior to management at the Company are divided into unacceptable and very low, acceptable risks. Depending on their size, they are treated differently. Very low risks are recorded in the Ukrepi (Measures) application after identification, and the owner of the process/sub-process where the risk arises determines the measure to eliminate or reduce the risk and the operator of the measure.

However, higher, unacceptable risks prior to management shall be analysed by means of a record in the form of a Risk Sheet and the identification of a Risk Manager responsible for their long-term treatment, monitoring, assessment and reporting on the risk situation. Risk Managers typically own the processes, and are responsible for achieving the goals of their processes. Risks and opportunities are identified by setting process objectives, internal audits, internal and external audits of management systems, annual interviews with employees, the production of the SiOK analysis, EFQM self-assessment, etc.

The Risk Coordinator is responsible for improving the risk assessment and treatment methodology, managing the Risk Register and reporting to the Management and Supervisory Boards.

The Internal Auditor monitors whether all major risks are identified, determines the effectiveness and adequacy of existing/new measures, and advises on Risk Management.

The Risk Management Committee is composed of Risk Managers, the Internal Auditor and the Risk Coordinator. It is responsible for planning, functioning and control of the Risk Management process. Twice a year, as part of the managerial review of management systems, the Risk Management Committee reviews the Risk Management and verifies the adequacy of the estimated key risk levels.

At the beginning of 2020, a lot of activities were directed towards the preparation of the risk assessment of critical infrastructure, as the Managers had to make an assessment of the risks to the operation of critical infrastructure, and develop measures for the protection of critical infrastructure in accordance with the Critical Infrastructure Act.

In September 2020, the Procedure for Managing Risks of Information Channels was prepared and published based on ISO 27001. Environmental risks have also been assessed according to a specific methodology that meets the expectations of the ISO 14001 Standard. In the identified important environmental aspects, the facilities were also subject to risk assessments. The OHS service carried out an audit of the Statement on Safety with Assessment. A risk assessment for all workplaces has been carried out anew, and the adequacy of risk prevention measures, certain rights and obligations, and powers related to Occupational Health and Safety reviewed. A hierarchy of risk management measures of OHS has also been established.

At the Company, the risk is defined as the impact of uncertainty on the achievement of goals. It represents the possibility of an event, circumstances occurring in the external environment of the Company or within the Company, which can have a negative (threat) or positive (opportunity) impact on the achievement of the Company's goals in the area of financial management, achieving quality for customers, occupational health and safety, information security and environmental impacts.

The size of the risk is the product of probability and impact. The probability of occurrence is calculated by estimating the probability of occurrence of the event and monitored for a period of up to 20 years. The consequences are valued in terms of their value and impact on financial performance (profit or loss) or following qualitative criteria when assessing the consequences of the event on the quality of services to customers, occupational health and safety of employees, information security and the environment. In doing so, we use a rating scale ranging from 1 to 5.

	Risk potential				
	Insignificant (up to once every 20 years)	Low (up to once every 10 years)	Medium (up to once every 4 years)	High (up to once every 3 years)	Very high (once or more in 2 years)
Quantitative impact assessment (damage/benefit occurrence)	1	2	3	4	5
Disastrous (over EUR 5 million)	5	10	15	20	25
Huge (from EUR 1 million up to and including EUR 5 million)	4	8	12	16	20
Large (from EUR 250,000 up to and including EUR 1 million)	3	6	9	12	15
Moderate (from EUR 50,000 up to and including EUR 250,000)	2	4	6	8	10
Small (up to and including EUR 50,000)	1	2	3	4	5

- High risk: unacceptable, risk must be avoided or transferred
- Medium risk: unacceptable
- Low risk: conditionally acceptable if the costs of managing the risk are greater than the damage of risk realisation
- Very low risk: acceptable

Unacceptable risks prior to management (high, medium and low) are recorded in the Register of Key Risks, and are subject to quarterly review and assessment. Risk Managers most commonly manage such risks by implementing continuous activities and one-off risk mitigation measures. Acceptable risks are risks that are post-control assessed as low (the cost of further reduction would be greater than the harm caused by the realisation of the risk) and any very low risks. The Company takes these risks. The risk of corporate integrity (ethical conduct of employees), where there is zero tolerance, is the exception.

Overview of Basic Risks at the Company Elektro Celje

In the first half of 2020, the Risk Managers, together with the Risk Management Coordinator, updated the Key Risk Catalogue in order to adapt to changes in the environment and at the Company itself. We identified 36 risks as unacceptable, and classified them into 13 types of risks. A Risk Sheet was prepared for each risk, identifying the risk description, possible sources of risk and its consequences, documentation relating to the risk, impact of the risk on strategic goals, risk indicators, continuous and expected new measures, the person responsible for Risk Management, and the person responsible for management control.

Strategic risks

- STRATEGIC OF THE COMPANY/OWNER'S GUIDELINES
- REGULATION OF RISK
- HUMAN RESOURCES RISKS
- DEVELOPMENT RISKS
- CORPORATE INTEGRITY RISKS

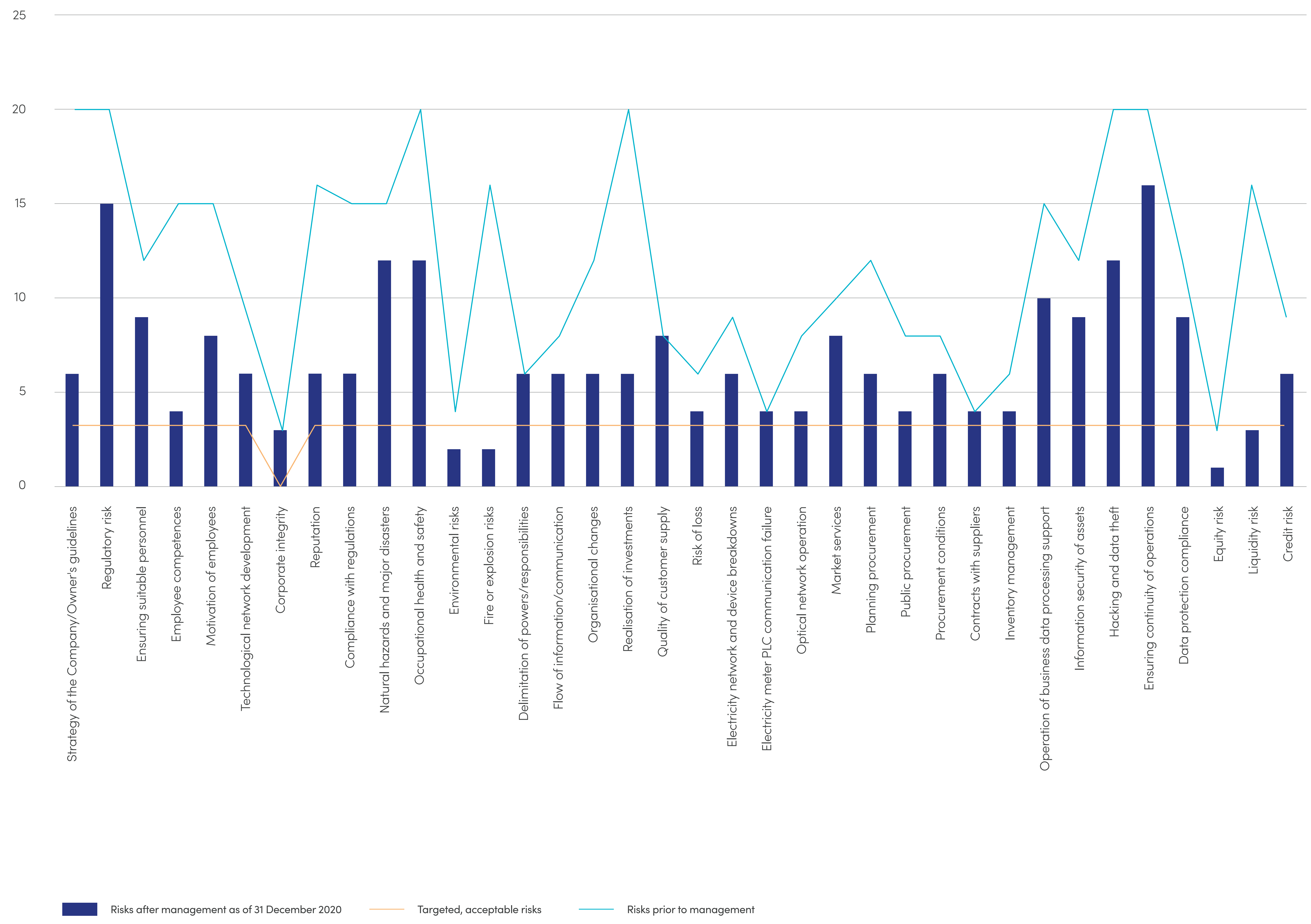
Financial risks

- EQUITY RISK
- LIQUIDITY RISK
- MARKET RISK
- CREDIT RISK

Operational risks

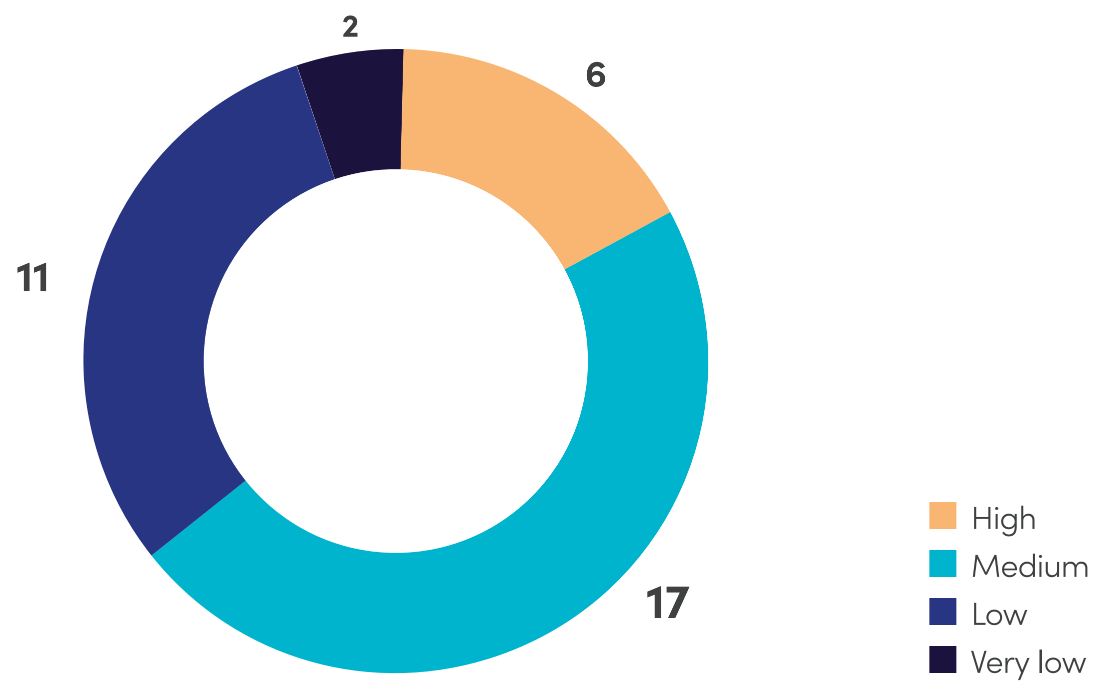
- SECURITY RISKS
- ORGANIZATIONAL RISKS
- OPERATIONAL RISKS
- PROCUREMENT RISKS
- INFORMATIONAL RISKS

Risk Assessment and Key Activities in 2020 and the Outlook for 2021

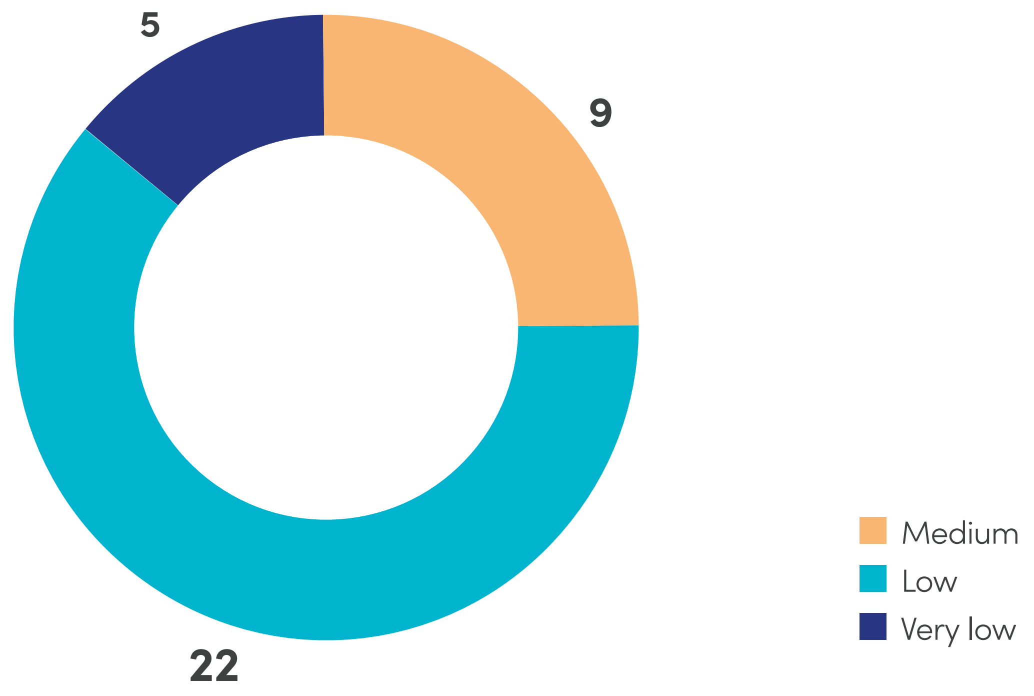


We managed risks with permanent activities, which are contained in the Risk Sheets and, if necessary, with the implementation of the current measures.

Number of risks by size prior to management



Number of risks by size after management on 31 December 2020



As of 31 December 2020, the Company Elektro Celje did not have highly assessed risks after management, 9 risks were assessed as medium and all other risks were low or very low. Medium-rated risks are presented below:

Regulatory Risk

Regulatory risk is posed by the EAgen Regulation and other Regulations in the field of Electricity Distribution and other areas that could have an impact on the reduction/increase of revenue for the performance of the Company's regulated activity or investment assets. In 2020, a risk of a lower return on assets was realised as EAgen had amended retroactively the Legal Act on the methodology for determining the regulatory framework and network charge for the electricity distribution system by setting a lower rate of return on regulatory asset base for 2020 (4.13% instead of 5.26%). Revenue from this title was, therefore, lower by EUR 2.8 million.

Expectations for the future: The Energy Agency's Network Charges Act will be amended as of 2022. The management will be involved in discussions during its preparation and in the process of preparing other draft Regulation documents.

Human Resources Risk

The COVID-19 epidemic created the risk of a large number of workers being absent due to disease, quarantine etc. To reduce the risk of employee morbidity and to ensure a sufficient number of human resources to carry out key activities, several measures have been taken, the most important of which are:

- The creation of the Crisis Committee, which has taken the measures necessary to maintain emergency operations,
- The preparation of a plan to ensure the smooth performance of working processes by exchanging key personnel between companies within the framework of the Economic Interest Association for Electricity Distribution, if needed,
- Work from home and in remote locations was organised, with lay-off introduced and the use of leave increased,
- The organisation of the work of the employees at distribution or control units was changed, as well as in the electrical installation teams and the DCCs.

Expectations for the future: There is a strong likelihood of doing business in emergencies with a reduced number of workers, at least in the first half of 2021. The Crisis Committee will monitor the situation and take ongoing measures to ensure business continuity, and to alleviate the risk of a large number of employees being absent for a longer period.

Risk to Data 4 Compliance

We process personal data of distribution network users as the operator for the purpose of our contractual relationship, to manage a reliable, safe, high-quality and sustainable electricity distribution system, and for the purposes specified by the Energy Act (EZ-1) and implementing Regulations issued on its basis, as well as other applicable Regulations. The Data Protection Compliance Officer monitoring the compliance of the processing with applicable Regulations and international Standards, assessing the effects of the processing of personal data constantly and cooperating with supervisory authorities, is responsible for ensuring the compliance of the processing of personal data. On its intranet site, the Company published Instructions on the protection of personal data for users, explaining which types of data we collect, the purposes and use of the data collected, what rights users have and how to contact the Data Protection Compliance Officer when exercising user rights.

Expectations for the future: In order to lower the risk, the Company is preparing additional measures in 2021 as part of its operations. At the same time, the Personal Data Protection Act is expected to be adopted, which will clarify how and why they can be collected, how they can be processed and how long they can be stored.

Information Intrusion and Data Theft

The Company is implementing a series of organisational and technical measures in the field of Information Security (data and system access control, data security archiving, protection against harmful code, up-to-date software, established network controls etc.). To reduce the risks of data intrusion and theft, information security policies are adopted, which define the main security requirements for the employees of the Company Elektro Celje, as well as for the external contractors of the Company. A change management process has been introduced, supported in the MX ICD environment. Incidents are monitored based on the Rules on the management of security incidents and the pre-established procedures for the response to information security incidents. A mechanism for monitoring security events and controls is in place to reduce the possibility of identity theft. The Company conducts an annual penetration test of information systems to identify measures to address identified vulnerabilities.

Expectations for the future: In 2021, we expect that, despite the measures taken, such risks will have to be given considerable attention, as the number of incidents dealt with in Slovenia has been increasing steadily for several years.

Information Business Support Risk

The risk could be posed by a non-/efficient operation of the AX and MX information systems and the non-compliance of their operations with Regulations, Standards and good practices. The causes of the risks were software deficiencies, incorrect parameter settings and inadequate integration between AX and MX. The functioning of AX and MX was monitored with monthly reports and the deficiencies were corrected in real time. In 2020, the MX upgrade was completed successfully.

Expectations for the future: In 2022, we will implement the AX upgrade. Risks are expected in connection with the provision of functional requirements expected by the Company, and will have an impact on the efficient functioning of the processes in the future.

Risks of Information Channels

Information risks are managed by risk assessment according to information channels in accordance with the requirements of the ISO 27001 Standard. The first information risk assessment was carried out in 2018. In 2020, the Process for managing risks of information channels was updated. This process has led to the re-identification of assets (hardware, software, partners, human resources, facilities etc.), which are important for the performance of operations and the provision of essential services, and which could have a negative impact on the provision of information security. For all unacceptable risks, appropriate risk mitigation measures were taken at the beginning of 2021.

Expectations in the future: After the planned measures were implemented in 2021, the risks identified are expected to decrease.

Risks to Business Continuity

This risk is the occurrence of events that could affect the continuity of essential business processes and activities adversely in the event of major failure or disaster (fire, cyberattacks etc.). For this purpose, the Company has various measures in place to restore the performance of its business processes and activities for normal operation in the event of interruption within the envisaged time frames (back-ups, secondary location, recovery plan etc.). A BIA analysis was made in 2020.

Natural Hazards and Major Disasters

The risk of external events (heavy snowfall, avalanches, landslides, floods, wind, storms, hail, sleet, earthquakes) is, in particular from the point of view of the impact on the electricity system, recognised as a significant risk. These impacts are gradually reduced by cabling and properly designing the facilities according to the terrain configuration. However, such risks cannot be avoided completely. A portion of the risk is transferred to the insurance company, while the rest of the risk is accepted by the Company.

Occupational Health and Safety

Professional tasks in the field of Occupational Health and Safety are carried out in accordance with the Health and Safety at Work Act, and in accordance with the ISO 45001:2018 Standard. An important objective at the time of the COVID-19 epidemic was to protect employees from infection and to have operational teams for the smooth operation of the electricity infrastructure. To reduce the risk of employee morbidity during the outbreak of the epidemic, the Company has taken several measures and activities. The plan to ensure the smooth running of work processes during the outbreak of the epidemic was taken into account. The following has been established:

- A system of comprehensive information, information, training and communication on threats, prevention of infection and prevention of the spread of infection,
- A system of identification of suspected infection with COVID-19 and a management protocol in case of suspected infection,
- A special cleaning and disinfection regime for the premises, and a system for checking the condition of the soap and disinfectant dispensers.

We have purchased protective equipment and means to prevent the spread of COVID-19, disinfectants and temperature meters. We used Information Communication Technology (Skype, Teams etc.) for urgent meetings, reporting, conferences. Measures have been introduced to reduce contacts between employees and to eliminate non-urgent missions. Specific preventive measures have been taken for employees belonging to vulnerable groups (working from home, lay-off etc.).

Expectations for the future: The risk related to COVID-19 is expected to begin to slow down gradually in the second half of 2021, while other major risks in the field of Occupational Health and Safety are not expected, as the Company invests a lot of resources in preventive activities.

Internal Audit and Internal Control System

The Company has an established Internal Audit Activity with the Head of the internal audit employed who, in view of administration, acts under the authority of the Chairman of the Management Board, and, as regards function, the Supervisory Board Audit Committee or the Supervisory Board. The role, competences, organisation, responsibilities and tasks are defined in the Fundamental Charter of the Internal Audit Activity of the Company Elektro Celje.

The internal audit by systematic and methodical assessment and improvement of Risk Management, internal control and management, helps to achieve the Company's objectives by providing guarantees and recommendations, taking into account the implementation of the Company's strategy, objectives and Regulations.

The internal audit tests and assesses the effectiveness and efficiency of internal controls, and determines whether the Company has efficient, economical and effective internal controls in relation to the risks affecting prudent operations towards achieving its objectives, reliable accounting and compliance with legislation, Regulations and instructions.

The Management consists of Management measures to achieve the objectives and control the operations (first and second lines of control).

Through internal audit (third line of control), the Management Board obtains independent and impartial assurances, information and opinions that the most important risks are adequately managed, and that the internal control system functions effectively and efficiently. The Company has an internal control system which consists of the organisational structure and system of competences, responsibilities and authorisations defined in the Rules on internal organisation and job classification at the Company Elektro Celje, authorisations issued by the Chairman of the Management Board, rules and procedures defined in the Company's internal regulations adopted following the procedures of the governance system. In its operations, it adheres to the legal bases governing the operation of the distribution network operator system.

The internal control system in place ensures the accuracy, reliability and completeness of data and information for the proper and fair preparation of financial statements, prevents and detects errors in the system, and ensures a consistent and efficient business.

Statement on Non-financial Operations of the Company Elektro Celje and the Elektro Celje Group

In accordance with the provisions of Article 70c of the Companies Act (ZGD-1), the Company Elektro Celje provides in its Statement on Non-Financial Operations a brief description of the business model, a description and results of policies and risks and non-financial performance indicators on environmental, social and staff matters, on the respect for human rights and anti-corruption and bribery matters. The Consolidated Statement on Non-Financial Operations is published on the Company's website www.elektro-celje.si.

Description of the Company's Business Model and Policies

The Company 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. The basic activities of the Company are the administration, management and operation of the distribution system, as well as the maintenance, construction and renovation of power distribution lines and installations in the territory of the Savinja, Koroška and Spodnjeposavska regions, comprising 40 municipalities in their entirety and 2 in part. It covers 4,345 km², or 22% of the area of Slovenia. Accordingly, dispersed lines and devices represent, in view of their total length, the second-longest network among the five distribution companies in Slovenia. The role of distribution in the Slovene electric power system is defined by the Energy Act, together with Slovenia's Energy concept and the National Energy Climate Plan.

4,345 km²

the area we supply with electricity

Since 1 July 2007, the Company Elektro Celje has been leasing the electricity distribution infrastructure to the concession holder of the public utility service of the electricity distribution system operator, the company SODO. Pursuant to the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator, the Company performs the activity of distribution of electricity, and provides the related contractual services to the company SODO. The amount of infrastructure rental and the amount of service payment for the system operator is determined by the annexes to the Agreement for each regulatory framework.

The Company's goal is to ensure conditions for a safe and reliable supply of energy services according to marketing and sustainable development principles to customers, taking into account its efficient use, economical use of renewable energy sources and environmental protection conditions. The sustainable perspective of operations is presented in the Section Sustainable Operations.

Business and security policies adopted at the Company Elektro Celje direct the Company's operations. A Management, General Safety, Quality Management, Occupational Health and Safety, Environmental Management, Information Security and Data Protection and Risk Management policies are adopted. The Corporate Integrity Policy of the Company Elektro Celje is laid down in the Code of Ethics.

The texts of the policies are published on the website www.elektro-celje.si.

The Management Policy is an overarching policy that sets out corporate governance and guidelines for the adoption of other policies and a Corporate Governance framework. The Company's Management Policy consists of:

- The main management directions with respect to the set goals and values of the Company Elektro Celje,
- Application of the Reference Governance Code,
- Recognised groups of stakeholders and the strategy of communication and cooperation with them,
- The policy of connections between the Company Elektro Celje and its subsidiaries,
- The process of informing subsidiaries and shareholders about the strategy and standards of the Group's governance,
- The policy of transactions between the Company and its affiliated companies, including their members of the Management and Supervisory Boards,
- Diversity policy,
- Commitment to identifying conflicts of interest and independence of the members of the Management/Supervisory Boards,
- The commitment that the Supervisory Board will assess its own performance,
- The establishment of Supervisory Board Committees and the definition of their roles,
- A system of division of responsibilities and powers between the members of the Company's Management and Supervisory bodies,
- Rules for the Company, including its affiliated companies and their members of the Management or Supervisory Boards, which are not governed by the statutory provisions on conflicts of interest,
- Management Remuneration Policy,
- The definition of the Company's communication strategy, including high-quality standards of the design and disclosure of accounting, financial and non-financial information,
- Protection of the interests of the employees of the Company.

The implementation of the Management Policy is integrated into the planning, implementation and control of business processes. It is verified regularly through supervisory institutions, and performance is measured by the deviation of financial and non-financial performance indicators.

The Quality Management Policy defines the relationship with the maintenance and development of the management system, and obliges management to ensure that all employees are involved and familiar with the management system. The management ensures that employees have a positive impact on the quality of service and make personal efforts to improve the operations, which is the guiding principle for the work of all employees. By improving the existing electricity supply system continuously, our efforts are aimed at increasing the satisfaction of all stakeholders. In the Quality Management system, quality objectives are set for every business process. Their achievement is reviewed at least once a year in the management review. The quality objectives in the field of Customers are particularly important. The Company Elektro Celje publishes the Annual Report on the quality of electricity supply, which is accessible to all customers on the Company's website.

The Security Policy at its widest possible extent means controlling identified risks in order to achieve acceptable Risk Management in the realisation of the Company's mission. Operational safety means ensuring safety to all identified stakeholders: Customers, employees, local communities, regulatory bodies, suppliers, business partners and shareholders. As a basis for the preparation of measures to ensure and implement all aspects of safe operations in all segments and in all areas of operations of the Company Elektro Celje, the Management Board adopts the Company's overarching Security Policy. The Company must ensure security in all business processes, and the provision of this is the duty and right of all employees.

The Company Elektro Celje respects and strives for:

- Employee Occupational Health and Safety by meeting the requirements of the ISO 45001 Standard,
- The security of property through technical and physical protection measures, active fire protection and measures to protect property after the damage has occurred,
- Environmental protection by meeting the requirements of the ISO 14001 Standard,
- Information security by implementing adopted internal regulations and meeting the requirements of the ISO 27001 Standard,
- Internal control over the implementation of business processes and compliance of operations,
- Implementation of measures in the area of Corporate Integrity,
- Implementation of measures and emergency response taking into account the civil protection plan and the implementation of the operations continuity management system.

With our commitment to the Quality Management System in accordance with the ISO 9001 Standard, we ensure that the systems operate in a harmonised manner.

Environment

The Environmental Policy obliges the entire Company to meet the requirements of environmental legislation and Regulations, Agreements, Standards and requirements of the Company, as we build a sustainable relationship with the environment, even in areas that are not legally defined. We are also committed to improving the environmental management system continuously and preventing pollution of the environment. Annually we identify important environmental aspects at all locations of the Company, assess risks and, where necessary and appropriate, set new environmental and implementation objectives. Our activities in the area of preservation of the environment for future generations are available publicly, and we acknowledge the opinions of the stakeholders because we share their concern for sustainable environmental management. More information on the environmental perspective of sustainable operations is presented in the Section Environmental Perspective.

The Main Environmental Risks and their Management

The operations of the Company Elektro Celje generate waste such as waste oils, construction waste, packaging containing dangerous substances or contaminated with dangerous substances, used batteries, accumulators etc. At all locations of the Company, the waste emitted to contractual receivers is collected separately. Where the potential for hazardous events is identified, an assessment of the significance of the environmental aspects shall be carried out and a risk assessment shall be performed on that basis.

The Company manages environmental risks:

- With periodic evaluation of compliance with environmental legislation and the ISO 14001 Standard:
  - By implementing individual types of monitoring and measures based on the results of monitoring,
  - With periodic assessment of the environmental aspects underlying the establishment and implementation of the environmental objectives and targets,
  - By conducting internal and external audits of the Environmental Management System and adopting preventive/corrective measures and improvements and monitoring their implementation,
  - By checking the conformity of administrative licenses,
  - With the status of periodic inspections of the equipment,
- By following the instructions for managing various wastes,
- By exercising control over waste management at sites or by working groups,
- By raising awareness among all employees about the management of waste they encounter in their work,
- By identifying and complying with local regulations laying down the conditions and methods of waste management in the competent municipality.

Fire or Explosion Risks

A source of fire or explosion risk could be failures in the execution of switch manipulations, in the use and execution of measurements, unmaintained electrical devices and machinery in the Company's facilities, and the transfer of fuel indoors. The Company has Fire Rules in place that define the measures and responsibilities of individual persons in preventing fire. Evacuation exercises, inspections of equipment, installations and other means of protection against fire are carried out at large business facilities (every 3 months for DTSs and DSs, and every 6 months for business facilities). The Civil protection plan is in place for operation in emergencies.

Key Environmental Management Performance Indicators

Energy performance improvement with the replacement of energy products and the installation of insulation and joinery was carried out in many facilities. Several buildings are heated by the cogeneration provided by the subsidiary Elektro Celje OVI. At the Company, we are recording a positive trend of decreasing electricity consumption. Consumption and costs of drinking water are reduced through the improvement of the control of the water supply system, and the reduction of technical losses in the water supply network and the use of rainwater for domestic and process water. Rolling stock is modernised compliant with the criteria of the so-called green public procurement with environmentally friendly transport vehicles. Waste is collected separately. Compliance with environmental requirements is demonstrated through monitoring. An assessment of the environmental suitability of our suppliers is also carried out at the Company periodically.

When siting power facilities, we focus on increased investment in new construction and network reconstruction by increasing the share of the cabling of the power distribution network.

Social and Staff Matters and Respect for Human Rights

Human Resources Policy

The cornerstone for our work with employees is respect for labour legislation and concern for Occupational Health and Safety and for an appropriate working environment. In our work, we not only follow the economic effects of our operations, but also act in accordance with the highest ethical and moral values and take into account professional standards of operations. The Company Elektro Celje operates in accordance with the adopted Human Resources strategy, which defines the key human resources processes clearly, to provide support to business operations and development of the organisation. The main goal of the Human Resources Policy is to integrate staff with expertise into our working environment, and to invest in the systematic development of our employees, while, at the same time, providing for succession planning and enabling career progression.

We are planning carefully the necessary staff for the recruitment described in detail in Section Employment.

Since two of the key values are knowledge and excellence, we enable our employees education and development (described in the Section Employee Development and Training).

Because we want to build the reputation of the Company through loyal and committed employees and to realise our vision and environmental responsibility, we follow the principles set down in our updated Code of Ethics, with which we commit to conscientious and fair behaviour, while respecting equality without discrimination and negative communication. This is a way of ensuring good partnership relations, which can bring positive results in terms of professionalism and entrepreneurship. We want the working environment and the working process with the method of work to be as efficient and as adapted as possible to the specific characteristics of each job. That is why we have devoted our thorough attention in the past year to restructuring and job classification, as described in the Section Human Resources Projects.

Through open and respectful communication, we are building good mutual relations, which are also reflected in the area of cooperation with employee representatives. We are working with the Trade Union and the Works Council at meetings and joint consultations on key decisions, and we are taking joint decisions with an open and correct attitude.

The Occupational Health and Safety Policy obliges the Company and all persons performing work or work-related activities under the supervision of the Company to meet the requirements of the legislation and Regulations, Agreements and requirements of the ISO 45001:2018 Standard and the Company's additional requirements in the field of Occupational Health and Safety. In the awareness of their responsibilities, the management and employees are committed to improving the system of managing Occupational Health and Safety continuously and, consequently, to improving the working environment. Particular emphasis is placed on consultation with employee representatives and joint cooperation. With their personal example and concern for employee safety, all managers contribute to raising the safety culture of employees and reducing accidents at work, and promote family-friendly company measures and a healthy lifestyle.

Respect for Human Rights

The Company Elektro Celje commits itself to respect human rights throughout the business process, and to avoid and prevent possible negative effects on human rights. We are striving to protect the environment and sustainability in the area of consumer protection, where the right of consumers to a healthy environment and sustainable consumption are at the forefront. We guarantee our customers access to our services, taking into account the precautionary principles (protecting and preserving the environment for future generations as well). We provide a working environment in which no worker should be subjected to sexual and other harassment or suffering, verbal, non-verbal and physical, by the employer, superiors or colleagues.

> We conduct promotion of health and measures for the protection of employee health at the workplace at the Company.

The Company Elektro Celje does not support direct or indirect discrimination, and aims to ensure equal treatment, regardless of gender (we do not restrict access to vacancies according to sex, request information from the candidate, or make employment conditional on family or marital status, pregnancy, or family planning).

The Main Human Resources Risks and their Management

In addition to the main human resources risks in 2020 presented in the Section Risk Management at the Company Elektro Celje, the risks related to Occupational Health and Safety are also important.

The Company has a large number of employees working in the field, therefore, there is a risk of injury at work on construction sites and worksites, on energy installations, near parts of live equipment and on live equipment at a high altitude, in adverse weather conditions, etc.

The risk to the safety and health of all employees is controlled by the Company by:

- Performing professional tasks in the field of OHS in accordance with the requirements of the Health and Safety at Work Act,
- Implementing the requirements of the Occupational Health and Safety System in accordance with the ISO 45001:2018 Standard,
- Implementing measures in accordance with the Statement on Safety with Risk Assessment and OHS systemic documents,
- Carrying out inspections of work equipment and work aids,
- Issuing instructions for the work and regular training of employees,
- Regular and extraordinary preventive medical examinations.

In 2020, we conducted training with tests of theoretical and practical qualifications from OHS, FS and EMS for all technical operations workers. We increased the number of skilled workers for the provision of first aid in the workplace. On the basis of the provisions of legislative Regulations and the approved Statement on Safety with Risk Assessment, we carry out periodic checks of work and personal safety equipment and random checks of electric power facilities, as well as work and building sites. The prescribed measures were implemented related to the inspections of means and equipment for ensuring fire safety.

In 2020, we registered 6 minor accidents at work and documented 7 dangerous events, 4 of which were connected to the use of or work at or in the immediate vicinity of electrical installations.

We conduct the protection of the health of our employees in accordance with the Occupational Health requirements defined in the Statement on Safety with Risk Assessment, and in cooperation with contractual occupational health providers. The employees performed preliminary, periodic and control medical examinations. We provide preventive vaccination against tick-borne meningoencephalitis to employees working in the field, and we also organise voluntary influenza vaccination for all employees.

Based on the risks posed by the spread of infection with the new coronavirus, we adapted the measures to the current epidemiological situation to protect employees, limiting risk contact and preventing the introduction of infections at the Company.

We conduct promotion of health and measures for the protection of employee health at the workplace at the Company. The Company Elektro Celje is included in the programme of comprehensive support for companies to manage psychosocial risks – the NAPREJ (AHEAD) project. It is intended for employees to help them take care of mental health by advising, educating and informing them about how to identify and solve mental health problems. Psychological counselling is available 24 hours a day, 7 days a week via a free phone number. Employees can also arrange personal counselling or use e-counselling via a web portal. All counselling for employees is confidential, and can also be used by their close family members.

In 2020, employees were exposed to the COVID-19 pandemic. The Crisis Committee of the Company Elektro Celje, consisting of the management and Occupational Health and Safety Service, has adopted many measures to prevent the spread of infection with the new coronavirus. A plan to ensure the smooth running of work processes during the outbreak of the epidemic was prepared.

We measure **performance indicators in the area of Human Resources** at the quarterly and annual levels, focusing on several different areas. Thus, we monitor the number of employees and manage it through plans, monitor the absence of employees due to sick leave, measure the effectiveness and efficiency of education and the number of hours of education per employee, while monitoring the utilisation of working time and the involvement of employees in annual development interviews. By measuring the SiOK organisational climate, which is carried out at the Company every second year, we obtain data on the satisfaction of employees at work and their commitment, while the results obtained form the basis for further improvements.

- **The Proportion of Temporary Workers**

Most employees (95%) have an Employment Contract for an indefinite period concluded at our Company, which is not changed significantly through a longer period. The proportion of temporary employees depends on the needs of individual work processes, according to the goals set in the Business Plan. Since we want to entice budding, ambitious and motivated individuals into our working environment, we offer the possibility of obtaining practical training for pupils and students and traineeships. In case of positive results of practical training or completed traineeships, we also offer the possibility of later employment.

- **Staff Turnover**

We have a low turnover at the Company (3.8% in 2020), which still provides a stable working environment, and is due mainly to old-age retirement and departures of employees due to the end of a fixed-term contract.

- **Gender Balance and other Diversity Aspects**

By ensuring equal opportunities, regardless of gender or other circumstances, without discrimination, with the selection focusing on expertise, commitment and target orientation, we also have employees with a disability status (presented in detail in the Section Employee Structure).

Even though the Company Elektro Celje is a company in the sector where male staff are dominant (86%) due to the specifics of the work and technical professions, we can point out that, through planned and targeted employment, we are taking care of gender balance at all levels, including in management positions. The Management Policy, a part of which is also Diversity Policy, also determines the diversity of the composition of the Supervisory Board. The implementation of the policy is monitored by the Human Resources Committee of the Supervisory Board, which reports on this to the Supervisory Board.

The Management Board of the Company Elektro Celje has one member, so its composition does not include diversity. The Management Board of the Company is responsible for managing diversity in the area of Human Resources.

Fighting Corruption and Bribery

The Corporate Integrity Policy is established within the framework of the Code of Ethics of the Company Elektro Celje (Section Corporate Integrity and Code of Ethics), which is in line with the Slovene Guidelines of Corporate Integrity. Corporate Integrity is acknowledged and defined as one of the strategic goals, and included in the Strategic Guidelines of the Company Elektro Celje. In this way, we wish to facilitate the attainment of set goals, promote proactive management, enhance the identification of opportunities and threats, act in compliance with the applicable Statutory Provisions and Standards, and increase operational efficiency and performance.

Corporate Integrity and risks related to it are included in the Risk Management System. Risks related to Corporate Integrity are included in the Risk Register, where they are identified, assessed and managed through suggested measures. Through a Corporate Integrity Officer, a mechanism was established for regular and comprehensive identification of Corporate Integrity risks, their assessment, and systematic and independent control of risk management measures efficiency. The risk of Corporate Integrity is any unfair, illegal behaviour of employees, which is contrary to the legislation, good business practices, the Code of Ethics of the Company and other internal Rules and Regulations of the Company Elektro Celje.

The Company manages such risks:

- By appointing a "Corporate Integrity Officer" who is responsible for dealing with and managing such risks, raising awareness and protecting employees who report violations of Corporate Integrity,
- By making a process-based risk assessment,
- By promoting the Code of Ethics which is publicly available,
- With the establishment of a system for the notification and investigation of suspected irregularities,
- With the establishment of a Gift Catalogue,
- With an anti-corruption clause in Contracts,
- With the establishment of a Register of Gainful Activity carried out by the employees, by drawing up and carrying out the annual activities referred to in the Corporate Integrity Plan, compliance with the provisions of the Integrity and Prevention of Corruption Act (ZIntPK), which relates to the control of the financial situation of the managers and persons responsible for public procurement.

Chairman of the Management Board
Boris Kupec, MSc

Corporate Governance Statement of the Company Elektro Celje and the Elektro Celje Group

The management of the Company and the Group is in accordance with the laws and Regulations, the Articles of Association of the Public Limited Company Elektro Celje and the Recommendations and Expectations of the Slovene Sovereign Holding.

The Management Board of the Company Elektro Celje declares that the management of the Company and the Group in 2020 was carried out in accordance with the laws and Regulations, the Articles of Association of the Public Limited Company Elektro Celje, as well as the Recommendations and Expectations of the Slovene Sovereign Holding (hereinafter referred to as: Recommendations of the SSH), published on the website www.sdh.si in August 2020.

In their work and operations, the Company and the Group observe and apply the Corporate Governance Code for Companies with Capital Assets of the State (November 2019, published on the website of SSH www.sdh.si).

The Management Board of the Company represents the Company and manages the Company's 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 of 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 of the Company, provides a framework for setting, achieving and monitoring the achievement of business goals, and establishes the values, principles and standards of fair and responsible decision-making and conduct in all aspects of operations. The applicable Regulations important for the operations of the Company, as well as the Company's Articles of Association, are published on the Company's website www.elektro-celje.si.

The governance and management system is a mean for achieving the long-term strategic goals of the Company and the Group, and how the Management and Supervisory Boards of the Company Elektro Celje carry out their responsibility towards shareholders and other stakeholders of the Company.

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

Explanations relating to the Code of Corporate Governance of State-Owned Enterprises and Recommendations of the SSH.

In 2020, the Company's operations did not deviate from the principles, procedures and criteria prescribed by the above Code or from the Recommendations of the SSH significantly. The Company declares that it may not act in accordance with the Code or Recommendations fully and coherently when the provisions of the said Code or recommendations are already governed differently by the law or the Company's Articles of Association, when non-mandatory actions are not prescribed in the Company's acts, or when practices are not established as legal obligations. The Company departed from Recommendation 6.12 in the composition of the Human Resources Committee, which did not involve an external expert, as no Members have reached the end of their term of office during this year.

Clarifications in accordance with the Companies Act

The Company Elektro Celje and the Elektro Celje Group provide the following Explanatory Notes pursuant to the provision of the fifth paragraph of Article 70 and the eleventh paragraph of Article 56 of the Companies Act (ZGD-1), defining the minimum content of the Corporate Governance Statement:

1. Description of the main features of internal control systems and Risk Management at the Company and the Group

Internal controls are orientations and procedures that the Company Elektro Celje and the Elektro Celje Group conduct on all levels so that they can manage risks, including those related to financial reporting. The internal control system put in place ensures the reliability of financial reporting in accordance with applicable laws and other external and internal rules and its effectiveness. Accounting controls are based on authenticity verification, delimitation of competence, business operations` control, up-to-date record-keeping, and checking if the balance in accounting records corresponds to the actual value.

The Company and the Group have established a system of internal controls and Risk Management related to financial reporting. In this system, controls are integrated into business processes and systems. More precisely, the controls are connected with financial reporting procedures, defined in the Rules on accounting, Rules on the financial operations, the provisions of stock verification and precise guidelines within the scope of ISO documents. They include, among other things, double control and confirmation of accuracy, completeness and authenticity of transactions, which must be proven with invoices and other accounting documents, verification of accounting situations (e.g. by checking if the figures correspond with those of business partners, checking if the registered figure corresponds with the actual balance etc.) and the limitation of authority and responsibility (e.g. separate booking of invoices and payments of these invoices, as well as obligatory confirmation for payments).

Those internal controls are also related to controls incorporated in the information support of the accounting process, which include controls and limitations on access to data or applications, as well as controls on the accuracy and completeness of data capture and processing.

The three-line model determines structures and processes that help the Company and the Group to achieve their objectives while supporting strong Risk Management. Activities and responsibilities are divided between the holders of three lines, where the management of the Companies as the first and second lines manages and directs operations and ensures the implementation of activities, manages risks (the task of the "process owners" of risks), and with the help of professional services ensures complementary expert opinions, support, monitoring and reporting of risk-related challenges. The internal audit represents the third line of defence that provides independent and impartial assurances, and provides advice on all matters related to the achievement of the objectives.

The control mechanism for managing risks and the role and functioning of the internal audit in ensuring an efficient and effective internal control system are disclosed in the Section Internal Audit and Internal Control System. Procedures for verifying internal controls relevant to the audit are also performed by an authorised audit company during the performance of the audit.

By managing risks at all levels and fields, the Company and the Group manage risks at target levels and take the opportunities that arise in the process. The Management Board implements the Risk Policy and responds to the risks adequately, thus increasing the likelihood of achieving the goals. It enables the Risk Management process to be an integral part of management incorporated into the culture and practices, and adapted to the business processes of the Company and the Group. Each decision-making process at the Company and the Group, notwithstanding its level of importance, includes consideration of risks and the use of Risk Management to a certain degree. The Management Board is responsible for ensuring orderly Risk Management for the Company Elektro Celje and the Elektro Celje Group in the manner prescribed by the legislation, and in accordance with the requirements of the Asset Manager. He/she is in charge of adequate organisation and communication in managing risks, as well as the requisite professional competence of employees to ensure quality Risk Management. The Management Board and the Risk Management Committee supervise and assess the effectiveness of the Risk Management process and system. The coordinator of Risk Management activities is responsible for determining and harmonising the necessary activities and reporting on risks. Important risks and ways of managing them are disclosed in the Sections Risk Management at Company Elektro Celje and Risk Management and Types of Risks in the Elektro Celje Group.

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

All Company shares are ordinary registered no-par value shares, giving their holders the right to manage the Company and entitlement to a dividend, and to the payment of remaining assets in the event of liquidation. All shares are of the same class, issued in book-entry form and freely transferable.

As of 31 December 2020, the owner of a qualified holding as determined by the Takeovers Act of the Company Elektro Celje is the Republic of Slovenia, with 19,232,978 shares, that is a 79.50% ownership stake.

The Company Elektro Celje has no share schemes for employees.

There are no agreements between shareholders known to the Company which could result in a limitation of transfer of securities or voting rights.

The Company has no agreements with members of the Management and Supervisory bodies that anticipate compensation if, due to a bid as determined by the law governing takeovers, these persons resign, are dismissed without a valid reason, or their employment is terminated.

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

Individual shareholders of the Company Elektro Celje have no special controlling rights arising from their holding shares of the Company. There are no special agreements that could result in a restriction on the transfer of shares or voting rights.

4. Clarifications concerning all restrictions on voting rights

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

5. The Company's rules on the appointment and replacement of members of Management or Supervisory bodies and amendments to the Articles of Association

Company regulations do not govern separately the appointment or replacement of members of the Management or Supervisory bodies or amendments 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 2020, the management of the Company Elektro Celje did not have the authority of the Shareholders' Assembly to acquire Treasury Shares. The Company held 333,849 Treasury Shares on 31 December 2020.

7. Activities of the Company's General Meeting and its key responsibilities

In 2020, the Shareholders` Assembly met once. The powers of the Shareholders` Assembly and the shareholders' rights are specified by law, and shall be exercised in the manner as provided in the Company's Articles of Association, Assembly Rules of Procedure, and by the Chair of the Assembly.

8. Data on the structure and operation of the Management and Supervisory bodies and their Committees

A comprehensive presentation of the Management and Supervisory bodies and their Committees is described in the Section Supervisory Board Report, and a description of the diversity policy in the Management Policy published on the website www.elektro-celje.si.

9. System of Operations` Compliance and Corporate Integrity

A system of Corporate Integrity, with elements defined by the Slovene Guidelines of Corporate Integrity, was established and used in the Company in 2020. The Corporate Integrity and the Code of Ethics are described in the Section Corporate Governance.

Pursuant to Article 60a of the Companies Act, the Management Board of the Company Elektro Celje ensures that the Annual Report of the Company Elektro Celje and Elektro Celje Group for 2020 is compiled and published in compliance with the Companies Act and Accounting Standards.

Chairman of the Management Board,
Boris Kupec, MSc

A NETWORK OF SECURITY

The extraordinary commitment of our employees

When many companies closed their doors or made work possible from home, we could not offer this to the vast majority of employees in the Company Elektro Celje. Therefore, we revised all working processes, identified critical points and defined additional protective approaches immediately upon the announcement of the government measures to prevent the spread of the Coronavirus. Thus, we have done our utmost to protect the health of our employees and, consequently, customers, as we had to carry out certain work in certain locations, even at the time of the complete closure of the country.

Presentation of the Elektro Celje Group

In addition to the Parent Company Elektro Celje, the Elektro Celje Group also includes the subsidiaries ECE, as the supplier of electricity and other energy products, and Elektro Celje OVI, as the producer of electricity and an engineering contractor.

In an efficient, long-term stable, responsible and professional manner, the Company ECE provides its customers with energy, energy installations connected with energy and advice regarding energy-saving.

Subsidiary ECE

The Company ECE, energetska družba, d. o. o. was established with the Articles of Association on 4 September 2015. The Company was founded by the Companies Elektro Celje and Elektro Gorenjska. The shareholder Elektro Gorenjska, d. d. entered the Company during the process of merging its subsidiary Elektro Gorenjska Prodaja with the Company Elektro Celje Energija. The business stake of each member in the subsidiary's share capital is as follows:

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

ECE Company Profile

Name:	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
Telephone:	+386 (0)80 22 04
E-mail address:	info@ece.si, prodaja@ece.si, podjetja@ece.si
Website:	http://www.ece.si
Entry in the Companies Register:	Register of Companies of the District Court of Celje, ref. number Srg 2011/36741, and changes following merger by acquisition, ref. number Srg 2015/37235
VAT identification number:	SI55722679
Registration number:	6064892000
Share capital:	EUR 3,436,767.65
Company size (according to the provisions of the Companies Act – ZGD-1):	large company
Number of employees as of 31 December 2020:	69
Amount of electricity sold in 2020 in GWh:	2,842 GWh
Number of metering points as of 31 December 2020:	161,884
Director:	Sebastijan Roudi, MSc

Operations of the Company ECE

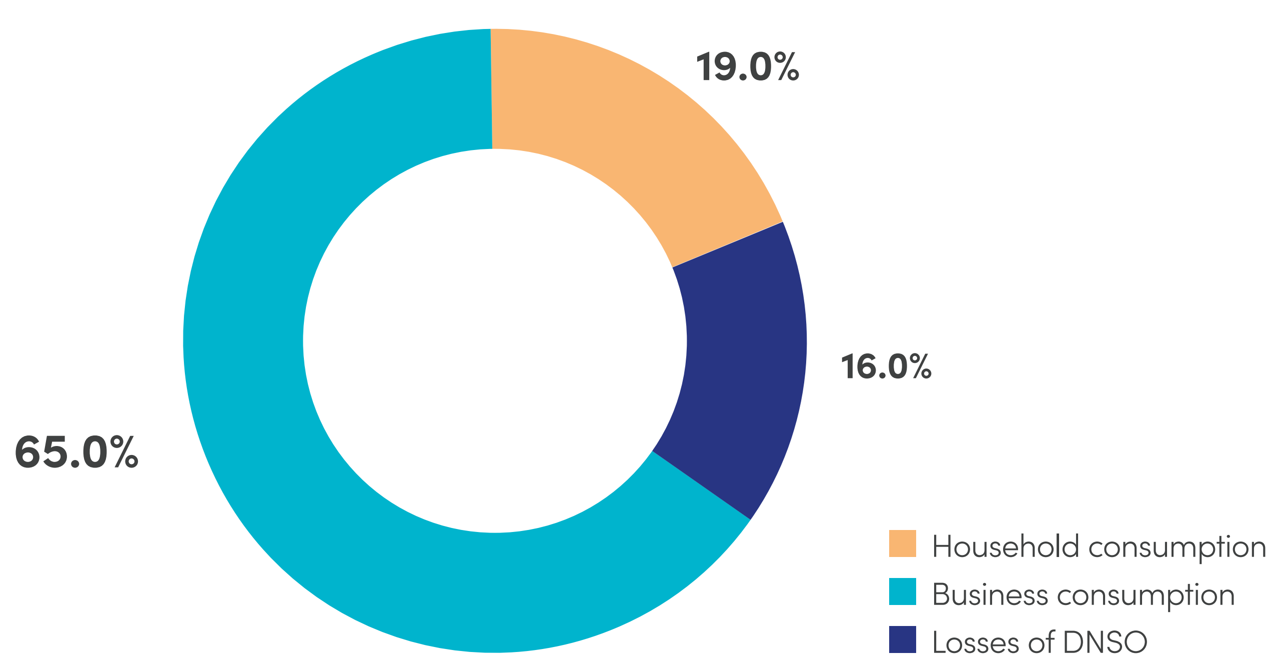
Electricity

In 2020, electricity was supplied to 161,884 metering points in Slovenia, most of which are intended for the supply of electricity to household customers. 2,842 GWh of electricity was supplied, of which 65% was to large, medium and small business customers, 19% to household customers and 16% to the Company SODO to cover losses in the distribution network.

The electricity market had a very variable price in a certain period, which, at the end of the year, reached the level of the beginning of the year, i.e. around EUR 55/MWh. During the first phase of the epidemic, it fell sharply by around 20%, rose by almost 15% in the summer period, fell again to a level below EUR 46/MWh in the third quarter, and in the last quarter, intense growth followed, due mainly to the dramatic increase in the price of CO_2 vouchers. Prices on the day before energy market were very low, so the increases due to the closure of activities were sold at very low prices.

Retail prices for households have not changed significantly, except for the special offer, which was adapted to the competition and the needs of final customers on an ongoing basis.

Structure of end customers



Electricity sales and revenue from electricity sales

Natural Gas

In 2020, the price of natural gas on the day before market was mainly below EUR 20/MWh, which was favourable for the Company ECE, as most of this energy product was purchased on a daily basis.

In 2020, we supplied 136.2 GWh of natural gas, which is 26.7% less than in 2019. The reason for this is the departure of a large buyer, which has proved to be positive from a financial point of view. Increasing the market share in the gas market requires a lot of knowledge and management of systemic and non-systemic risks, and depends mainly on possible imports and large volumes of purchases and sales that would be feasible only in conjunction with a strategic partner. The natural gas market is controlled by one large supplier, which is both a trader and a supplier.

Volume and value of natural gas sales*	2016	2017	2018	2019	2020
Volume (GWh)	101.6	102.0	104.9	185.8	136.2
Value (in EUR thousand)	2,150	1,995	2,074	4,405	2,946

* The Company ECE introduced the sale of natural gas in December 2013. Since 1 January 2017, natural gas has been charged in Slovenia in kWh (previously in Sm^3).

Online Shop

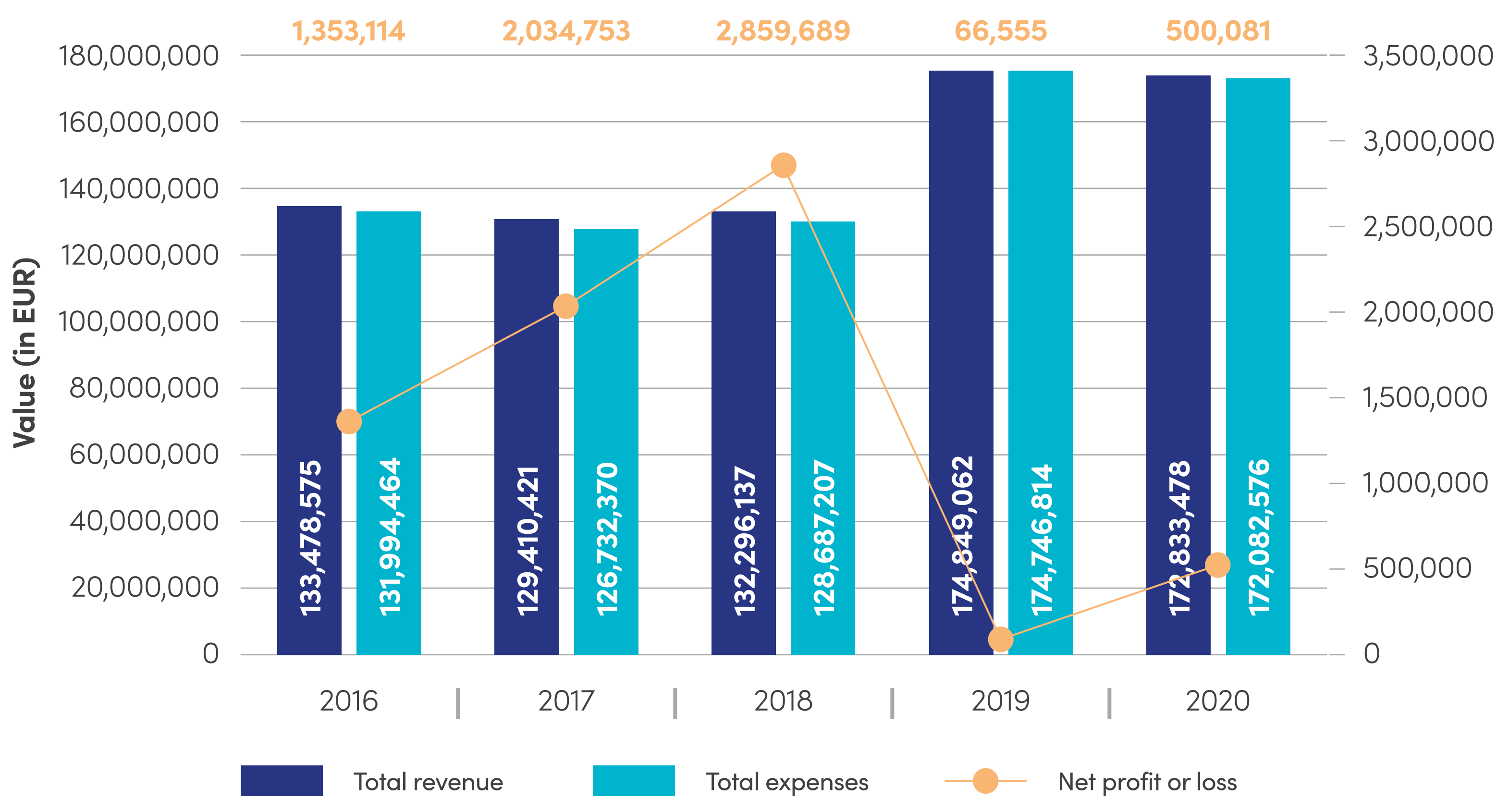
In 2020, the ECE online shop recorded a comparable volume of sales with the previous year, which is due mainly to the limited personnel and conscious decision to wait with further expansion and investments and, consequently, the confirmation of the strategy on investment in this area until the decision on the entry of the strategic owner is adopted. The largest share of sales is comprised of white goods, telephony and heating and cooling, due mainly to the possibility of instalment payments. In 2020, the Company ECE generated EUR 818,184 of revenue under this heading.

Energy Solutions – Self-Sufficient Solar Power Plants

In 2020, more than EUR 800,000 was realised. With a strategic link with the Company HSE d. o. o. an increase in sales is foreseen, also at the expense of synergies that can be achieved with companies within the Group.

The Company ECE ended the financial year 2020 with a net profit of EUR 500,081, which is EUR 145 thousand less than planned for 2020.

Total revenue, total expenses and net profit or loss of the company ECE



Subsidiary Elektro Celje OVI

The basic activity of the Company is the production of electricity from renewable sources, provision of engineering services in the field of Energy and e-mobility services.

Elektro Celje OVI, obnovljivi viri in inženiring, d. o. o. is a limited liability company established by the Company Elektro Celje, d. d., which is its sole owner. It was established on 29 March 2002 for the purpose of electricity generation.

Elektro Celje OVI Company Profile

Name:	Elektro Celje OVI, obnovljivi viri in inženiring, d. o. o.
Abbreviated name:	Elektro Celje OVI, d. o. o.
Head office:	Rimska cesta 108, 3311 Šempeter v Savinjski dolini
Entry in the Companies Register:	Register of Companies of the District Court of Celje, Ref. No. Srg 2020/15209
VAT identification number:	SI52011429
Registration number:	1700758
Share capital:	EUR 72,518.78
Company size (according to the provisions of the Companies Act – ZGD-1):	micro company
Number of employees as of 31 December 2020:	11
Number of SHPPs (small hydro power plants)	4
Number of SPSs (small-scale photovoltaic systems)	10
Number of CHPPs (combined heat and power plants):	4
Charging stations for electric vehicles:	7
Amount of electricity produced in 2020 in MWh:	4,092 MWh
Amount of thermal energy produced in 2020 in MWh:	1,402 MWh
Director:	Srečko Mašera, BSEE

Operations of the Company Elektro Celje OVI

In 2020, due to heavy rainfall, electricity generation was higher than in the previous year, by 10.1% at **SHPPs** and by 2.2% at **SPSs**. Co-generation of heat and electricity (**CHPP**) is intended for heating the office buildings of the Company Elektro Celje.

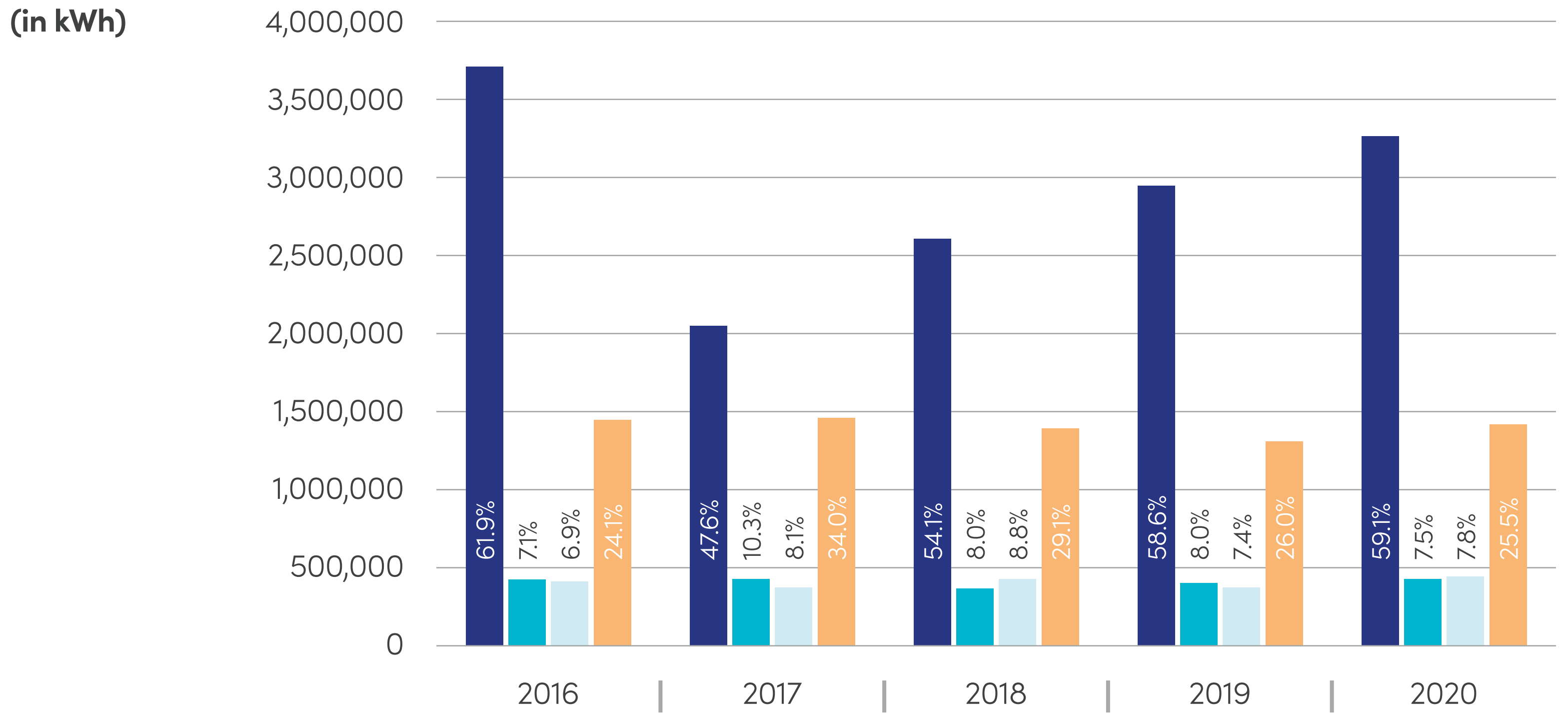
In 2020, the electricity generation achieved was 14.9% higher compared to the previous year.

Investment activities were focused mainly on SHPP Majcen Mislinja. The construction of the dam building was completed. The VW KRAFTER vehicle and its equipment, computer equipment and inventory were purchased.

Customer services were performed in the field of Measuring Earthing Systems and Electrical Installations, execution of facilities to customers, e-mobility services and design of TSs with connecting lines, LV connections, solar power plants, heat pumps and charging stations.

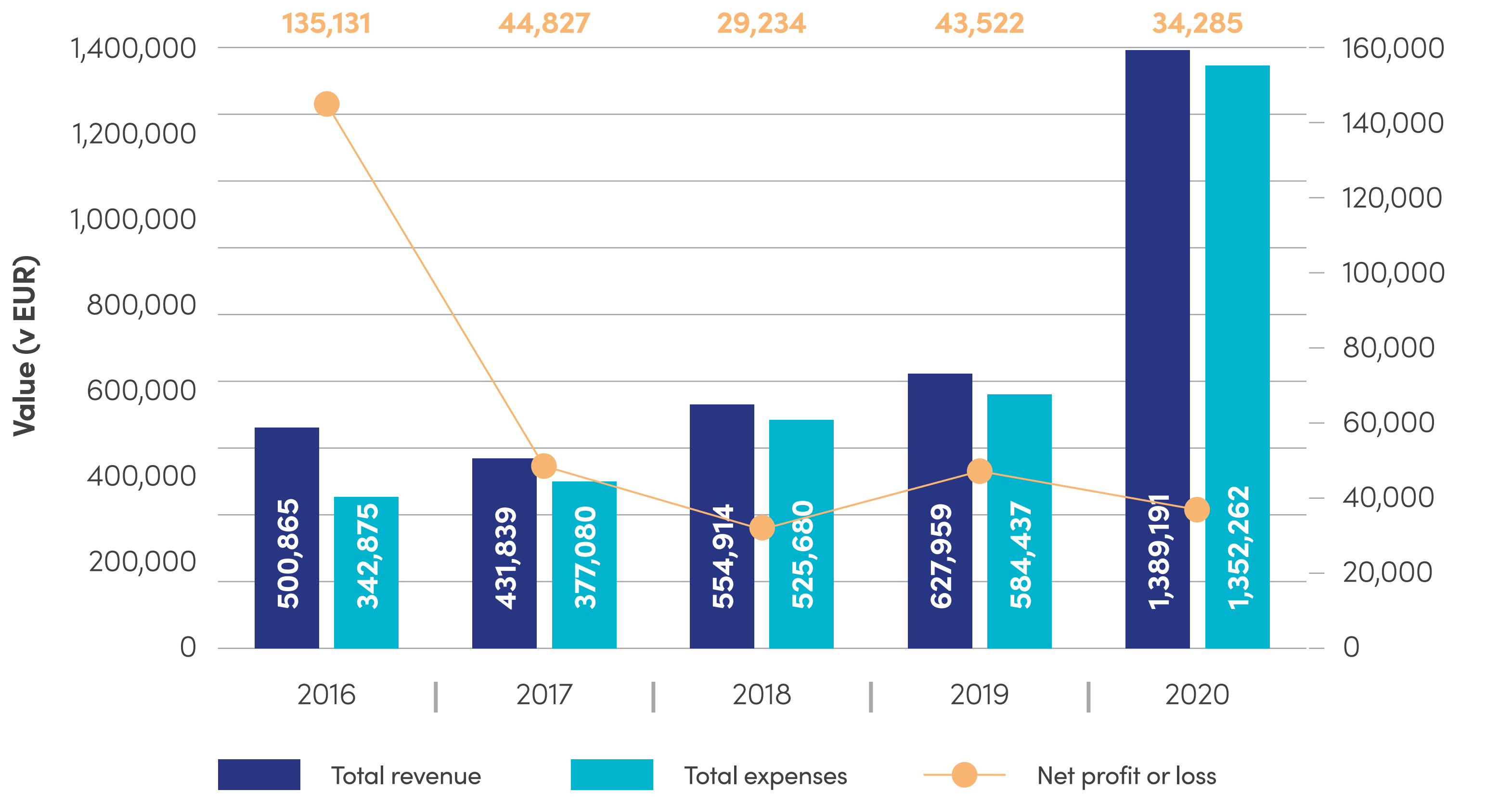
In the financial year 2020, the Company Elektro Celje operated with a net profit of EUR 34,285, which is EUR 95 thousand lower than planned for 2020.

Production of electrical and heat energy in the Company Elektro Celje OVI



	2016	2017	2018	2019	2020
Electricity production at SHPPs	3,716,970	2,053,444	2,603,873	2,950,481	3,249,030
Electricity production at SPSs	425,433	442,650	383,608	402,959	412,038
Electricity production at CHPPs	413,025	346,621	423,931	374,992	430,853
Production of heat (at CHHPs)	1,449,988	1,462,690	1,397,732	1,310,351	1,401,976

Total revenue, total expenses and net profit or loss of the Company Elektro Celje OVI



Strategic Challenges and Goals of the Elektro Celje Group

Strategic Guidelines of the Company ECE

The Company ECE is ahead of an important milestone, namely, a strategic link with the new majority owner HSE d. o. o., which means that Strategic Goals will be newly set, also in the light of other connections in the market. Regardless of the circumstances mentioned above, some key guidelines, especially those which are of a lasting nature or form the basis of operations, will certainly remain among the priorities:

- To stay among the leading suppliers of electricity on the Slovene market, with a more than 20% market share, and the creation of long-term business relations with customers.
- To expand the portfolio of new products and services for energy product customers focused on energy solutions and services related to the activity (e.g. e-mobility).
- To develop the online shop business, with the goal of at least doubling sales in the next three years.
- To improve Risk Management in the field of Energy Portfolio Management, and upgrade Risk Management in the field of Dynamic Assessment of the future business potential of the companies with which the Company ECE cooperates.
- To develop the Company ECE into a cost-effective, well-organised and high-quality information-supported company that will be of interest to various stakeholders at all times.

Strategic Guidelines of the Company Elektro Celje OVI

The set Strategic Guidelines of the Company Elektro Celje OVI are: Increasing the production of electricity from RES, providing engineering services in the field of energy, providing e-mobility services and involvement in development projects.

Increasing electricity production will be achieved by the Company by improving the efficiency of existing power plants and/or by building new renewable energy sources. The renovation of existing hydroelectric power plants is at the forefront due to wear and tear.

Provision of market services will be developed by the Company Elektro Celje OVI in the field of Construction of Self-sufficient Solar Power Plants, preparation of project and technical documentation, implementation of electrical installation work, consulting in the field of energy efficiency and implementation of the Energy Contracting Programme.

Projects involving the set **up of charging stations**, the operators of which are municipalities, are under way. Charging stations within companies are becoming topical. We also plan to include the maintenance and management of foreign charging stations in the information system "Gremo na elektriko" (Let's switch to electricity).

Business Goals of the Elektro Celje Group

Operational Goals of the Elektro Celje Group and their achievement	Plan 2020	Achieved 2020	Plan 2021
ROE (in %) – Average equity includes net profit for the current year	≥3.79	2.66	≥4.35
Total equity/liabilities ratio (in %)	≥70.68	70.13	≥70.51
Net financial debt/EBITDA (in EUR)	≤1.46	1.60	≤1.36
Financial debt/equity (in EUR)	≤0.18	0.17	≤0.20
Current ratio (in EUR)	≥1.30	1.24	≥1.34
Sale of electricity (in GWh)	≥2,652	2,842	≥2,573
Electricity production (in MWh)	≥3,772	4,092	≥3,677
Thermal energy production (in MWh)	≥1,385	1,402	≥1,373

* The consolidated performance indicators for 2020 are calculated in accordance with the IFRS 5. Assets, liabilities, revenue and expenses of the subsidiary company ECE are transferred to the disposal group.

Risk Management and Types of Risks in the Elektro Celje Group

Risks at the Elektro Celje Group are divided into: Strategic risks, financial risks and reputation risks.

Risks at the Elektro Celje Group are divided into: Strategic risks, financial risks and reputation risks.

Strategic Risks

Subsidiary Management Risk

Company Elektro Celje OVI, d. o. o. directs and monitors the operations of both companies.

Two "Supervisory Colleges" were established to monitor the operations of the subsidiaries. At the Company ECE, it is composed of the Chairmen of the Management Boards of the Companies Elektro Celje, d. d. and Elektro Gorenjska, d. d. and expert members from both owners. The Supervisory College at the Company Elektro Celje OVI is comprised of the Chairman of the Management Board of the Company Elektro Celje, d. d., the Director of the Development and Operations Sector and the Director of the Joint Services Sector, both from the Company Elektro Celje, d. d.

The Supervisory Colleges meet as necessary to resolve outstanding issues. A suitably conceived management system for the subsidiaries may, with the preparation and adoption of Strategies and Business Plans, provide an opportunity for long-term stable operations thereof.

Risks of Strategic Orientation of the owner/State

In 2020, numerous activities were conducted with the aim of connecting the Company ECE d. o. o. with the strategic owner HSE d. o. o. in line with the expectations of the Company SDH d. d. On 1 December 2020, a Contract on the sale and transfer of business shares in the Company ECE d. o. o. was signed, subject to the approval of the Slovenian Competition Protection Agency (AVK) and to the condition of the acceptance of the new Articles of Association of the Company ECE, in which the Company Elektro Celje, d. d. will hold a 36.4195 per cent shareholding and HSE, d. d. a 51 per cent shareholding.

Financial Risks

The potential poor performance of the Company ECE, especially due to the price and credit risks, would result in lower financial revenue of the Company Elektro Celje and lower profit. The value of the investment would also be affected by possible poor performance. It could also be affected in the same way by the poor performance of the Company Elektro Celje OVI, but to a much smaller extent. In 2020, this type of risk was not realised to a large extent, as both subsidiaries operated positively, albeit slightly below plan.

Expectations for the future: The risk is posed by a possible "payment of profit" to the majority shareholder of the Company ECE d. o. o. through the purchase prices of electricity.

The risk is posed by the value of the minority stake in the Company ECE for the sales or purchase option from the Optional Agreement with the Company HSE d. o. o. in the period from 1 January 2025 to 31 May 2025, based on the assessed value of equity on 31 December 2024.

Risks of the Company ECE

In the light of the evolving energy product market, active consumers, distributed energy sources, significantly higher daily volatility of energy prices on Stock Exchanges than was the case years ago, as well as systemic risks, this area is very important. In 2020, the Company ECE faced a new form of risk, a pandemic. It was necessary to adapt to the various measures taken by the State to contain it, which resulted in the unpredictability of the opening and closing of certain activities, the volatility of energy consumption in individual segments of consumption and, of course, a significant impact on the operating result. The crisis has shown that it is necessary to have a good team of colleagues and to manage all risks alone or by your own means. Despite the calls made to the competent institutions that the Company ECE could not bear the burden of the sales downturn alone, no aid was received from other actors in the value chain – from production to sales to final customers, nor by the State Institutions.

Even with the best Risk Management method, they cannot be eliminated completely, but they can be limited by adopting optimal business decisions. The Company ECE mainly succeeded in doing this in 2020, except for the risk described in the previous paragraph. In the future, radical changes in Risk Management will be needed, which will have to be redefined and the appropriate measures taken upon the entry of the strategic owner.

Key Risks Identified at the Company ECE:

- **Operational Risks:**
  - Human Resources risk
  - The risk to the functioning and security of ICT systems

  The company has a policy of the minimum number of employees required, and retirement is replaced by more interdisciplinary staff, so that the Company will be better prepared for the new challenges in structural terms as well. The risk has been fully managed so far.
- **Price risks:** The Company is constantly exposed to changes in market prices of electricity and other energy products, which affects the level of revenue and expenses, especially in the day before market, where the needs of final customers are balanced at a 15 min level and prices are fixed on the sales side, regardless of the size of the day before market.
- **The quantitative risks** were not assessed by the Company as particularly high by 2020, and they proved to be very high in the crisis conditions.
- **Credit risk** has so far not been shown to be a major or serious threat to operations, but this concern is always present, especially for large business customers, where Contracts are concluded for two or three years in advance.
- **Insolvency risk:** The liquidity risk is managed within the Group, but there is a serious risk if a higher number of insolvencies and bankruptcies occurs in the future.
- **Regulatory risks** have proved important for the second year in a row. However, in 2019, due to the increased costs of providing system services transferred to suppliers, the Company ECE did not have any impact on them and could not adjust at such a pace in terms of price. In 2020, the changeover to the 15-minute charging interval was accepted on the purchase side, which entered into force in 2021. Unfortunately, however, the market is not yet developed to allow the Company to purchase such products.

Risks of the Company Elektro Celje OVI

The risks at the Company Elektro Celje OVI that could have a negative impact on the operations and the achievement of the Company's goals are managed with constant monitoring and a proactive response. Weather conditions affect the operation of small hydro power plants, solar power plants and combined heat and power plants, as well as the implementation of works on solar power plants, heat pumps and charging stations. In 2020, due to the pandemic, the Company Elektro Celje OVI was faced with a new form of risk. Some business partners stopped their activities in the market for a few months, which had a negative impact on the operating result. This type of impact cannot be eliminated by the Company, and can only be limited by adapting the method of work.

Key Risks Identified at the Company Elektro Celje OVI:

- **Strategy, regulation and legislation:** Due to the regulated activity of the Company Elektro Celje, its operations are influenced by external stakeholders, which the Company must adapt to. With the emergence of the COVID-19 pandemic and the government's measures to curb it, there were significant restrictions on the provision of services in the market in 2020. Measures to manage this type of risk were not developed by the Company.
- **Risks to reputation** can have many causes. From the inability to ensure adequate quality and reliability of the supply of electricity or heat, the failure to meet the financial and business objectives pursued, the unethical or non-compliant behaviour of employees and the environmental pollution caused. The risks have been managed so far.
- **Operational risks** stem mainly from weather conditions, the performance of regular maintenance and investment maintenance, staff errors in the provision of engineering services and unforeseen events such as the reduction of water potential. The risks are managed by adequate regulation of the operation of individual sources of electricity and heat production, maintenance and investment work, and management of the behaviour of employees.
- **Credit risk:** The Company generates revenue from the sale of electricity and heat entirely within the Group. It also receives support from the Borzen Stock Exchange under this heading, so the credit risk is fully managed. However, when providing services for the market, the Company manages the credit risk of an entity by reviewing its credit rating before the transaction is concluded, by insuring certain short-term receivables based on debt collection instruments, and by monitoring and actively recovering outstanding unpaid receivables continuously. After management, the risk is assessed as low.
- **Liquidity risk:** The consistency of the maturity of short-term assets and liabilities and, consequently, the ability to settle outstanding liabilities at a certain point in time was ensured by the Company quite successfully. The risk is assessed as low.
- **The price risk** is the exposure of the Company due to changes in market conditions. In business operations, in addition to unfavourable changes in energy product prices in 2020, the prices of services ordered on the market reduced, which had a negative impact on the operating result.

Operation and Performance Analysis of the Elektro Celje Group

Operating Conditions

Impact of the Economic Environment on the Volume of Electricity Consumption

The sharp fall in electricity consumption, due to the epidemic, in the second quarter, was corrected by the end of the third quarter, so that in the last quarter the Company ECE did not record any significant reduction. Customer payment discipline remained very high. Switch-overs to another supplier were within expectations, which means that, on average, in the segment of household customers, more customers were still lost than attracted, while for business customers, the fall was due mainly to a sales policy where contracts would not be concluded if the sales were not profitable enough. Already in 2019, due to too large and not enough profitable sales in the segment of Business Customers, the Company ECE had a negative impact on operations, and therefore had to optimise the portfolio for 2020. In the light of the developments, the decision was correct, as, otherwise, it would lose even larger sales volumes, and consequently, price differences in the year that particularly affected this segment as a result of the closure of activities.

Other operating conditions also changed significantly, which the Company ECE had to adapt to, and fortunately, did not have any negative consequences on the operating result. It was more a matter of changing the way we operate, which represented a very big challenge. The Company has taken several measures to protect workers, and, above all, to make it possible to work from home to the largest extent possible. Although this part was managed relatively quickly and successfully, people-to-people contacts are lost in the long term, which affects the Company's atmosphere and business relations with customers and suppliers.

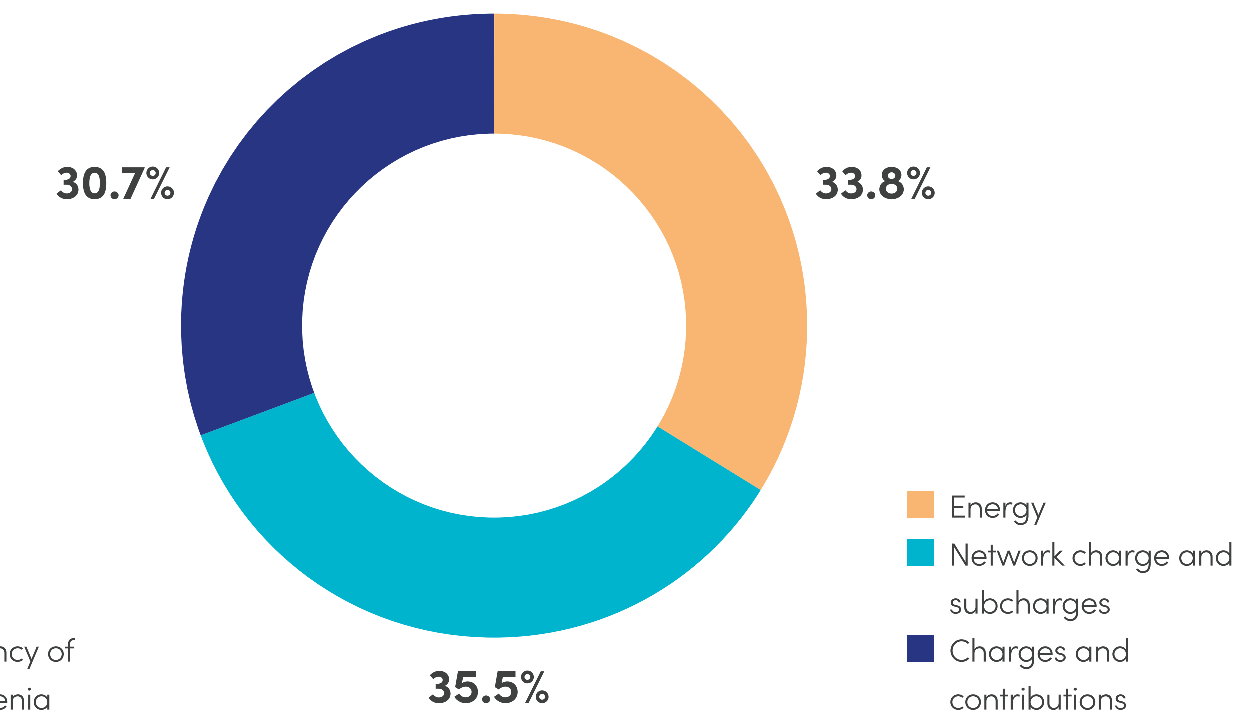
Competitiveness has remained at the same level as in the past. The Company ECE is still in a very intensive and competitive market, where suppliers compete, particularly in the segment of business customers, with very low margins, which, given the increasing risks, sometimes do not cover all the necessary indirect costs that are still occurring during the performance of the Contract.

A positive aspect of the operations in the past year was the liquidity of business entities, with the measures taken by the State to ensure it also contributing to the regular payment to the Company for the supply of goods and services, which was very important for maintaining the stability of operations and good credit rating with suppliers. There were significantly fewer insolvency proceedings and payment indiscipline than estimated in the first phase of the crisis. The Company hopes that this will also be the case in 2021, although it is aware that the actual consequences of the crisis will only become apparent after the expiry of all the measures taken by the State.

Composition of the Price of Electricity for the Final Customer

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

Shares of categories on the electricity bill for a typical household customer of the Company Elektro Celje



Source: Energy Agency of the Republic of Slovenia

- Electricity price,
- Network charges:
  - Transmission network charge and
  - Distribution network charge,
- Contributions:
  - Contribution for the provision of support to high-efficiency combined heat and power generation and for energy generation from renewable energy sources (RESs and CHPPs),
  - Contribution for efficient energy use (EE),
  - Contribution for the market operator activity,
- Excise duties on electricity,
- Value added tax.

Influence of Expected Economic Conditions on Electricity and Heat Production

The price of electricity from RESs consists of operating support and the purchase price of electricity. The generation of electricity at generating plants of RES and CHPPs is supported financially by the Republic of Slovenia if the costs of generating such electricity exceed its highest possible price on the market. The purchase price of electricity is defined by the market. Thus the Company Elektro Celje OVI will try to follow the prices in the market in the following years and achieve the highest price possible based on that.

The operation of SHPPs depends mainly on the quantity and annual distribution of rainfall. Consequently, fluctuations in the value of generation between individual years and months can be observed. Recently, the Company has recorded an increase in storm periods and, consequently, problems with forecasts of production by SHPPs.

The operation of SPSs depends mainly on the amount of solar radiation, which also changes with the seasons. The Company increases efficiency by regular cleaning of the modules.

CHPPs are designed for heating buildings and must operate in such a way that they will operate during the heating season when the need for heat is the greatest. The optimal way of operating the device is to operate throughout the heating season (up to 4,000 hours), which is not always possible due to fluctuations in outdoor temperature and the need for heat off-take due to the work process.

Performance Analysis

Profit or Loss

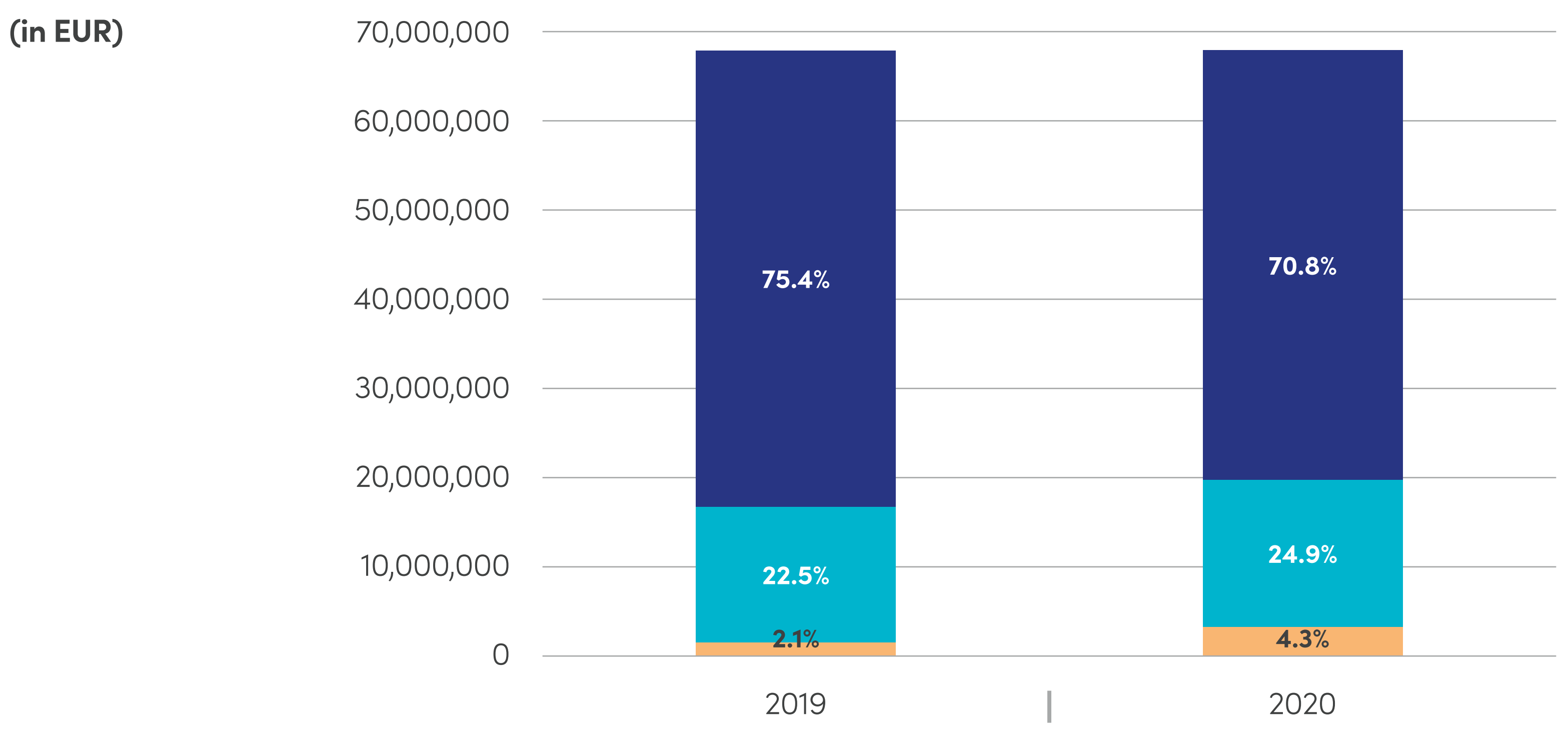
As a Contract on the sale and transfer of business shares in the Company ECE was signed on 1 December 2020, the revenue and expenses of the subsidiary ECE (in accordance with IFRS 5) are recorded in the consolidated Income Statement as discontinued operations under the heading Profit or Loss from discontinuing operations after taxes. The analysis of the consolidated profit or loss for 2020 was prepared based on the comparative statements for 2019.

In 2020, **the operating revenue** of the Elektro Celje Group amounted to EUR 67,290,629, which is 0.2% less than achieved in 2019. The change in the rate of return on the assets leased to SODO (by EUR 2,825,733) had a significant impact on the amount of revenue.

Revenue from construction of own fixed assets, created by the Parent Company, are presented in the Section Operation and Performance Analysis of the Company Elektro Celje.

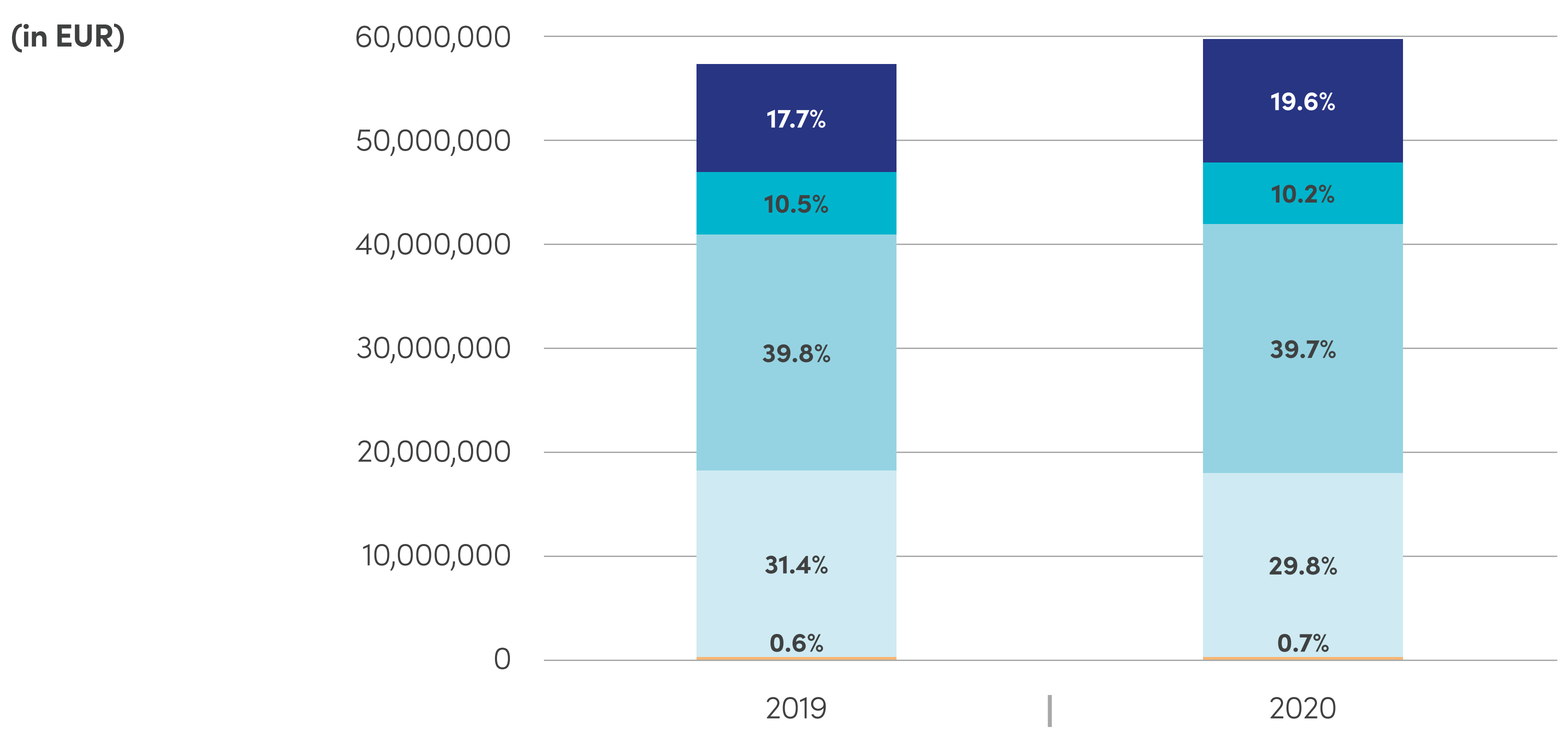
Other operating revenue in the amount of EUR 2,861,020 is EUR 1.5 million higher than that achieved in 2019, due mainly to the State aid received to contain and mitigate the effects of COVID-19, totalling EUR 891,722.

Operating revenue of the Elektro Celje Group



	2019	2020
Net sales revenue	50,890,572	47,688,885
Capitalised own products	15,164,716	16,740,724
Other operating revenue	1,392,350	2,861,020

Operating expenses of the Elektro Celje Group



	2019	2020
Cost of material	10,259,038	11,956,211
Cost of services	6,082,765	6,248,229
Labour costs	23,128,103	24,299,392
Write-offs	18,236,681	18,255,701
Other operating expenses	377,529	433,308

Operating expenses of the Elektro Celje Group amounted to EUR 61,192,841, and were EUR 3 million higher than in the previous year, due mainly to the higher costs of materials and services used (EUR 1.9 million more than in 2019). Due to the higher volume of self-made investments carried out, the cost of materials under this heading is EUR 1.4 million higher.

Financing Revenue and Expenses

Item (in EUR)	Elektro Celje Group	
	Achieved 2019	Achieved 2020
Financial revenue	67,125	54,187
Financial expenses	–415,358	–378,975
Net financial profit or loss	**–348,233**	**–324,788**

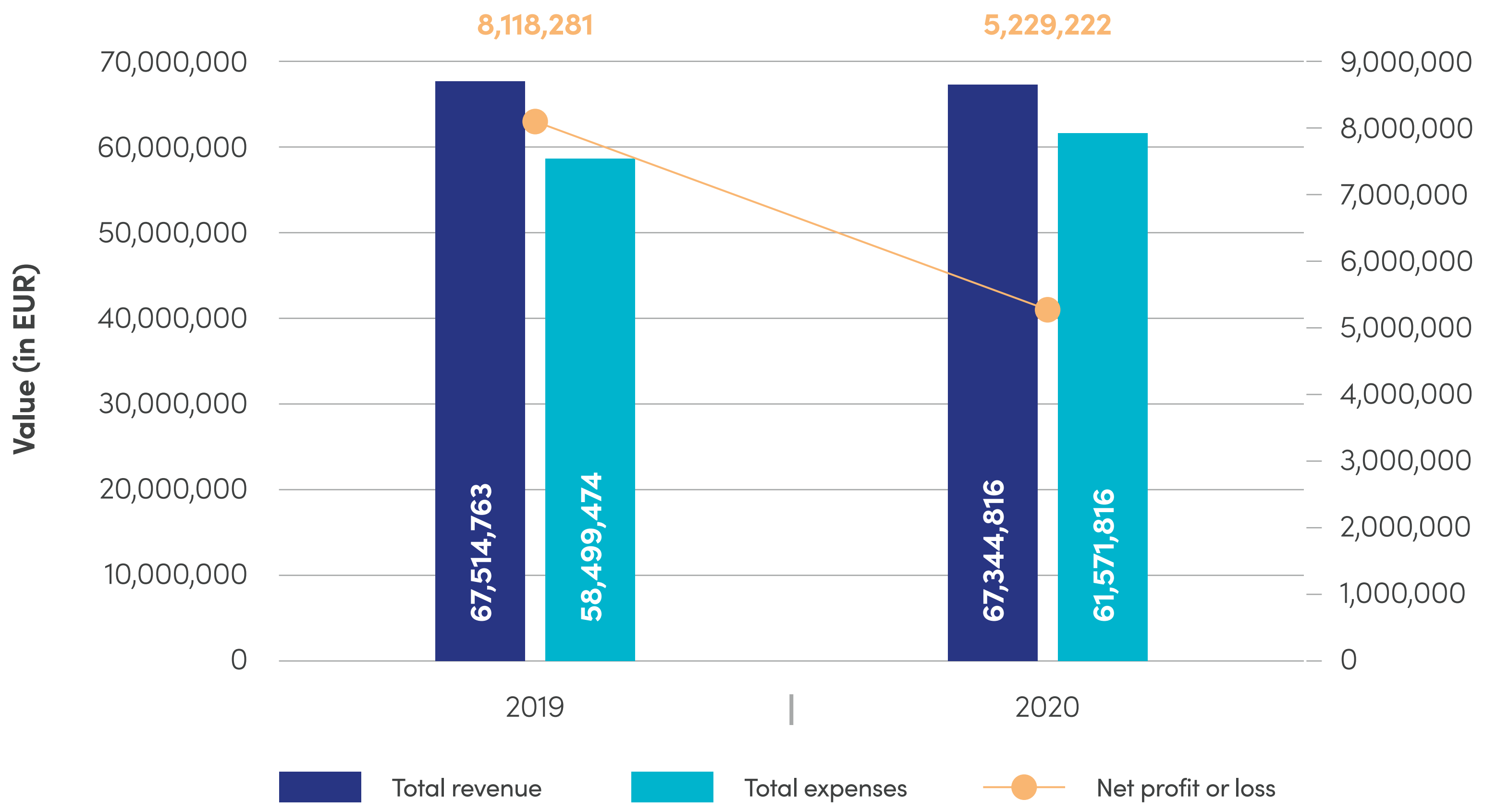
Financial revenue in the amount of EUR 54,187 decreased by EUR 12.9 thousand compared to the previous year, due mostly to lower revenue from operating receivables (EUR 8.3 thousand less than in 2019).

Financial expenses in the amount of EUR 378,975 were EUR 36.3 thousand lower than in 2019 due mainly to lower interest on borrowings (EUR 20.4 thousand less than in the previous year).

The Elektro Celje Group generated EUR 67,344,816 in total revenue (0.3% less than achieved in 2019). Total expenses amounted to EUR 61,571,816 (5.3% more than achieved in the previous year). The worst profit or loss is the result of the COVID-19 epidemic and the related measures, which is detailed in the Section Operation and Performance Analysis of the Company Elektro Celje.

The net profit of the Elektro Celje Group in 2020 amounted to EUR 5,229,222, which is 64.4% of the amount achieved in the previous year.

Total revenue, total expenses and net profit or loss of the Elektro Celje Group



Economic and Financial Position

The total assets of the Elektro Celje Group on 31 December 2020 amounted to EUR 337,297,991 and were 1.6% higher than in 2019.

Assets (in EUR)					Elektro Celje Group
	31 December 2020	Share (in %)	31 December 2019	Share (in %)	Index 2020/2019
Long-term assets	**276,137,451**	**81.9**	**272,975,410**	**82.2**	**101.2**
Intangible assets	5,051,759	1.5	4,517,107	1.4	111.8
Tangible fixed assets	269,044,455	79.8	263,833,488	79.4	102.0
Investment property	0	0.0	202,251	0.1	0.0
Investments	197,021	0.1	335,501	0.1	58.7
Investments in associates	206,987	0.1	206,987	0.1	100.0
Operating receivables	129,761	0.0	1,526,724	0.5	8.5
Deferred tax assets	1,507,468	0.4	2,353,352	0.6	64.1
Short-term assets	**61,160,540**	**18.1**	**59,088,879**	**17.8**	**103.5**
Non-current assets held for sale	48,631,742	14.4	0	0.0	-
Inventories	1,641,639	0.5	1,666,347	0.5	98.5
Operating trade receivables	9,340,270	2.8	51,714,648	15.6	18.1
Assets from Contracts with Customers	114,913	0.0	125,974	0.0	91.2
Income tax receivables	85,304	0.0	1,150,477	0.3	7.4
Other operating receivables and other assets	681,636	0.2	2,631,705	0.9	25.9
Cash and cash equivalents	665,036	0.2	1,799,728	0.5	37.0
Total assets	**337,297,991**	**100.0**	**332,064,289**	**100.0**	**101.6**

In the consolidated Balance Sheet, all ECE assets in accordance with IFRS 5 are included in non-current assets held for sale, and amount to EUR 48,631,742 on 31 December 2020. They include mainly operating trade receivables (EUR 38,130,122) and cash (EUR 4,238,462).

Long-term investments of the Group on 31 December 2019 include an investment in the Company Solar plus d. o. o. worth EUR 40,000. As of 1 January 2020, the Company was merged with the subsidiary EC OVI.

Operating receivables in the amount of EUR 129,761 were down EUR 1.4 million from those achieved on 31 December 2019, due mainly to lower long-term receivables from the Company SODO in the amount of EUR 94,412 (EUR 1,146,535 on 31 December 2019).

Equity and liabilities (in EUR)					Elektro Celje Group
	31 December 2020	Share (in %)	31 December 2019	Share (in %)	Index 2020/2019
Equity	236,545,580	70.2	233,303,669	70.2	101.4
Long-term liabilities	51,387,375	15.2	49,359,128	14.9	104.1
Short-term liabilities	49,365,036	14.6	49,401,492	14.9	99.9
Total equity and liabilities	**337,297,991**	**100.0**	**332,064,289**	**100.0**	**101.6**

Equity of the Group, representing 70.2% of liabilities, on 31 December 2020 amounted to EUR 236,545,580, which is 1.4% more than on 31 December 2019. The increase is due mainly to the increase in the Share Capital of the Parent Company, which is detailed in the Section Operation and Performance Analysis of the Company Elektro Celje.

Financial liabilities to banks amounted to EUR 39,735,283 on 31 December 2020.

In the consolidated Balance Sheet, all ECE liabilities in accordance with IFRS 5 are included under the item Non-current liabilities related to assets and disposal groups. They amount to EUR 28,934,945 on 31 December 2020.

Cash Flow Statement

Cash flow (in EUR)	Elektro Celje Group 2020	2019
Net operating cash flow	16,773,561	8,603,014
Net investing cash flow	–10,267,212	–10,328,351
Net financing cash flow	–3,405,451	–2,059,042
Change in net cash and cash equivalents	3,100,898	–3,784,379

Cash of the Elektro Celje Group increased by EUR 3,100,898 in 2020. Cash flows from operating activities showed a surplus of inflows, while cash flows from investing and financing activities showed a surplus of outflows. As a result of the COVID-19 epidemic and related measures, inflows from the sale of products and services are EUR 40 million lower than planned for 2020 and outflows for the purchase of materials and services are also EUR 37 million lower. Outflows from investing activities comprise mainly outflows for the acquisition of intangible and tangible fixed assets (EUR 10.7 million) and are comparable to those planned for 2020 (EUR 11 million). The negative cash flow from financing activities is attributed mainly to the repayments of long-term bank loans (EUR 25.5 million) and dividend pay-outs (EUR 2.9 million).

Performance Indicators

Consolidated performance indicators for 2020 are calculated in accordance with IFRS 5 – Non-current assets held for sale and discontinuing operations. The assets, liabilities, revenue and expenses of the subsidiary ECE are transferred to the disposal group.

Due to poorer operating results than planned (EUR 3.7 million lower net profit than planned), the Return On Equity of the Group (ROE) achieved was lower than planned (by 1.1 percentage points).

As of the Balance Sheet date 31 December 2020, the Elektro Celje Group had fulfilled all its contractual financial liabilities towards EIB (financial debt/EBITDA < 2.5, financial debt/equity < 0.3, EBITDA/financial expenses from financial liabilities > 12 and current ratio > 0.9).

A. FINANCING INDICATORS (INVESTMENTS)						
in EUR	**31 Dec. 2017**	**31 Dec. 2018**	**31 Dec. 2019**	**Plan 2020**	**31 Dec. 2020**	**Graphical comparison**
Equity	219,770,154	228,621,568	233,303,669	239,449,000	236,545,580	
Liabilities	318,122,910	323,636,596	332,064,289	338,777,092	337,297,991	
Equity financing rate	**69.08%**	**70.64%**	**70.26%**	**70.68%**	**70.13%**	
Sum of equity and long-term debt (including provisions) and long-term accrued expenses and deferred revenue	269,248,860	275,011,009	282,662,797	293,320,966	287,932,955	
Liabilities	318,122,910	323,636,596	332,064,289	338,777,092	337,297,991	
Long-term financing rate	**84.64%**	**84.98%**	**85.12%**	**86.58%**	**85.36%**	

B. INVESTMENT INDICATORS

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Fixed assets (carrying values)	250,054,522	256,998,186	263,833,488	271,240,734	269,044,455	
Assets	318,122,910	323,636,596	332,064,289	338,777,092	337,297,991	
PP&E to total assets ratio	**78.60%**	**79.41%**	**79.45%**	**80.06%**	**79.76%**	
Fixed assets (PP&E) plus long-term accrued revenue and deferred expenses (carrying value), investment property, Long-term investments and long-term trade receivables	258,980,458	263,488,417	270,622,058	277,406,173	274,629,983	
Assets	318,122,910	323,636,596	332,064,289	338,777,092	337,297,991	
Long-term assets rate	**81.41%**	**81.41%**	**81.50%**	**81.88%**	**81.42%**	

in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
Actual investments	22,487,596	24,216,074	25,473,187	25,765,000	26,225,856	
Planned investments	23,017,320	22,390,000	23,640,000	25,765,000	25,765,000	
Investment realisation rate	**97.70%**	**108.16%**	**107.75%**	**100.00%**	**101.79%**	
Investing cash flow	22,487,596	24,216,074	25,473,187	25,765,000	26,225,856	
Net sales revenue	178,141,232	180,987,203	223,884,495	222,346,315	47,688,885	
CAPEX to net revenue from sales ratio	**12.62%**	**13.38%**	**11.38%**	**11.59%**	**54.99%**	

C. HORIZONTAL FINANCIAL STRUCTURE INDICATORS

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Equity	219,770,154	228,621,568	233,303,669	239,449,000	236,545,580	
Fixed assets (carrying values)	250,054,522	256,998,186	263,833,488	271,240,734	269,044,455	
Equity to operating fixed assets ratio	**0.879**	**0.890**	**0.884**	**0.883**	**0.879**	
Liquid assets	3,806,022	5,584,107	1,799,728	1,341,833	665,036	
Current liabilities	48,874,050	48,625,587	49,401,492	45,456,126	49,365,036	
Immediate solvency ratio	**0.078**	**0.115**	**0.036**	**0.030**	**0.013**	

in EUR	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	Plan 2020	31 Dec. 2020	Graphical comparison
Sum of liquid assets and short-term receivables	55,461,943	56,014,043	57,422,532	57,362,039	10,887,159	
Current liabilities	48,874,050	48,625,587	49,401,492	45,456,126	49,365,036	
Quick ratio	**1.135**	**1.152**	**1.162**	**1.262**	**0.221**	

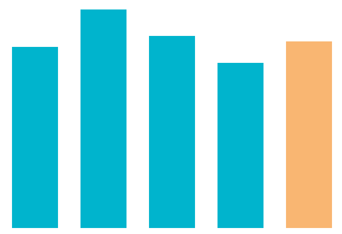
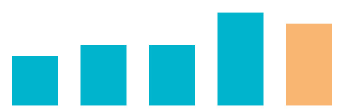
D. ECONOMIC INDICATOR

in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
Operating revenue	194,785,268	199,932,675	241,548,945	239,983,682	67,290,629	
Operating expenses	183,431,531	185,024,469	232,270,846	229,417,750	61,192,841	
Operating efficiency ratio	**1.062**	**1.081**	**1.040**	**1.046**	**1.100**	

E. PROFITABILITY INDICATORS						
in EUR	**2017**	**2018**	**2019**	**Plan 2020**	**2020**	**Graphical comparison**
EBITDA	30,256,783	33,122,836	27,866,198	29,314,778	24,353,489	
Gross operating profit	194,785,268	199,932,675	241,548,945	239,983,682	67,290,629	
EBITDA margin	**15.53%**	**16.57%**	**11.54%**	**12.22%**	**36.19%**	
EBIT	11,353,737	14,908,206	9,278,099	10,565,932	6,097,788	
Gross operating profit	194,785,268	199,932,675	241,548,945	239,983,682	67,290,629	
EBIT margin	**5.83%**	**7.46%**	**3.84%**	**4.40%**	**9.06%**	
Net profit	9,843,544	12,550,115	8,595,312	8,965,062	6,237,847	
Average equity	216,452,358	224,195,861	230,962,619	236,848,377	234,924,625	
Net return on equity (ROE)	**4.55%**	**5.60%**	**3.72%**	**3.79%**	**2.66%**	
Net profit	9,843,544	12,550,115	8,595,312	8,965,062	6,237,847	
Average assets	316,198,058	320,879,753	327,850,443	333,849,133	334,681,140	
Return on assets (ROA)	**3.11%**	**3.91%**	**2.62%**	**2.69%**	**1.86%**	

F. LABOUR PRODUCTIVITY INDICATOR						
in EUR	**2017**	**2018**	**2019**	**Plan 2020**	**2020**	**Graphical comparison**
Gross value added	54,971,932	58,888,825	53,868,030	55,979,546	48,652,881	
Number of employees per hours worked	694.23	700.54	689.75	707.00	685.48	
Gross value added per employee	**79,184**	**84,062**	**78,098**	**79,179**	**70,976**	

I. INDICATORS OF COMPLIANCE WITH BANK COMMITMENTS

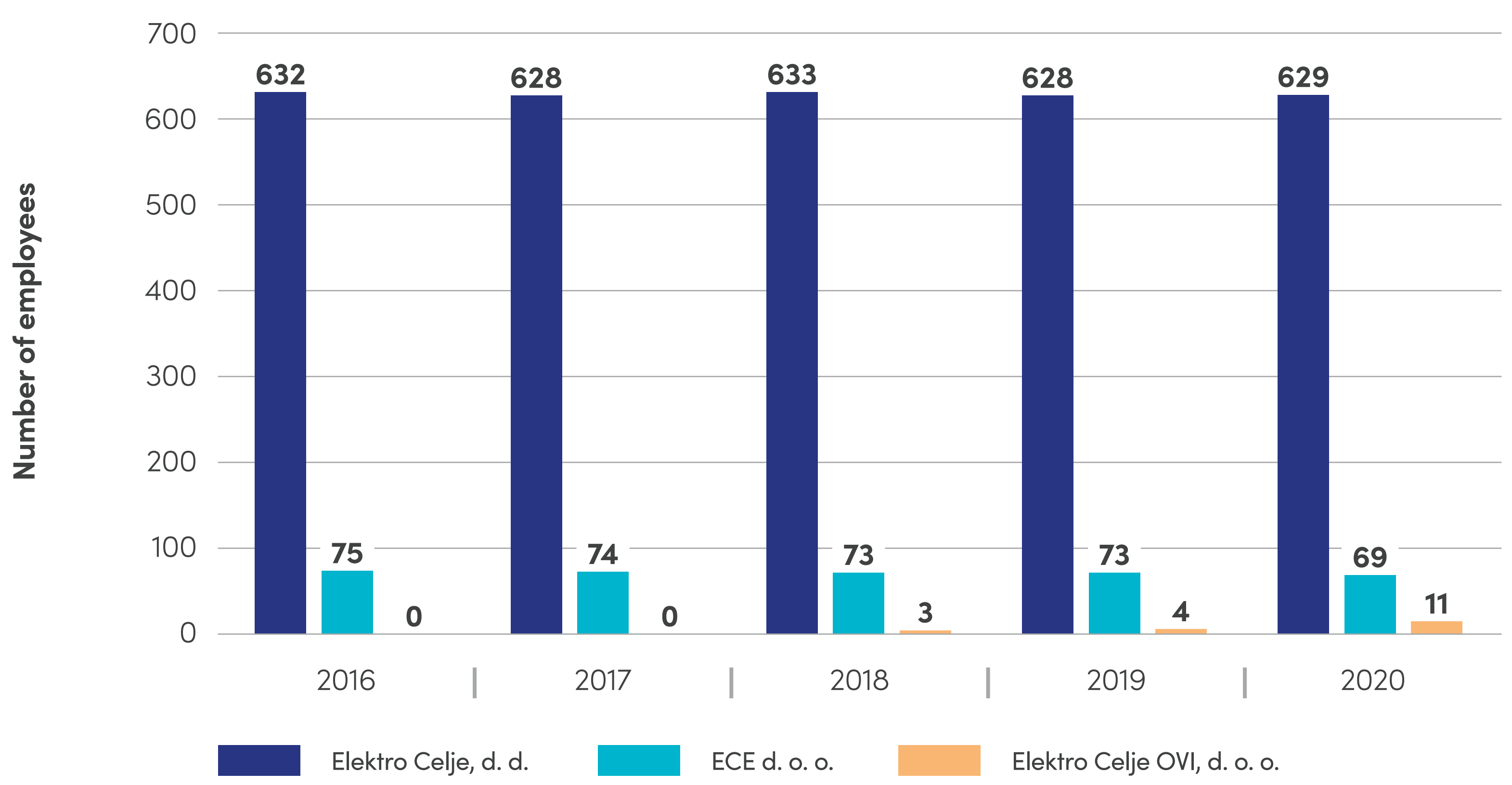
in EUR	2017	2018	2019	Plan 2020	2020	Graphical comparison
Financial debt	39,765,440	37,758,483	40,224,067	44,036,831	39,735,283	
Equity	219,770,154	228,621,568	233,303,669	239,449,000	236,545,580	
Financial debt/Equity*	**0.181**	**0.165**	**0.172**	**0.184**	**0.168**	
Financial debt	39,765,440	37,758,483	40,224,067	44,036,831	39,735,283	
EBITDA	30,256,783	32,819,106	27,697,812	28,846,021	24,342,642	
Financial debt/EBITDA*	**1.314**	**1.151**	**1.452**	**1.527**	**1.632**	
EBITDA	30,256,783	32,819,106	27,697,812	28,846,021	24,342,642	
Financial expenses from financial liabilities	384,811	345,724	328,928	400,997	307,411	
EBITDA/Financial expenses from financial liabilities*	**79**	**95**	**84**	**72**	**79**	
Short-term assets	56,586,554	57,724,876	59,088,879	58,870,919	61,160,540	
Current liabilities	48,874,050	48,625,587	49,401,492	45,456,126	49,365,036	
Current ratio*	**1.158**	**1.187**	**1.196**	**1.295**	**1.239**	
Net financial debt	35,959,418	32,174,376	38,424,339	42,694,998	39,070,247	
EBITDA	30,256,783	33,122,836	27,866,198	29,314,778	24,353,489	
Net financial debt/EBITDA	**1.188**	**0.971**	**1.379**	**1.456**	**1.604**	

* Indicators referring to commitments to EIB. The revaluatory operating expenses with current assets are excluded from the calculation of EBITDA.

The indicators are adjusted to IFRS (short-term assets include accrued revenue and deferred expenses, non-current liabilities include provisions and accrued expenses and deferred revenue, with receivables and liabilities for corporate income tax offset).

Employees and Social Responsibility in the Elektro Celje Group

Number of employees in the Elektro Celje Group



Employees

709

number of employees in the Group as of 31 December 2020

At the Elektro Celje Group, we strive to recruit dedicated and competent employees. Turnover at the Elektro Celje group amounted to 5.2% and was mainly due to the retirement of workers and fixed-term employment.

As of 31 December 2020, the Elektro Celje Group employed 709 workers.

The majority of employees at the Elektro Celje Group have a full-time employment status, only 1.4% of employees (at the Parent Company) are under a part-time employment contract (20 or 30 hours/week). These are employees with recognised rights because of their acquired disability category.

Structure of employees by employment status, share of employees by gender and average age

2020 data	Elektro Celje, d. d.	ECE d. o. o.	Elektro Celje OVI, d. o. o.
Number of permanently employed workers	600	64	10
Number of temporarily employed workers	27	5	1
Number of trainees employed	2	0	0
Total number of employees	**629**	**69**	**11**
Average age	**46**	**44**	**34**
The proportion of female employees	***14%***	***68%***	***0%***
The proportion of male employees	***86%***	***32%***	***100%***

Social Responsibility

When the pandemic was declared in the first quarter of 2020, we were aware that the year ahead would be a special one. In view of the general lack of protective masks, we decided to take a fast-track action, with which we donated more than 150,000 protective surgical masks to twenty-three Health Institutions around Slovenia at the beginning of April, worth more than EUR 100,000. Quick implementation and delivery to the door of each beneficiary has proved to be the right move. We have thanked the medical staff further with a press advertising campaign.

Despite the largest donation in the Company's history, we did not deny donations and sponsorships to those who we have been supporting for many years. In accordance with the Rules on the allocation of sponsorship and donor funds, we sponsored sports organisations, taking into account the principles of balance, economic benefits and sufficient diversification, and the principle of social responsibility for donations.

In addition to the above mentioned donation, the Elektro Celje Group allocated the majority of sponsorship funds to sports clubs and associations operating throughout Slovenia, in various sports branches, in lower and higher categories of competitions. Among the largest are the Women's Handball club Z'dežele (from the countryside), the Handball Club Slovenj Gradec, the Basketball Club Triglav Kranj and the Celje Football Club, which won its first title of the Slovene champion in the 2019/20 season.

Environmental Responsibility

At the Elektro Celje Group, we place our responsibility toward the environment in which we live very high on our list of priorities. The "Protecting the environment with an e-invoice" campaign promoted the transition from paper to electronic invoicing at the ECE subsidiary, which was rewarded with a discount on the monthly invoice. In 2020, more than 60 solar power plants were installed and put into service as part of the development of new services. All customers have the possibility of supply of electricity from 100% renewable sources. Environmental concern at the Parent Company is presented in the Section Environmental Perspective.

Responsibility to Customers and the General Public

Through the activities to reduce the consequences of the COVID-19 epidemic, the Company ECE prepared an offer for the purchasers of our energy products. In April we presented the electricity and natural gas packages under the common name "Together we can!"

Working from home has become a reality for many families and the cost of electricity has increased as a result. In the second wave of infections, in November, we carried out a campaign to enable 1,000 household customers to activate the "MT for VT" service, which was used to charge them all their consumption in December at the more favourable, lower tariff.

Communication at the Parent Company is presented in the Section Social Perspective.

A NETWORK OF SOLIDARITY

We are changing ourselves and society

The turbulent period of the Corona crisis undoubtedly brought along the realisation that, despite technological progress, human beings depend on nature and society at large. In addition to the implementation of sustainable strategic orientation and operation of the Company Elektro Celje in the interest of preserving the natural environment, we operate on a daily basis according to the principles of intergenerational solidarity and equity, striving to integrate social and environmental goals, and pursuing the principle of responsibility towards all stakeholders.

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Independent Auditor's Report on Separate Financial Statements of the Company

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INDEPENDENT AUDITOR'S REPORT
on separate financial statements of the Company
(Translation of the original report in Slovene language - for information purposes only)

To the shareholders of Elektro Celje, d.d.

Opinion

We have audited the financial statements of Elektro Celje, d.d. (the Company), which comprise the balance sheet as at December 31, 2020 and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the company Elektro Celje, d.d. as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Financial Statements*, including those related to these matters. Therefore, the audit comprised the implementation of the procedures determined on the basis of our assessment of the risk of material misstatement in the separate financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the attached separate financial statements.

Capitalised costs of own products and services

Key audit matter	Our response
Capitalised costs of own products and services amounted to 16,740,724 EUR in the year ended December 31, 2020. The Company constructs buildings and equipment with its own resources. Additions to tangible fixed assets, constructed by the Company, are valued at estimated costs of hours spent, which include personnel expenses and other indirect costs, as well as direct costs of materials and transport. The determination of hourly rates for personnel expenses and judgment regarding which types of	Our audit procedures included: - Assessing the guidelines defining additions to tangible fixed assets and construction costs in order to test that they comply with the guidelines prescribed by accounting standards. - Testing the design and implementation of internal controls and testing of internal controls in the part related to the recognition of personnel expenses, costs of materials and services and fixed assets. - Familiarization with the method of recognising fixed assets constructed by the Company.

indirect costs to include in the cost of tangible fixed assets, includes estimation. Estimation of the amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management and we therefore determined this matter as a key audit matter. In determining the matter, the Company uses assumptions and judgments for recognising tangible fixed assets as they are determined by Slovenian Accounting Standards. Disclosures regarding this matter are included in note 2.3.b) Tangible fixed assets, note 2.3.o) Revenue and note 2.6.2. Capitalised own services.	- Examination of the methodology and assumptions used by the Company in calculating the cost of personnel and verification of the completeness and accuracy of data used. - Recalculation of the personnel costs and comparison with the calculation for the current year and to market data. - Testing, on a sample of selected items, of capitalised own products and services, where we: • assessed whether the appropriate personnel expenses have been used; • obtained the bases for the cost of material and transport; • conducted interviews with persons responsible for construction of fixed assets; • verified supporting accounting documents and entries in the financial statements. The sample included randomly selected items and items that we determined based on our risk-based approach due to the size, complexity, content or duration of construction or maintenance.

Other information

Management is responsible for the other information. The other information comprises the information included in the business report of the annual report of the company Elektro Celje, d.d., and Elektro Celje Group, but does not include the financial statements and our auditor's report thereon. We have received other information before the date of the auditor's report, except for the report of the Supervisory Board, which will be available at a later time.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, regulatory requirements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures we report on the following:

- other information is consistent with audited financial statements in all respect;
- other information is prepared in line with regulatory requirements and
- based on our knowledge and understanding of the Company and its environment, obtained during the audit, no material inconsistencies were found in relation to other information.

Responsibilities of Management, Supervisory Board and Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

The Supervisory Board and the Audit Committee are responsible for overseeing the Company's financial reporting process. The Supervisory Board is responsible for confirming the audited annual report.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting obligations as required by EU Regulation No. No 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the statutory auditor of the Company by the shareholders at the General Shareholders´ Meeting held on June 28, 2019 for the financial years 2019 - 2021. The engagement letter

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for the three years was signed on October 1, 2019. We have been performing the statutory audit of financial statements for six years without interruption. The audit partner responsible for the audit is Mateja Vrankar.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 30, 2021.

Prohibited Services

We confirm that we have not performed any prohibited services referred to the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council and that we ensure our independence from the audited Company.

Other Services of the Auditor

In addition to the statutory audit services and services disclosed in the annual report, no other services were provided by us to the Company.

Ljubljana, April 30, 2021

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

(signature on the original issued in Slovene language)

Mateja Vrankar, certified auditor
Managing Partner

1 Financial Statements of the Company Elektro Celje

1.1 Balance Sheet

ITEM	Note	Amount (in EUR)	
		As of 31 December 2020	As of 31 December 2019
ASSETS			
A. Long-term assets (I. + II. + III. + IV. + V. + VI.)		**278,031,060**	**275,357,738**
I. Intangible assets and long-term accrued revenue and deferred expenses (1 to 6)	2.4.1	**4,970,713**	**4,252,408**
1. Long-term property rights		4,963,248	3,816,997
4. Intangible assets in development		0	405,251
6. Other long-term accrued revenue and deferred expenses		7,465	30,160
II. Property, plant and equipment (1 to 4)	2.4.2	**266,511,447**	**260,519,495**
1. Land and buildings (a + b)		196,007,055	192,623,802
a) Land		6,014,819	5,985,194
b) Buildings		189,992,236	186,638,608
2. Production equipment and machinery		63,855,002	60,646,372
3. Other plant and equipment		58,969	67,445
4. Tangible fixed assets in the course of acquisition (a + b)		6,590,421	7,181,876
a) Tangible fixed assets under construction and production		6,590,421	6,773,154
b) Advances for the acquisition of tangible fixed assets		0	408,722

ITEM	Note	Amount (in EUR)	
		As of 31 December 2020	As of 31 December 2019
IV. Long-term investments (1 to 2)	2.4.3	**4,911,671**	**7,666,961**
1. Long-term investments excluding loans (a + b + c + d)		4,911,671	7,666,961
a) Shares and shareholdings in companies within the corporate group		4,501,454	7,246,976
b) Shares and shareholdings in associates		206,987	206,987
c) Other shares and shareholdings		203,230	212,998
V. Long-term operating receivables (1 to 3)	2.4.7	**129,761**	**1,340,801**
2. Long-term trade receivables		122,178	1,333,119
3. Long-term operating receivables due from others		7,583	7,682
VI. Deferred tax assets	2.4.4	**1,507,468**	**1,578,073**
B. Current assets (I. + II. + III. + IV. + V.)		**15,708,237**	**12,832,650**
I. Assets held for sale	2.4.5	**3,609,473**	**0**
II. Inventories (1 to 4)	2.4.6	**1,592,644**	**1,616,344**
1. Material		1,592,644	1,616,344
IV. Short-term operating receivables (1 to 3)	2.4.7	**9,908,308**	**10,801,812**
1. Short-term operating receivables from companies within the corporate group		63,296	28,820
2. Short-term trade receivables		9,142,498	10,212,953
3. Short-term operating receivables due from others		702,514	560,039
V. Cash	2.4.8	**597,812**	**414,494**
C. Short-term accrued revenue and deferred expenses	2.4.9	**213,312**	**2,281,294**
TOTAL ASSETS (A + B + C)		293,952,609	290,471,682

ITEM	Note	Amount (in EUR)	
		As of 31 December 2020	As of 31 December 2019
LIABILITIES			
A. Equity (I. + II. + III. + IV. + V. + VI. + VII.)		**222,482,388**	**219,909,447**
1. Called-up capital (1 to 2)	2.4.10	**150,955,090**	**100,953,201**
1. Share capital		150,955,090	100,953,201
II. Share premium	2.4.10	**62,260,317**	**62,260,317**
III. Revenue reserve (1 to 5)	2.4.10	**8,219,247**	**54,472,191**
1. Legal reserves		4,744,833	4,470,302
2. Reserves for own shares and interest		886,371	886,371
3. Own shares and interest		–886,371	–886,371
5. Other revenue reserves		3,474,414	50,001,889
V. Reserves resulting from valuation at fair value	2.4.10	**–693,942**	**–710,867**
VII. Net profit or loss for the period	2.4.10	**1,741,676**	**2,934,605**
1. Undistributed net profit or loss for the period		1,741,676	2,934,605
B. Provisions and long-term accrued expenses and deferred revenue (1 to 3)	2.4.11	**19,742,276**	**19,098,746**
1. Provisions for pensions and similar liabilities		6,910,193	6,672,190
2. Other provisions		193,843	182,578
3. Long-term accrued expenses and deferred revenue		12,638,240	12,243,978
C. Long-term liabilities (I. + II. + III.)		**31,297,203**	**29,024,849**
I. Long-term financial liabilities (1 to 4)	2.4.12	**31,285,192**	**28,703,764**
2. Long-term financial liabilities to banks		31,222,559	28,399,049
4. Other long-term financial liabilities		62,633	304,715
II. Long-term operating liabilities (1 to 5)	2.4.13	**0**	**307,218**
2. Long-term trade payables		0	307,218
III. Deferred tax liabilities	2.4.14	**12,011**	**13,867**

ITEM	Note	Amount (in EUR)	
		As of 31 December 2020	As of 31 December 2019
D. Short-term liabilities (I. + II. + III.)		**18,723,115**	**21,880,727**
II. Short-term financial liabilities (1 to 4)	2.4.12	**8,039,489**	**10,886,033**
2. Short-term financial liabilities to banks		7,721,488	10,584,477
4. Other short-term financial liabilities		318,001	301,556
III. Short-term operating liabilities (1 to 8)	2.4.13	**10,683,626**	**10,994,694**
1. Short-term operating liabilities to companies within the corporate group		80,478	55,657
2. Short-term operating trade payables		3,305,826	3,274,348
4. Short-term operating liabilities from operations for third-party account		3,233,150	3,386,273
5. Short-term liabilities to employees		3,128,719	3,167,144
6. Short-term liabilities to state and other institutions		304,728	414,522
7. Short-term operating liabilities based on advances		138,905	119,388
8. Other short-term operating liabilities		491,820	577,362
E. Short-term accrued expenses and deferred revenue	2.4.15	**1,707,627**	**557,913**
TOTAL LIABILITIES (A + B + C + D + E)		**293,952,609**	**290,471,682**

1.2 Income Statement

ITEM	Note	Amount (in EUR)	
		2020	2019
1. Net sales revenue (a + b)	2.6.1	**47,072,367**	**50,831,032**
a. on the domestic market		47,072,367	50,831,032
3. Capitalised own products and services	2.6.2	**16,740,724**	**15,164,716**
4. Other operating revenue (including revaluatory operating revenue)	2.6.3	**2,819,224**	**1,328,264**
5. Costs of goods, materials and services (a + b)	2.6.4	**17,988,931**	**16,507,766**
a. Cost of sold goods and costs of used material		11,806,061	10,464,641
b. Cost of services		6,182,870	6,043,125
6. Labour costs (a + b + c + d)	2.6.5	**23,845,507**	**22,952,006**
a. Cost of salaries		16,864,461	16,278,950
b. Pension insurance costs		2,307,591	2,248,125
c. Other social security costs		1,246,216	1,196,259
d. Other labour costs		3,427,239	3,228,672
7. Write-offs (a + b + c)	2.6.6	**18,047,436**	**18,057,545**
a. Depreciation		17,770,533	17,861,945
b. Operating expenses from revaluation of intangible and tangible fixed assets		266,492	123,204
c. Operating expenses from revaluation of current assets		10,411	72,396
8. Other operating expenses	2.6.7	**286,580**	**328,216**
9. Financial revenue from shares (a + b + c)	2.6.8	**53,930**	**1,007,400**
a. Financial revenue from shares in companies within the corporate group		49,468	1,000,000
b. Financial revenue from shares in other companies		4,462	7,400
10. Financial revenue from loans granted (a + b)	2.6.8	**7,997**	**10,008**
a. Financial revenue from loans to companies within the corporate group		0	292
b. Financial revenue from loans to others		7,997	9,716
11. Financial revenue from operating receivables (a + b)	2.6.8	**41,727**	**50,007**
b. Financial revenue from operating receivables due from third parties		41,727	50,007

ITEM	Note	Amount (in EUR)	
		2020	2019
13. Financial expenses from financial liabilities (a + b + c + d)	2.6.8	**297,980**	**323,567**
b. Financial expenses related to loans from banks		297,912	323,485
d. Financial expenses from other financial liabilities		68	82
14. Financial expenses from operating liabilities (a + b + c)	2.6.8	**71,048**	**89,434**
b. Financial expenses from trade payables and bills payable		20,891	0
c. Financial expenses from other operating liabilities		50,157	89,434
15. Other revenue	2.6.9	**7,894**	**52,310**
16. Other expenses	2.6.10	**129,958**	**35,375**
17. NET PROFIT/LOSS FOR THE PERIOD BEFORE TAXES (1 ± 2 + 3 + 4 – 5 – 6 – 7 – 8 + 9 + 10 + 11 – 12 – 13 – 14 + 15 – 16)	2.6.11	**6,076,423**	**10,149,828**
18. Income tax	2.6.13	**473,136**	**828,545**
19. Deferred taxes	2.6.13	**67,998**	**68,463**
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)	2.6.11	**5,535,289**	**9,252,820**

1.3 Statement of Other Comprehensive Income

ITEM	Amount (in EUR)	
	2020	2019
1. Net profit or loss for the period	**5,535,289**	**9,252,820**
3. Changes in reserves resulting from valuation at fair value	**–7,912**	**7,193**
a. Revaluation of investments measured at fair value through equity	–9,768	8,880
b. Adjustment to reserves resulting from valuation at fair value for deferred tax liabilities	1,856	–1,687
5. Other components of comprehensive income	**–19,832**	**–345,384**
a. Actuarial gains/losses in provisions for severance pays	–17,225	–379,589
c. Impact of deferred tax on actuarial gains/losses in provisions for severance pays	–2,607	34,205
6. Total comprehensive income for the period (1 + 2 + 3 + 4 + 5)	**5,507,545**	**8,914,629**

Explanatory Notes to the Statement of Comprehensive Income are shown in Section 2.6.12.

1.4 Cash Flow Statement

POSTAVKA	Znesek (v EUR)	
	Leto 2020	Leto 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	**103,142,903**	**105,246,055**
Inflows from sale of goods and services	100,976,220	103,936,283
Other inflows from operating activities	2,166,683	1,309,772
b. Outflows from operating activities	**–89,570,318**	**–94,145,427**
Purchase of material and services	–59,402,252	–62,717,821
Salaries and employees' share in the profit	–22,196,973	–22,320,620
Charges (contributions and other taxes)	–6,721,901	–7,805,115
Other outflows from operating activities	–1,249,192	–1,301,871
c. Positive or negative net cash flow from operating activities (a + b)	**13,572,585**	**11,100,628**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a. Inflows from investing activities	**454,878**	**2,094,820**
Inflows from interests and dividends received relating to investing activities	4,495	1,007,785
Inflows from disposal of property, plant and equipment	450,383	187,035
Inflows from disposal of investments	0	900,000
b. Outflows from investing activities	**–10,543,223**	**–11,213,211**
Cash payments for the acquisition of intangible assets	–3,408,760	–1,912,761
Purchase of property, plant and equipment	–7,074,463	–8,400,450
Purchase of investments	–60,000	–900,000
c. Positive or negative net cash flow from investing activities (a + b)	**–10,088,345**	**–9,118,391**

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BUSINESS REPORT OF THE COMPANY ELEKTRO CELJE

BUSINESS REPORT OF THE ELEKTRO CELJE GROUP

FINANCIAL REPORT OF THE COMPANY ELEKTRO CELJE

Independent Auditor's Report on Separate Financial Statements of the Company

1 Financial Statements of the Company Elektro Celje

2 Explanatory Notes to the Financial Statements of the Company Elektro Celje

3 Disclosures Pursuant to the Energy Act

FINANCIAL REPORT OF THE ELEKTRO CELJE GROUP

SUPERVISORY BOARD REPORT

POSTAVKA	Znesek (v EUR)	
	Leto 2020	Leto 2019
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Inflows from financing activities	**25,391,839**	**29,883,839**
Inflows from the increase in financial liabilities	25,391,839	29,883,839
b. Outflows from financing activities	**–28,692,761**	**–31,961,614**
Interest paid on financing activities	–326,837	–337,443
Repayments of financial liabilities	–25,431,319	–28,403,263
Payments of dividends and other profit shares	–2,934,605	–3,220,908
c. Positive or negative net cash flow from financing activities (a + b)	**–3,300,922**	**–2,077,775**
D. CLOSING BALANCE	**597,812**	**414,494**
Net cash flow for the period (sum of net cash flows Ac, Bc and Cc)	183,318	–95,538
Opening balance	414,494	510,032

Explanatory Notes to the Cash Flow Statement are shown in Section 2.7.

1.5 Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY from 1 January 2020 to 31 December 2020 (in EUR)	Called-up capital	Share premium	Revenue reserve				Reserves resulting from valuation at fair value	Retained net profit or loss		Net profit or loss for the financial year	Total
	Share capital		Legal reserves	Reserves for own shares and interests	Own shares and interests	Other revenue reserves		Retained net profit	Retained net loss	Net profit for the year	
A.1. Balance at the end of the previous reporting period	**100,953,201**	**62,260,317**	**4,470,302**	**886,371**	**–886,371**	**50,001,889**	**–710,866**	**0**	**0**	**2,934,605**	**219,909,447**
A.2. Balance at the beginning of the reporting period	**100,953,201**	**62,260,317**	**4,470,302**	**886,371**	**–886,371**	**50,001,889**	**–710,866**	**0**	**0**	**2,934,605**	**219,909,447**
B.1. Changes in equity — transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**–2,934,605**	**0**	**0**	**–2,934,605**
b) Payment of dividends	0	0	0	0	0	0	0	–2,934,605	0	0	–2,934,605
B.2. Total comprehensive income in the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**–27,744**	**0**	**0**	**5,535,289**	**5,507,545**
a) Input of net profit/loss from the reporting period	0	0	0	0	0	0	0	0	0	5,535,289	5,535,289
b) Changes in reserves resulting from valuation of investments at fair value	0	0	0	0	0	0	–7,912	0	0	0	–7,912
c) Other components of comprehensive income in the reporting period	0	0	0	0	0	0	–19,832	0	0	0	–19,832
B.3. Changes in equity	**50,001,889**	**0**	**274,531**	**0**	**0**	**–46,527,475**	**44,668**	**2,934,605**	**0**	**–6,728,218**	**0**
a) Allocation of the remainder of net profit in the comparative reporting period to other equity components	0	0	0	0	0	0	0	2,934,605	0	–2,934,605	0
b) Allocation of a part of net profit in the reporting period to other equity components pursuant to decisions by the management and supervisory bodies	0	0	274,531	0	0	3,474,414	0	0	44,668	–3,793,613	0
d) Other changes in equity	50,001,889	0	0	0	0	–50,001,889	44,668	0	–44,668	0	0
C.1. Balance at the end of the reporting period	**150,955,090**	**62,260,317**	**4,744,833**	**886,371**	**–886,371**	**3,474,414**	**–693,942**	**0**	**0**	**1,741,676**	**222,482,388**
DISTRIBUTABLE PROFIT	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,741,676**	**1,741,676**

Explanatory Notes to the Statement of Changes in Equity are shown in Section 2.8.

STATEMENT OF CHANGES IN EQUITY from 1 January 2019 to 31 December 2019 (in EUR)	Called-up capital	Share premium	Revenue reserve				Reserves resulting from valuation at fair value	Retained net profit or loss		Net profit or loss for the financial year	Total
	Share capital		Legal reserves	Reserves for own shares and interests	Own shares and interests	Other revenue reserves		Retained net profit	Retained net loss	Net profit for the year	
A.1. Balance at the end of the previous reporting period	**100,953,201**	**62,260,317**	**4,008,638**	**886,371**	**–886,371**	**44,164,870**	**–392,208**	**0**	**0**	**3,220,908**	**214,215,726**
A.2. Balance at the beginning of the reporting period	**100,953,201**	**62,260,317**	**4,008,638**	**886,371**	**–886,371**	**44,164,870**	**–392,208**	**0**	**0**	**3,220,908**	**214,215,726**
B.1. Changes in equity — transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**–3,220,908**	**0**	**0**	**–3,220,908**
a) Purchase of own shares and interests	0	0	0	0	0	0	0	0	0	0	0
b) Payment of dividends	0	0	0	0	0	0	0	–3,220,908	0	0	–3,220,908
B.2. Total comprehensive income in the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**–338,191**	**0**	**0**	**9,252,820**	**8,914,629**
a) Input of net profit/loss from the reporting period	0	0	0	0	0	0	0	0	0	9,252,820	9,252,820
b) Changes in reserves resulting from valuation of investments at fair value	0	0	0	0	0	0	7,193	0	0	0	7,193
c) Other components of comprehensive income in the reporting period	0	0	0	0	0	0	–345,384	0	0	0	–345,384
B.3. Changes in equity	**0**	**0**	**461,664**	**0**	**0**	**5,837,019**	**19,532**	**3,220,908**	**0**	**–9,539,123**	**0**
a) Allocation of the remainder of net profit in the comparative reporting period to other equity components	0	0	0	0	0	0	0	3,220,908	0	–3,220,908	0
b) components pursuant to decisions by the management and supervisory bodies	0	0	461,664	0	0	5,837,019	0	0	19,532	–6,318,215	0
d) Other changes in equity	0	0	0	0	0	0	19,532	0	–19,532	0	0
C.1. Balance at the end of the reporting period	**100,953,201**	**62,260,317**	**4,470,302**	**886,371**	**–886,371**	**50,001,889**	**–710,867**	**0**	**0**	**2,934,605**	**219,909,447**
DISTRIBUTABLE PROFIT	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,934,605**	**2,934,605**

Explanatory Notes to the Statement of Changes in Equity are shown in Section 2.8.

2 Explanatory Notes to the Financial Statements of the Company Elektro Celje

2.1 Reporting Company

The Company Elektro Celje is the Parent Company of the Elektro Celje Group. The key task of the Company is that, through the planning of the network development, construction, management, operation and maintenance in the distribution area of the Company Elektro Celje, it ensures the long-term performance of the network, as well as reliable, safe and efficient electricity supply to customers (Presentation of the Company Elektro Celje).

The Financial Statements have been prepared on the going-concern basis of the Company. They have been drawn up for the year that ended on 31 December 2020.

2.2 Bases for the Preparation of the Financial Statements

a) Declaration of Conformity

The Company's Financial Statements have been prepared in accordance with Slovenian Accounting Standards 2016 (hereinafter: SAS 2016) with the corresponding positions and interpretations as adopted by the Professional Council of the Slovenian Institute of Auditors, the provisions of the Companies Act (hereinafter: ZGD-1), the Energy Act (EZ-1) and other Regulations governing the accounting, financial and tax fields. The accounting policies selected pursuant to the rules on accounting are implemented by the Company consistently, and any changes in accounting policies are duly disclosed. The Management Board of the Company approved the Financial Statements on 31 March 2021.

b) Reporting by business and geographical segments

In accordance with Article 109 of EZ- 1, the Company ensures separate accounting monitoring of activities pursuant to the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator and the marketing activity; these two activities are also considered business segments according to SAS 2016. The Company does not have any geographical segments. The Balance Sheet, Income Statement, Cash Flow Statement and criteria and standards for allocating direct and indirect costs, expenses, revenue, and assets and sources of assets for individual activities are presented in Section 3.

c) Basis for measurement

The Financial Statements have been prepared on a historical cost basis, except for Financial Assets, which are quoted at active market prices, and whose value can be measured reliably and are therefore measured and accounted for at fair value.

The Financial Statements reflect a true and fair presentation of the Company's financial position, its profit or loss and cash flows. In preparing Financial Statements the Company observes the fundamental accounting assumptions of accruals and the going concern basis. In doing so, the qualitative characteristics of Financial Statements are taken into account: Clarity, relevance, reliability and comparability. The selection and application of accounting policies are based on prudence, substance over form and materiality.

Controlled eligible costs of operation and maintenance remained determined based on the average realised eligible costs in the period 2011–2013.

d) Functional and presentation currency

The Financial Statements are presented in Euros (EUR), which is also the functional currency of the Company. All financial data presented in EUR are shown as rounded-off figures.

e) Use of estimates and assumptions and significant uncertainty in operations

USE OF ESTIMATES AND ASSUMPTIONS IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of the Financial Statements in accordance with SAS 2016 requires the use of estimates and assumptions that affect the carrying amount of reported assets and liabilities on the reporting date and the amount of revenue, costs and expenses during the reporting period. Estimates and assumptions are based on the best knowledge of current and future events and activities and are reviewed regularly, with adjustments recognised in the period of the change, valid for all future periods which the changes affect. Information regarding significant estimated uncertainty and assessments are described in the following Explanatory Notes:

- Explanatory Notes 2.4.1, 2.4.2 and Accounting Policy 2.3 (a, b) – Determining the useful lives of intangible and tangible fixed assets,
- Explanatory Note 2.4.4, 2.4.14 and Accounting Policy 2.3 (e) – Deferred Taxes,
- Explanatory Note 2.4.11 and Accounting Policy 2.3 (k) – Long-term accruals and deferred income, measurement of provisions for severance pay and long-service bonuses and lawsuits,
- Explanatory Note 2.4.3 and Accounting Policy 2.3 (d) – Valuation of investments,
- Explanatory Note 2.4.7 and Accounting Policy 2.3 (h) – Impairment of receivables.
- Explanatory Note 2.4.2 and Accounting Policy 2.3 (c) – Determination of the discount rate for leases.

REGULATORY FRAMEWORK FOR THE PERIOD 2019–2021

The Energy Agency, pursuant to Article 116 of the Energy Act (EZ-1), has the authority to determine the methodology for calculating network charges and eligible costs of providers of DNSO activities. Thus, the Council of the Energy Agency adopted the Legal Act on the methodology for determining the Regulatory Framework and Network Charge for the electricity distribution system (Official Gazette of the RS, Nos. 46/18, 47/18-corr. and 86/18, hereinafter referred to as the Network Charge Act), based on which the Energy Agency with Decision no. 211-42/2018-58/452 (11 December 2018) then also defined the Regulatory Framework for the period 2019–2021.

The amendment, which affects the amount of revenue in the regulatory period 2019–2021 significantly, relates in view of the past regulatory periods to the weighted average cost of capital pre tax, which was set at 5.26%. Prior to the change in methodology, it amounted to 7.14% for the new energy infrastructure (i.e. EI activated after 31 December 2010) and 4.13% for all the other fixed assets in DNSO activities. New investments increase the value of the infrastructure and other fixed assets, but due to the lower rate of revenue on the new EI, there is a downward trend in revenue growth, which also covers the costs and expenses of the regulated activities of the Company not recognised by the Energy Agency.

Controlled eligible costs of operation and maintenance remained determined based on the average realised eligible costs in the period 2011–2013, and vary depending on the efficiency factor, the inflation rate, the change in line/cable length, the number of stations and customers.

The cost of insurance premiums, which are however significantly lower than the actual amount of these costs in the year of their occurrence (due to extensive loss events in recent years), continues to be recognised as an average of the costs in the regulatory period 2011–2013.

Due to an average of EUR 698,906, these costs were recognised in 2020 at 65.7% of the actual costs. Under the uncontrolled costs, costs of loss events are recognised only in the amount of 10%, and operating expenses from revaluation in connection with trade receivables from network charges in the amount of 0.2% of the network charges for the distribution system. The costs of investing in research and innovation are recognised and the revenue from co-financing by the European Union for projects qualified at the Energy Agency. These are innovations in smart grids that enable better usage of existing EIs and renewable energy sources, as well as research and demonstration projects that offer broader societal benefits and network usage savings for the final customer, and provide more efficient network investment.

Purchase of electricity for losses of electricity in the distribution network in the distribution area of the Company Elektro Celje is being performed by the Company SODO in the Regulatory Framework 2019–2021, in accordance with the Network Charges Act. The Contract between the Company and SODO d. o. o. regulates the stimulation or penalisation from managing quantities of electricity losses in the network. Revenue under this heading for 2020 amounted to EUR 573,594 (EUR 778,862 in 2019).

The Impact of the Covid-19 Epidemic on Regulatory Years 2020 and 2021

Based on the declared epidemic of COVID-19 and the Act Amending and Complementing the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy – hereinafter ZIUZEOP-A (Official Gazette of the Republic of Slovenia, No. 61/20) and the Act Amending the Energy Act (Official Gazette of the Republic of Slovenia, No. 43/19, hereinafter EZ-1B), the Agency amended and supplemented the provisions of the applicable Act (Official Gazette of the Republic of Slovenia, No. 85/20) in the following areas:

- The Energy Agency followed the provision of Article 102.b of ZIUZEOP-A and amended the general Act determining the methodology for determining the eligible costs of the electricity distribution system from the Energy Act (Official Gazette of the Republic of Slovenia, No. 60/19 – official consolidated text) by reducing the **recognised rate of return** from 5.26% to 4.13% for 2020. In view of the amended rate of return for 2020 and the regulatory asset base from the Decision, the revenue under this heading was reduced by EUR 2,825,733.
- Receivables from network charges from 2020 onwards, excluding contributions, are recognised as **the operating expenses from revaluation related to trade receivables** from network charges. However, due to the declared epidemic of COVID-19 and the resulting expected liquidity problems of the economy and the population, the capping of operating expenses from revaluation in relation to trade receivables from network charges in 2020 and 2021 increased from 0.2% to 0.4% of the network charge. A transfer of the unused capping of these costs from 2020 to 2021 is enabled. In 2020, the Company did not show operating expenses from revaluation related to the network charge.
- The Slovenian Institute of Auditors has accepted the clarification that organisations which, based on ZIUZEOP-A or any other Law or Regulation to contain or eliminate the consequences of the COVID-19 epidemic, obtain any support from the State, the local community or directly from the budget, through government bodies or local authorities, or through other users of budgetary resources, shall disclose such government support received among Other Operating Revenue. The Energy Agency added the provision that, based on the "corona legislation", State aid is a part of Other Revenue, and is, therefore, intended to cover previously recognised eligible costs for the activity of the distribution operator rather than additional costs or reduced revenue due to the epidemic. **Other revenue from the State aid** of the DNSO activities amounted to EUR 635,669 in 2020.
- The acquisition of the assets acquired free of charge, including cash for investment, is important for the development of the network, while relieving consumers and reducing the need for network charges for carrying out new investments. In Article 76 of the Act, the Energy Agency increased the incentives for assets acquired free of charge for 2020 and 2021 from 0.5% to 2% of the carrying amount of the asset as of 31 December in the year when the asset was handed over for use, to encourage the electricity operators to play a more active role in this field. The value of the incentives in 2020 amounted to EUR 7,212.

OPERATIONS WITH THE COMPANY SODO

From 2007 onwards, the Company SODO d. o. o. has been operating as the holder of the concession for the implementation of the public utility service of the electricity distribution network system operator in the territory of the Republic of Slovenia. The Company Elektro Celje, which owns the electricity distribution infrastructure, concluded a new Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services with the Company SODO in February 2020, and in accordance with the provisions of the Agreement, the Contracting Parties signed the Annex No. 1, defining the amount of the lease fee and scope of services implemented in the distribution network for the regulatory period 2019–2021.

In March 2021, the Company received a preliminary reconciliation of the regulatory year 2020 from the Company SODO d. o. o. in accordance with the Agreement and the annex thereto, which was carried out based on the data from not-yet-completed Financial Statements of the Company. From the offset, it is seen that the already charged contractual value of services and lease in 2020 was EUR 1,060,657 higher than the value determined based on the provisions of the Network Charges Act. The Company issued a credit in the calculated amount of the surplus in March, with payment due in April 2021, and recognised reduced revenue of the Company SODO for 2020 in the amount of the difference ascertained. The final calculation for the regulatory year 2020 will be based on audited figures from both Contracting Parties and the Decision issued by the Energy Agency.

In 2020, the Company received a calculation from the distribution network system operator of the final deviation of the regulatory year 2018 of EUR -530,193, which will be due successively in the regulatory period 2022–2024.

The short-term portion of long-term receivables due from the Company SODO in 2021 amounts to EUR 1,062,802 (a third of the deficit of the preliminary reconciliation for 2015 and relevant interest in the total amount of EUR 1,210,664, and a third of the final reconciliations for the period 2014-2017 in the total amount of -147,862 EUR).

f) Amendments to accounting policies

The Company did not amend its accounting policies in 2020.

2.3 Significant Accounting Policies

Intangible fixed assets and long-term accrued revenue and deferred expenses

The Company has been using SAS 2016 for the presentation and valuation of items in the Financial Statements from 1 January 2016 onwards directly. The Company does not apply accounting policies that do not comply with the individual Accounting Standards of SAS 2016.

Items for which SAS 2016 offers the Company the choice between different valuation methods, are identified with the accounting policies disclosed in the Annual Report for each item.

According to the provisions of SAS 2016, the Company discloses all significant items, with the importance of individual items defined in the accounting rules; in disclosing Balance Sheet items, these are values of significant transactions or business events that exceed 2% of the value of the assets or liabilities at the Balance Sheet date, and in the Income Statement, those whose value exceeds 2% of total revenue or expenses in the financial year.

a) Intangible fixed assets and long-term accrued revenue and deferred expenses

An ***intangible asset*** is a non-monetary asset as a rule, without physical form and appears as an intangible non-current asset. The Company discloses long-term property rights (mainly investment in software), similar assets in preparation and accrued revenues and deferred expenses (long-term deferred expenses) among the intangible fixed assets. Investments into real rights on immovable property are disclosed in the item Land and Buildings in the Balance Sheet according to SAS 2.39.

Recognition and derecognition of intangible assets

An intangible asset is recognised if it is probable that the economic benefits associated with the asset will flow in and its cost can be measured reliably. An intangible asset is derecognised upon disposal, or when no more economic benefits are expected from its use and subsequent disposal.

Initial accounting measurement and measurement upon recognition

An intangible asset is initially recognised at cost, which also includes import and non-refundable purchase taxes after deduction of discounts and any directly attributable costs of preparing the asset for its intended use. The cost is subsequently reduced by the amount of accumulated depreciation.

Depreciation and useful life

All intangible assets are depreciable assets with a finite useful life. The straight-line depreciation method is used, with the depreciation basis equal to the cost of intangible assets. Depreciation of intangible assets begins on the first day of the following month after the asset becomes available for use. Depreciation calculated for each accounting period is recognised as a cost or operating expense for the period.

Due to impairment, intangible fixed assets are usually revalued by the Company as soon as their book value exceeds their recoverable value.

Significant groups of depreciable intangible assets	Estimated useful life in years	Depreciation rate in %
Computer software	3	33.33
Rights in rem on immovable property	100	1.00
Right to use facilities	30	3.33

Long-term accrued revenue and deferred expenses include amounts of deferred costs and expenses relating to a period longer than one year, and are not yet charged to the profit or loss.

Tangible fixed assets

b) Tangible fixed assets

A tangible fixed asset is an asset owned or leased or otherwise controlled by the Company which is used for the implementation of services, leasing or administrative purposes, and is expected to be used for this purpose during more than one accounting period. Groups of tangible fixed assets are the immovable property (land, buildings), equipment and other tangible fixed assets as well as investments in the acquisition of such assets and receivables for advances in this respect. Some types of small tools with useful lives longer than one year (hand tools and devices) are also considered tangible fixed assets.

Recognition, initial measurement and derecognition of tangible fixed assets

A tangible fixed asset is recognised when it is probable that future economic benefits associated with it will flow in and its cost can be measured reliably. A tangible fixed asset is valued at cost upon initial recognition. This consists of the purchase price, import and non-refundable purchase duties, and expenses which are directly attributable to the activities necessary to prepare the asset for its intended use. The cost also comprises borrowings costs related to the acquisition of new tangible fixed assets for those fixed assets for which the period from the date of the provision of services of the first invoice for construction assembly services or equipment to bringing the fixed asset for use is longer than one year, and, namely, for the period from the payment deadline of each invoice until the date of bringing the fixed asset into use, whereby the capitalisation rate is calculated for each individual investment, taking into account the weighted average rate of withdrawals of investment loans in the current year. If the cost of the fixed asset is significant, it shall be divided into its parts. If these parts have a different useful life and/or samples of use significant in the relation to the complete cost of the tangible fixed asset, every part is dealt with individually.

Land is valued at cost, which includes the costs of real-estate turnover taxes and Land Registry fees. The cost of buildings comprises expenditures to cover the purchase, construction or upgrading of facilities, project and other documentation based on which the acquisition, construction or upgrades were made, for land development, for the necessary permits for the manufacture of connections, and other costs that can be directly attributable to preparing them for use.

Expenditures for the acquisition of land on which buildings are situated and expenditures for the acquisition of land intended for access to buildings or other needs regarding their use are not included in the cost. The cost of equipment comprises expenditures to cover the purchase, manufacture or elaboration of equipment, costs of delivery, installation and other expenses arising during purchase, manufacture or elaboration.

The cost of tangible fixed assets constructed or produced at the Company consists of costs originating from their construction or manufacture, and indirect costs of their construction or manufacture that can be attributed to the asset. It does not comprise costs not related to their construction or manufacture, and costs that the market does not recognise. The cost of such fixed assets cannot be higher than the value of the same or similar fixed assets on the market. Investments carried out in the Company are divided into *reconstruction*, which covers major repairs of fixed assets due to wear, *substitution and capacity increases*, which include investment for replacement and increasing of the capacity of existing fixed assets and *new investments*, which cover investments in the acquisition of new fixed assets. Here, the fixed assets acquired free of charge are valued at cost, and if this is not known, at fair value, as determined in the free acquisition agreement.

A fixed asset is derecognised when disposed of, or if no further economic benefits are expected from its use or disposal. Derecognition and retirement of tangible fixed assets arise from new investments, investments in reconstruction and restoration, technical, economic or physical obsolescence of fixed assets, sales and loss events, and due primarily to extreme weather events. Profits and losses from the sale or retirement, which are determined in such a way that sales revenues are compared to the book value, are included by the Company in the Income Statement.

Measurement upon Recognition and Subsequent Costs

In evaluating tangible fixed assets the Company uses the cost model, and carries them at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs incurred for repairs and maintenance related to tangible fixed assets are recognised by the Company as maintenance costs when they are incurred in the process of restoring and maintaining future economic benefits based on the initial estimated level of the asset's efficiency. Estimated costs of regular inspections or repairs of tangible fixed assets are treated as parts of tangible fixed assets.

Revaluation

Due to impairment, intangible fixed assets are usually revalued by the Company as soon as their book value exceeds their recoverable value. The recoverable value is the fair value less costs of sale or value in use, whichever is greater. A significant change in the operating situation is one for which the assumptions used in assessing value in use and fair value reduced by costs of sale change by more than 5% in one year.

A review of impairments is decided based on a significant asset with the longest useful life; the Company defines as a significant asset an asset whose cost amounts to more than 0.5% of the total cost of tangible fixed assets. A decrease in value of a depreciable asset due to impairment is treated as an operating expense from revaluation, as is the carrying amount of an asset that no longer possesses any usefulness; if this asset is sold and the net realisable value is greater than the book value, the difference is treated as revenue from revaluation.

The value of land, buildings and distribution equipment is assessed by certified appraisers. The Company as a rule does not revalue other equipment, as it represents less than 5% of the amount of total fixed assets.

Depreciation and Useful Life

A tangible fixed asset begins to be depreciated on the first day of the following month after the asset becomes available for use. The Company uses the straight-line depreciation method.

Significant groups of depreciable tangible fixed assets	Estimated useful life in years	Depreciation rate in %	
		Minimum	Maximum
Energy infrastructure buildings	20–40	2.50	5.00
Other buildings	20–40	2.50	5.00
Energy infrastructure equipment	3–33.33	3.00	33.33
Other equipment	2–33.33	3.00	50.00
Vehicles	8–12.5	8.00	12.50

Depreciation rates are set according to the expected useful lives, which depend on expected physical wear, technical and economic ageing and expected legal, lease or other restrictions regarding their use, taking into account the one that is the shortest. The useful life of fixed assets is determined by the Joint Commission of Electricity Distribution Companies designated for that purpose.

Depreciation is calculated individually, until the amount replaces fully the value that forms the basis for the calculation of depreciation. Accumulated depreciation of fixed assets is carried out for the amount of depreciation which is determined in the final annual accounts of depreciation. Depreciation is not calculated for land, fixed assets of cultural, historical or artistic significance, fixed assets permanently out of use, investing in the acquisition of fixed assets until they are available for use, and advances for the acquisition of fixed assets.

The Company verifies the useful lives of significant fixed assets whose cost exceeds EUR 1 million at least every two years, with depreciation rates recalculated accordingly if expectations differ significantly from the estimates. The effect of the recalculation is treated as a change in accounting estimates.

Leases

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c) Leases

Upon the conclusion of the Agreement, the Company assesses whether it is a Lease Agreement or whether the Agreement contains Leases. In the event of long-term leased assets (duration of the Lease is more than 1 year) and leased assets of higher value (more than EUR 10,000, taking into account the value of the new asset), the right to use the leased asset and the associated lease liability are recognised among assets at the date of the commencement of the Lease. An Agreement is a Lease Agreement if it conveys the right to control the use of the asset for a fixed period in return for compensation. The duration of the Lease is determined by the Company, based on the period during which the Lease cannot be cancelled, also taking into account the period for which the possibility of renewal or cancellation of the Lease applies.

At the commencement of the Lease, the liabilities for the leased assets are stated in the same amount as the rights to use the assets, and are reduced by repayments, while the value of the rights to use the leased assets decreases by the calculated depreciation throughout the lease. Depreciation rates are based on the leasing period. The financial expenses of the period bear the costs of the accrued interest expenses.

RIGHT TO USE LEASED ASSETS

Recognition, Initial Measurement of Leases

A fixed asset acquired through lease forms an integral part of the Company's fixed assets. The cost of the leased asset includes the amount of the initial measurement of the lease liability, the lease payment made on or before the commencement date of the lease, reduced by the received lease incentives and increased by initial direct costs incurred by the tenant and an estimate of the costs incurred by the tenant in dismantling or removing the assets that are the subject of the lease, restoring the site where the assets are located or returning the assets which are the subject of the lease to the state required by lease conditions.

Investments

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Depreciation, Useful Life and Revaluation

The Company depreciates the asset representing the right to use from the beginning of the Lease to the end of its useful life, or until the end of the duration of the Lease, if shorter. If, by the end of the duration of the Lease, ownership of the asset is transferred to the lessee by the Lease, or the Company uses the purchase option, the depreciation is calculated based on the estimated useful life.

Depreciation of rights to use leased assets	Estimated useful life in years	Depreciation rate in %	
		Minimum	Maximum
Right to use equipment	8	12.50	12.50

The right to use the leased asset is reassessed if the duration period of the Lease, the amount of the lease payments (e.g. change in future amounts of the lease payments as a result of a change in index or rate of determining the amount of the lease payments) or the estimate of the Lease termination fee changes, and when the Lease Agreement is modified if this change is not accounted for as a separate Lease. The Company also revaluates the right to use the assets for possible impairment in accordance with the requirements of SAS 17.

LIABILITIES FOR LEASED ASSETS

Recognition, Initial Measurement of Lease Liabilities

At the commencement date of the Lease, the Company measures the Lease Liability at the present value of the lease payments not yet paid at that date. In the calculation of the present value of lease payments, the interest rate that has been accepted on the Lease is used, but if that is not determinable, the average weighted interest rate on investment loans after the commencement date of the Lease is used. Lease payments included by the Company in the measurement of Lease Liabilities include fixed lease payments, reduced by lease incentives, receivables, variable lease payments, the exercise price of the purchase option, if it is fairly certain that the Company will exercise this option, and the payment of Lease termination fees, if the duration of the Lease indicates that the lessee will use the option of terminating the Lease. Lease Liabilities are shown under the item of short-term/long-term liabilities among financial liabilities (Section 2.4.12).

Measurement upon Recognition and Revaluation

Upon initial recognition, the amount of the Lease Liability is increased by the interest on the Lease Liability and reduced by lease payments to the lessor. The book value of the Lease Liability is reassessed if the duration period of the Lease, the amount of the lease payments (e.g. change in future amounts of the lease payments as a result of a change in index or rate of determining the amount of the lease payments) or the estimate of the Lease termination fee changes and when the Lease Agreement is modified if this change is not accounted for as a separate Lease.

SHORT-TERM AND LOW-VALUE ASSET LEASES

The Company applies the exception for Leases of assets in the value of up to EUR 10,000 and Leases with a duration period of 12 months or less, not including a purchase option. It recognises the costs associated with the Lease of these assets among the cost of lease payments, evenly over the duration period of the Lease, or on another systematic basis that best reflects the pattern of the benefits it receives.

d) Investments

Investments are financial assets held by the investing company so that the yield arising from them would increase its financial revenue and are shown as long-term investments in the Balance Sheet, namely, those that the Company intends to hold for a period longer than one year, and not held for trading and short-term investments. Long-term investments that mature within one year after the Balance Sheet date are reclassified to short-term investments in the Balance Sheet.

Exposure to various types of risks, especially the risk of reduction in the value of investments below their cost, is not hedged with financial instruments. The value that best represents the maximum exposure to such risk is the total value of the investment.

The Company's Balance Sheet shows long-term investments in the capital of subsidiaries and other shares and stakes. Long-term investments in the capital of other companies are allocated among other long-term investments, allocated and measured at cost, or other investments. Allocation and measurement are performed at fair value through equity. Received profit pay-outs from long-term investments are recognised as financial revenue at the moment the Company acquires the right to the payment of dividends.

Recognition and Derecognition of Investments

Investments are recognised when it is probable that future economic benefits associated with them will flow in and their cost can be measured reliably. When acquiring or selling investments, the Company recognises them on the day of trading or settlement. The Company performs derecognition of a financial asset the moment a contractual obligation related to cash flows no longer exists, or when all the risks and benefits associated with the ownership of the financial risk is transferred to a third party.

Deferred tax assets and liabilities

Assets held for sale

Initial Accounting Measurement and Measurement Upon Initial Recognition

Upon initial recognition, an investment is measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset are also added, except for assets measured at fair value through profit or loss. The Company classifies financial assets which are investments upon initial recognition as financial assets, measured at fair value through profit or loss, investments held to maturity, loans, assets available for sale or financial assets measured at cost. Financial assets measured at fair value through profit or loss are usually short-term investments. Investments in the equity of subsidiaries are measured and calculated by the Company only at cost. If the fair value of investments in stocks and stakes cannot be measured reliably, they are valued at cost, increased by transaction costs, less any impairment.

Revaluation of Investments

The Company revalues investments to their fair value at the end of the financial year. If the recorded book value of long-term investments is higher than the market value calculated according to the last published Stock Exchange price, the Company will implement an impairment; if their proven fair value according to the last published Stock Exchange price exceeds their book value, the Company appreciates the investments (the book value is increased to the fair value). Fair value is established if it can be measured reliably and is determined in accordance with SAS 16. Proven profits or losses arising from the change in the fair value of a financial asset are recognised directly in equity as an increase (profit) or a reduction (loss) in reserves resulting from valuation at fair value.
An investment carried at cost by the Company is impaired (long-term) which causes losses if objective evidence of its impairment exists and its recorded book value is higher than the proven realisable value due to an event upon initial recognition of the investment. On the Balance Sheet date, the Company carries out a test to assess the impairment of investments in equity instruments, if the book value of the investments at the Balance Sheet date is more than 20% greater than the proportional part of the book value of the total capital of the Company in which it has an investment, and also if the Company's future business plans indicate permanent impairment of these investments. The amount of loss is measured as the difference between the book value of the investments on the Balance Sheet date and the present value of expected future cash flows of these investments, discounted at the current market rate of return (recoverable value), which applies to similar financial assets. The loss value in the Income Statement is recognised as a financial expense from revaluation. Such impairment losses may not be reversed.

e) Deferred tax assets and liabilities

Deferred tax assets and liabilities are the result of calculating current and future tax consequences (future repayment/settlement of the book value of assets/liabilities recognised in the Balance Sheet of the Company, and transactions and other business events in the period in question, recognised in the Financial Statements of the Company).

Deferred tax assets are the amounts of income taxes recoverable in future periods, and recognised by the Company at the end of the reporting period if it is likely to have future taxable profits which could be burdened by deductible temporary differences. Deferred tax assets reduce tax expense, thereby contributing to an improved profit or loss, or directly increasing capital.

The Company accounts for deferred taxes by using the liability method on the Balance Sheet, taking into account temporary differences between the book and tax values of individual assets and liabilities, and arising from each respective state of accounting items and not from differences between the previous and current states. Deferred taxes are measured at tax rates that are expected to be applied in the financial year when the deferred tax assets are realised or deferred liabilities settled, and are based on tax rates and tax regulations valid until the Balance Sheet date.

Whenever the book value of deferred tax changes due to changes in tax rates or tax regulations, a reassessment of the recoverability of deferred tax assets or changes in the expected manner of recovery of the assets, the resulting deferred tax is recognised in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

f) Assets held for sale

If the book value of the asset is provided primarily by sale and not by continued use, this asset is classified as a disposal group for sale. The assets held for sale are available for immediate sale in the current state and their sale is highly likely (the management accepted the sales plan, the purchaser is sought). There is active marketing of the sale of the asset in progress, and it is expected that the sale will be completed within a year after the reclassification.

An asset shall cease to be depreciated when it is classified in the disposal group for sale. Such non-current disposal asset held for sale is measured at its book or fair value less costs of sale, whichever is lower.

g) Inventories

Inventories comprise a part of current assets in tangible form, which will be used to create products or provide services. The Company's inventories include material and small tools with a useful life of up to one year which have the characteristics of inventories among stocks of materials, but may also include those with useful lives exceeding one year if their individual cost does not exceed EUR 500. The Company also includes protective equipment and tools under small tools. The Company monitors stocks of materials by individual material in its analytical records.

Recognition and Derecognition of Inventories

Stocks of materials in the books of account and the Balance Sheet are recognised if it is probable that future economic benefits associated with them exist, and their value or cost can be measured reliably. Recognition of inventories is eliminated when the material has been consumed, sold, or otherwise ceased to exist, as confirmed by relevant documents.

Initial Measurement and Measurement upon Initial Recognition

A unit of stock of materials is valued at cost, which comprises the purchase price, reduced by discounts, import and other non-refundable acquisition duties and direct acquisition costs. Consumption of stocks of materials is valued according to the weighted average price method.

Revaluation of Inventories

Stocks of materials are revalued due to impairment if their book value exceeds the net realisable value. Write-downs of damaged and obsolete inventories are performed by the Company regularly throughout the year, and during inventory-taking.

h) Receivables

Receivables are property rights and other rights based on legal relationships to demand that a particular person pay a debt, or, in the case of advance payments, to demand the supply of goods or performance of a service. Depending on their maturities, they are allocated to short-term receivables collected within one year and long-term receivables. Long-term receivables that have matured and are not yet settled, and those which will fall due for payment within one year after the Balance Sheet date are recognised as short-term receivables. Receivables that arise in the Company are mainly trade receivables, receivables from employees, the State, from suppliers for advance payments etc.

Recognition and Derecognition of Receivables

Receivables are recognised in the books of account and Balance Sheet items if it is probable that the economic benefits associated with them will flow in and their historical cost can be measured reliably. Derecognition is implemented if they no longer fall under binding contractual rights because they either expired or were assigned.

Initial Accounting Measurement and Measurement upon Initial Recognition

Upon initial recognition, receivables of all types are recognised by the Company in the amounts that arise from relevant documents (invoices, contracts), assuming that they will be paid. Receivables from legal and natural persons abroad are converted into domestic currency on the day of occurrence, using the current reference Exchange Rate of the European Central Bank. Later receivables can be increased or decreased (subsequent discounts, complaints), thereby affecting the relevant business and financial revenues.

Revaluation of Receivables

It appears mainly as a revaluation of receivables due to their impairment or reversal of impairment, i.e. reduction or the subsequent increase in their value to their collectible value. In the Balance Sheet, receivables are carried at amortised cost, which means that they are reduced by the amount of the value adjustment for doubtful and disputed receivables. In accordance with SAS, the Company carries out a valuation adjustment in the total amount for receivables in bankruptcy proceedings, for receivables that are the subject of litigation, and for receivables that have been mature for more than 90 days on the Balance Sheet date. For receivables in compulsory composition proceedings, the Company carries out a valuation adjustment depending on the decisions of compulsory compositions or in the amount of 80% if the compulsory composition has not yet been confirmed. Valuation adjustments are reduced by payments and write-offs of receivables based on supporting documents: Court Decision, the Decision on compulsory composition, Decision on bankruptcy proceedings and other relevant documents. The Company, in addition to receivables from network charges and receivables on default interest for network charges, also adjusts values for non-matured receivables and receivables with maturities up to 90 days in the amount of the calculated percentage of non-payments, based on the average monthly balance of receivables of the previous three years and the predicted IMAD economic growth in the coming year.

Long-term operating receivables relating to trade receivables, which are undergoing compulsory settlement are remunerated in accordance with the Decisions on compulsory settlements. Long-term operating receivables from the Company SODO bear interest in accordance with Article 85 and Item 3 of Annex 1 of the Network Charges Act (*Official Gazette of the Republic of Slovenia*, No. 66, of 14 September 2015). Receivables of significant value which are not remunerated are shown at discounted values in the Balance Sheet, taking into account the interest rate, which is equal to the average interest rate of all long-term loans.

i) Cash

Cash of the Company includes money in the transaction accounts and deposits at commercial banks, investments that can be converted to known amounts of cash quickly or in the near future, and where the risk of changes in value is insignificant (overnight deposits with banks). It is recognised in the amounts derived from the relevant documents.

j) Equity

Total equity is the liability to owners of the Company, which is due for payment when the Company goes out of business. It is defined in the amounts invested by the owners and the amounts generated during operations that belong to the owners. Equity is reduced by loss from operations, repurchase of treasury shares and dividend payments. It consists of called-up capital, capital reserves, profit reserves, revaluation reserves, reserves resulting from valuation at fair value, retained net profit from previous years, and temporarily undistributed net profit for the business year.

Called-up capital of the Company is share capital divided into 24,192,425 ordinary freely transferable shares. Ordinary shares give their holders the right to participate in the management of the Company, entitlement to a part of the profits (dividends), and the right to participate in an appropriate share of assets remaining after the liquidation or bankruptcy of the Company. There are no agreements between shareholders which could result in a limitation of transfer of securities and voting rights. The Company also has no restrictions on voting rights, except for Treasury shares, which do not have voting rights, nor provide dividends. All shares are of the same class and have been fully paid up, there were no newly issued shares. The shares are issued in book-entry form and held at KDD – Centralna klirinško depotna družba, d. d. (Central Securities Clearing Corporation) in accordance with Regulations. The Company has no employee shareholder scheme and did not increase its share capital conditionally during the financial year. The Share Capital of the Company, which amounted to EUR 100,953,201 as of 31 December 2019, increased in 2020 with the decision of the General Meeting from the Company's assets by converting other profit reserves in the amount of EUR 50,001,889 to Share Capital. The Share Capital of the Company after the increase amounts to EUR 150,955,090.

The Company's ***capital reserves*** consist of amounts of reversals of the general capital valuation adjustment, and are formed in accordance with item 15 of the Introduction to SAS 2006 (transitional provisions) to be used in accordance with Article 64 of the Companies Act (ZGD-1).

Profit reserves include legal reserves, reserves for treasury shares, acquired treasury shares, and other profit reserves. Profit reserves are formed in the amount and under the conditions laid down in Article 64 of the Companies Act (ZGD-1) and Articles of Association of the Company from net profit amounts for the business year. Reserves for Treasury shares are formed in accordance with the Articles of Association of the Company in the following order: From the net profit for the year, retained profit and from the amount of other profit reserves, exceeding the amount of any losses brought forward, which could not be offset against net profit for the year. Other profit reserves are formed in the amount and under the conditions laid down by the law and Articles of Association of the Company. The Management Board may establish other profit reserves in the proportion of up to two-thirds of the remaining net profit for the year that remains after legal reserves and reserves for Treasury shares are formed, unless they already amount to one half of the Share Capital. Other profit reserves represent own source of investment financing. Capital and statutory reserves may, pursuant to the Companies Act, be used to cover net loss for the year if it cannot be covered from retained net profit or other profit reserves, and for coverage of the retained loss if it cannot be covered by net profit for the year or from other profit reserves. Acquired Treasury shares form a constituent part of total equity and are deducted from it. The purpose and reason for the acquisition of Treasury shares were determined by the Decision of the 21st General Meeting of the Company Elektro Celje of 31 August 2016, namely, to increase the value of the Company's assets and maximise value for shareholders.

Reserves arising from revaluation at fair value are based on actuarial gains or losses from severance pay upon retirement, and amounts of proven profit or loss from changes in fair value of financial assets available for sale.

k) Provisions and long-term accrued expenses and deferred revenue

The purpose of these provisions is to collect amounts in the form of accrued costs or expenses that will, in the future, be used to cover costs or expenses incurred at that time. Deferred revenue, which will cover estimated expenses in a period exceeding one year, fall under long-term accrued expenses and deferred revenue.

Recognition and Derecognition of Provisions and Long-Term Accrued and Deferred Items

Provisions are recognised if due to a past event a current obligation exists (with probability greater than 50%), which is expected to be settled in a period which cannot be determined with certainty, and if the amount of the obligation can be measured reliably. Derecognition is carried out when the item for which the provisions were made has already been used or there is no longer a need for it. The unused part is transferred to other revenue.

Accrued and deferred liability items in respect of assets received free of charge shall be formed for the amounts of the received assets. Derecognition is performed when all incurred options have expired or accrued and deferred items are no longer needed.

Initial Accounting Measurement and Measurement upon Recognition

The amount recognised as a provision is the best estimate of the expenditures (includes risks and uncertainties) required for the settlement of usually long-term liabilities existing on the Balance Sheet date. If the effect of the time value of money is material, the expected expenditures must be discounted appropriately to their present value.

Accrued and deferred liability items due to deferred revenue are transferred to the operating revenue of the financial year in which the costs or expenses for the coverage of which they are formed arise.

Revaluation and Measuring Changes in Provisions and Long-Term Accrued Expenses and Deferred Revenue

Provisions are not revalued. At the end of the accounting period they are adjusted due to changed estimates, so that their value is equal to the current value of the expenditure expected to be required to settle the obligation.

Long-term accrued and deferred liability items are also not revalued. When drawing up the Financial Statements, however, the reality and eligibility of their formation must be verified.

Liabilities

PROVISIONS FOR PAYMENT OF RETIREMENT BENEFITS AND LONG-SERVICE AWARDS

The Company, pursuant to legislation and the Collective Agreement, is obliged to pay long-service awards to employees, severance upon their retirement and allowance in the case of the death of employees, for which provisions are created for the long-term benefit in the amount of future payments discounted at the Balance Sheet date. The actuarial calculation was prepared using the projected Unit Credit method based on the multiple decrement model, and takes into account current service costs, interest costs, payment of benefits and actuarial gains/losses that result from changes in actuarial assumptions and adjustments based on experience. In accordance with SAS 10.35 on the balance cut-off date, the Company determines and recognises in the Income Statement revenue or expenses connected to the adjustment of provisions for retirement benefits (long-service costs and interest), while actuarial gains and losses arising from liabilities for retirement benefits are recognised in equity within reserves resulting from valuation at fair value.

The Company similarly, in accordance with SAS 10.36, on the cut-off balance date, determines and recognises in the Income Statement revenue and expenses connected to the adjustment of provisions for long-service payments and allowance payments in the case of death of an employee (long-service costs, interest, actuarial gains/losses).

PROVISIONS FOR LAWSUITS

The Company discloses provisions for lawsuits in which it acts as the defendant. Every year, the eligibility of provisions formed is assessed in relation to the state of disputes and the likelihood of a favourable or unfavourable resolution. The amount of the provisions is determined by the known amount of compensation claims, or according to the anticipated amount if the claim amount is not yet known.

LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUE

The Company recognises long-term accrued expenses and deferred revenue for ***fixed assets acquired free of charge*** classified in categories according to the rate of depreciation of the acquired assets. They are intended to cover depreciation costs of these depreciable assets, and are used by reallocating them to operating revenue. Acquisition of fixed assets free of charge relates mainly to the connections of customers which the Company assumed as tangible fixed assets with a commitment to maintain and restore them, in accordance with Regulations (Official Gazette of RS, no. 126/07, General Conditions for Connection to the Distribution Electric System).

The Company also recognises long-term accrued expenses and deferred revenue for the calculation of ***average costs of connection*** pursuant to the Decision on determining the network charge for use of the electricity networks of the Energy Agency of the Republic of Slovenia for electricity for the period up to 30 June 2007, relating to the dedicated payment of connections to the network or increase in connected load (financing investments in network expansion). Their purpose is to cover the depreciation of assets, and they are used by reallocating them to operating revenue at the prevailing depreciation rate of fixed assets of the energy infrastructure, i.e. at a rate of 3%.

Long-term deferred revenue ***for government and European grants*** is recognised in the periods during which the depreciation costs of these depreciable assets, or the costs and expenses for the coverage of which these assets were acquired, arise.

l) Liabilities

Liabilities are recognised obligations associated with the financing of own assets, which must be repaid or settled, mainly in cash. The Company discloses financial and operating liabilities, and depending on the maturity of the payment long-term or short-term liabilities. Short-term liabilities mature into payment within a period shorter than one year.

Short-term accruals and deferrals
Income Tax
Revenue

Recognition and Elimination of Liabilities

Liabilities are recognised if it is likely that their settlement will reduce factors allowing for economic benefits, and if the amount of their settlement can be measured reliably. Derecognition is performed when the obligation specified in a Contract or other legal instrument is discharged, cancelled or expires.

Initial Accounting Measurement and Measurement upon Initial Recognition

Upon initial recognition, liabilities are valued at the amounts arising from relevant documents on their origin, which for financial liabilities is evidence of received loans, or obligations for the payment of interest, dividends or payment of a business debt, and for operating liabilities, receipt of a product or service, performed work or accrued cost, expense or a share in profit or loss.

Liabilities are measured at amortised cost. Before compiling the financial statements, the Company estimates the fair value of short-term liabilities based on contracts at least once a year, and if the book values are lower than the established fair values, a mandatory increase in the value of the Company's short-term liabilities is implemented. Liabilities increase by the amount of accrued interest and decrease by repaid amounts or other forms of settlement. The book value of long-term liabilities equals their historical cost decreased by repayment of the principal and transfers under short- term liabilities. When purchasing on credit and if the contractual deadline for payment is exceeded, that part of the liability relating to interest is treated as financial expense. Subsequent reduction by the amount for which agreements with creditors exist (subsequent discounts, returns of sold material, recognized complaints etc.), reduce the relevant costs or operating or financial expenses. Short-term liabilities denominated in foreign currencies are translated into local currency at the reference Exchange Rate of the European Central Bank by the Company on the Balance Sheet date.

Revaluation of Liabilities

The Company does not carry out impairment of short-term liabilities or disclose it.

m) Short-term accruals and deferrals

Short-term deferred costs and accrued revenue include short-term deferred costs and expenses which are expected to be realised in the coming year and whose appearance is probable, and whose size can be estimated reliably, and which do not yet affect profit or loss or accrued revenue if they are justified in the Income Statement, for which the company has not yet received payment and which could not be invoiced, and VAT on advances and overpayments of network charges received.

Short-term deferred costs and accrued revenue include accrued costs or expenses arising based on equal burdening of profit or loss with expected costs, which have not yet arisen, and deferred revenue and VAT from granted advances.

Recognition and Elimination of Short-Term Accruals and Deferrals

Short-term accruals and deferrals are recognised when it is probable that, during the period for which they were created, such revenue or costs and expenses are actually incurred. Derecognition is performed when all incurred options have expired or accruals and deferrals are no longer needed. They are only used for the items for which they were originally recognised. The reality of the items in short-term accrued revenue and deferred costs must be justified on the Balance Sheet date, while items in accrued expenses and deferred revenue should not hide the reserves.

Revaluation of Short-Term Accruals and Deferrals

Accruals and deferrals are not revalued and at the end of the accounting period, their reality and eligibility of their formation are verified.

n) Income Tax

Income tax for the business year comprises current and deferred tax. Current tax is the tax paid by the Company from its taxable profit for the year, using tax rates in force on the reporting date, and taking into account any adjustment to tax liabilities in respect of previous business years.

o) Revenue

Revenue is broken down into operating, financial and other revenue. Operating and financial revenue are regular.

OPERATING REVENUE comprises sales revenue, capitalised own services and other operating revenue associated with business effects.

Sales revenue includes revenue of DNSO from the lease of the electricity infrastructure and the provision of related services, revenue from the provision of services to customers in the market, from rental of premises and the Company's vacation facilities.

Amounts that have been invoiced in the name and for the account of the Company SODO d. o. o. are not shown under revenue, but among operating liabilities towards the Company SODO. VAT levied and excise duty are not counted as sales revenue, but as withdrawal liabilities.

The Company discloses accrued revenue for services rendered to customers among assets from contracts with customers. Since SAS 15 does not provide for separate disclosure of these items in the Balance Sheet, they are recognised under accrued revenue and deferred expenses.

A liability arising from contracts with customers is an obligation to transfer a service to the customer in exchange for compensation received by the Company from the customer. As part of the liabilities arising from contracts with customers, the Company discloses liabilities for securities and advances received. Since SAS 15 does not provide for separate disclosure of these items in the Balance Sheet, they are recognised under accrued expenses and deferred revenue.

Costs and expenses

Capitalised own services are services rendered for the Company's own needs and capitalised among tangible fixed assets or intangible fixed assets.

Other operating revenue comprises revenue from the reversal of provisions (mainly for fixed assets acquired free of charge), revenue associated with business effects (received compensation, subsidies, State aids, reimbursements, government grants, recourses etc.), and operating revenue from revaluation, arising from the disposal of fixed assets as surpluses of their sales value over their book values, sale of dismantled material, write-offs of liabilities and the reversal of valuation adjustments to receivables.

In connection with the recording of State aid received as a result of the epidemic, the Slovenian Institute of Auditors adopted Note 1 to the SAS 15 (2019) – Accounting Presentation of State Aid due to COVID-19, based on which the Company fully recognised labour costs for the reimbursement of sickness benefits, established a claim against the Institution and recognised operating revenue. To avoid situations in which companies would record the same business event in terms of the reimbursement of sickness benefits for more than 30 days and benefits for absence due to care and blood donation in two ways, a modified technical justification for the accounting treatment of these events was adopted. Based on the above, the Company shows revenue from the reimbursement of salary costs from 2020 onwards among other revenue and no longer offset against salary costs, as in previous years.

The method for recording sick pays does not affect the profit or loss of the Company or the income tax return in relation to tax recognition of expenses and revenue. The impact on higher labour costs and higher revenue is negligible and the comparative data for 2019 are not corrected as a result.

FINANCIAL REVENUE arises in connection to investments (mainly revenue from dividend payments and participation in profits of subsidiaries), receivables (mainly interest on late payments of the network charge and services received), interest received from deposits, cash in accounts and granted loans, positive exchange rate differences and financial revenue from revaluation.

OTHER REVENUE comprises unusual items which are not expected to occur regularly or frequently (recovered receivables written off from previous years, received reimbursement of legal costs and damages etc.).

Recognition and Accounting Measurement of Revenue

Sales revenue is recognised based on the terms of the Contracts with the customers, upon transfer of control of the services to the customer, in the amount of the expected fees to which the Company is entitled in return for the services performed, reduced by the returns and discounts granted at or after the sale due to an earlier payment. Recognition of revenue from customer services is gradual. The method of inputs (e.g. assets, car rides, working hours, costs), which have already been spent by the metering date, is used to measure the performance obligation. The right to compensation in return for services that are transferred to the customer is an asset from Contracts with customers. Liabilities for securities and advances received are recognised as revenue when the Company meets its performance obligation under the Contract.

Revenue from interest is recognised on the date of its occurrence using the effective interest rate method, revenue from dividends on the date when the shareholder's right to receive payment is exercised, and late charges on overdue payments of the network charge and services rendered at settlement when there is no doubt with respect to their amount and maturity date.

p) Costs and expenses

Costs and expenses are classified as operating, financial and other expenses. Operating and financial expenses are regular expenses.

OPERATING COSTS AND EXPENSES include costs of goods, materials and services, labour costs, write-downs and other operating expenses.

FINANCIAL EXPENSES are expenses from the Company's financing (borrowing costs, exchange rate differences etc.) and expenses from investing activities (e.g. impairment and write-downs from investments), and are divided into the part associated with the creation of operating revenue, and the part associated with the creation of financial revenue.

OTHER EXPENSES include unusual items and other expenses reducing profit (fines, damages, annuities, etc.).

Recognition and Accounting Measurement of Costs and Expenses

Costs and expenses are recognised if decreased economic benefits in an accounting period are related to decreased assets or increased liabilities, and if such decrease can be measured reliably. Operating expenses from revaluation are recognised when adequate revaluation is performed. Financial expenses from revaluation are also recognised in the sale or other disposal or derecognition of investments other than equity instruments, or the sale of receivables as a negative difference between the sale and book value, adjusted for any reserve arising from valuation at fair value. Financial expenses are recognised at settlement irrespective of the payments associated with them. Borrowing costs are recognised by the Company in the Income Statement using the effective interest method, except for those costs that are capitalised and attributable to tangible fixed assets in the course of construction or development.

Statement of Comprehensive Income
Cash Flow Statement
Statement of Changes in Equity

Consumption of stocks of materials is valued according to the weighted average price method. Labour costs include salaries and other labour costs calculated in gross amounts, as well as contributions paid from these bases which are not a constituent part of the gross amounts. The Company complied with the provisions of general and industry Collective Agreements and individual Employment Contracts with regard to payment of salaries. Write-offs include depreciation and operating expenses from revaluation. Depreciation was calculated based on the depreciation rates laid down by the so-called single commission of all five distribution companies appointed specifically for that purpose with respect to the useful life of fixed assets. Operating expenses from revaluation arise in connection with long-term intangible and tangible fixed assets and current assets, due to their revaluation to a lower value and in connection with the sale or other disposal and derecognition of fixed assets.

q) Statement of Comprehensive Income

The Statement of Comprehensive Income is a Financial Statement that gives a true and fair view of all components of the Income Statement for the periods for which it is prepared, and includes those items of revenue and expenses that are not recognised in profit or loss but have an impact on the size of the total owner's equity. The Company uses Version I of the Income Statement in accordance with SAS 21.8. Total comprehensive income with items from Sections 19 to 24 of SAS 21.8 and items from Sections 25 to 29 of SAS 21.10 is given in an additional Statement.

r) Cash Flow Statement

The Cash Flow Statement presents the changes in inflows and outflows in operating, investing and financing activities faithfully and fairly, and explains the changes in the cash balance for the financial year. Cash and cash equivalents in the Cash Flow Statement include cash in current accounts, cash items in the process of collection, and deposits redeemable upon notice. The Cash Flow Statement is compiled using the direct method (Version I) in accordance with SAS 22.6. Inflows from sales include 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 Cash Flow Statement are derived from analytical records, current account summaries, and offsets.

s) Statement of Changes in Equity

The Statement of Changes in Equity presents, faithfully and fairly, the changes shown in all equity components in the Balance Sheet for the financial year in accordance with SAS 23.4 and SAS 23.5 in the form of a Table of Changes in all equity components. Total Company equity consists of Share Capital as entered into the Court Registry, capital reserves, profit reserves, reserves arising from valuation at fair value, net profit or loss brought forward and net profit or loss of the financial year.

2.4 Disclosure of Items in the Balance Sheet

The Balance Sheet is a fundamental Financial Statement that shows the fair balance of assets and liabilities as of 31 December 2020. It is compiled in sequential order as defined in SAS 20.4 and the Companies Act. Balance Sheet items are recorded at their carrying amounts as the difference between the total value and valuation adjustment. The principle of individual valuation of assets and liabilities is observed.

2.4.1 Intangible Fixed Assets and Long-Term Deferred Expenses and Accrued Revenue

Intangible assets and long-term deferred expenses and accrued revenue (in EUR)	**31 Dec. 2020**	**31 Dec. 2019**
Long-term property rights	4,963,248	3,816,997
Intangible fixed assets under preparation	0	405,251
Other long-term accrued revenue and deferred expenses	7,465	30,160
Total	**4,970,713**	**4,252,408**

Long-term property rights as of 31 December 2020 mainly represent investments in software in the amount of EUR 4,951,511 (EUR 3,801,902 in 2019), of which the carrying amount under agreements on lease, upgrade and provisions of software and appropriate licenses for the operation of IT support amounted to EUR 1,013,153 (cost to EUR 2,453,878, valuation adjustment to EUR 1,440,726), and the unpaid part under the same agreements to EUR 372,291 (EUR 314,794 mature in 2021 and EUR 57,497 in 2022). In 2020, it activated EUR 2,811,057 of intangible assets; the majority of it relates to software for the Advanced Distribution Management System – ADMS (EUR 1,549,010).

As of 31 December 2020, the Company did not have pledged assets or assets given as a guarantee for repayment of debts, nor did it have Agreements concluded on the purchase of intangible assets in respect of which no liabilities have yet been recognised. The amount of its trade payables from the acquisition of intangible assets on 31 December 2020 amounted to EUR 571,505 (EUR 1,111,876 on 31 December 2019).

Changes in intangible fixed assets (in EUR)	Long-term property rights	Intangible assets under preparation	Long-term accrued revenue and deferred expenses	Total
COST				
As of 1 January 2019	**11,654,443**	**4,900**	**12,584**	**11,671,927**
Increase	0	2,659,505	20,135	2,679,640
Carry-over from ongoing investments	2,259,154	–2,259,154	0	0
Decrease	–1,030,055	0	–2,559	–1,032,614
As of 31 December 2019	**12,883,542**	**405,251**	**30,160**	**13,318,953**
As of 1 January 2020	**12,883,542**	**405,251**	**30,160**	**13,318,953**
Increase	0	2,405,806	0	2,405,806
Carry-over from ongoing investments	2,811,057	–2,811,057	0	0
Decrease	–68,085	0	–22,695	–90,780
As of 31 December 2020	**15,626,514**	**0**	**7,465**	**15,633,979**
VALUATION ADJUSTMENT				
As of 1 January 2019	**8,588,526**	**0**	**0**	**8,588,526**
Depreciation	1,504,716	0	0	1,504,716
Rentals from holiday facilities	3,358	0	0	3,358
Decrease	–1,030,055	0	0	–1,030,055
As of 31 December 2019	**9,066,545**	**0**	**0**	**9,066,545**
As of 1 January 2020	**9,066,545**	**0**	**0**	**9,066,545**
Depreciation	1,661,448	0	0	1,661,448
Rentals from holiday facilities	3,358	0	0	3,358
Decrease	–68,085	0	0	–68,085
As of 31 December 2020	**10,663,266**	**0**	**0**	**10,663,266**
CARRYING AMOUNT				
As of 1 January 2019	**3,065,917**	**4,900**	**12,584**	**3,083,401**
As of 31 December 2019	**3,816,997**	**405,251**	**30,160**	**4,252,408**
As of 1 January 2020	**3,816,997**	**405,251**	**30,160**	**4,252,408**
As of 31 December 2020	**4,963,248**	**0**	**7,465**	**4,970,713**

2.4.2 Tangible Fixed Assets

Property, plant and equipment (in EUR)	31 Dec. 2020	31 Dec. 2019
Land	6,014,819	5,985,194
Buildings	189,992,236	186,638,608
Equipment	63,913,971	60,713,817
Property, plant and equipment in the course of acquisition	6,590,421	6,773,154
Advance payments for PP&E	0	408,722
Total	**266,511,447**	**260,519,495**

Investments in tangible fixed assets amounted to EUR 25,985,631 in 2020 and are presented in the Business Report.

Investments in tangible fixed assets amounted to EUR 25,985,631 in 2020 and are presented in the Business Report.

The book value of long-term intangible and tangible fixed assets leased to the Company SODO d. o. o. based on the Contract on the Lease of the electricity distribution infrastructure and provision of services for the system operator and associated annexes on 31 December 2020 amounted to EUR 263,691,385 (EUR 255,945,609 on 31 December 2019). The calculated value of revenue from leases to the Company SODO for the financial year 2020 in the preliminary reconciliation of the regulatory year 2020 amounted to EUR 22,897,029 (EUR 25,014,020 in 2019).

The cost of constructing and manufacture of tangible fixed assets for the Company's own account amounted to EUR 16,740,724 in 2020 (EUR 15,164,716 in 2019), purchases from suppliers which also include acquisitions of intangible assets to EUR 9,244,908 (EUR 9,499,934 in 2019) and acquisitions free of charge to EUR 337,397 (EUR 346,331 in 2019).

The rate of write-off of engineering structures amounted to 66.7% (68.2% in 2019) and equipment to 64.3% (64.6% in 2019). Borrowing costs, which in 2020 were attributed to newly activated engineering structures, amounted to EUR 17,671 (EUR 4,925 in 2019). Investments in progress include interest in the amount of EUR 7,109 (EUR 3,122 in 2019).

The total cost of property rights and property rights in preparation, which pursuant to SAS 2.39 are managed as intangible assets in the accounting records and shown in the item land and buildings and ongoing investments in the Balance Sheet disclosed under land amounted to EUR 78,562 as at 31 December 2020 (EUR 68,073 on 31 December 2019), while the valuation adjustment to those rights amounted to EUR 3,887 (EUR 3,173 on 31 December 2019).

The Company as of 31 December 2020 did not have any tangible fixed assets pledged as a guarantee for liabilities.

RIGHT TO USE LEASED ASSETS

Changes in the right to use the leased equipment (in EUR)	Amount
COST	
As of 1 January 2019	9,998
As of 31 December 2019	9,998
As of 1 January 2020	9,998
As of 31 December 2020	9,998
VALUATION ADJUSTMENT	
As of 1 January 2019	0
Depreciation	1,643
As of 31 December 2019	1,643
As of 1 January 2020	1,643
Depreciation	1,643
As of 31 December 2020	3,286
CARRYING AMOUNT	
As of 1 January 2019	9,998
As of 31 December 2019	8,355
As of 1 January 2020	8,355
As of 31 December 2020	6,712

The carrying amount of rights to equipment as of 31 December 2020 amounted to EUR 6,712 (EUR 8,355 as of 31 December 2019). Payment amounts for the lease of equipment for the entire lease period, ending on 31 January 2025, are agreed in the terms of the contract and are fixed. Payments of the lessee's obligations from the lease of assets are secured by Bills of Exchange. The possibility of termination of an individual Lease Agreement exists in the event of a breach of contractual obligations of the parties, or based on the mutual agreement, while the possibility of renewal of the Lease Agreement is not specified in the Contracts.

Changes in property, plant & equipment (in EUR)	Land	Buildings	Equipment	Ongoing investments	Advance payments for PP&E	Total
COST						
As of 1 January 2019	**5,983,006**	**581,118,781**	**166,784,067**	**9,898,778**	**0**	**763,784,632**
Increase	0	0	0	22,351,586	409,995	22,761,581
Carry-over from ongoing investments	36,166	18,972,671	6,468,263	–25,477,100	–1,273	–1,273
Decrease	–30,805	–12,453,289	–1,758,581	–110	0	–14,242,785
As of 31 December 2019	**5,988,367**	**587,638,163**	**171,493,749**	**6,773,154**	**408,722**	**772,302,155**
As of 1 January 2020	**5,988,367**	**587,638,163**	**171,493,749**	**6,773,154**	**408,722**	**772,302,155**
Increase	0	0	0	23,917,224	0	23,917,224
Carry-over from ongoing investments	32,551	14,303,735	9,763,671	–24,099,957	0	0
Decrease	–2,212	–31,577,467	–2,367,156		–408,722	–34,355,557
As of 31 December 2020	**6,018,706**	**570,364,431**	**178,890,264**	**6,590,421**	**0**	**761,863,822**
VALUATION ADJUSTMENT						
As of 1 January 2019	**2,605**	**403,310,064**	**106,149,935**	**0**	**0**	**509,462,604**
Depreciation	568	10,070,468	6,286,193	0	0	16,357,229
Decrease	0	–12,380,977	–1,656,196	0	0	–14,037,173
As of 31 December 2019	**3,173**	**400,999,555**	**110,779,932**	**0**	**0**	**511,782,660**
As of 1 January 2020	**3,173**	**400,999,555**	**110,779,932**	**0**	**0**	**511,782,660**
Depreciation	714	9,688,602	6,419,769	0	0	16,109,085
Decrease	0	–30,315,962	–2,223,408	0	0	–32,539,370
As of 31 December 2020	**3,887**	**380,372,195**	**114,976,293**	**0**	**0**	**495,352,375**
CARRYING AMOUNT						
As of 1 January 2019	**5,980,401**	**177,808,717**	**60,634,132**	**9,898,778**	**0**	**254,322,028**
As of 31 December 2019	**5,985,194**	**186,638,608**	**60,713,817**	**6,773,154**	**408,722**	**260,519,495**
As of 1 January 2020	**5,985,194**	**186,638,608**	**60,713,817**	**6,773,154**	**408,722**	**260,519,495**
As of 31 December 2020	**6,014,819**	**189,992,236**	**63,913,971**	**6,590,421**	**0**	**266,511,447**

2.4.3 Long-Term Investments

Changes in long-term investments (in EUR)	Investments in the Group	Investments in associates	Other investments	Total
Carrying amount as of 1 January 2019	**7,246,976**	**206,987**	**204,118**	**7,658,081**
Changes in other comprehensive income	0	0	8,880	8,880
Carrying amount as of 31 December 2019	**7,246,976**	**206,987**	**212,998**	**7,666,961**
Carrying amount as of 1 January 2020	**7,246,976**	**206,987**	**212,998**	**7,666,961**
Increase	60,000	0	0	60,000
Transfer to short-term assets held for sale	–2,805,522	0	0	–2,805,522
Changes in other comprehensive income	0	0	–9,768	–9,768
Carrying amount as of 31 December 2020	**4,501,454**	**206,987**	**203,230**	**4,911,671**

The Company did not hold stakes in other companies for which it possessed unlimited liability for the obligations of the Company.

LONG-TERM INVESTMENTS IN GROUP COMPANIES are carried at cost:

- ECE d. o. o., Vrunčeva 2a, in the amount of EUR 5,501,023.34 (contribution in kind). The basic contribution of the shareholder Elektro Celje d. d. was EUR 2,554,399, comprising 74.3256% of the Company's Share Capital. Part of the investment of EUR 2,805,522 was allocated by the Company as non-current assets held for sale;
- ELEKTRO CELJE OVI, d. o. o. Vrunčeva 2a, in the amount of EUR 1,805,952.26 (this amount comprised a cash injection in the amount of EUR 72,519, of which EUR 60,000 in 2020 and an in-kind contribution in the amount of EUR 1,733,433). The Company is 100 per cent owned by the Parent Company.

The Contract on the sale and transfer of shareholdings in the Company ECE d. o. o. signed on 1 December 2020, subject to the approval of the Slovenian Competition Protection Agency (AVK) and the condition of the acceptance of the new Articles of Association of the Company ECE d. o. o. reduces the 74.3256 per cent shareholding of the Company Elektro Celje in the Company ECE to a 36.4195 per cent shareholding and the establishment of a Purchase and Sale Option for the sale of the remaining 49% share to the Company HSE d. o. o., in the period from 1 January 2025 to 31 May 2025. The Decision on the divestment of 51% shareholding in the Company in ECE d. o. o. was adopted based on due diligence and an external assessment of reasonable and fair value. The connection between the Companies ECE and HSE is a synergy of wholesale and production with the electricity market. In this form, the partners of the Company ECE will benefit from the synergies envisaged, especially in reducing the costs of derogations and the costs of purchasing electricity, and positive synergies can also be expected in the financial, Human Resources and IT fields.

LONG-TERM INVESTMENT IN THE ASSOCIATE

LONG-TERM INVESTMENT IN THE ASSOCIATE	31 December 2020	Number of shares	31 December 2019	Number of shares
Informatika, d. d.	206,987	2,479	206,987	2,479
Total	**206,987**		**206,987**	

The cost of the investment in the associate Informatika d. d. has not changed in comparison with 2019; the last revaluation being made on 31 December 2015, when its impairment was carried out in the amount of EUR 103,508.

LONG-TERM INVESTMENTS IN SHARES AND SHAREHOLDINGS OF OTHER COMPANIES

Other shares and shareholdings (in EUR)	31 December 2020	Number of shares	31 December 2019	Number of shares
Zavarovalnica Triglav, d. d.	88,800	2,960	98,568	2,960
Stelkom, d. o. o.	114,430	12.64%	114,430	12.64%
Total	**203,230**		**212,998**	

The long-term investment in the shareholding of the Company Stelkom is stated at cost. The last revaluation took place in 2004, when the Company carried out an investment impairment of EUR 1,243. Given that, as of 31 December 2020, there was no objective evidence of a possible impairment of the investment, the Company considered that it was not necessary to revalue it in 2020.

The investment in the shares of the Company Zavarovalnica Triglav d. d. is classified and measured at fair value through equity. Reserves arising from valuation at fair value through equity, which, on 31 December 2019, amounted to EUR 72,986, decreased by EUR 9,768, and on 31 December 2020 amounted to EUR 63,218 due to the revaluation of the shares of the Company Zavarovalnica Triglav, d. d.

2.4.4 Deferred Tax Assets

Deferred tax assets (in EUR)	31 December 2020	31 December 2019
for short-term receivables	96,939	116,524
for long-term receivables	9,697	12,868
for provisions for long-term benefits	640,445	617,789
for financial assets measured at cost	19,667	19,667
for long-term accrued expenses and deferred revenue from fixed assets acquired free of charge	740,720	811,225
Total	**1,507,468**	**1,578,073**

A tax rate of 19% was used for the calculation of deferred tax assets in 2020, which will also be used in 2021 (the same as in 2019). As of 31 December 2020, the Company had no other significant temporary tax differences and tax credits which could constitute an additional source for the formation of deferred tax assets.

Changes in deferred tax assets (in EUR)	Short-term receivables	Long-term receivables	Provisions for long-term benefits	Investments	Long-term accrued expenses and deferred revenue for fixed assets acquired free of charge	Total
As of 1 January 2019	**140,369**	**15,060**	**555,504**	**19,667**	**881,731**	**1,612,331**
Recognised in the Income Statement	0	0	28,080	0	0	28,080
Recognised in the Statement of Comprehensive Income	0	0	34,205	0	0	34,205
Reversed in the Income Statement	–23,845	–2,192	0	0	–70,506	–96,543
As of 31 December 2019	**116,524**	**12,868**	**617,789**	**19,667**	**811,225**	**1,578,073**
As of 1 January 2020	**116,524**	**12,868**	**617,789**	**19,667**	**811,225**	**1,578,073**
Recognised in the Income Statement	0	0	25,263	0	0	25,263
Reversed in the Income Statement	–19,585	–3,171	0	0	–70,505	–93,261
Reversed in the Statement of Comprehensive Income	0	0	–2,607	0	0	–2,607
As of 31 December 2020	**96,939**	**9,697**	**640,445**	**19,667**	**740,720**	**1,507,468**

2.4.5 Assets Held for Sale

The Company reclassified public and road lighting from Tangible Fixed Assets to Assets held for sale, and has already sold it in part, with the sale of the rest in 2021 still being discussed with municipalities. Their value amounted to EUR 803,951 on 31 December 2020.

With a signed Agreement on the sale and transfer of shareholdings in the Company ECE d. o. o. (1 December 2020), long-term investments in the Group amounting to EUR 2,805,522 were reclassified to non-current assets held for sale at book value as of 31 December 2020. After the approval of the Slovenian Competition Protection Agency (AVK) and the acceptance of the new Articles of Association of the Company ECE d. o. o., the 74.3256 per cent shareholding of the Company Elektro Celje in the Company ECE will decrease to 36.4195 per cent. As of 31 December 2019, the Company had no non-current assets held for sale.

2.4.6 Inventories

Inventories (in EUR)	31 December 2020	31 December 2019
Material	1,496,399	1,520,842
Material in processing	2,970	469
Small tools	93,275	95,033
Total	**1,592,644**	**1,616,344**

During the regular annual inventory (as of 30 November 2020), the Company established a EUR 3,069 deficit (EUR 4,392 in 2019) and a EUR 7,426 surplus (EUR 17,639 in 2019), which was accounted for within the Company's expenses or revenue. Due to obsolescence or changes in the quality of the materials, EUR 8,702 worth of inventories were written off in 2020 (EUR 20,639 in 2019). The Company had no inventories pledged as security for its obligations.

2.4.7 Receivables

Total receivables of the Company as of 31 December 2020 amounted to EUR 10,038,069 (EUR 12,142,613 on 31 December 2019), of which EUR 9,908,308 comprised short-term operating receivables (EUR 10,801,812 in 2019).

LONG-TERM OPERATING RECEIVABLES

Long-term operating receivables (in EUR)	31 December 2020	31 December 2019
Operating trade receivables	173,967	1,412,275
Value adjustment to trade receivables	–51,040	–67,728
Discounted SODO receivables	–749	–11,428
Long-term operating trade receivables	**122,178**	**1,333,119**
Long-term operating receivables due from others	**7,583**	**7,682**
Total	**129,761**	**1,340,801**

Long-term operating trade receivables as at 31 December 2020 in the amount of EUR 122,178 comprised:

- Long-term operating receivables due from electricity customers in the amount of EUR 27,766; EUR 25,825 refers to the long-term portion of the receivable from established unjustified consumption in 2019, due in 2022 and EUR 1,941 to operating receivables after compulsory settlements, with a deadline for payment of more than one year and
- Long-term receivables due from the Company SODO of EUR 94,412; EUR 95,161 from the preliminary reconciliation of the RF 2015 and EUR -749 from the discounting of this receivable. The receivable due from the Company SODO was no longer remunerated after its inclusion in the regulatory framework for the period 2019–2021, but was shown in accordance with SAS 5.36 at discounted value, using an interest rate equal to the average weighted interest rate of long-term loans as at 31 December 2020, of 0.793%.

SHORT-TERM OPERATING RECEIVABLES

Short-term operating receivables (in EUR)	31 Dec. 2020	31 Dec. 2019
Short-term operating receivables from companies within the corporate group	**63,296**	**28,820**
Short-term receivables from foreign customers	1,050	1,050
Short-term receivables from domestic customers	9,603,087	10,765,965
Valuation adjustment to trade receivables	–477,671	–576,594
Discounted trade receivables from SODO	–10,109	–14,975
Receivables for interest	26,298	28,148
Valuation adjustment to receivables for interest	–24,242	–27,746
Advance payments made	25,633	37,105
Valuation adjustment to advance payments made	–1,548	0
Short-term trade receivables	**9,142,498**	**10,212,953**
Short-term operating receivables due from others	710,808	568,986
Valuation adjustment to short-term receivables from others	–8,294	–8,947
Short-term operating receivables due from others	**702,514**	**560,039**
Total	**9,908,308**	**10,801,812**

As of 31 December 2020, the Company disclosed short-term operating receivables in the amount of **EUR 9,908,308.**

As of 31 December 2020, the Company disclosed short-term operating receivables in the amount of EUR 9,908,308; these comprise receivables from Group companies representing 0.6% (receivables from network charges, Leases and services to its subsidiaries). Short-term receivables from domestic customers, reduced by adjustment of their value (EUR 9,115,307), included non-matured receivables for maintenance and Lease of the electricity infrastructure and provision of services for the Company SODO d. o. o. (EUR 5,735,322), trade receivables for network charges (EUR 2,945,477), trade receivables for services (EUR 293,313), receivables for Leases, average connection costs, sold fixed assets and waste material (EUR 151,304), and the discounted value of receivables from the Company SODO from the preliminary reconciliation of the regulatory year 2015 (EUR –10,109). Short-term interest receivables, reduced by revaluation of interest receivables, referred to default interest for network charges (EUR 1,995) and services (EUR 61). Receivables from others in the total amount of EUR 702,514 included receivables from input VAT (EUR 43,382), receivables from corporate income tax (EUR 148,273), receivables from state institutions (EUR 332,667) and other short-term operating receivables from others (EUR 178,192).

The valuation adjustment of receivables and advance payments made amounted to EUR 511,755, expenses from the formation of receivables amounted to EUR 6,074, while revenue from a reversal of adjustments to receivables amounted to EUR 49,358. Receivables written off amounted to EUR 58,248. Valuation adjustment of receivables and write-off are explained in Sections 2.3. (h) and 2.9.1. A part of the operating receivables in the amount of EUR 1,079,335 is insured based on debt collection instruments. Security for receivables and maturity analysis are presented in Section 2.9.1.

No operating receivables of the Company were pledged as security for liabilities of the Company. The Company also disclosed it had no receivables from members of the Management Board and the Supervisory Board and internal owners, except for regular invoices for network charge and electricity.

2.4.8 Cash

Cash (in EUR)	31 Dec. 2020	31 Dec. 2019
Cash in current accounts	597,812	50,854
Overnight deposits	0	363,640
Total	**597,812**	**414,494**

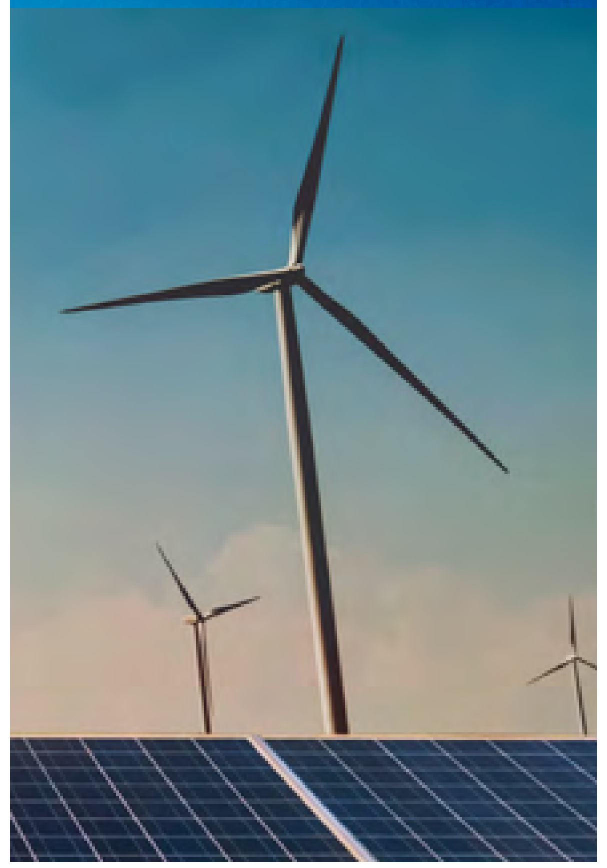
In 2020, the Company had a short-term Contract concluded with a commercial bank for an overdraft on its transaction account in the amount of EUR 500,000 (the same as in 2019), valid until 31 December 2019. There were no negative balances on transaction accounts at the end of the year.

2.4.9 Accrued Revenue and Deferred Expenses

Items of accrued revenue and deferred expenses are real and do not include undisclosed reserves.

Accrued revenue and deferred expenses (in EUR)	31 Dec. 2020	31 Dec. 2019
Short-term deferred expenses	97,524	247,694
Short-term accrued projects	114,913	125,974
Short-term accrued revenue - SODO	0	1,905,739
VAT from advance payments and overpayment of network charge received	875	1,887
Total	**213,312**	**2,281,294**

Total equity of the Company as of 31 December 2020 amounted to **EUR 222,482,388.**



2.4.10 Equity

Total equity of the Company as of 31 December 2020 amounted to EUR 222,482,388 and was 1.2% higher compared to the equity as of 31 December 2019. The book value of the share as of 31 December 2020 amounted to EUR 9.20 (EUR 9.09 on 31 December 2019), with earnings per share amounting to EUR 0.23 (EUR 0.38 as of 31 December 2019). The state of individual components of the equity structure as of 1 January 2020 and 31 December 2020 and the changes of individual components of the equity structure in 2020 are shown in Section 1.5.

Called-up capital of the Company is share capital divided into 24,192,425 freely transferable ordinary shares in the amount of EUR 150,955,090 (described in Section 2.3 (j)). The weighted average number of ordinary shares outstanding during the accounting period is 23,858,576. The ownership structure is presented in the Section Presentation of the Company Elektro Celje.

Share premium includes a general equity valuation adjustment in the amount of EUR 62,260,317. Profit reserves in the amount of EUR 8,219,247 include: legal reserves in the amount of EUR 4,744,833 (5% of net profit for the years 2003–2018, with EUR 274,531 of profit reserves formed in 2020), reserve for acquired treasury shares and other profit reserves (formed in 2020) amounting to EUR 3,474,414. Reserves arising from revaluation at fair value as of 31 December 2020 amounted to EUR -693,942. In 2020, they increased by EUR 46,524 (EUR 1,856 from the adjustment of the surplus value from revaluation of investments for deferred tax and EUR 44,668 from the transfer of the proportional part of the actuarial loss recorded in the formation of provisions for retirement benefits to the profit or loss brought forward) and decreased by EUR 29,599 (9,768 EUR from the revaluation of the shares of the Company Zavarovalnica Triglav, d. d., EUR 17,224 from actuarial loss and EUR 2,607 from value adjustments to surpluses from revaluation of investments for deferred tax). The nature and purpose of all reserves are presented in Section 2.3 (j).

On the balance sheet date the Company held 333,849 treasury shares, representing 1.3799% of all Company shares. By acquiring treasury shares, the Company in compliance with the Articles of Association and paragraph 5 of Article 64 of the Companies Act (ZGD-1), formed reserves for own shares from net profit for the financial year 2018 in the Balance Sheet, which as of 31 December 2020 amounted to EUR 886,371; i.e. EUR 2.655 per share (same as of 31 December 2019).

The remaining net profit for the financial year amounted to EUR 1,741,676.

2.4.11 Provisions and Long-Term Accrued Expenses and Deferred Revenue

Provisions and long-term accrued expenses and deferred revenue (in EUR)	**31 Dec. 2020**	**31 Dec. 2019**
Long-term provisions for severance pays and long-service awards	6,910,193	6,672,190
Provisions for lawsuits	193,843	182,578
Long-term accrued expenses and deferred revenue	12,638,240	12,243,978
- for long-term accrued liabilities of SODO	*530,193*	*0*
- for State and EU grants	*934,585*	*767,185*
- for fixed assets acquired free of charge	*9,147,110*	*9,342,449*
- for connection fees	*2,026,352*	*2,134,344*
Total	**19,742,276**	**19,098,746**

Changes in provisions and long-term accrued expenses and deferred revenue (in EUR)	**Provisions for long-term benefits**	**Other provisions**	**Long-term accrued expenses and deferred revenue**	**Total**
As of 1 January 2019	**5,999,591**	**264,405**	**12,519,999**	**18,783,995**
Utilisation	–323,221	0	0	–323,221
Recognition	995,820	0	461,202	1,457,022
Reversal	0	–81,827	–737,223	–819,050
As of 31 December 2019	**6,672,190**	**182,578**	**12,243,978**	**19,098,746**
As of 1 January 2020	**6,672,190**	**182,578**	**12,243,978**	**19,098,746**
Utilisation	–298,597	0	0	–298,597
Recognition	536,600	64,265	1,163,060	1,763,925
Reversal	0	–53,000	–768,798	–821,798
As of 31 December 2020	**6,910,193**	**193,843**	**12,638,240**	**19,742,276**

Long-term provisions for long-service bonuses, retirement benefits and death allowance to employees in the amount of EUR 6,910,193 were formed in the amount of estimated future payments, discounted on 31 December 2020. The actuarial calculation on 31 December 2020 took into account the following assumptions: The statistical probability of death, disability and retirement in accordance with the law and staff turnover (2.5% until the age of 40 and 1% probability between the ages of 41 to 50, 0% for those over 51 years old), discount rate (0.3475%), salary growth (2.3%), valid employer contribution rate (16.1%) and growth in the amounts provided for in the Decree on the tax treatment of reimbursement of costs and other income from employment (0.25%).

LONG-TERM PROVISIONS FOR LONG-TERM EMPLOYEE BENEFITS

Liabilities related to long-term employee benefits (in EUR)	Long-service bonuses	Severance pays	Death allowance	Total
As of 1 January 2019	**1,612,225**	**4,235,185**	**152,181**	**5,999,591**
Current service costs	122,967	242,431	12,276	377,674
Interest expense	22,970	63,846	2,303	89,119
Payments of benefits	–149,196	–168,562	–5,463	–323,221
Actuarial surplus	141,582	379,589	7,856	529,027
As of 31 December 2019	**1,750,548**	**4,752,489**	**169,153**	**6,672,190**
As of 1 January 2020	**1,750,548**	**4,752,489**	**169,153**	**6,672,190**
Current service costs	138,278	249,790	12,444	400,512
Interest expense	12,625	35,702	1,272	49,599
Payments of benefits	–128,272	–164,665	–5,660	–298,597
Actuarial surplus	77,806	17,224	–8,541	86,489
As of 31 December 2020	**1,850,985**	**4,890,540**	**168,668**	**6,910,193**

Sensitivity analysis	Discount rate		Salary growth		Staff turnover		Life expectancy	
Change in the percentage point	0.50	– 0.50	0.50	– 0.50	1.00	– 1.00	+ 1 year	– 1 year
Impact on the state of liabilities (in EUR)	–314,141	342,299	346,150	–321,388	–611,510	271,558	7,996	–8,756

The expected present value of liabilities also includes actuarial gains/losses due to changes in financial and demographic assumptions and adjustments for the experience. During 2020, EUR 298,597 worth of provisions were used, based on actual costs incurred for long-term employee benefits (323,221 EUR in 2019) with EUR 536,600 of additional provisions formed (995,820 EUR in 2019).

OTHER PROVISIONS

Other provisions in the amount of EUR 193,843 included provisions formed and debited to operating expenses for lawsuits; in 2015, provisions were formed in the amount of EUR 19,850 (due to disconnection of the neutral line), EUR 12,000 in both 2016 and 2017 (due to TS land ownership), and in 2018 in the amount of EUR 85,727 (EUR 55,727 due to the release of the bank guarantee, EUR 18,000 due to damage caused by clearing the routes, EUR 12,000 for a lawsuit over TS land ownership) and EUR 64,265 in 2020 (EUR 12,599 for an action for damages over the damage on the facility caused by the construction of the underground cable and EUR 51,666 for a lawsuit over TS land ownership). In view of the situation at the end of the year, they fell by EUR 53,000 (in an action for damages over electricity bleed-through that allegedly caused the fire of a show house, the court ruled in favour of the Company Elektro Celje).

LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUE

Long-term accrued expenses and deferred revenue were formed in the amount of EUR 1,163,060, of which EUR 530,193 was for long-term accrued liabilities to the Company SODO arising from the final reconciliation of the regulatory year 2018. The reversal of long-term accrued expenses and deferred revenue for fixed assets acquired free of charge and average connection fees amounted to EUR 640,728, with the use of assigned contributions under the Vocational Rehabilitation and Employment of Disabled Persons Act amounting to EUR 3,860, and the use of government subsidies for the purchase of fixed assets to EUR 97,463. In 2020, the Company received a grant in the amount of EUR 289,471 from the European Union to cover costs and expenses incurred in the pilot projects; they amounted to EUR 26,747 in 2020.

2.4.12 Financial Liabilities

Financial liabilities (in EUR)	**31 Dec. 2020**	**31 Dec. 2019**
Long-term financial liabilities to banks	31,222,559	28,399,049
Long-term lease liabilities	62,633	304,715
Long-term financial liabilities	**31,285,192**	**28,703,764**
Short-term financial liabilities to banks	7,721,488	10,584,477
Short-term lease liabilities	316,429	298,925
Short-term payables for dividends paid out	1,572	2,631
Short-term financial liabilities	**8,039,489**	**10,886,033**
Total	**39,324,681**	**39,589,797**

The book value of liabilities as of 31 December 2020 was equal to their amortised cost and they are not subject to currency and credit risks (Section 2.9.1). As of 31 December 2020, the company did not have any long-term liabilities to members of the Management Board, Supervisory Board or internal owners.

BANK LOANS

Financial liabilities to banks as of 31 December 2020 amounted to EUR 38,944,047, of which short-term portions of long-term loans to banks amounted to EUR 7,721,488. In 2020, the company drew on investment loans of EUR 10,700,000 and repaid principals in the amount of EUR 10,739,480.

The company borrows in accordance with the Decree on the Terms and Conditions and Methods of Borrowing by Legal Entities referred to in Article 87 of the Public Finance Act. In accordance with the Decree, the consent of the Ministry of Finance is required for the commencement of any and each borrowing procedure and for signing contracts with banks.

To finance investments, the Company concluded a Loan Agreement in the amount of EUR 28 million with the European Investment Bank in 2015, with the credit conditions determined upon absorption of individual tranches (moratorium of 2 to 36 months, maturity up to 15 years, interest rate etc.). In 2018 and 2019, Credit Agreements for financing investments in the amount of EUR 20.8 million were concluded with commercial banks (with a repayment period of 5 years and a one-year moratorium), and in 2020 in the amount of EUR 13.1 million (with a repayment period of 6 years and a one-year moratorium). The value of the principal due for payment five years after the Balance Sheet date amounted to EUR 6,029,329 (EUR 6,318,140 on 31 December 2019). Loans were secured by Bills of Exchange.

The average weighted interest rate of investment loans as of 31 December 2020 amounted to 0.793% (0.835% on 31 December 2019). The Company does not secure fluctuations in EURIBOR interest rates by financial instruments.

The Company took advantage of the revolving credit amounting to up to EUR 3,000,000 under the Contract concluded in 2019 to finance the occasional deficit in liquid assets, with a maturity of 33 months.

With the acquisition of long-term loans, the Company committed to the achievement of indicators during the financing period, namely for the Company Elektro Celje: Financial debt/average equity (lower than 0.40) and net financial debt to EBITDA (lower than 2.70), and for the Elektro Celje Group: Financial debt/EBITDA (lower than 2.5), financial debt/equity (lower than 0.3), EBITDA/financial expenses from financial liabilities (higher than 12) and current ratio (higher than 0.9). The Company had fulfilled all its contractual financial obligations as of the Balance Sheet date.

LEASE LIABILITIES

Among the Lease liabilities recognised by the right to use the assets, the Company discloses liabilities for leased assets, the value of which was calculated in accordance with SAS 1 (2019). The Company will pay the accrued portion under the Contracts on the Lease, upgrade and provision of software and the appropriate licenses (in a total amount of EUR 372,291) necessary for the operation of the IT support in the next two years (EUR 314,794 in 2021 and EUR 57,497 in 2022).

Changes in lease liabilities recognised by the right to use the assets	**Amount (EUR)**
As of 1 January 2019	**9,998**
Payment of rents	–1,606
As of 31 December 2019	**8,392**
As of 1 January 2020	**8,392**
Payment of rents	–1,621
As of 31 December 2020	**6,771**

2.4.13 Operating Liabilities

Short-term operating liabilities to Group companies in the amount of EUR 80,478 include liabilities to the subsidiaries ECE (EUR 22,843) and Elektro Celje OVI (EUR 57,635), mainly for electricity supplied, thermal heating, gas and services provided in the Group.

Short-term operating liabilities to the Company SODO refer to the use of the network in accordance with the Contract (EUR 3,233,150). Short-term liabilities to employees include accrued and unpaid wages, severance pays and long-service bonuses in December, including liabilities for their contributions (EUR 3,128,719). The Company's short-term liabilities to State and other Institutions amounted to EUR 304,728 (liability for VAT charged in the amount of EUR 296,537 and taxes for meeting fees, mandatory practical training and other liabilities to State Institutions in the amount of EUR 8,191). Other short-term operating liabilities (EUR 491,820) include mainly liabilities from the deposits submitted by tenderers from Public Tenders (EUR 236,442) and liabilities for voluntary supplementary pension insurance (EUR 113,927).

Contingent liabilities (in EUR)	**31 Dec. 2020**	**31 Dec. 2019**
Long-term operating trade payables	0	307,218
Long-term operating liabilities	**0**	**307,218**
Short-term liabilities to companies within the corporate group	80,478	55,657
Short-term trade payables for fixed assets	1,471,792	1,991,097
Short-term trade payables for current assets	1,814,406	1,272,811
Short-term trade payables for current assets abroad	18,720	7,848
Short-term trade payables for non-invoiced material and services	908	2,592
Short-term operating liabilities from operations for third-party account (the Company SODO)	3,233,150	3,386,273
Short-term liabilities to employees	3,128,719	3,167,144
Short-term liabilities to state and other institutions	304,728	414,522
Short-term liabilities based on advance payments	138,905	119,388
Other short-term operating liabilities	491,820	577,362
Short-term operating liabilities	**10,683,626**	**10,994,694**
Total	**10,683,626**	**11,301,912**

As of 31 December 2020, the Company had all outstanding trade payables settled with other short-term liabilities due for payment within a period of up to three months after the Balance Sheet date, except for the liabilities arising from deposits of providers which mature in accordance with the Contract and short-term portions of long-term trade payables.

The Company had no other liabilities to the Management Board, Supervisory Board and internal owners except for salaries and the attendance fees of the members of the Supervisory Board and Audit Committee of the Supervisory Board for December 2020. The Company also did not grant any loans, advances or guarantees for liabilities to them. The Company does not have its liabilities secured by real collateral.

2.4.14 Deferred Tax Liabilities

Deferred tax liabilities (in EUR)	31 Dec. 2020	31 Dec. 2019
Financial assets measured at fair value	12,011	13,867
Total	**12,011**	**13,867**

Changes in deferred tax liabilities (in EUR)	Investments
As of 1 January 2019	**12,180**
Recognised in the Statement of Comprehensive Income	1,687
As of 31 December 2019	**13,867**
As of 1 January 2020	**13,867**
Reversed in the Statement of Comprehensive Income	–1,856
As of 31 December 2020	**12,011**

2.4.15 Short-term Accrued Expenses and Deferred Revenue

Short-term accrued expenses and deferred revenue (in EUR)	31 Dec. 2020	31 Dec. 2019
Accrued costs or expenses	566,263	554,784
Deviations in the RF for the DNSO activity	1,139,991	0
VAT from advance payments made	1,373	3,129
Total	**1,707,627**	**557,913**

Short-term accrued expenses relate to accrued labour costs for unused annual leave of employees for 2020 in the amount of EUR 559,624 (EUR 545,393 for 2019) and accrued interest expenses of banks in the amount of EUR 6,639 (EUR 9,391 in 2019). The short-term portion of the deviations from the preliminary and final reconciliations (EUR 1,139,991) also includes the negative deviation of the preliminary reconciliation for 2020 (- EUR 1,060,657).

2.4.16 Contingent Liabilities

Contingent liabilities (in EUR)	31 Dec. 2020	31 Dec. 2019
Ongoing litigation procedures	64,769	52,317
Bank guarantees given	33,353	19,539
Total	**98,122**	**71,856**

Contingent liabilities which, on 31 December 2020, did not meet the conditions for recognition in the Balance Sheet items are included in off-Balance-Sheet records. The number of ongoing litigation procedures was reduced by EUR 52,317, with the Company paying EUR 16 thousand in damages in the event of a lawsuit for the construction on foreign land, and increased by EUR 64,769 (contingent liability in the amount of EUR 53,000 was formed upon the reversal of the provision based on the not yet final judgement obtained in favour of the Company, with an action for damages due to the use of foreign property amounting to EUR 7,871, and the value of the cancellation of the Decision on extraordinary termination of an employee's Contract to EUR 3,898). The Company does not disclose any other off-Balance-Sheet contingent liabilities as defined by the Companies Act (ZGD-1).

2.4.17 Potential Receivables and the Remaining Portion of Off-Balance-Sheet Records

Potential receivables (in EUR)	31 Dec. 2020	31 Dec. 2019
Bank guarantees received	2,894,461	2,981,920
Damage claims	641,735	84,722
Receivables from partners in companies deleted from the register	193,989	235,776
Tax reliefs for employing disabled persons	104,199	108,520
Total	**3,834,384**	**3,410,938**

Assets that do not qualify for recognition among the Balance Sheet items according to the Balance Sheet on 31 December 2020 were included in off-Balance-Sheet records.

Outstanding damage claims against insurance companies that are included in off-Balance-Sheet records until the claim is liquidated by the insurance company increased by EUR 557,013, due mainly to the averages in the second half of 2020 (EUR 379,594) and the fire at TS Vuzenica (EUR 92,693). The share of damages paid from claims for damages disclosed as off-Balance-Sheet items on 31 December 2019 amounted to 24.5%.

The remaining portion of off-Balance-Sheet records refers to the carrying amount of electricity infrastructure in the amount of EUR 2,990,223 (EUR 3,132,909 as of 31 December 2019), which, based on a mutual agreement on the transfer and acquisition of fixed assets financed from funds from average connection fee costs and Sales Contracts, was transferred to the Company SODO, which are included by the Company Elektro Celje in the Off-Balance-Sheet records.

2.5 Significant Events after the Balance Sheet Date

- The epidemic, which the Government of the Republic of Slovenia declared on 18 October 2020 in the context of the further deterioration of the epidemiological situation, is still ongoing. The measures taken by the State and at the Company, and the expected course of the epidemic in 2021, have no significant impact on the condition of assets and liabilities and the performance of the Company in the coming months.
- There were no other events following the Balance Sheet date and up to the date the Auditor's Report was issued which would affect the condition of assets and liabilities materially, and thus impair the ability of the Balance Sheet users to perform a relevant evaluation and reach an informed decision.

2.6 Disclosure of Items in the Income Statement

The Income Statement is a fundamental Financial Statement that provides a faithful and fair account of the profit or loss for the financial year 2020. The Company uses Version I of SAS 21.6, and, as such, it reports the costs separately by functional groups in accordance with SAS 21.20. Operating costs and expenses from revaluation may be direct, meaning they can be linked directly to arising business impacts, or general.

Type of costs and expenses (in EUR)	2020			2019		
	Direct costs	Overhead costs	Total	Direct costs	Overhead costs	Total
Cost of material	11,708,157	97,903	**11,806,061**	10,340,124	124,517	**10,464,641**
Cost of services	4,886,225	1,296,645	**6,182,870**	4,634,718	1,408,406	**6,043,125**
Labour costs	20,100,855	3,744,653	**23,845,507**	19,392,410	3,559,596	**22,952,006**
Depreciation	16,221,348	1,549,185	**17,770,533**	16,263,952	1,597,993	**17,861,945**
Expenses from revaluation	266,986	9,917	**276,903**	151,076	44,525	**195,600**
Other expenses	237,481	49,099	**286,580**	247,458	80,758	**328,216**
Total	**53,421,052**	**6,747,402**	**60,168,454**	**51,029,738**	**6,815,795**	**57,845,533**

2.6.1 Sales Revenue

Sales revenue (in EUR)	2020	2019
Revenue from lease of electricity infrastructure for SODO	22,534,961	25,014,020
Revenue from provision of services for SODO	21,896,108	22,848,829
Revenue from provision of services to customers	1,995,253	2,302,327
- of which revenue from the sale of services to companies within the corporate group	*30,364*	*40,311*
Revenue from unbilled provision of services to customers	114,913	125,974
Revenue from lease	531,132	539,882
- of which revenue from lease to companies within the corporate group	*118,201*	*107,517*
Total	**47,072,367**	**50,831,032**

The Company generated sales revenue in the amount of EUR 47,072,367 in 2020 in the domestic market and no revenue in international markets. The revenue of the regulated activities under the Contract and the corresponding annexes with the Company SODO d. o. o. for 2020, totalling EUR 44,956,013, was reduced by the received negative recalculation for the year 2018 (EUR -524,944).

In the process of the preliminary reconciliation for 2020, changes in the methodology of the Network Charges Act were taken into account, which were adopted based on the measures taken by the State to mitigate the consequences of the COVID-19 epidemic for the economy and citizens. The change in the rate of return on the assets leased to DNSO (by EUR 2,825,733) and the inclusion of State aid to mitigate the consequences of COVID-19 among other revenue intended to cover the operating and maintenance costs of the DNSO activities (by EUR 635,669), had a significant impact on the amount of revenue of the regulated activities.

2.6.2 Capitalised Own Services

The Company generated revenue in the amount of EUR 16,740,724 through the construction of its own fixed assets (EUR 15,164,716 in 2019). The value of its own work amounted to EUR 6,169,723, with the value of the material used amounting to EUR 9,438,484 and the cost of the motor vehicle transport to EUR 1,132,517.

The Company does not show a profit in this regard.

2.6.3 Other Operating Revenue

Other operating revenue (in EUR)	2020	2019
Revenue from elimination of provisions	53,000	41,927
Revenue from reversal of long-term accrued expenses and deferred revenue	640,728	631,989
– of which acquisition of fixed assets free of charge	*532,736*	*523,997*
– of which average connection fees	*107,992*	*107,992*
Other revenue associated with business effects	1,923,501	550,121
– of which compensation received from insurance companies and others	*232,733*	*349,232*
Operating revenue from revaluation	201,995	104,227
Total	**2,819,224**	**1,328,264**

Other revenue related to business effects in the amount of EUR 1,923,501 include incentives for employment of people with disabilities and awards for the employment of disabled persons above the statutory quota totalling EUR 55,274 (EUR 85,370 in 2019), revenue from subsidies for staff and cofinancing the implementation of pilot projects from EU funds, drawing on government subsidies for fixed assets and employment incentives totalling EUR 168,903 (EUR 115,519 in 2019), compensations from insurance companies and others amounting to EUR 232,733 (EUR 349,232 in 2019), State aid received pursuant to ZIUZEOP amounting to EUR 891,722 and sick pay reimbursements disclosed among revenue on a gross basis amounting to EUR 574,869. Operating revenue from revaluation relate mainly to revenue from the sale of fixed assets and dismantled material in the amount of EUR 146,299 (EUR 77,290 in 2019).

The State aid received to contain and mitigate the effects of COVID-19, totalling EUR 891,722, includes accrued, but not yet paid, pension and disability insurance contributions amounting to EUR 742,204 (Article 33 of ZIUZEOP), sick pay reimbursements received in the amount of EUR 31,046 (Article 56 of ZIUZEOP and Article 20 of the Act Determining Temporary Measures to Mitigate and Remedy the Consequences of COVID-19 (ZZUOOP), and compensations for employees in case of absence due to quarantine and force majeure amounting to EUR 76,955 (Article 13 of the Act Determining Intervention Measures to Prepare for the Second Wave of COVID-19 (ZIUPDV) and Article 57 of ZZUOP) and reimbursement of payments of crisis bonuses in the amount of EUR 41,517 (Article 85 of the Act Determining Intervention Measures to Assist in Mitigating the Consequences of the Second Wave of COVID-19 Epidemic – ZIUPOPDVE).

In accordance with the explanations of the Slovenian Institute of Auditors and professional positions, the Company showed revenue from the reimbursement on a gross basis among other revenue, and no longer offset against salary costs, as in previous years. The effect of the transition from the net to the gross basis of recording sick pay amounted to EUR 574,869 (for 2019 it would amount to EUR 417,381), which represents 0.9% (0.6% in 2019) of the total Company revenue. The comparative data for 2019 are not revised as the Company did not consider the values to be significant.

2.6.4 Costs of Materials and Services

Cost of material (in EUR)	2020	2019
Cost of material for investments carried out in-house	9,438,484	8,040,892
Cost of material used in provision of services to customers	707,627	608,563
Cost of material used in maintenance	584,182	635,430
Cost of fuel and energy	638,447	735,314
Write-offs of small tools	160,601	236,306
Cost of material for damage repair	162,414	153,662
Other cost of material	114,306	54,474
Total	**11,806,061**	**10,464,641**

The costs of intellectual and personal services include the costs of auditing the Consolidated Annual Report for 2020, amounting to EUR 10,480, carried out by the authorised company BDO Revizija d. o. o. The cost of the services comprising other guarantees by the Company BDO Revizija amounted to EUR 1,050 in 2020.

EUR 23,845,507

Labour costs in 2020

Cost of services (in EUR)	2020	2019
Cost of maintenance services	1,981,130	2,106,098
Cost of IT	1,016,596	1,030,100
Cost of payments, bank services and insurance premiums	1,094,983	846,572
Cost associated with provision of services to customers	441,790	379,755
Cost of intellectual and personal services	325,795	343,923
Cost of transport services	268,674	253,585
Cost of services of damage repair	88,829	122,928
Cost of membership fees	84,210	76,718
Cost of studies	54,800	53,865
Rent	46,126	41,370
Other cost of services	779,937	788,211
Total	**6,182,870**	**6,043,125**

2.6.5 Labour Costs

Labour costs (in EUR)	2020	2019
Cost of salaries	16,864,461	16,278,950
Cost of supplementary employee retirement insurance	797,540	789,386
Cost of employer contributions and other levies on salaries	2,756,267	2,654,998
Other labour costs	2,957,462	2,701,560
Provisions for long-service bonuses and severance pays	469,777	527,112
Total	**23,845,507**	**22,952,006**

As of the Balance Sheet date, the Company recognised EUR 559,624 in labour costs from unused annual leave in 2020, including related payables (EUR 545,393 in 2019). Other labour costs in the amount of EUR 2,957,462 included EUR 772,754 for meal allowances for employees, EUR 617,157 for travel to and from work, EUR 1,250,121 for holiday allowances, EUR 22,000 for death allowances, EUR 257,459 for crisis bonuses and EUR 37,971 for other remuneration.

Due to the effect of the transition from the net to the gross basis of recording sick pay, labour costs were higher by EUR 574,869 (EUR 417,381 in 2019), which represents 0.9% (0.7% in 2019) of the total costs and expenses of the Company. Based on this finding, the Company considered that these amounts do not affect the disclosing of labour costs significantly, nor did it revise the comparative data for 2019.

Number of employees according to the educational structure	No. of employees 1 January 2020	Share (in %)	No. of employees 1 December 2020	Share (in %)	Average no. of employees
Educational level I	2	0.3	2	0.3	2
Educational level II	3	0.5	3	0.5	3
Educational level III	19	3.0	18	2.9	19
Educational level IV	175	27.9	170	27.0	173
Educational level V	235	37.4	237	37.7	236
Educational level VI/1	71	11.3	73	11.6	72
Educational level VI/2	61	9.7	62	9.9	62
Educational level VII	49	7.8	52	8.3	51
Educational level VIII/1	12	1.9	11	1.7	12
Educational level VIII/2	1	0.2	1	0.2	1
Total	**628**	**100.0**	**629**	**100.0**	**629**

2.6.6 Write-offs

Write-offs (in EUR)	2020	2019
Depreciation	17,768,890	17,860,302
Depreciation of rights of equipment use	1,643	1,643
Operating expenses from revaluation of tangible and intangible fixed assets	266,492	123,204
Operating expenses from revaluation of current assets	10,411	72,396
Total	**18,047,436**	**18,057,545**

DEPRECIATION

Depreciation according to groups of assets (in EUR)	Intangible fixed assets	Rights in immovable property	Buildings	Equipment	Right to use equipment	Total
Depreciation for 2020	1,661,448	714	9,688,602	6,418,126	1,643	**17,770,533**
Depreciation for 2019	1,504,716	568	10,070,468	6,284,550	1,643	**17,861,945**

OPERATING EXPENSES FROM REVALUATION OF FIXED ASSETS

They relate to losses upon the elimination of fixed assets in the amount of EUR 266,492 (EUR 123,094 in 2019). There were no eliminations of unfinished investments in 2020 (EUR 110 in 2019).

OPERATING EXPENSES FROM REVALUATION OF CURRENT ASSETS

In 2020, they were realised in the amount of EUR 10,411 (EUR 72,396 in 2019) and included valuation adjustments to stocks of material in the amount of EUR 8,702 (EUR 22,227 in 2019), short-term receivables in the amount of EUR 1,548 (EUR 30,169 in 2019) and the write-off of trade receivables in the amount of EUR 161 (EUR 20,000 in 2019).

2.6.7 Other Operating Expenses

Other operating expenses in the amount of EUR 286,580 (EUR 328,216 in 2019) include fees for the use of building land in the amount of EUR 171,645 (EUR 173,753 in 2019), court fees in the amount of EUR 22,101 (EUR 30,922 in 2019), awards to pupils and students on practical training, including reimbursements and contributions in the amount of EUR 16,459 (EUR 15,266 in 2019), and other operating expenses.

2.6.8 Net Flow

The payment for participation in the profits of the subsidiary ECE received in 2020 amounted to EUR 49,468 (EUR 1,000,000 in 2019) and from the investment in the associate Informatika to EUR 4,462. However, it did not have any financial revenue from shares in other companies (EUR 7,400 of dividends paid out by the insurance company Zavarovalnica Triglav, d. d. in 2019).

The major part of the financial revenue from loans granted (EUR 7,997) relates to the accrued contractual interest for instalment repayment of unauthorised consumption, amounting to EUR 7,964 (EUR 9,623 in 2019), recorded in 2019.

Financial expenses from financial liabilities (EUR 297,980) include interest from bank loans received in the amount of EUR 297,912 (EUR 323,485 in 2019) and interest on leased assets amounting to EUR 68 (EUR 82 in 2019).

The regulatory interest of DNSO totalling EUR 20,843 was calculated by taking into account the average annual deviation value and the annual interest rate determined by the methodology for calculating the network charge (of 2%). The negative reconciliations received indicate that, for the regulatory year 2018, they amounted to EUR 5,249 and EUR 15,594 relate to regulatory interest calculated in the preliminary reconciliation for the regulatory year 2020. The net interest calculated by the actuarial estimation (EUR 49,599) as of 31 December 2020 refers to the expected present value of liabilities for long-service bonuses, severance pay and solidarity aid (EUR 89,119 in 2019).

Operating profit amounted to **EUR 6,463,861.**

Financial revenue and expenses (in EUR)	2020	2019
Financial revenue from shares	**53,930**	**1,007,400**
Financial revenue from shares in companies within the corporate group	49,468	1,000,000
Financial revenue from shares in associates	4,462	0
Financial revenue from shares in other companies	0	7,400
Financial revenue from loans granted	**7,997**	**10,008**
Financial revenue from loans granted to companies within the corporate group	0	292
Financial revenue from deposit interest	33	93
Financial revenue from loans granted to others	7,964	9,623
Financial revenue from operating receivables	**41,727**	**50,007**
Financial revenue from default interest arising from trade receivables	26,182	28,133
– of which for network charges	*24,535*	*24,631*
– of which for services	*1,559*	*3,496*
– of which for other operating receivables	*88*	*6*
Financial revenue from the discounting of receivables from SODO	0	21,874
Financial revenue from interest on RF reconciliations	15,545	0
Total financial revenue	**103,654**	**1,067,415**
Financial expenses from financial liabilities	**–297,980**	**–323,567**
Financial expenses related to loans from banks	–297,912	–323,485
Financial expenses from other financial liabilities	–68	–82
Financial expenses from operating liabilities	**–71,048**	**–89,434**
Financial expenses for regulatory interest of DNSO	–20,843	0
Financial expenses for net interest on provisions for severance pays and long-service bonuses	–49,599	–89,119
Financial expenses from other operating liabilities	–606	–315
Total financial expenses	**–369,028**	**–413,001**
Total	**–265,374**	**654,414**

2.6.9 Other Revenue

Other revenue (in EUR)	2020	2019
Collected receivables from earlier periods, previously written off	135	446
Received payments of court fees, and compensations	7,069	7,740
Received contractual penalties	0	43,135
Other revenue	690	989
Total	**7,894**	**52,310**

2.6.10 Other Expenses

Other expenses (in EUR)	2020	2019
Compensations	90,259	7,382
Donations	26,250	13,673
Annuities, reimbursement claims	10,405	11,970
Fines	3,000	2,342
Other expenses	44	8
Total	**129,958**	**35,375**

2.6.11 Profit or Loss

The profit amounted to EUR 6,463,861 (EUR 9,478,479 in 2019). Taking into account financial revenue and expenses, the net profit from ordinary operations amounted to EUR 6,198,487 (EUR 10,132,893 for 2019). Together with other revenue and expenses from extraordinary operations, and taking into account the income tax, which amounted to EUR 473,136, and deferred taxes in the amount of EUR 67,998, net profit for 2020 amounted to EUR 5,535,289 (EUR 9,252,820 for 2019).

2.6.12 Statement of Comprehensive Income

Total comprehensive income for the accounting period amounted to EUR 5,507,545 and was due to changes in reserves resulting from valuation at fair value (EUR -7,912) and changes in other components of comprehensive income (EUR -19,832) EUR 27,744 lower than the net profit for the accounting period (EUR 5,535,289).

2.6.13 Income Tax

The Company was liable for payment of corporate income tax in the amount of EUR 473,136 in the financial year 2020 (EUR 828,545 in 2019), recognised based on the Tax Return. The corporate income tax rate in Slovenia amounted to 19% in 2020 (the same as in 2019).

2.7 Disclosure of Items in the Cash Flow Statement

CASH FLOW (in EUR)	2020	2019
Inflows from operating activities	103,142,903	105,246,055
Outflows from operating activities	–89,570,318	–94,145,427
Cash flow from operating activities	**13,572,585**	**11,100,628**
Inflows from investing activities	454,878	2,094,820
Outflows from investing activities	–10,543,223	–11,213,211
Cash flow from investing activities	**–10,088,345**	**–9,118,391**
Inflows from financing activities	25,391,839	29,883,839
Outflows from financing activities	–28,692,761	–31,961,614
Cash flow from financing activities	**–3,300,922**	**–2,077,775**
Net cash flow for the period	**183,318**	**–95,538**
Opening balance	**414,494**	**510,032**
Closing balance	**597,812**	**414,494**

Net cash flow for the period January–December 2019 amounted to 183,318 EUR. The opening cash balance as of 1 January 2020 amounted to EUR 414,494, while the closing balance as of 31 December 2020 amounted to EUR 597,812. In 2020, the company created:

- **EUR 103,142,903 in inflows from operating activities**, mainly from network charges (EUR 35,513,781), receivables for Lease and services pursuant to the Agreement with the Company SODO d. o. o. (EUR 58,167,707), market services to customers (EUR 3,088,622), receivables from Lease payments (EUR 622,489), services of regulated activities to customers for the Company SODO (EUR 207,880), receivables from average connection costs (EUR 3,356,688), receivables from the refund of the corporate income tax for 2019 (EUR 667,043) and receivables from the salary reimbursements by the Health Insurance Institute of Slovenia (ZZZS) and others (EUR 451,914);
- **EUR 454,878 in inflows from investing activities**, which includes dividends received from the Company Informatika, d. d. (EUR 4,462), inflows from received interest on deposits and the positive balance of assets on the current account (EUR 33) and inflows from the disposal of tangible fixed assets (EUR 450,383);
- **EUR 25,391,839 in inflows from financing activities**, which include the use of long-term loans from commercial banks for financing investments (EUR 10,700,000), inflows (EUR 14,300,000) from multiple drawings of the long-term revolving credit facility in the amount of EUR 3 million and the use of a credit line (EUR 391,839).

With assets available (EUR 128,989,620), the Company financed outflows in the amount of EUR 128,806,302:

- **EUR 89,570,318 in outflows from operating activities**, which include mainly expenditures for the purchase of materials and services (EUR 59,402,252), salaries, together with expenditures for contributions and taxes (EUR 22,196,973), Value Added Tax (EUR 5,534,975), advance Corporation Tax in 2020 (EUR 833,392) and expenditure on voluntary supplementary pension insurance (EUR 799,628);
- **EUR 10,543,223 in outflows from investing activities**, which include expenditures for the acquisition of intangible and tangible fixed assets (EUR 10,483,223) and an increase of equity of the subsidiary Elektro Celje OVI (EUR 60,000);
- **EUR 28,692,761 in outflows from financing activities**, which refer to expenditure on interest paid on loans and the use of a credit line (EUR 326,837), repayments of investment loans (EUR 10,739,480), multiple repayments of the leased revolving credit facility (EUR 14,300,000), the used credit line (EUR 391,839) and dividend pay-outs (EUR 2,934,605).

2.8 Disclosure of Items in the Statement of Changes in Equity

The state of individual components of the equity structure as of 1 January 2020 and 31 December 2020 and changes in individual components of the equity structure in 2020, are shown in Table 1.5 and described in Sections 2.3 (j) and 2.4.10.

The Company Elektro Celje must comply with the rules of the profession to provide a quality and reliable electric power supply and sustainable operation, maintenance and development of an efficient electric power distribution system. Long-term access to the distribution network, sufficient transmission capacity of the network, reliability of supply, adequate voltage quality, short circuit control and safe and reliable operation are only possible through continuous investment in the development of the distribution network. Because of the need to ensure resources for the realisation of the planned volume of investments, among which other profit reserves are very important, and in accordance with the provisions of the Companies Act (ZGD-1) and the Articles of Association of the Company, other profit reserves in the amount of EUR 3,474,414 were formed in 2020.

Distributable profit and proposed allocation (in EUR)		2020	2019
a	Net profit or loss for the period	5,535,289	9,252,820
b	Retained net profit/retained net loss (deductible item)	–44,668	–19,532
c	Increase in revenue reserves pursuant to decisions by the management and supervisory bodies (legal reserves, reserves for own shares and shareholdings and statutory reserves)	274,531	461,664
d	Increase in revenue reserves pursuant to decisions by the management and supervisory bodies (other revenue reserves)	3,474,414	5,837,019
DISTRIBUTABLE PROFIT (a + b – c – d)		**1,741,676**	**2,934,605**

The Management Board of the Company Elektro Celje proposes that the distributable profit for 2020 amounting to EUR 1,741,676 is allocated in full to the payment of dividends.

2.9 Financial Risk Management

The financial Risk Management at the Company is focused on the management of credit, capital, liquidity and market risks. Exposure to individual types of risks and Risk Management measures are assessed and implemented based on their effects on cash flows and financing expenses. The method and methodology of managing financial risks are presented in the Section Risk Management at the Company Elektro Celje.

2.9.1 Credit Risk

Operating receivables (in EUR)	31 December 2020	31 December 2019
Long-term operating receivables	129,761	1,340,801
Short-term operating receivables	9,908,308	10,801,812
Total	**10,038,069**	**12,142,613**

The key Credit Risk derives from trade receivables. This is the risk of non-fulfilment of the liability of the counterparty related to the non-payment or late payment by electricity consumers and by recipients of the services rendered.

Management of receivables and debt recovery are implemented in accordance with the provisions of the Energy Act and Decree on General Conditions for the Supply and Consumption of Electricity. The processes for managing receivables, recovery of debts, the responsible persons and channels and instruments for Credit Risk management are defined in the Rules on the financial operations of the Company. Risk Management activities are focused on continuous monitoring and collateral, an active collection of overdue and unpaid receivables and the charging of default interest in case of delayed payment, resulting in a low percentage of write-offs (EUR 58,248).

The volume of operating receivables as of the Balance Sheet date 31 December 2020 compared to the end of 2019 decreased by 13.4%, due mainly to lower consumption of electricity during the COVID-19 epidemic (closing of certain economic activities) and the one-third payment of receivables from the preliminary reconciliation of the regulatory year 2015, and final reconciliations and corresponding interest from the years 2014–2017 totalling EUR 1,062,804.

In 2020, the amount of EUR 163,203 (EUR 143,989 in 2019) was also received for payments from established unjustified electricity consumption, with the major part in the amount of EUR 154,953 relating to the agreed instalment payment of the established consumption in 2019. The newly charged established unjustified consumption in 2020 amounted to EUR 1,753.

EXPOSURE TO CREDIT RISK FROM TRADE RECEIVABLES

Maturity analysis of short-term operating trade receivables (in EUR)	31 December 2020	Share in %	31 December 2019	Share in %
Non-matured receivables	8,893,637	92.2	9,904,486	91.5
Receivables overdue by less than 30 days	254,963	2.6	361,474	3.3
Receivables overdue by 31–60 days	13,155	0.1	17,388	0.2
Receivables overdue by 61–90 days	3,284	0.0	7,633	0.1
Receivables overdue by 91–180 days	1,986	0.0	5,824	0.1
Receivables overdue by 181–365 days	7,447	0.1	6,659	0.1
Receivables overdue by more than 365 days	469,791	4.9	520,519	4.8
Total	**9,644,263**	**100.0**	**10,823,983**	**100.0**

The policy for insuring receivables in 2020 remained unchanged compared to 2019. Trade receivables for the network charge are not insured by the Company, as it is not envisioned by the Decree on General Conditions for the Supply and Consumption of Electricity (SP-DOEE). In line with the Company's Risk Management system, receivables from customers with an estimated increased credit risk are secured. According to the Balance Sheet as of 31 December 2020, EUR 1,079,335 of total receivables were insured, based on debt collection instruments (EUR 865,431 of receivables as of 31 December 2019).

The maturity profile of receivables did not change significantly at the end of 2020 compared to 31 December 2019. The Company had EUR 469,791 (EUR 520,519 in 2019) of receivables for network charges, services, Lease, average connection fees and late charges with maturities longer than 365 days (bankruptcies, compulsory compositions, lawsuits and valuation adjustments for the aforementioned) and EUR 8,893,637 of non-matured receivables (EUR 9,904,486 in 2019). The maturity profile of receivables takes into account short-term operating receivables due from Group companies (excluding receivables from the share of profit of the subsidiary ECE), trade receivables and interest receivables. Value adjustments to receivables and advances are not included. The percentage of unrecovered receivables from the previous year which remained unsettled one year after their due date is 0.01%. Following control, the risk of exposure from customer non-payment is estimated as **low**.

VALUATION ADJUSTMENT TO RECEIVABLES

	Changes in valuation adjustments to short-term receivables for 2020 (in EUR)	As of 1 January 2020	Write-offs	Reconciliation		As of 31 December 2020
				Recognition	Reversal	
	Adjustments to receivables – network charge	541,403	–50,525	0	–47,761	443,117
	Adjustments to receivables – SODO services	19,202	–1,787	757	0	18,172
	Adjustments to receivables – services	15,660	–1,768	2,412	0	16,304
	Adjustments to receivables – other	329	–208	0	–43	78
A	**Total adjustments – receivables**	**576,594**	**–54,288**	**3,169**	**–47,804**	**477,671**
	Adjustments to late charge – network charge	24,941	–2,035	0	–1,527	21,379
	Adjustments to late charge – SODO services	560	–33	271	0	798
	Adjustments to late charge – services	1,587	–141	0	–27	1,419
	Adjustments to late charge – other	658	–12	0	0	646
B	**Total adjustments – late charge**	**27,746**	**–2,221**	**271**	**–1,554**	**24,242**
	Adjustments to misc. short-term receivables	8,947	–1,739	1,086	0	8,294
C	**Adjustments to misc. short-term receivables**	**8,947**	**–1,739**	**1,086**	**0**	**8,294**
D	**Adjustments to short-term advance payments made**	**0**	**0**	**1,548**	**0**	**1,548**
TOTAL (A + B + C)		**613,287**	**–58,248**	**6,074**	**–49,358**	**511,755**

	Changes in valuation adjustments to short-term receivables for 2019 (in EUR)	As of 1 January 2019	Write-offs	Reconciliation		As of 31 December 2019
				Recognition	Reversal	
	Adjustments to receivables – network charge	579,948	–63,122	24,577	0	541,403
	Adjustments to receivables – SODO services	18,790	–1,331	1,743	0	19,202
	Adjustments to receivables – services	80,520	–64,296	0	–564	15,660
	Adjustments to receivables – other	7,658	–6,978	0	–351	329
A	**Total adjustments – receivables**	**686,916**	**–135,727**	**26,320**	**–915**	**576,594**
	Adjustments to late charge – network charge	35,144	–14,478	4,275	0	24,941
	Adjustments to late charge – SODO services	0	0	560	0	560
	Adjustments to late charge – services	2,943	–1,169	0	–187	1,587
	Adjustments to late charge – other	3,203	–2,545	0	0	658
B	**Total adjustments – late charge**	**41,290**	**–18,192**	**4,835**	**–187**	**27,746**
	Adjustments to misc. short-term receivables	10,754	–1,923	116	0	8,947
C	**Adjustments to misc. short-term receivables**	**10,754**	**–1,923**	**116**	**0**	**8,947**
TOTAL (A + B + C)		**738,960**	**–155,842**	**31,271**	**–1,102**	**613,287**

The valuation adjustment of receivables and advance payments made amounted to EUR 511,755, expenses from the formation of receivables amounted to EUR 6,074, while revenue from a reversal of adjustments to receivables amounted to EUR 49,358. Receivables written off amounted to EUR 58,248. In 2020, a revaluation adjustment was performed of short-term receivables in the amount of EUR 6,074 (EUR 31,271 in 2019). The Company recognises a valuation adjustment to receivables in accordance with SAS for receivables in bankruptcy and composition proceedings, for receivables which are the subject of litigation, and for receivables whose due date has exceeded 90 days on the Balance Sheet date. The value of non-matured receivables and receivables with maturities up to 90 days on network charges and default interest for network charges is also adjusted in the amount of the calculated percentage of non-payments based on the average monthly balance of receivables of the previous three years and the predicted IMAD economic growth in 2021.

At the end of 2020, the adjustments to the Company's receivables were 16.6% lower than at the beginning of the year. The amount of the newly recognised valuation adjustment of the receivables was lower than the amount of the reversed valuation adjustment to receivables, and therefore the impact of impairments and write-offs of receivables on the Company's final result in 2020 was positive. The lower value of write-offs and impairments of receivables in 2020 (than expected) is also due to the measures taken by the State to mitigate the consequences of the epidemic and the ECB's expansionary monetary policy.

The liquidity problems of some companies could otherwise turn into long-term insolvency, which would also increase the number of insolvency proceedings and bankruptcies. Valuation adjustment to receivables and their write-off are explained further in Section 2.3. (h).

EXPOSURE TO CREDIT RISK FROM INVESTMENTS

The Company is also exposed to Credit Risk from investments. Credit Risk arising from investments refers to the risk of higher fluctuations in the value of financial instruments. Reduced creditworthiness affects the liquidity of financial instruments and complicates the possible sale of the investment. In extreme cases, Credit Risk may lead to an investment being worthless. Financial assets, the prices of which are quoted in an active market and whose fair value can be measured reliably, are measured at fair value (i.e. 2,960 shares of the Company Zavarovalnica Triglav d. d. in the amount of EUR 88,800), and others at cost. On the Balance Sheet date, the Company's management assesses whether there are objective grounds for impairment of investments into an equity instrument. Exposure to the risk of reduction in the value of long-term investments below their cost cannot be hedged with financial instruments (Section 2.3 (d)).

2.9.2 Liquidity Risk

The Company Elektro Celje is pursuing the objective of being able to meet its due liabilities at any time. The liquidity position is maintained by ensuring consistency between liquidity sources and liquidity needs, and by analysing the potential impact of exceptional conditions on both inflows and outflows.

EXPOSURE TO LIQUIDITY RISK

An important aspect of Liquidity Risk management (even in the short-term), which is estimated as **very low**, is cash flow planning at different time intervals (on a daily, monthly and annual level) assuming normal and exceptional circumstances. The cash flow risk is influenced mainly by the dynamics of investment and the volume of the invoiced and paid network charge for the distribution network.

Due to the network charge deficit in 2015, the receivables from the preliminary calculation, which are shown in the Company's financial position statement at the discounted value, will only be finally settled in the regulatory year 2021. The discounted value of the receivables was calculated for the period after inclusion of receivables in the Regulatory Framework, when, in accordance with the Network Charges Act, their remuneration will cease. The contractual interests charged to the Company SODO from the preliminary reconciliation of the regulatory year 2015 (EUR 68,528) and final reconciliations for the period 2014-2017 (EUR -147,562) will finally be paid in the regulatory year 2020.

Preliminary and final reconciliations received		Value as of 1 January 2020	Value as of 31 December 2020	Payment in the regulatory year 2021	Payment in the regulatory year 2022	Payment in the regulatory year 2023	Payment in the regulatory year 2024
1	Preliminary reconciliation of the regulatory year 2015	2,379,433	1,237,297	1,142,136	95,161	0	0
2	Contractual interest for PRF 2015	137,056	68,528	68,528	0	0	0
3	Preliminary reconciliation of the regulatory year 2020	0	–1,060,657	–1,060,657	0	0	0
4	Final reconciliation of the regulatory year 2014	–5,760	–2,880	–2,880	0	0	0
5	Final reconciliation of the regulatory year 2015	53,470	26,735	26,735	0	0	0
6	Final reconciliation of the regulatory year 2016	–119,912	–59,956	–59,956	0	0	0
7	Final reconciliation of the regulatory year 2017	–223,519	–111,761	–111,761	0	0	0
8	Final reconciliation of the regulatory year 2018	0	–530,193	0	–176,731	–176,731	–176,731
Total deviations from the Regulatory Frameworks		**2,220,768**	**–432,887**	**2,145**	**–81,570**	**–176,731**	**–176,731**

In order to achieve sufficient liquidity in the exceptional circumstances, additional security mechanisms are in place and procedures envisaged for action (the use of a long-term revolving credit facility of EUR 3,000,000). By providing an appropriate financing source structure and favourable values of financial indicators, the Company manages the risk of failure to implement financial commitments, and the risk is therefore assessed as **very low**. Hedging of loans and financial commitments to banks are explained in Section 2.4.12.

Maturity of financial liabilities to banks as of 31 December 2020 (EUR)	Book value as of 31 December 2020	Maturity		
		up to 1 year	from 1 year to 5 years	over 5 years
1. Investment financing loans	38,944,047	7,721,488	25,193,230	6,029,329
Total financial liabilities to banks	**38,944,047**	**7,721,488**	**25,193,230**	**6,029,329**

Maturity of financial liabilities to banks as of 31 December 2019 (EUR)	Book value as of 31 December 2019	Maturity		
		up to 1 year	from 1 year to 5 years	over 5 years
1. Investment financing loans	38,983,527	10,584,478	22,080,909	6,318,140
Total financial liabilities to banks	**38,983,527**	**10,584,478**	**22,080,909**	**6,318,140**

The expected value of interest due within up to one year is EUR 282,508, within 1 to 5 years EUR 569,477 and EUR 82,431 within over five years.

2.9.3 Equity Risk

The purpose of equity management is to provide a high credit rating, long-term solvency, equity adequacy and favourable performance financing indicators, enabling the Company to ensure the proper development of its operations and maximising the value for its shareholders. The equity to total liabilities rate in 2020 was 75.7% (the same as in 2019).

By managing and adjusting the equity structure in 2020, the Company followed the need to provide resources for the realisation of the planned volume of investments in the period ahead, among which other profit reserves are also very important. The Share Capital of the Company increased in 2020 pursuant to the Resolution of Company's General Meeting from the Company's assets by converting other profit reserves in the amount of EUR 50,001,889 to Share Capital, with the Company's Share Capital after the increase amounting to EUR 150,955,090. In accordance with the dividend policy, the Company also pays its owners a profit share (dividends) once a year.

Changes in equity are monitored by the Company using the financial leverage indicator, calculated by dividing (net) financial liabilities by equity. The Company includes long-term and short-term liabilities to banks and other financial liabilities, less cash and cash equivalents in net financial liabilities. When making decisions regarding equity management, the Company also observes all the remaining financial commitments pursuant to Credit Agreements, which are described in Section 2.4.12. The company had fulfilled all contractual financial commitments as at the Balance Sheet date.

EXPOSURE TO EQUITY RISK

The Company's net debt to equity ratio is low. Equity risk over a longer period is estimated as **very low**.

Financial leverage indicator (in EUR)	31 Dec. 2020	31 Dec. 2019
1. Loans received and other financial liabilities	39,324,681	39,589,797
2. Minus cash and cash equivalents	–597,812	–414,494
3. Net financial liabilities	38,726,869	39,175,303
4. Equity	222,482,388	219,909,447
5. Net financial liabilities/equity indicator	**17.4%**	**17.8%**

2.9.4 Market Risk

When financing the Company's current operations and investment activities the Company is exposed to risks of changes in interest rates on acquired loans. Market fluctuations in interest rates may affect the level of financial liabilities and the increase or decrease in costs under this heading.

In harmonising Contracts, the Company rejects all provisions of Contracts that would allow the lender subsequently to change interest rates (increased costs clauses) due to changed conditions in the money and capital markets, changes in Regulations and instructions of any governmental, fiscal or monetary authorities, changes in the borrower's credit rating, etc. The average weighted interest rate on loans as of 31 December 2020 amounted to 0.793% (0.835% in 2019). The reduction in the average weighted interest rate is the result of a new debt in 2020 at an interest rate lower than the average weighted interest rate achieved in 2019, and due to the reduction in the share of loans with higher interest rates.

EXPOSURE TO INTEREST RATE RISK

Exposure to interest rate risk only regards the (un)favourable trend of the EURIBOR reference interest rates, while the Company has available to it at all times the option of early repayment or refinancing of long-term debt without additional costs. Following the Balance Sheet as of 31 December 2020, 45.6% of the financial liabilities were tied to an interest rate tied to EURIBOR (46.6% as of 31 December 2019), and based on the projected trend of the EURIBOR interest rate, the exposure to interest rate risk was assessed as **very low**. The Company does not secure fluctuations in EURIBOR interest rates by financial instruments.

CASH FLOW SENSITIVITY ANALYSIS

Sensitivity to changes in interest rates is assessed using the sensitivity analysis method. Given the volume of acquired loans as of 31 December 2020 and the projected negative trend for EURIBOR in the next three years, even a change in the interest rate (EURIBOR) of 0.3% (30 basis points) would not result in higher expenses for interest paid.

The probability of larger change in the EURIBOR is estimated as low. Low sensitivity to changes in interest rates is related to the interest rate clauses in Credit Agreements, as in the case of a negative value of EURIBOR for the calculation of interest for the interest period the value of EURIBOR = 0 is taken into account, and to an increased volume of loans with a fixed interest rate comprising 54.4% of total loans as of 31 December 2020 (53.4% of total loans as of 31 December 2019). This analysis assumes that all other variables remain unchanged.

2.10 Transactions with Associated Parties

2.10.1 Transactions with Group Companies

Item/year (in EUR)	2020		2019	
	ECE d. o. o.	Elektro Celje OVI, d. o. o.	ECE d. o. o.	Elektro Celje OVI, d. o. o.
Assets:				
Short-term trade receivables	60,903	2,394	10,455	18,364
Accrued revenue and deferred expenses	0	0	0	0
Total assets	**60,903**	**2,394**	**10,455**	**18,364**
Liabilities:				
Short-term trade payables	22,843	57,635	16,503	38,937
Other operating liabilities	0	0	217	0
Total liabilities	**22,843**	**57,635**	**16,720**	**38,937**
Revenue:				
Net sales revenue	108,415	40,150	104,289	43,539
Financial revenue	49,468	0	1,000,292	0
Revenue from revaluation	0	0	0	0
Total revenue	**157,883**	**40,150**	**1,104,581**	**43,539**
Costs and expenses:				
Cost of material	128,820	149,795	138,684	147,787
Cost of services	0	47,384	0	33,597
Total costs and expenses	**128,820**	**197,179**	**138,684**	**181,384**

2.10.2 Data on Groups of Persons

Gross receipts of groups of persons (in EUR)	2020	2019
Member of the Management Board	122,197	117,638
Members of the Supervisory Board and Supervisory Board Audit and Human Resources Committees	122,630	136,972
Other employees on individual contracts	504,948	476,092
Total	**749,775**	**730,702**

REMUNERATION OF THE COMPANY'S MANAGEMENT BOARD (IN EUR)

Name and surname	Position	Receipts	Salary
Boris Kupec, MSc	Chairman of the Management Board of Elektro Celje, d. d.	Gross receipts	122,197
		Net receipts	59,283

Remuneration of benefits and reimbursement of travel expenses for the Chairman of the Management Board in 2020 (EUR)

Name and surname	Total receipts	Reimbursement of labour costs	Insurance premiums	Use of company vehicle	Professional education	Holiday allowance
Boris Kupec, MSc	9,149	1,242	637	4,911	379	1,979

The remuneration of benefits and reimbursement of travel expenses for the Chairman of the Management Board are accounted for in accordance with and arise from the Contract of Employment or Collective Agreement at the Company level. It includes daily and meal allowances and travel expenses for business trips. The cost of insurance premiums and the use of company vehicles represent the creditworthiness of the Management Board. The Chairman of the Management Board, who has been in office since 1 May 2016, was appointed as a member of the Supervisory Board of the Company STELKOM – telekomunikacije in storitve d. o. o. on 17 December 2018. Since 1 May 2016, he has had a subsidiary activity on his farm (main activity according to the Standard Classification of Activities (SKD) 85.590 – Instruction, training and further training) and is the Deputy Mayor of the municipality of Prebold for the mandate period 2018-2022.

REMUNERATION OF THE COMPANY'S SUPERVISORY BOARD AND THE SUPERVISORY BOARD AUDIT COMMITTEE

The Company's Supervisory Board held 10 meetings in 2020. The Supervisory Board has six members, four of whom are shareholder representatives and two who are employee representatives. All Supervisory Board members possess equal rights and duties, and are appointed by the Shareholder's Assembly by a simple majority of shareholders present, except members of the Supervisory Board elected by the Workers' Council. Amendments and supplements to the Articles of Association are adopted by the Assembly by a three-fourths majority of the equity represented at the General Meeting. The basic annual remuneration, which the Chair of the Supervisory Board receives pursuant to the Resolution of the 21st General Meeting of 1 September 2016, for the performance of her duties amounts to EUR 19,500, with her deputy receiving EUR 14,300. The members of the Supervisory Board receive EUR 13,000 each, with the members of the Committees receiving EUR 3,250 each. The Chairs of the Committees of the Supervisory Board receive a basic annual remuneration for the performance of their duties of EUR 4,875.

Name and surname	Position	Attendance at meeting				Receipts (in EUR)			
		SB meeting	SB HRC meeting	SB HRC meeting by corr.	SB AC meeting	Total (net)	Total (gross)	Attendance fees and basic remuneration	Travel expenses
1	2	3	5	6	7	8	9 = 10 + 11	10	11
REPRESENTATIVES OF SHAREHOLDERS:									
Drago Štefe, MSc	Member of the SB since 30 August 2017 and Chairman of the Human Resources Committee since 14 December 2017;	10	1	3	-	14,717	20,271	19,556	715
Miha Kerin, MSc	Member of the SB since 1 September 2016 (on 2 September 2020 he was re-elected as a member of the SB) Chairman of the SB AC since 3 September 2017;	10	-	-	6	15,254	21,010	20,225	785
Mirjan Trampuž, MSM and MSc Energetics	Chairman of the SB until 26 August 2017, Member of the SB from 27 August 2017 to 6 September 2017, Deputy Chairman since 7 September 2017;	10	-	-	-	11,214	15,455	15,455	0
Rosana Dražnik, MSc	Member of the SB from 27 August 2017 to 6 September 2017, Chair of the SB since 7 September 2017 and member of the Human Resources Committee since 14 December 2017;	9	1	3	-	17,486	24,078	23,790	288
REPRESENTATIVES OF EMPLOYEES:									
Miran Ajdnik, Bachelor of Electrical Engineering	Member of the SB since 1 October 2018;	10	-	-	-	10,539	14,527	14,527	0
Janko Čas, Electronics Engineer and Energetics expert	Member of the SB since 1 October 2018 and Member of the Human Resources Committee since 15 November 2018;	10	1	3	-	13,104	18,053	18,053	0
INDEPENDENT THIRD-PARTY EXPERTS, MEMBERS OF THE SB AC:									
Ignac Dolenšek, MSc	Member of the SB AC since 19 October 2017;	-	-	-	6	3,509	4,825	4,570	255
Darinka Virant, BA in Economics	Independent third-party expert, Member of the SB AC since 9 December 2013;	-	-	-	6	3,208	4,411	4,194	217
TOTAL						**89,031**	**122,630**	**120,371**	**2,259**

Remuneration of other benefits of the Members of the Supervisory Board and the Supervisory Board Committees in 2020 comprise the cost of liability insurance and reimbursement of the costs of professional education and training, presented in the credit rating of the Members of the Supervisory Board. The latter are considered to be connected to the performance of control functions and operations of the Company contextually, and their total amount does not exceed EUR 10,000 per financial year.

Costs of other benefits (in EUR)	Liability insurance	Professional education
REPRESENTATIVES OF SHAREHOLDERS:		
Drago Štefe, MSc	97	275
Miha Kerin, MSc	97	0
Mirjan Trampuž, MSM and MSc Energetics	97	854
Rosana Dražnik, MSc	97	0
REPRESENTATIVES OF EMPLOYEES:		
Miran Ajdnik, Bachelor of Electrical Engineering	96	0
Janko Čas, Electronics Engineer and Energetics expert	96	0
INDEPENDENT THIRD-PARTY EXPERTS, MEMBERS OF THE SB AC:		
Ignac Dolenšek, MSc	0	0
Darinka Virant, BA in Economics	0	0
TOTAL	**580**	**1,129**

The Management Board and Supervisory Board did not receive any remuneration in connection with the performance of tasks in subsidiaries. The Company Elektro Celje also did not approve any advances, loans or guarantees to the Members of the Supervisory Board, the Supervisory Board Audit Committee or the Management Board, and as of 31 December 2020, does not show any receivables under these headings from them.

Membership in the management or supervisory bodies	
Drago Štefe, MSc	/
Miha Kerin, MSc	Chairman of the Management Board of the Company Varnost sistemi, d. o. o.
Mirjan Trampuž, MSM and MSc Energetics	/
Rosana Dražnik, MSc	Director of the Company Finera svetovanje d. o. o.,
	Sole trader, Rosana Dražnik s.p., Intax;
Miran Ajdnik, Bachelor of Electrical Engineering	/
Janko Čas, Electronics Engineer and Energetics expert	/

Remuneration to employees on the basis of Contracts which are not subject to the tariff part of the Collective Agreement in 2020 amounted to EUR 504,948 gross or EUR 270,169 net.

3 Disclosures Pursuant to the Energy Act

The Company Elektro Celje d. d. draws up the Financial Statements of the Company as a whole, and, pursuant to Article 109 of the Energy Act (EZ-1) and SAS, also reports on business segments or activities in Explanatory Notes to the Financial Statements. The activities of the Company include provision of infrastructure and the services of general economic interest of the distribution network system operator according to the Agreement with the Company SODO d. o. o., as well as marketing activities.

3.1 Balance Sheet Broken Down by Activity

Transactions affecting the accounts of Assets and Liabilities are recorded on an accrual basis and by activity, whereby the Company applies the principle of individual valuation of assets and liabilities. The Balance Sheet by activity – business segments – has the form of a double-entry balance and contains the items identified in SAS 20.4.

In accordance with the Rules on the criteria for separate accounting recording and reporting by business activities of the Company Elektro Celje, assets and liabilities are classified according to their purpose and use according to the relevant activities of the Company. The entire distribution network, including the control units, is classified directly under the activity of providing power distribution infrastructure and services for the distribution network operator, while the remaining fixed assets 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. Electricity infrastructure is defined in the Decree on Energy Infrastructure (Official Gazette of RS, No. 22/16).

The activity of provision of power infrastructure and services is allocated directly into short-term and long-term financial liabilities to banks from investment loans, short-term liabilities from operations for a third-party account (SODO), and short-term and long-term trade receivables for network charges and trade receivables due from the system operator. The market activity is allocated directly into long-term investments in the subsidiary company for distribution power generation, and in the subsidiary company for the marketing of electricity.

Short-term financial investments and available cash are calculated based on the amount of assets and liabilities of the activity. The amounts of Share Capital and Capital Reserves by activity 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 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 the Assets and Liabilities of shared functions, classification by activity follows the following criteria:

Account	Criterion
007, part of 06, 08, 25, 262, 263, 2650, 2663, 277, 282, 285, 2851 to 2859, 320, 321, 966, 975, 989, part of 95	1
003, 008, 010, 015, 020, 021, 027, 035, 040, 041, 045, 047, 048, 050, 051, 055, 058, 130, 131, 968	2
120, 121, 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, 221, 224, 2651 – 6 and 2660 – 2	5
09, 11, 18, 90–95, 963, 965, 988	Calculation

- **Criterion 1 – Share of hours worked for a particular activity in the accounting period** is used to allocate long-term investments not assigned to a particular activity, long-term loans granted, long-term operating receivables, liabilities related to salaries, short-term liabilities to State and other Institutions, other short-term operating liabilities, small tools` inventory, long-term operating liabilities, long-term liabilities from financial Lease and retained contributions for employment of persons with disabilities over the mandatory quota. These assets and liabilities are related by content and amount to the number of hours worked or the number of employees (sale of apartments with payment in instalments, small tools` inventory purchases, employees' salaries).
- **Criterion 2 – Share of fixed assets current value** is used in classifying fixed assets used within shared functions that serve both activities. Fixed assets are allocated to the appropriate category based on the share of fixed assets pertaining to each activity in the Maintenance and Investment Sector and the Development and Operations Sector.
- **Criterion 3 – Share of total revenue in the accounting period, excluding revenue from shared functions**, is used 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 individual activity** (excluding the cost of electricity purchased to cover the losses) is used in classifying the inventory of material. Increased consumption of material requires larger purchases, and, consequently, a larger inventory.
- **Criterion 5 – Share of cost of material and services by individual 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 criterion of used material and services by the activity from which these payables reasonably derive.

BALANCE SHEET BY ACTIVITY

	ITEM (in EUR)	As of 31 December 2020			As of 31 December 2019		
		SODO activity	Market activities	Total	SODO activity	Market activities	Total
A.	**A. Long-term assets (I. + II. + III. + IV. + V. + VI.)**	**271,927,271**	**6,103,789**	**278,031,060**	**266,495,397**	**8,862,341**	**275,357,738**
I.	**Intangible assets and long-term accrued revenue and deferred expenses (1 to 6)**	**4,940,157**	**30,556**	**4,970,713**	**4,203,645**	**48,763**	**4,252,408**
	1. Long-term property rights	4,934,820	28,428	4,963,248	3,795,026	21,971	3,816,997
	4. Intangible assets in development	0	0	0	386,813	18,438	405,251
	6. Other long-term accrued revenue and deferred expenses	5,337	2,128	7,465	21,806	8,354	30,160
II.	**Tangible fixed assets (1 to 4)**	**265,331,854**	**1,179,593**	**266,511,447**	**259,307,208**	**1,212,287**	**260,519,495**
	1. Land and buildings (a + b)	195,484,933	522,122	196,007,055	192,098,587	525,215	192,623,802
	a) Land	5,969,111	45,708	6,014,819	5,953,029	32,165	5,985,194
	b) Buildings	189,515,822	476,414	189,992,236	186,145,558	493,050	186,638,608
	2. Production equipment and machinery	63,251,570	603,432	63,855,002	60,025,493	620,879	60,646,372
	3. Other plant and equipment	19,992	38,977	58,969	26,505	40,940	67,445
	4. Tangible fixed assets in the course of acquisition (a + b)	6,575,359	15,062	6,590,421	7,156,623	25,253	7,181,876
	a) Tangible fixed assets under construction and production	6,575,359	15,062	6,590,421	6,747,901	25,253	6,773,154
	b) Advances for the acquisition of tangible fixed assets	0	0	0	408,722	0	408,722
IV.	**Long-term investments (1 to 2)**	**229,781**	**4,681,890**	**4,911,671**	**232,385**	**7,434,576**	**7,666,961**
	1. Long-term investments excluding loans (a + b + c + d)	229,781	4,681,890	4,911,671	232,385	7,434,576	7,666,961
	a) Shares and shareholdings in companies within the corporate group	0	4,501,454	4,501,454	0	7,246,976	7,246,976
	b) Shares and shareholdings in associates	147,975	59,012	206,987	149,652	57,335	206,987
	c) Other shares and shareholdings	81,806	121,424	203,230	82,733	130,265	212,998
V.	**Long-term operating receivables (1 to 3)**	**122,178**	**7,583**	**129,761**	**1,339,181**	**1,620**	**1,340,801**
	2. Long-term operating trade receivables	122,178	0	122,178	1,333,119	0	1,333,119
	3. Long-term operating receivables due from others	0	7,583	7,583	6,062	1,620	7,682
VI.	**Deferred tax assets**	**1,303,301**	**204,167**	**1,507,468**	**1,412,978**	**165,095**	**1,578,073**

ITEM (in EUR)		As of 31 December 2020			As of 31 December 2019		
		SODO activity	Market activities	Total	SODO activity	Market activities	Total
B.	**Current assets (I. + II. + III. + IV. + V.)**	**9,448,551**	**6,259,686**	**15,708,237**	**9,006,627**	**3,826,023**	**12,832,650**
I.	**Assets held for sale**	**803,951**	**2,805,522**	**3,609,473**	**0**	**0**	**0**
II.	**Inventories (1 to 4)**	**216,121**	**1,376,523**	**1,592,644**	**259,654**	**1,356,690**	**1,616,344**
	1. Material	216,121	1,376,523	1,592,644	259,654	1,356,690	1,616,344
IV.	**Current operating receivables (1 to 3)**	**9,284,860**	**623,448**	**9,908,308**	**9,431,965**	**1,369,847**	**10,801,812**
	1. Short-term operating receivables from companies within the corporate group	9,826	53,470	63,296	20,935	7,885	28,820
	2. Short-term trade receivables	8,719,651	422,847	9,142,498	9,006,313	1,206,640	10,212,953
	3. Short-term operating receivables due from others	555,383	147,131	702,514	404,717	155,322	560,039
V.	**Cash**	**–856,381**	**1,454,193**	**597,812**	**–684,992**	**1,099,486**	**414,494**
C.	**Short-term accrued revenue and deferred expenses**	**73,755**	**139,557**	**213,312**	**2,125,125**	**156,169**	**2,281,294**
	TOTAL ASSETS (A + B + C)	**281,449,577**	**12,503,032**	**293,952,609**	**277,627,149**	**12,844,533**	**290,471,682**

ITEM (in EUR)		As of 31 December 2020			As of 31 December 2019		
		SODO activity	Market activities	Total	SODO activity	Market activities	Total
A.	**Equity**	**214,217,952**	**8,264,436**	**222,482,388**	**211,444,008**	**8,465,439**	**219,909,447**
I.	**Called-up capital**	**144,605,701**	**6,349,389**	**150,955,090**	**98,665,077**	**2,288,124**	**100,953,201**
	1. Share capital	144,605,701	6,349,389	150,955,090	98,665,077	2,288,124	100,953,201
II.	**Share premium**	**60,849,175**	**1,411,142**	**62,260,317**	**60,849,175**	**1,411,142**	**62,260,317**
III.	**Revenue reserve**	**7,661,450**	**557,797**	**8,219,247**	**50,065,700**	**4,406,491**	**54,472,191**
	1. Legal reserves	4,384,041	360,792	4,744,833	4,125,076	345,226	4,470,302
	2. Reserves for own shares and interest	866,281	20,090	886,371	866,281	20,090	886,371
	3. Own shares and interest	–866,281	–20,090	–886,371	–866,281	–20,090	–886,371
	5. Other revenue reserves	3,277,409	197,005	3,474,414	45,940,624	4,061,265	50,001,889
IV.	**Reserves resulting from valuation at fair value**	**–541,294**	**–152,648**	**–693,942**	**–566,726**	**–144,141**	**–710,867**
VII.	**Net profit or loss for the period**	**1,642,920**	**98,756**	**1,741,676**	**2,430,782**	**503,823**	**2,934,605**
	1. Undistributed net income/profit for the year	1,642,920	98,756	1,741,676	2,430,782	503,823	2,934,605
B.	**Provisions and long-term accrued expenses and deferred revenue (1 to 3)**	**17,643,588**	**2,098,688**	**19,742,276**	**17,074,170**	**2,024,576**	**19,098,746**
	1. Provisions for pensions and similar liabilities	4,822,624	2,087,569	6,910,193	4,692,551	1,979,639	6,672,190
	2. Other provisions	193,843	0	193,843	182,578	0	182,578
	3. Long-term accrued expenses and deferred revenue	12,627,121	11,119	12,638,240	12,199,041	44,937	12,243,978
C.	**Long-term liabilities (I. + II. + III.)**	**31,276,594**	**20,609**	**31,297,203**	**28,852,348**	**172,501**	**29,024,849**
I.	**Long-term financial liabilities (1 to 4)**	**31,268,007**	**17,185**	**31,285,192**	**28,620,204**	**83,560**	**28,703,764**
	2. Long-term financial liabilities to banks	31,222,559	0	31,222,559	28,399,049	0	28,399,049
	4. Other long-term financial liabilities	45,448	17,185	62,633	221,155	83,560	304,715
II.	**Long-term operating liabilities (1 to 5)**	**0**	**0**	**0**	**222,118**	**85,100**	**307,218**
	2. Long-term operating trade payables	0	0	0	222,118	85,100	307,218
III.	**Deferred tax liabilities**	**8,587**	**3,424**	**12,011**	**10,026**	**3,841**	**13,867**
D.	**Short-term liabilities (I.+ II.+ III.)**	**16,749,904**	**1,973,211**	**18,723,115**	**19,836,324**	**2,044,403**	**21,880,727**
II.	**Short-term financial liabilities (1 to 4)**	**7,956,161**	**83,328**	**8,039,489**	**10,802,704**	**83,329**	**10,886,033**
	2. Short-term financial liabilities to banks	7,721,488	0	7,721,488	10,584,477	0	10,584,477
	4. Other short-term financial liabilities	234,673	83,328	318,001	218,227	83,329	301,556

ITEM (in EUR)		As of 31 December 2020			As of 31 December 2019		
		SODO activity	Market activities	Total	SODO activity	Market activities	Total
III.	**Short-term operating liabilities (1 to 8)**	**8,793,743**	**1,889,883**	**10,683,626**	**9,033,620**	**1,961,074**	**10,994,694**
	1. Short-term operating liabilities to companies within the corporate group	76,023	4,455	80,478	51,487	4,170	55,657
	2. Short-term operating trade payables	2,622,439	683,387	3,305,826	2,522,140	752,208	3,274,348
	4. Short-term operating liabilities from operations for third-party account	3,233,150	0	3,233,150	3,386,273	0	3,386,273
	5. Short-term liabilities to employees	2,294,426	834,293	3,128,719	2,348,330	818,814	3,167,144
	6. Short-term liabilities to state and other institutions	212,870	91,858	304,728	299,321	115,201	414,522
	7. Short-term operating liabilities based on advances	837	138,068	138,905	5,951	113,437	119,388
	8. Other short-term operating liabilities	353,998	137,822	491,820	420,118	157,244	577,362
E.	**Short-term accrued expenses and deferred revenue**	**1,561,539**	**146,088**	**1,707,627**	**420,299**	**137,614**	**557,913**
	TOTAL LIABILITIES (A to E)	**281,449,577**	**12,503,032**	**293,952,609**	**277,627,149**	**12,844,533**	**290,471,682**

3.2 Income Statement Broken Down by Activity

The Income Statement broken down by activity – business segments – is drawn up pursuant to Version I of SAS 21.6. All revenue, expenses and profit or loss are broken down into the part related to activities providing power distribution infrastructure and rendering services for the Company SODO, and market activities.

Organisational activities are not separated; they are conducted within the Maintenance and Investment Sector, Development and Operations Sector, and Shared Functions. Revenue, costs and expenses that cannot be attributed directly 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 regularly. In allocating the revenue, costs and expenses of the Shared Functions and organisational units within the Shared Functions, which cannot be attributed directly to a particular activity, the classification under the appropriate category is carried out according to the following criteria:

Group of accounts	Criterion
part of 760, 765, 766, 768, 769, 774, 775, 777, 78, 720, 721, 722, 723, 740, 743, 745, 746, 749	Shared functions
40, 41, 47, 48, 75	Individual organisational unit within shared functions
43	Share of the present value of individual fixed assets for both activities

The criteria of shared functions and an individual organisational unit within the shared functions are based on the calculation of appropriate ponders, which include the following categories:

- **Activity revenue** (the criterion is calculated based on revenue by activity for the accounting period, minus the revenue from shared functions),
- **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 activity in the accounting period),
- **Number of hours worked by activity** (the criterion is calculated based on the actual hours worked by the employees per individual activity in the accounting period),
- **Cost of business data processing** (the criterion is calculated based on the shares of use of resources according to the price list from the Contract signed with the Company Informatika d. d.),
- **Transport costs** (the criterion is calculated based on the value of transport by activity in the accounting period).

The share of each fixed asset's current value criterion for both activities is used to classify depreciation of fixed assets used within shared functions that serve both activities.

INCOME STATEMENT BY ACTIVITY

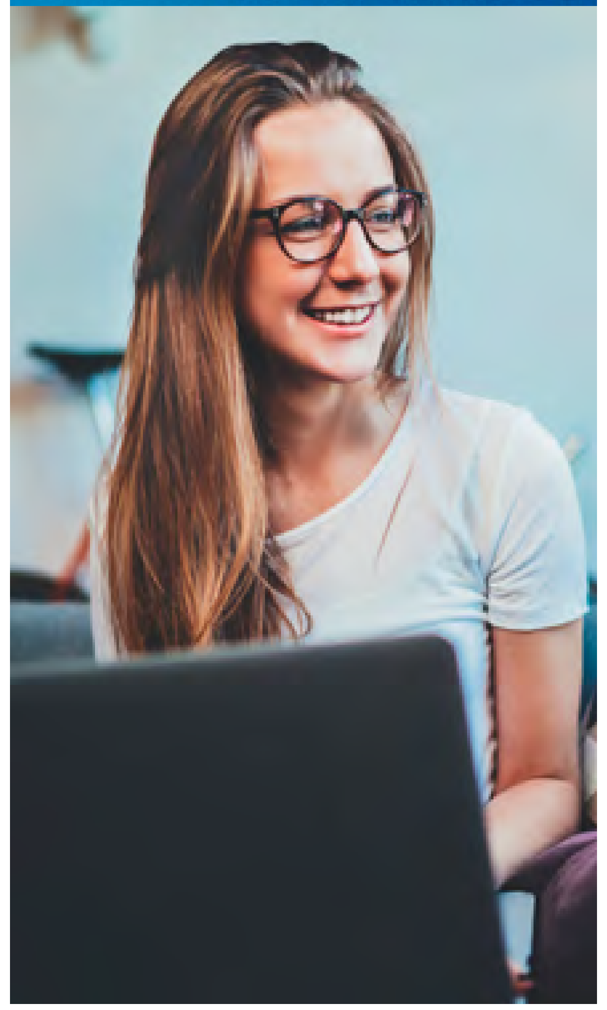
ITEM (in EUR)	2020			2019		
	SODO activity	Market activities	Total	SODO activity	Market activities	Total
1. Net sales revenue	**44,834,084**	**2,238,283**	**47,072,367**	**48,325,222**	**2,505,810**	**50,831,032**
a. on the domestic market	44,834,084	2,238,283	47,072,367	48,325,222	2,505,810	50,831,032
3. Capitalised own products and services	**0**	**16,740,724**	**16,740,724**	**0**	**15,164,716**	**15,164,716**
4. Other operating income (including revaluatory operating revenue)	**2,310,480**	**508,744**	**2,819,224**	**1,194,007**	**134,257**	**1,328,264**
5. Costs of goods, materials and services (a + b)	**6,251,132**	**11,737,799**	**17,988,931**	**6,415,605**	**10,092,161**	**16,507,766**
a. Cost of sold goods and costs of used material	1,348,581	10,457,480	11,806,061	1,507,387	8,957,254	10,464,641
b. Cost of services	4,902,551	1,280,319	6,182,870	4,908,218	1,134,907	6,043,125
6. Labour costs (a + b + c + d)	**16,603,789**	**7,241,718**	**23,845,507**	**16,141,614**	**6,810,392**	**22,952,006**
a. Cost of salaries	11,768,902	5,095,559	16,864,461	11,456,581	4,822,369	16,278,950
b. Pension insurance costs	1,626,531	681,060	2,307,591	1,600,803	647,322	2,248,125
c. Other social security costs	869,101	377,115	1,246,216	841,954	354,305	1,196,259
d. Other labour costs	2,339,255	1,087,984	3,427,239	2,242,276	986,396	3,228,672
7. Write-offs (a + b + c)	**17,844,638**	**202,798**	**18,047,436**	**17,851,500**	**206,045**	**18,057,545**
a. Depreciation	17,571,977	198,556	17,770,533	17,668,489	193,456	17,861,945
b. Operating expenses from revaluation of intangible and tangible fixed assets	264,707	1,785	266,492	121,516	1,688	123,204
c. Operating expenses from revaluation of current assets	7,954	2,457	10,411	61,495	10,901	72,396
8. Other operating expenses	**257,955**	**28,625**	**286,580**	**293,690**	**34,526**	**328,216**
9. Financial revenue from shares (a + b)	**3,190**	**50,740**	**53,930**	**0**	**1,007,400**	**1,007,400**
a. Financial revenue from shares in companies within the corporate group	0	49,468	49,468	0	1,000,000	1,000,000
b. Financial revenue from shares in associated companies	3,190	1,272	4,462	0	0	0
d. Financial revenue from shares in other companies	0	0	0	0	7,400	7,400
10. Financial revenue from loans granted (a + b)	**7,988**	**9**	**7,997**	**9,909**	**99**	**10,008**
a. Financial revenue from loans to companies within the corporate group	0	0	0	217	75	292
b. Financial revenue from loans to others	7,988	9	7,997	9,692	24	9,716

ITEM (in EUR)	2020			2019		
	SODO activity	Market activities	Total	SODO activity	Market activities	Total
11. Financial revenue from operating receivables	**41,269**	**458**	**41,727**	**48,937**	**1,070**	**50,007**
b. Financial revenue from operating receivables due from third parties	41,269	458	41,727	48,937	1,070	50,007
13. Financial expenses from financial liabilities (a + b)	**297,970**	**10**	**297,980**	**323,555**	**12**	**323,567**
b. Financial expenses related to loans from banks	297,912	0	297,912	323,485	0	323,485
d. Financial expenses from other financial liabilities	58	10	68	70	12	82
14. Financial expenses from operating liabilities	**57,994**	**13,054**	**71,048**	**67,098**	**22,336**	**89,434**
b. Financial expenses from trade payables and bills payable	20,843	48	20,891	0	0	0
c. Financial expenses from other operating liabilities	37,151	13,006	50,157	67,098	22,336	89,434
15. Other revenue	**6,422**	**1,472**	**7,894**	**8,245**	**44,065**	**52,310**
16. Other expenses	**123,495**	**6,463**	**129,958**	**31,529**	**3,846**	**35,375**
17. NET PROFIT/LOSS FOR THE PERIOD BEFORE TAXES (1 ± 2 + 3 + 4 – 5 – 6 – 7 – 8 + 9 + 10 + 11 – 12 – 13 – 14 + 15 – 16)	**5,766,460**	**309,963**	**6,076,423**	**8,461,729**	**1,688,099**	**10,149,828**
18. Income tax	**437,174**	**35,962**	**473,136**	**736,532**	**92,013**	**828,545**
19. Deferred taxes	**107,857**	**–39,859**	**67,998**	**60,932**	**7,531**	**68,463**
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)	**5,221,429**	**313,860**	**5,535,289**	**7,664,265**	**1,588,555**	**9,252,820**

Sales revenue by activity (in EUR)	2020			2019		
	SODO activity	Market activities	Total	SODO activity	Market activities	Total
From lease and maintenance of infrastructure and provision of services for SODO	44,431,069	0	44,431,069	47,862,849	0	47,862,849
Sale of services	403,015	2,238,283	2,641,298	462,373	2,505,810	2,968,183
Total	**44,834,084**	**2,238,283**	**47,072,367**	**48,325,222**	**2,505,810**	**50,831,032**

3.3 Cash Flow Statement Broken down by Activity

The Cash Flow Statement Broken down by Activity is a Financial Statement of the Company that presents changes in cash by activity faithfully and fairly.



The Cash Flow Statement Broken down by Activity is a Financial Statement of the Company that presents changes in cash by activity faithfully and fairly. It refers to the financial year for which it was compiled. It discloses cash flows generated from operating, investing and financing activities. It is compiled using the direct method, Version I (SAS 26.5) and in the line-by-line form.

The basis for compiling the Cash Flow Statement by Activity includes data from relative underlying documents on 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.

Cash flows increasing or decreasing the values of the assets and liabilities of a sector that cannot be attributed directly 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 activity follows the criteria defined in the Rules and Regulations on the criteria for separate accounting recording and reporting by the business activities of the Company Elektro Celje:

Group of accounts	Criterion
08, 25, 262, 263, 2650, 2663, 277, 282, 285, 2851 to 2859, 320, 321, 966, 97	1
003, 047, 089, 130, 131	2
120, 121, 1321, 133, 150, 151, 155, 159, 160, 161, 164, 165, 169, 190, 191, 192, 195, 260, 290, 291, 295	3
1320	4
220, 230, 221, 224, 2651 – 6 and 2660 – 2	5
11, 18, 90–93, 963	Calculation

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 cannot be attributed directly to a particular activity based on the type of work, are 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 attributed directly to a particular activity, follows the criteria specified in Articles 14 and 15 of the said Rules:

Group of accounts	Criterion
77, 78, 7460/1, 2	Shared functions
41, 48, 7540, 75	Individual organisational unit within shared functions

The surplus of inflows from operating activities over the outflows from the operating activities of providing the power distribution infrastructure and rendering of 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-electricity related activities.

CASH FLOW STATEMENT BY ACTIVITY

ITEM (in EUR)		2020			2019		
		SODO activity	Market activities	Total	SODO activity	Market activities	Total
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**						
a.	**Inflows from operating activities**	**98,005,563**	**24,203,684**	**122,209,247**	**101,198,397**	**21,223,291**	**122,421,688**
	Inflows from sale of goods and services	96,269,828	23,772,736	120,042,564	100,121,389	20,990,527	121,111,916
	Other inflows from operating activities	1,735,735	430,948	2,166,683	1,077,008	232,764	1,309,772
b.	**Outflows from operating activities**	**–68,053,680**	**–21,516,638**	**–89,570,318**	**–74,130,967**	**–20,014,460**	**–94,145,427**
	Purchase of material and services	–46,168,204	–13,234,048	–59,402,252	–51,043,359	–11,674,462	–62,717,821
	Salaries and employees' share in the profit	–16,257,706	–5,939,267	–22,196,973	–16,515,028	–5,805,592	–22,320,620
	Charges (contributions and other taxes)	–4,714,325	–2,007,576	–6,721,901	–5,624,900	–2,180,215	–7,805,115
	Other outflows from operating activities	–913,445	–335,747	–1,249,192	–947,680	–354,191	–1,301,871
c.	**Positive or negative net cash flow from operating activities (a + b)**	**29,951,883**	**2,687,046**	**32,638,929**	**27,067,430**	**1,208,831**	**28,276,261**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**						
a.	**Inflows from investing activities**	**413,859**	**41,019**	**454,878**	**152,794**	**1,942,026**	**2,094,820**
	Inflows from interests and dividends received relating to investing activities	3,180	1,315	4,495	279	1,007,506	1,007,785
	Inflows from disposal of property, plant and equipment	410,679	39,704	450,383	152,515	34,520	187,035
	Inflows from disposal of investments	0	0	0	0	900,000	900,000
b.	**Outflows from investing activities**	**–28,072,865**	**–1,536,702**	**–29,609,567**	**–26,720,633**	**–1,668,211**	**–28,388,844**
	Cash payments for the acquisition of intangible assets	–2,313,484	–1,095,276	–3,408,760	–1,348,332	–564,429	–1,912,761
	Purchase of property, plant and equipment	–25,759,381	–381,426	–26,140,807	–25,372,301	–203,782	–25,576,083
	Purchase of investments	0	–60,000	–60,000	0	–900,000	–900,000
c.	**Positive or negative net cash flow from investing activities (a + b)**	**–27,659,006**	**–1,495,683**	**–29,154,689**	**–26,567,839**	**273,815**	**–26,294,024**

ITEM (in EUR)		2020			2019		
		SODO activity	Market activities	Total	SODO activity	Market activities	Total
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**						
a.	**Inflows from financing activities**	**25,391,839**	**0**	**25,391,839**	**29,883,839**	**0**	**29,883,839**
	Inflows from the increase in financial liabilities	25,391,839	0	25,391,839	29,883,839	0	29,883,839
b.	**Outflows from financing activities**	**–27,856,105**	**–836,656**	**–28,692,761**	**–31,069,423**	**–892,191**	**–31,961,614**
	Interest paid on financing activities	–326,837	0	–326,837	–337,443	0	–337,443
	Repayments of financial liabilities	–25,431,319	0	–25,431,319	–28,403,263	0	–28,403,263
	Payments of dividends and other profit shares	–2,097,949	–836,656	–2,934,605	–2,328,717	–892,191	–3,220,908
c.	**Positive or negative net cash flow from financing activities (a + b)**	**–2,464,266**	**–836,656**	**–3,300,922**	**–1,185,584**	**–892,191**	**–2,077,775**
D.	**CLOSING BALANCE**	**–856,381**	**1,454,193**	**597,812**	**–684,992**	**1,099,486**	**414,494**
	Net cash flow for the period (sum of net cash flows Ac, Bc and Cc)	–171,389	354,707	183,318	–685,993	590,455	–95,538
	Opening balance	–684,992	1,099,486	414,494	1,001	509,031	510,032

A NETWORK OF PROGRESS

New energy potential

The challenges of the green future depend to a large extent on the energy progress of the local and global communities. Energy and climate goals can only be achieved with major transformations planned at the Company Elektro Celje and defined in the Strategic Plan. The transformation includes new trends in electrification, decentralisation of production resources and digitalisation of the Company. Change management has become a daily priority, allowing us to venture into the future reliably.

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Independent Auditor's Report on Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT
on consolidated financial statements
(Translation of the original report in Slovene language - for information purposes only)

To the shareholders of Elektro Celje, d.d.

Opinion

We have audited the consolidated financial statements of Elektro Celje Group (the Group), which comprise the consolidated balance sheet as at December 31, 2020 and the 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*, including those related to these matters. Therefore, the audit comprised the implementation of the procedures determined on the basis of our assessment of the risk of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the attached consolidated financial statements.

<u>Capitalised costs of own products and services</u>

Key audit matter

Capitalised costs of own products and services amounted to 16,740,724 EUR in the year ended December 31, 2020.

The Company constructs buildings and equipment with its own resources. Additions to tangible fixed assets, constructed by the Company, are valued at estimated costs of hours spent, which include personnel expenses and other indirect costs, as well as direct costs of materials and transport. The

Our response

Our audit procedures included:
- Assessing the guidelines defining additions to tangible fixed assets and construction costs in order to test that they comply with the guidelines prescribed by accounting standards.
- Testing the design and implementation of internal controls and testing of internal controls in the part related to the recognition of personnel expenses, costs of materials and services and fixed assets.

determination of hourly rates for personnel expenses and judgment regarding which types of indirect costs to include in the cost of tangible fixed assets, includes estimation. Estimation of the amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management and we therefore determined this matter as a key audit matter. In determining the matter, the Company uses assumptions and judgments for recognising tangible fixed assets as they are determined by Slovenian Accounting Standards.

Disclosures regarding this matter are included in note 2.3.b) Tangible fixed assets, note 2.3.o) Revenue and note 2.6.2. Capitalised own services.

- Familiarization with the method of recognising fixed assets constructed by the Company.
- Examination of the methodology and assumptions used by the Company in calculating the cost of personnel and verification of the completeness and accuracy of data used.
- Recalculation of the personnel costs and comparison with the calculation for the current year and to market data.
- Testing, on a sample of selected items, of capitalised own products and services, where we:
  - assessed whether the appropriate personnel expenses have been used;
  - obtained the bases for the cost of material and transport;
  - conducted interviews with persons responsible for construction of fixed assets;
  - verified supporting accounting documents and entries in the financial statements. The sample included randomly selected items and items that we determined based on our risk-based approach due to the size, complexity, content or duration of construction or maintenance.

<u>Recognition of revenues from sales of electricity included in discontinued operations</u>

Key audit matter

Net sales revenue from sale of electricity, included in discontinued operations (subsidiary ECE d.o.o.), after elimination of intercompany transactions amounted to 171,651,196 EUR in the year ended December 31, 2020.

Sale of energy products (electricity, natural gas) is an important activity of the Group. Recording revenue based on sold quantities requires reconciliation of sold quantities with purchased quantities. The subsidiary, which deals with the sale of energy products, set up a customer loyalty programme in 2020. As a result, we identified sales revenues as a key audit matter.

Revenues from sale of energy products are recognised at a point in time, except for performance obligations related to the customer loyalty programme. The Group performs a large number of low-value sales transactions and it is therefore important that their completeness in the reporting period is ensured

We refer to the disclosures in note 5.4.m) Revenue recognition.

Our response

Our audit procedures included:
- testing the design and implementation and the effectiveness of internal controls in the process of revenue recognition.
- assessing the Group's revenue recognition policies, including assessing whether the policies comply with relevant financial reporting standards.
- Assessing the accuracy of prices and quantities on samples of issued invoices and independent confirmations.
- Independent confirmations of sold quantities during the reporting period.
- Testing manual journal entries with emphasis on unusual, one-time entries on revenue accounts and entries after the balance sheet date.

Other Information

Management is responsible for the other information. The other information comprises the information included in the business report of the annual report of the company Elektro Celje, d.d., and Elektro Celje Group, but does not include the consolidated financial statements and our auditor's report thereon. We have received other information before the date of the auditor's report, except for the report of the Supervisory Board, which will be available at a later time.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, regulatory requirements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures, we report on the following:

- other information is consistent with audited consolidated financial statements in all respect;
- other information is prepared in line with regulatory requirements and
- based on our knowledge and understanding of the Company and its environment, obtained during the audit, no material inconsistencies were found in relation to other information.

Responsibilities of Management, Supervisory Board and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the Group's financial reporting process. The Supervisory Board is responsible for confirming the audited consolidated annual report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

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

We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting obligations as required by EU Regulation No. No 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement
We were appointed as the statutory auditor of the Company by the shareholders at the General Shareholders´ Meeting held on June 28, 2019 for the financial years 2019 - 2021. The engagement letter for the three years was signed on October 1, 2019. We have been performing the statutory audit of financial statements for six years without interruption. The audit partner responsible for the audit is Mateja Vrankar.

Consistence with the Additional Report to the Audit Committee
We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 30, 2021.

Prohibited Services
We confirm that we have not performed any prohibited services referred to the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council and that we ensure our independence from the audited Company.

Other Services of the Auditor
In addition to the statutory audit services and services disclosed in the annual report, no other services were provided by us to the Company.

Ljubljana, April 30, 2021

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

(signature on the original issued in Slovene language)

Mateja Vrankar, certified auditor
Managing Partner

4 Consolidated Financial Statements

4.1 Consolidated Statement of Financial Position

ITEM	Note	Amount (in EUR)	
		As of 31 December 2020	As of 31 December 2019
ASSETS			
A Long-term assets (1 + 2 + 3 + 4 + 5 + 6 + 7)		**276,137,451**	**272,975,410**
1. Intangible assets	5.7.1	5,051,759	4,517,107
2. Tangible fixed assets	5.7.2	269,044,455	263,833,488
a. Land		5,973,340	5,993,990
b. Buildings		191,288,389	188,123,201
c. Production equipment, machinery and other equipment		65,170,432	62,345,176
d. Tangible fixed assets under construction and production		6,612,294	7,371,121
3. Investment property	5.7.3	0	202,251
4. Investments	5.7.5	197,021	335,501
5. Investments in associates	5.7.5	206,987	206,987
6. Operating receivables	5.7.8	129,761	1,526,724
7. Deferred tax assets	5.9.10	1,507,468	2,353,352
B Short-term assets (1 + 2 + 3 + 4 + 5 + 6)		**61,160,540**	**59,088,879**
1. Non-current assets held for sale	5.7.6	48,631,742	0
1. Inventories	5.7.7	1,641,639	1,666,347
2. Operating trade receivables	5.7.8	9,340,270	51,714,648
3. Assets from contracts with customers	5.7.9	114,913	125,974
4. Income tax receivables	5.9.10	85,304	1,150,477
5. Other operating receivables and other assets	5.7.8	681,636	2,631,705
6. Cash and cash equivalents	5.7.10	665,036	1,799,728
TOTAL ASSETS (A + B)		**337,297,991**	**332,064,289**

ITEM	Note	Amount (in EUR)	
		As of 31 December 2020	As of 31 December 2019
LIABILITIES			
A Equity (7 + 8)	5.7.11	**236,545,580**	**233,303,669**
1. Share capital		150,955,090	100,953,201
2. Share premium		62,260,317	62,260,317
3. Revenue reserve		16,370,128	62,388,945
a. Legal reserves		4,747,799	4,471,554
b. Reserves for own shares and interest		886,371	886,371
c. Own shares and interest		–886,371	–886,371
d. Other revenue reserves		11,622,329	57,917,391
4. Fair value reserves		–693,943	–669,678
5. Fair value reserves of the disposal group		22,617	0
6. Net profit or loss		2,502,337	3,406,410
a. Retained net income/profit from previous years		247,880	1,206,072
b. Net profit or loss for the period		2,254,457	2,200,338
7. Equity share of the owners of the Parent Company (1 + 2 + 3 + 4 + 5 + 6)		231,416,546	228,339,195
8. Non-controlling interests		5,129,034	4,964,474
9. Total equity		236,545,580	233,303,669
B Long-term liabilities (1 + 2 + 3 + 4 + 5)		**51,387,375**	**49,359,128**
1. Provisions	5.7.12	7,111,475	7,610,574
2. Long-term deferred revenue	5.7.13	12,108,047	12,259,197
3. Financial liabilities	5.7.14	31,625,649	29,152,576
4. Operating liabilities	5.7.15	530,193	308,251
5. Deferred tax liabilities	5.9.10	12,011	28,530
C Short-term liabilities (1 + 2 + 3 + 4 + 5 + 6)		**49,365,036**	**49,401,492**
1. Non-current liabilities related to assets and disposal groups	5.7.6	28,912,328	0
2. Financial liabilities	5.7.14	8,109,634	11,071,491
3. Trade payables	5.7.15	4,487,475	20,919,722
4. Liabilities from customer contracts	5.7.16	138,905	913,469
5. Operating liabilities from operations for third-party account	5.7.15	3,233,150	10,017,951
6. Other operational liabilities	5.7.15	4,483,544	6,478,859
TOTAL LIABILITIES (A + B + C)		**337,297,991**	**332,064,289**

4.2 Consolidated Income Statement

ITEM	Note	Amount (in EUR)	
		2020	2019
CONTINUING OPERATIONS			
1. Net sales revenue	5.9.1	47,688,885	50,890,572
2. Capitalised own products	5.9.2	16,740,724	15,164,716
3. Other operating revenue	5.9.3	2,861,020	1,392,350
4. Used material costs	5.9.4	–11,956,211	–10,259,038
5. Cost of services	5.9.4	–6,248,229	–6,082,765
6. Labour costs	5.9.5	–24,299,392	–23,128,103
7. Depreciation	5.9.6	–17,977,571	–18,040,289
8. Write-offs, losses and asset valuation adjustments	5.9.7	–278,130	–196,392
9. Other operating expenses	5.9.8	–433,308	–377,529
PROFIT OR LOSS FROM CONTINUING OPERATIONS		**6,097,788**	**9,363,522**
10. Revenue from the share in the profit of the associated company	5.9.9	4,462	0
11. Financial revenue	5.9.9	49,725	67,125
12. Financial expenses	5.9.9	–378,975	–415,358
PROFIT OR LOSS BEFORE TAXES		**5,773,000**	**9,015,289**
13. Income tax	5.9.10	–475,780	–828,545
14. Deferred taxes	5.9.10	–67,998	–68,463
NET PROFIT OR LOSS FROM CONTINUING OPERATIONS		**5,229,222**	**8,118,281**

ITEM	Note	Amount (in EUR)	
		2020	2019
DISCONTINUING OPERATIONS			
15. Profit or loss from discontinuing operations after taxes	5.2.g	1,008,625	477,031
TOTAL NET PROFIT FOR THE PERIOD		**6,237,847**	**8,595,312**
16. The share of equity holders of the Parent Company		6,049,783	8,518,553
17. Non-controlling interests		188,064	76,759
Earnings per share			
18. Basic earnings per share	5.10	0.2536	0.3570
19. Diluted earnings per share		0.2536	0.3570
Earnings per share from continuing operations			
20. Basic earnings per share		0.2192	0.3403
21. Diluted earnings per share		0.2192	0.3403
Earnings per share from discontinuing operations			
22. Basic earnings per share		0.0423	0.0200
23. Diluted earnings per share		0.0423	0.0200

4.3 Consolidated Statement of Other Comprehensive Income

ITEM	Amount (in EUR)	
	2020	2019
1. Net profit or loss for the period	**6,237,847**	**8,595,312**
OTHER COMPREHENSIVE INCOME		
2 Items that will not be reclassified to profit or loss	**–52,732**	**–346,874**
a. Actuarial gains/losses in provisions for severance pays	–35,092	–410,066
– continuing operations	–17,225	–410,066
– discontinuing operations	–17,867	–
b. Impact of deferred tax on actuarial gains/losses in provisions for severance pays	–2,607	34,205
– continuing operations	–2,607	34,205
c. Revaluation of investments measured at fair value through equity	–18,559	35,786
– continuing operations	–9,768	35,786
– discontinuing operations	–8,791	–
d. Adjustment to reserves resulting from valuation at fair value for deferred tax liabilities	3,526	–6,799
– continuing operations	1,856	–6,799
– discontinuing operations	1,670	–
3. Total other comprehensive income of the year	**–52,732**	**–346,874**
4. Total comprehensive income for the period (1 + 3)	**6,185,115**	**8,248,438**
of which:		
- equity holders of the Parent Company	6,003,467	8,173,908
- non-controlling shareholders	181,648	74,530

4.4 Consolidated Cash Flow Statement

ITEM	Amount (in EUR)	
	2020	2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	**365,166,655**	**390,656,092**
Inflows from sale of goods and services	361,718,934	387,537,582
Other inflows from operating activities	3,447,721	3,118,510
b. Outflows from operating activities	**–348,393,094**	**–382,053,078**
Purchase of material and services	–306,408,675	–334,143,344
Salaries and employees' share in the profit	–25,358,795	–25,371,235
Charges (contributions and other taxes)	–15,207,406	–20,769,775
Other outflows from operating activities	–1,418,218	–1,768,724
c. Positive or negative net cash flow from operating activities (a + b)	**16,773,561**	**8,603,014**
B.CASH FLOW FROM INVESTING ACTIVITIES		
a. Inflows from investing activities	**466,524**	**901,441**
Inflows from interests and dividends received relating to investing activities	4,529	14,124
Inflows from disposal of property, plant and equipment	458,783	187,035
Inflows from disposal of short-term investments	0	700,282
Inflows from the acquisition of the subsidiary	3,212	0
b. Outflows from investing activities	**–10,730,524**	**–11,229,792**
Cash payments for the acquisition of intangible assets	–3,461,910	–2,015,776
Purchase of property, plant and equipment	–7,268,614	–9,174,016
Outflows from the acquisition of long-term investments	0	–40,000
c. Positive or negative net cash flow from investing activities (a + b)	**–10,264,000**	**–10,328,351**

ITEM	Amount (in EUR)	
	2020	2019
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Inflows from financing activities	**25,391,839**	**31,782,885**
Inflows from the increase in financial liabilities	25,391,839	31,782,885
b. Outflows from financing activities	**–28,797,290**	**–33,841,927**
Interest paid on financing activities	–335,539	–339,709
Repayments of financial liabilities	–25,510,058	–29,935,879
Payments of dividends and other profit shares	–2,951,693	–3,566,339
c. Positive or negative net cash flow from financing activities (a + b)	**–3,405,451**	**–2,059,042**
D. CLOSING BALANCE	**4,903,838**	**1,799,728**
Net cash flow for the period (sum of net cash flows Ac, Bc and Cc)	3,104,110	–3,784,379
Opening balance	1,799,728	5,584,107

Explanatory Notes to the Consolidated Cash Flow Statement are provided in Section 5.11.

4.5 Consolidated Statement of Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY from 1 January 2020 to 31 December 2020 (in EUR)	Called-up capital	Share premium	Revenue reserve				Reserves resulting from valuation at fair value	Retained net profit or loss		Net profit or loss for the period	Reserves belonging to the disposal group	Total equity share of controlling interests	Equity share of non-controlling interests	Total equity
	Share capital		Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Retained net profit	Retained net loss	Net profit for the year				
A.1. Balance at the end of the previous reporting period	**100,953,201**	**62,260,317**	**4,471,554**	**886,371**	**−886,371**	**57,917,391**	**−669,678**	**1,206,072**	**0**	**2,200,338**	**0**	**228,339,195**	**4,964,474**	**233,303,669**
A.2. Balance at the beginning of the reporting period	**100,953,201**	**62,260,317**	**4,471,554**	**886,371**	**−886,371**	**57,917,391**	**−669,678**	**1,214,561**	**0**	**2,200,338**	**0**	**228,347,684**	**4,964,474**	**233,312,158**
B.1. Changes in equity — transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**−2,934,605**	**0**	**0**	**0**	**−2,934,605**	**−17,088**	**−2,951,693**
b) Payment of dividends	0	0	0	0	0	0	0	−2,934,605	0	0	0	−2,934,605	−17,088	−2,951,693
B.2. Total comprehensive income in the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**−46,316**	**0**	**0**	**6,049,783**	**0**	**6,003,467**	**181,648**	**6,185,115**
a) Input of net profit/loss from the reporting period	0	0	0	0	0	0	0	0	0	6,049,783	0	6,049,783	188,064	6,237,847
b) Changes in reserves resulting from valuation of investments at fair value	0	0	0	0	0	0	−13,205	0	0	0	0	−13,205	−1,828	−15,033
c) Other components of comprehensive income in the reporting period	0	0	0	0	0	0	−33,111	0	0	0	0	−33,111	−4,588	−37,699
B.3. Changes in equity	**50,001,889**	**0**	**276,245**	**0**	**0**	**−46,295,062**	**22,051**	**1,967,924**	**0**	**−5,995,664**	**22,617**	**0**	**0**	**0**
a) Allocation of the remainder of net profit in the comparative reporting period to other equity components	0	0	0	0	0	232,413	0	1,967,924	0	−2,200,337	0	0	0	0
b) Allocation of a part of net profit in the reporting period to other equity components pursuant to decisions by the management and supervisory bodies	0	0	276,245	0	0	3,474,414	0	0	44,668	−3,795,327	0	0	0	0
e) Other changes in equity	50,001,889	0	0	0	0	−50,001,889	44,668	0	−44,668	0	0	0	0	0
f) Transfer to non-current liabilities related to assets and disposal groups	0	0	0	0	0	0	−22,617	0	0	0	22,617	0	0	0
C. Balance at the end of the reporting period	**150,955,090**	**62,260,317**	**4,747,799**	**886,371**	**−886,371**	**11,622,329**	**−693,943**	**247,880**	**0**	**2,254,457**	**22,617**	**231,416,546**	**5,129,034**	**236,545,580**

Explanatory Notes to the Consolidated Statement of Changes in Equity are provided in Section 5.7.11.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY from 1 January 2019 to 31 December 2019 (in EUR)	Called-up capital	Share premium	Revenue reserve				Reserves resulting from valuation at fair value	Retained net profit or loss		Net profit or loss for the period	Total equity share of controlling interests	Equity share of non-controlling interests	Total equity
	Share capital		Legal reserves	Reserves for treasury shares	Treasury shares	Other revenue reserves		Retained net profit	Retained net loss	Net profit for the year			
A.1. Balance at the end of the previous reporting period	**100,953,201**	**62,260,317**	**4,009,890**	**886,371**	**−886,371**	**48,741,695**	**−344,565**	**3,217,290**	**0**	**4,548,367**	**223,386,195**	**5,235,374**	**228,621,569**
A.2. Balance at the beginning of the reporting period	**100,953,201**	**62,260,317**	**4,009,890**	**886,371**	**−886,371**	**48,741,695**	**−344,565**	**3,217,290**	**0**	**4,548,367**	**223,386,195**	**5,235,374**	**228,621,569**
B.1. Changes in equity — transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**−3,220,908**	**0**	**0**	**−3,220,908**	**−345,430**	**−3,566,338**
b) Payment of dividends	0	0	0	0	0	0	0	−3,220,908	0	0	−3,220,908	−345,430	−3,566,338
B.2. Total comprehensive income in the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**−344,645**	**0**	**0**	**8,518,553**	**8,173,908**	**74,530**	**8,248,438**
a) Input of net profit/loss from the reporting period	0	0	0	0	0	0	0	0	0	8,518,553	8,518,553	76,759	8,595,312
b) Changes in reserves resulting from valuation of investments at fair value	0	0	0	0	0	0	23,392	0	0	0	23,392	5,595	28,987
c) Other components of comprehensive income in the reporting period	0	0	0	0	0	0	−368,037	0	0	0	−368,037	−7,824	−375,861
B.3. Changes in equity	**0**	**0**	**461,664**	**0**	**0**	**9,175,696**	**19,532**	**1,209,690**	**0**	**−10,866,582**	**0**	**0**	**0**
a) Allocation of the remainder of net profit in the comparative reporting period to other equity components	0	0	0	0	0	3,338,677	0	1,209,690	0	−4,548,367	0	0	0
b) Allocation of a part of net profit in the reporting period to other equity components pursuant to decisions by the management and supervisory bodies	0	0	461,664	0	0	5,837,019	0	0	19,532	−6,318,215	0	0	0
e) Other changes in equity	0	0	0	0	0	0	19,532	0	−19,532	0	0	0	0
C. Balance at the end of the reporting period	**100,953,201**	**62,260,317**	**4,471,554**	**886,371**	**−886,371**	**57,917,391**	**−669,678**	**1,206,072**	**0**	**2,200,338**	**228,339,195**	**4,964,474**	**233,303,669**

Explanatory Notes to the Consolidated Statement of Changes in Equity are provided in Section 5.7.11.

5 Explanatory Notes to the Consolidated Financial Statements

5.1 Reporting Company

Elektro Celje, d. d. is the Parent Company of the Elektro Celje Group (hereinafter referred to as the Group), with its head office in Vrunčeva 2a, 3000 Celje. The Group companies were founded and operate in Slovenia.

The Consolidated Financial Statements for the year which ended on 31 December 2020 show the operations of the Elektro Celje Group consisting of the Parent Company Elektro Celje d. d. (hereinafter: Parent Company), its subsidiaries ECE, energetska družba, d. o. o., podjetje za prodajo električne energije in drugih energentov, svetovanje in storitve (hereinafter: The Company ECE), and the Company Elektro Celje OVI, obnovljivi viri in inženiring, d. o. o., (hereinafter: The Company Elektro Celje OVI). The company associated to the Group is the Company Informatika, informacijske storitve in inženiring d. d.

The key activities of the Group comprise the assurance of a reliable, quality, cost-efficient and environmentally friendly electricity supply to network users in the distribution area of the Company Elektro Celje, as well as the purchase and sale of electricity and other energy products to end customers, electricity and heat generation, and investments in renewable energy sources.

5.2 Bases for the Preparation of Consolidated Financial Statements

a) Declaration of Conformity

Elektro Celje, d. d. is the Parent Company of the Elektro Celje Group (hereinafter referred to as the Group), with its head office in Vrunčeva 2a, 3000 Celje. The Group companies were founded and operate in Slovenia.

The Consolidated Financial Statements for the year which ended on 31 December 2020 show the operations of the Elektro Celje Group consisting of the Parent Company Elektro Celje d. d. (hereinafter: Parent Company), its subsidiaries ECE, energetska družba, d. o. o., podjetje za prodajo električne energije in drugih energentov, svetovanje in storitve (hereinafter: The Company ECE), and the Company Elektro Celje OVI, obnovljivi viri in inženiring, d. o. o., (hereinafter: The Company Elektro Celje OVI). The company associated to the Group is the Company Informatika, informacijske storitve in inženiring d. d.

The key activities of the Group comprise the assurance of a reliable, quality, cost-efficient and environmentally friendly electricity supply to network users in the distribution area of the Company Elektro Celje, as well as the purchase and sale of electricity and other energy products to end customers, electricity and heat generation, and investments in renewable energy sources.

b) Basis for measurement

The Consolidated Financial Statements present an account of the financial position, financial performance and cash flows of the Group. The fiscal year is the calendar year from 1 January to 31 December 2020.

They are prepared taking into account the historical cost, except for financial instruments measured at fair value through the equity that take into account the fair value. The methods used to measure the fair value are described in the Explanatory Notes 5.5 Determination of Fair Value.

When preparing the Consolidated Statement of the Financial Position, individual items of assets and liabilities are grouped according to their nature and in the order of their collectability or maturity. Additional disclosures present current and non-current assets and current and non-current liabilities as separate items, depending on whether they are expected to be paid or settled within no more than 12 months after the date of the Statement of the Financial Position (current), or more than 12 months after the date of the Statement of the Financial Position (non-current).

Financial assets and liabilities are offset in the Statement of the Financial Position only where there is a legal right and purpose of net settlement or simultaneous realisation of the asset, and settlement of the liability for this purpose. Revenue and expenses are not offset in the Income Statement unless provided for under Standards or Explanatory Notes.

c) Functional and presentation currency

The Consolidated Financial Statements are presented in Euros (EUR), which are the functional and presentation currency of the Group. All financial data presented in Euros are shown as rounded-off figures. Differences between Financial Statements and amounts in the Explanatory Notes may occur due to the rounding off.

d) Foreign currency conversion

Transactions denominated in a foreign currency shall be converted into the appropriate functional currency of the companies within the Group at the exchange rate on the date of the transaction. Positive or negative exchange differences are the differences between the amortised cost in the functional currency on the date of the transaction and in the amortised cost in foreign currency, calculated at the exchange rate at the time of payment, and are recognised in the Income Statement.

e) Use of estimates and assessments and significant uncertainty in operations

Due to the uncertainty of future business events forming a part of operations and their impact on the Group, some items in the Financial Statements cannot be measured accurately, but are estimated instead. Thus, assessment based on the best knowledge of current and future events, experience, information, as well as considering potential changes in the business environment, is used in accounting estimates. The preparation of Financial Statements in compliance with the IFRS is, consequently, based on certain estimates and assumptions that affect the carrying amount of assets and liabilities of the Group on the reporting date, and the amount of revenue, costs and expenses of the Group in the period ending at the Balance Sheet date.

Estimates and assumptions are reviewed regularly, with the changes in accounting estimates recognised in the period of the change and in all future periods which the changes affect:

- Explanatory Notes 5.4 (a), 5.4 (b), 5.4 (c) and Accounting Policies 5.7.1, 5.7.2, 5.7.3 – Determining the useful life of depreciable assets;
- Explanatory Notes 5.4 (p) and Accounting Policy 5.9.10 – Deferred Taxes;
- Explanatory Notes 5.4 (k), 5.4 (l) and Accounting Policies 5.7.12, 5.7.13 – Measurement and estimated value of long-term deferred revenue, provisions for post-employment benefits of employees and lawsuits;
- Explanatory Notes 5.4 (f), 5.4 (g) and Accounting Policy 5.7.5 – Valuation of investments;
- Explanatory Notes 5.4 (f), 5.4 (g) and Accounting Policies 5.7.8 and 5.12.1 – Valuation adjustment to receivables;
- Explanatory Note 5.4 (j) and Accounting Policy 5.7.7 - Valuation adjustments to inventories,
- Explanatory Note 5.4 (d) and Accounting Policy 5.7.4 - Determining the discount rate for Leases.

f) Impact of the Covid-19 pandemic on operations in 2020

Due to the Covid-19 epidemic, which marked the economy and financial markets, the Group assessed its impact on the operations of the Group companies. There was no significant uncertainty or doubt ascertained as to their ability of continuing operations. Based on the above, the Group considered that the going concern assumption was appropriate for Group companies.

Despite the Covid-19 epidemic, no change in Accounting Policies has been applied. The accounting estimates examined the use of assumptions, criteria and estimates of uncertainty. The Covid-19 epidemic did not lead to changes in the rent of business premises, or to impairment of rights to use such immovable properties. The credit risks of the receivables were examined and, due to the changed market conditions, no credit risk increases were observed and, consequently, no need for further impairment of the receivables. Even for investments that are carried at cost and are not dealt in on a Stock Exchange, there was no objective evidence to dictate their impairment. The fair value of shares of the Company Zavarovalnica Triglav, d. d. measured according to the closing Stock Exchange price, decreased by EUR 9,768 due to revaluation as of 31 December 2020 compared to 31 December 2019.

By adopting the Act Amending and Complementing the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, the Agency amended and supplemented the provisions of the applicable Network Charge Act by reducing the rate of return recognised for 2020 for energy infrastructure and other leased assets from 5.26% to 4.13%. In view of the amended rate of return for 2020 and the regulatory asset base from the Decision, the revenue under this heading was reduced by EUR 2,825,733. The Energy Agency further added the provision that, based on the "corona legislation" State aid is a part of other revenue, and is therefore intended to cover previously recognised eligible costs for the activity of the distribution operator rather than additional costs or reduced revenue due to the epidemic (EUR 635,669 at the Parent Company).

Due to the declared epidemic of COVID-19 and the resulting expected liquidity problems of the economy and the population, the capping of revaluatory operating revenue in relation to trade receivables from network charges in 2020 and 2021 increased from 0.2% to 0.4% of the network charge with the

Network Charge Act. Those expenses from revaluation are part of the uncontrolled operating and maintenance costs, and are included in the revenue from the Lease of electricity infrastructure and services of the DNSO activity rendered. From the change in the cap rate, the Group did not have higher revenue in 2020, because it did not show revaluation expenses from the network charge in that year. By increasing the incentive for assets acquired free-of-charge from 0.5% to 2%, the Group received EUR 5,409 more incentives under this heading.

The Group received State financial support in the previous year, resulting from the measures taken by the Republic of Slovenia to contain the Covid-19 epidemic. It is included in the Consolidated Statement among other operating revenue in the amount of EUR 908,969 and includes accrued and unpaid pension and disability insurance contributions of EUR 758,398, sick pay reimbursements received in the amount of EUR 31,046 and compensations for employees in case of absence due to quarantine and force majeure amounting to EUR 76,955 as well as reimbursement of payments of crisis bonuses in the amount of EUR 42,570. The State aid received is also included in the calculation of the profit or loss from discontinuing operations after taxes in the amount of EUR 91,902 (pension and disability insurance contributions accrued and not yet paid).

g) Basis of consolidation

The Consolidated Financial Statements are drawn up based on the consolidation of the original Financial Statements of Group companies, taking into account consolidation adjustments. In the preparation, the investments of the Parent Company into the equity of the subsidiaries and associated shares of the Parent Company in the equity of subsidiaries were eliminated, as well as all balances, profits and losses or revenue and expenses and inflows and outflows arising from intra-group transactions.

The Consolidated Statements for 2020 are drawn up taking into account the discontinuing operations of the subsidiary ECE and the merger by acquisition of the Company Solar Plus to the subsidiary EC OVI.

Uniform accounting policies and calculation methods are applied for similar transactions and other business events in similar circumstances for all periods presented in the attached Consolidated Financial Statements. The Financial Statements of Group companies are prepared for the same reporting period as the Financial Statements of the Parent Company, and disclose all significant items, with the significance of disclosure defined by the internal rules of the Parent Company.

Discontinuing Operations of the Company ECE

The Contract on the Sale and Transfer of Business Shares in the company ECE d. o. o. signed on 1 December 2020 subject to the approval of the Slovenian Competition Protection Agency (AVK) and the condition of the acceptance of the new Articles of Association of the Company ECE d. o. o., decreases the 74.3256 per cent shareholding of the Company Elektro Celje in the Company ECE, d. d. to 36.4195 per cent. A call and put option for the sale of the remaining shareholding in the period from 1 January 2025 to 31 May 2025 was also established. The fair value of the call and put option as of 31 December 2020 amounts to EUR 0, therefore it is not reported separately in the Consolidated Financial Statements as a derivative.

In the Consolidated Income Statement, the items of revenue and expenses of the subsidiary ECE are recorded as discontinuing operations under the item of Profit or Loss from discontinuing operations after taxes (seq. no. 15). The Comparative Consolidated Income Statement for 2019 was prepared in the same way. The net profit of the Company ECE in 2020 amounted to EUR 500,081 and is lower by consolidation adjustments in the amount of EUR 508,544 from the net profit from discontinuing operations after taxes. Net sales revenue (EUR 121,679), costs of materials and services (EUR 292,683), write-offs (EUR 101,407), depreciation of goodwill (EUR 232,414), other operating expenses (EUR 717) and financial expenses (EUR 3.002) were excluded in the consolidation process.

Profit or loss of discontinuing operations:

ITEM	Amount (in EUR)	
	2020	**2019**
1. Net sales revenue	171,651,196	172,993,923
3. Other operating revenue	880,072	1,107,384
4. Used material costs	–165,134,133	–168,278,822
5. Cost of services	–2,524,478	–2,575,051
6. Labour costs	–2,997,683	–2,873,729
7. Depreciation	–240,847	–235,379
8. Write-offs, losses and asset valuation adjustments	–246,676	–116,039
9. Other operating expenses	–296,032	–107,710
OPERATING PROFIT OR LOSS	**1,091,419**	**–85,423**
10. Financial revenue	180,531	614,247
11. Financial expenses	–12,504	–16,100
PROFIT OR LOSS BEFORE TAXES	**1,259,446**	**512,724**
12. Income tax	–60,325	0
13. Deferred taxes	–190,496	–35,693
NET PROFIT OR LOSS	**1,008,625**	**477,031**

Assets of the disposal group as of 31 December 2020:

ITEM (in EUR)	31 Dec. 2020
ASSETS	
A Long-term assets	**1,783,409**
1 Intangible assets	145,912
2 Tangible fixed assets	582,933
Land	*40,371*
Buildings	*285,526*
Production equipment, machinery and other equipment	*227,712*
Tangible fixed assets under construction and production	*29,324*
3 Investment property	212,552
4 Investments	79,920
5 Operating receivables	177,309
6 Deferred tax assets	584,783
B Short-term assets	**46,044,382**
1 Inventories	168,693
2 Operating trade receivables	38,130,122
3 Other operating receivables and other assets	3,506,765
4 Cash and cash equivalents	4,238,802
TOTAL ASSETS	**47,827,791**

Liabilities and reserves of the disposal group as of 31 December 2020:

ITEM (in EUR)	31 Dec. 2020
RESERVES	
1 Fair value reserves	0
Reserves resulting from valuation at fair value	*–22,617*
Reserves resulting from valuation at fair value of the Group held for sale	*22,617*
TOTAL RESERVES	**0**
LIABILITIES	
A Long-term liabilities	**935,667**
1 Provisions	732,952
2 Long-term deferred revenue	177,631
3 Financial liabilities	11,013
4 Operating liabilities	1,078
5 Deferred tax liabilities	12,993
B Short-term liabilities	**27,976,661**
1 Financial liabilities	56,095
2 Trade payables	24,396,183
3 Liabilities from customer contracts	798,637
4 Other operating liabilities	2,665,421
5 Income tax liabilities	60,325
TOTAL LIABILITIES	**28,912,328**

Assets and liabilities relating to the subsidiary ECE, in which it is planned that the dominant influence will be lost, shall be reclassified in accordance with IFRS 5, under non-current assets held for sale and non-current liabilities related to assets and disposal groups. Non-current assets held for sale are measured at a book value below fair value less costs of sale. There were no effects on equity resulting from the reclassification of assets and liabilities.

Cash flow from discontinuing operations:

ITEM	Amount (in EUR)	
	2020	2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	**261,458,634**	**285,276,857**
Inflows from sale of goods and services	260,215,688	283,479,911
Other inflows from operating activities	1,242,946	1,796,946
b. Outflows from operating activities	**–258,289,285**	**–287,927,864**
Purchase of material and services	–246,917,667	–271,702,753
Salaries and employees' share in the profit	–2,764,298	–2,876,084
Charges (contributions and other taxes)	–8,438,433	–12,884,594
Other outflows from operating activities	–168,887	–464,433
c. Positive or negative net cash flow from operating activities (a + b)	**3,169,349**	**–2,651,007**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a. Inflows from investing activities	**34**	**706,913**
Inflows from interests and dividends received relating to investing activities	34	6,631
Inflows from disposal of short-term investments	0	700,282
b. Outflows from investing activities	**–165,903**	**–319,181**
Cash payments for the acquisition of intangible assets	–45,628	–98,612
Purchase of property, plant and equipment	–120,275	–220,569
c. Positive or negative net cash flow from investing activities (a + b)	**–165,869**	**387,732**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Inflows from financing activities	**0**	**1,500,000**
Inflows from the increase in financial liabilities	0	1,500,000
b. Outflows from financing activities	**–17,150**	**–1,846,027**
Interest paid on financing activities	–62	–596
Repayments of financial liabilities	0	–1,500,000
Payments of dividends and other profit shares	–17,088	–345,431
c. Positive or negative net cash flow from financing activities (a + b)	**–17,150**	**–346,027**
D. CLOSING BALANCE	**4,238,802**	**2,319,713**
Net cash flow for the period (sum of net cash flows Ac, Bc and Cc)	2,986,330	–2,609,302
Opening balance	1,252,472	4,929,015

The Merger by Acquisition of the Company Solar Plus to the Subsidiary EC OVI

In 2020, the subsidiary EC OVI carried out the merger by acquisition of the Company Solar Plus. The Group decided to purchase the Company which had already carried out the installation of solar power plants and charging stations for electric vehicles as well as the installation of heat pumps, as thus, it also acquired its market share in the construction and maintenance of solar power plants.

The merger by acquisition was carried out by the transfer of all assets and rights and obligations of the acquired Company as of the accounting date 31 December 2019 and entered in the Register of Companies on 20 April 2020. The acquired assets and liabilities were entered in the bookkeeping records at their book values that did not deviate significantly from the fair values. The purchase consideration, which amounted to EUR 40,000, was transferred on 31 December 2019. The excess of the purchase consideration over net assets was recognised as other operating expenses.

The following purchased assets and assumed liabilities were identified on the date of merger by acquisition 1 January 2020:

ITEM	Amount (in EUR)
ASSETS	
A Long-term assets	**38,383**
1. Tangible fixed assets	38,383
Production equipment, machinery and other equipment	*38,383*
B Short-term assets	**111,983**
1. Inventories	13,119
2. Operating receivables and other assets	95,652
3. Cash and cash equivalents	3,212
TOTAL ASSETS	**150,366**
LIABILITIES	
B Long-term liabilities	**19,520**
1. Financial liabilities	19,520
C Short-term liabilities	**97,111**
1. Financial liabilities	216
2. Operating liabilities	96,895
TOTAL LIABILITIES	**116,631**
Net assets acquired	**33,735**
Purchase consideration	**40,000**
Excess of the purchase consideration over the net assets acquired	**6,265**

Investments in Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the ability to affect the financial and business decisions of the Group company to obtain benefits from its activities. In assessing the influence, the existence and impact of potential voting rights which can currently be used or exchanged, are taken into account. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date when control commences until the date it ceases.

Investments in the Associate

Associated companies are companies over which the Group has a significant impact, but does not control their financial and operating policies. A company shall be deemed to have a significant capital influence on another company if it holds 20 per cent or more or if it is able to exercise significant influence under other contractual rights.

h) Comparative data

In accordance with IFRS 5, the Group showed items in the Income Statement relating to discontinuing operations in a separate item and adjusted the comparative data for the financial year 2019 in the same way.

5.3 The New and Updated Standards Applied by the Group

The Accounting Policies applied are the same as in previous years, with the exception of newly adopted and supplemented Standards.

A NEWLY ADOPTED AMENDED STANDARDS AND EXPLANATORY NOTES WHICH CAME INTO EFFECT ON 1 JANUARY 2020

The following Amendments and Supplements to the existing Standards and new Explanatory Notes issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the EU, entered into force in the current accounting period:

Amendments to IFRS 3 – Business combinations: Definition of business entity (Commission Regulation (EU) 2020/551 of 21 April 2020)

The completed definition of a business entity introduces more detailed criteria to assess whether the assets acquired and the liabilities assumed constitute a business entity, and this is treated as a business combination, or whether the assets are acquired and this is not treated as a business combination. The Amendment to IFRS 3 describes an optional concentration test that allows for a simplified assessment of whether the acquired set of activities and assets is not a business entity. An entity may decide on its own whether to apply the test and apply those Amendments to business combinations where the acquisition date is during the period of the first annual reporting period beginning on or after 1 January 2020, or for the acquisition of assets at the beginning of or after this period. The application of these Amendments before that date is permitted. **The Supplements to the Standard did not affect the Group's Financial Statements.**

Conceptual Framework of IFRS Standards

On 29 March 2018, the International Accounting Standards Board (IASB) published a revised conceptual framework for financial reporting Standards. The Supplements provide for a comprehensive concept of financial reporting, Standard setting, guidance on understanding and interpretation of the Standards. Based on the underlying framework, an entity shall adopt its accounting policies when a particular transaction is not dealt with by any IFRS. It includes some new definitions, updated criteria for assets and liabilities and clarifies some important concepts. The revised conceptual framework for the annual periods beginning on or after 1 January 2020 applies to draftsmen who adopt their accounting policies based on the conceptual framework. **The revision of the conceptual frameworks of IFRS Standards has no significant impact on the Financial Statements.**

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "Important"

The Supplements are effective for annual periods beginning on or after 1 January 2020. The Supplements clarify the definition of the term important and how it is to be used. Companies must assess whether the information, either individually or in combination with other information, is essential in the context of the Financial Statements as a whole. The identification of non-adjusting events after the reporting period as essential is required where non-disclosure can be reasonably expected to affect the decisions of the users of Financial Statements they take on their basis. **The Amendments did not affect the Group's Financial Statements.**

Amendments to IFRS 9, IAS 39, IFRS 7 – Interest Rate Benchmark Reform

The Amendments are effective for annual periods beginning on or after 1 January 2021. Amendments to the Interest Rate Benchmark Reform:

a) They amend the specific hedge accounting requirements so that companies can account for hedges, assuming that the reference interest rate on which hedged cash flows and cash flows from the hedging instrument are based does not change due to the Interest Rate Benchmark Reform;
b) They are mandatory for any hedging relationship directly affected by the Interest Rate Benchmark Reform;
c) They are not intended to mitigate any other consequences of the Interest Rate Benchmark Reform (if the hedging ratio no longer meets the requirements for hedge accounting for reasons other than those specified in the Amendments, hedge accounting should be discontinued);
d) they require specific disclosures on the extent to which the Amendments to the Reform affect hedging relationships between companies.

The European Union adopted the Amendments on 15 January 2020. **The Amendments did not affect the Group's Financial Statements.**

Amendment to IFRS 16 – Leases: Adjustments to Lease Payments Relating to Covid-19 (Commission Regulation (EU) 2020/1434 of 9 October 2020)

The purpose of the Amendment to IFRS 16 is to enable lessees to use the IFRS 16 Standard in a simplified way to account for changes in Lease Payments that are a direct consequence of the Covid-19 pandemic. The lessee may choose to apply the practical solution in IFRS 16 by accounting for any such change in the Lease Payment in the same way as other Amendments under IFRS 16 if the change arises from a Lease Payment lower than agreed immediately before the Amendment, if any reduction in the Lease Payment only affects payments, which, under the original Contract, are due for payment on or before 30 June 2021, and in so far as all other terms of the Lease remain unchanged. Using a practical solution, disclosure is required, or a description of whether the lessees have applied the practical solution to all Lease concessions. And, if that is not the case, they shall disclose information on the nature of the Contracts for which they have put the practical solution in place. In addition, they shall disclose the amount recognised in profit or loss that results from a change in the Lease Payment for which the practical solution was applied. The lessees shall apply that Amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is allowed. The lessee shall apply the Lease Payment adjustments in respect of Covid-19 retrospectively, recognising the cumulative effect of the initial application of that change as an adjustment to the initial balance of retained net profit (or other components of equity, as applicable) at the beginning of the annual reporting period in which the lessee first applies the change. **The Amendments to the Standard did not affect the Group's Financial Statements.**

Amendments to IFRS 4 – Insurance Contracts: Extension of the temporary exemption from the application of IFRS 9 (the Implementing Regulation of the Commission (EU) 2020/2097 of 15 December 2020)

IFRS 9 addresses the accounting of financial instruments and applies for annual periods beginning on or after 1 January 2018. However, this IFRS permits insurers that meet the criteria for temporary exemption, but does not require them to apply IAS 39 for annual periods beginning before 1 January 2023. If, as a result of the reassessment, the entity no longer meets the conditions for a temporary exemption from the application of IFRS 9, it may continue to apply it until the end of the annual period that began immediately after reassessment. However, an entity shall apply IFRS 9 for annual periods beginning on or after 1 January 2023. The Amendment to IFRS 4 also provides for a temporary exemption from the specific requirements of IAS 28 – Investments in Associates and Joint Ventures, which requires an entity to apply uniform accounting policies to the equity method. An entity is permitted, but is not required to maintain, for annual periods beginning before 1 January 2023, the relevant accounting policies applied by the Associate or Joint Venture. The Amendments to the Standard did not affect the Group's Financial Statements.

B NEW STANDARDS AND CLARIFICATIONS WHICH HAVE NOT YET BEEN APPLIED BY THE GROUP

The Group did not apply any Standards, Amendments to existing Standards and IFRS Explanatory Notes that would be issued and were not yet in force early.

IFRS 17 - Insurance Contracts (Supplements)

The Supplements to the Standard issued by the IASB on 25 June 2020 postpone the date of application of IFRS 17 for two years, to annual periods beginning on or after 1 January 2023, subject to the permission of early application, provided that the entity also reports in accordance with the IFRS 15 Standard Revenue from Contracts with customers and the IFRS 9 Standard Financial instruments. The Supplements introduce simplifications and interpretations of some of the requirements of the Standard, and provide additional assistance in the first application of IFRS 17. The new Standard requires the measurement of insurance liabilities at current fulfilment value, and provides a more uniform method of measurement and presentation for all Insurance Contracts. The requirements are intended to ensure consistent and principle-based accounting for Insurance Contracts. IFRS 17 supersedes IFRS 4 – Insurance Contracts and the related Explanatory Notes. The European Union has not yet approved the Standard. **The Supplements will not affect the Group's Financial Statements.**

IAS 1 – Presentation of Financial Statements (Supplements)

The Supplements are effective for annual periods beginning on or after 1 January 2023. Early application of the Supplements is permitted. The Supplements address the classification of liabilities into short and long-term, and provide a more general approach to the classification of liabilities under IAS 1 based on contractual arrangements in force at the reporting date. **The Supplements will not affect the Group's Financial Statements significantly.**

IAS 16 – Property, plant and equipment (Supplements)

The Supplements apply to annual periods beginning on or after 1 January 2022. Early application of the Supplements is permitted. The Supplements address profits before the intended use, and prohibit an entity from deducting any benefit from the sale of assets created at the time of preparing the asset to its place, and to a condition in which the asset can operate in accordance with management expectations from the cost of property, plant and equipment. An entity shall recognise the benefits of selling such assets and the cost of producing them in the profit or loss. **The Supplements will not affect the Group's Financial Statements.**

IAS 37 – Provisions, contingent liabilities and contingent assets (Supplements)

The Supplements apply to annual periods beginning on or after 1 January 2022. Early application of the Supplements is permitted. The Supplements stipulate that the costs of fulfilling an onerous contract cover the costs related directly to the contract. The costs related directly to the contract may be additional costs for the performance of this contract or the allocation of other costs related directly to the fulfilment of the contract. **The Group is still assessing the impact of the Supplements on the Consolidated Financial Statements.**

IFRS 3 – Business Combinations (Supplements)

The Supplements apply to annual periods beginning on or after 1 January 2022. Early application of the Supplements is permitted. The Supplements update IFRS 3 by referring to the conceptual framework issued in 2018 instead of the one issued in 1989, and adding a requirement in IFRS 3 that the acquirer applies IAS 37 or IFRIC 21 to transactions and other events falling within the scope of application of IAS 37 or IFRIC 21 (Instead of the conceptual framework) to identify the liabilities it has assumed in a business combination, and adding an explicit statement in IFRS 3 that the acquirer does not recognise contingent assets acquired in a business combination. **The Supplements will not affect the Group's Financial Statements.**

IFRS 10 – Consolidated Financial Statements and **IAS 28 – Investments in Associates and Joint Ventures** (Amendments)

The date of entry into force of the Supplements is postponed for an indefinite period. The Supplements address the sale or contribution of assets between the investor and its Associate or Joint Venture and further Amendments and relate to the divergence of the requirements of IAS 28 and IFRS 10, and clarify that the extent to which the profit or loss is recognised in a transaction with an Associate or a Joint Venture depends on whether the assets sold or contributed constitute a business entity. **The Supplements will not affect the Group's Financial Statements.**

IFRS 9 – Financial instruments, IAS 39 Financial instruments: Recognition and Measurement, **IFRS 7 – Financial Instruments:** Disclosures, **IFRS 4 — Insurance Contracts** and **IFRS 16 — Leases** (Supplements)

The Supplements apply to annual periods beginning on or after 1 January 2021. Early application of the Supplements is permitted. The Supplements address the Interest Rate Benchmark Reform (stage 2). The Amendments relate to the change in financial assets, financial liabilities and Lease liabilities, the specific hedge accounting requirements and the disclosure requirements of IFRS 7, and monitor the changes in the amendments to and accounting of the hedge:

e) Changes in financial assets, financial liabilities and Lease liabilities – the IASB introduces a practical solution to the changes required by the Reform (changes are necessary directly due to the reform of the IBOR, and are made on an economically equivalent basis). These changes are accounted for by an update of the effective interest rate. All other changes are accounted for using the current requirements of IFRSs. A similar practical solution is proposed for billing by the lessee under IFRS 16.

f) Hedge accounting requirements — in accordance with the Amendments, hedge accounting shall not be removed solely as a result of the reform of the IBOR. The hedging relationships (and related documentation) must be amended to reflect changes in the hedged item, the hedging instrument and the hedged risk. The change in the hedging relationships shall meet all the eligibility criteria for hedge accounting, including performance requirements.

g) Disclosures — in order to enable users to understand the nature and extent of the risks to which the entity is exposed as a result of the reform of the IBOR, how the entity manages those risks, the progress made by the entity in changing from the IBOR to alternative reference interest rates and how the entity manages that transition, the entity shall disclose the following information: How it manages the transition to alternative reference interest rates, its progress on the reporting date and the risks to which it is exposed as a result of the transition, quantitative information on non-derivative financial assets, non-derivative financial liabilities and derivatives that have not yet passed on to an alternative reference rate (broken down by the significant reference interest rate for which the Interest Rate Benchmark Reform is carried out), and if the reform of the IBOR has resulted in changes to the entity's risk management strategy, a description of those changes and how the entities manage those risks. The IASB also amended IFRS 4 in such a way that insurers applying the temporary exemption from the application of IFRS 9 are required to apply the changes in accounting for changes required directly by the reform of the IBOR. **The Group is still assessing the impact of the Supplements on future Consolidated Financial Statements.**

IFRS 14 – Regulatory Deferral Accounts

The International Accounting Standards Board (IASB) published the Standard on 30 January 2014. The objective of the Standard is to enable entities that apply IFRSs for the first time to continue with such recognition when they switch to IFRSs. The European Commission has adopted a Decision not to start the validation process for this interim Standard, and will wait for the publication of its final version. **The introduction of the Standard will not affect the Group's Financial Statements.**

Amendments to various Standards due to improvements to IFRSs (cycle 2018–2020)

The Amendments to various Standards originate from the annual improvement project of IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily with a view to removing inconsistencies and clarifying wording (the Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The Amendment to IFRS 16 only refers to an illustrative example and, therefore, no effective date is specified). However, the Amendments are intended primarily to eliminate inconsistencies and to explain the text. These Amendments:

a) Explain that a subsidiary that applies paragraph D16(a) of IFRS 1 may measure cumulative exchange differences by using the amounts shown by the Parent Company based on the date of the transition of the Parent Company to IFRS (IFRS 1);
b) Explain which compensations the entity includes when carrying out the "10% test" specified in paragraph B3.3.6 of IFRS 9 when assessing whether to derecognise a financial liability. An entity shall consider only the compensations paid or received between the entity (borrower) and the lender in the calculation, including any compensation paid or received by either of them on behalf of the other (IFRS 9);
c) Remove the illustration of the lessor's recovery to improve the leased asset from the example in order to eliminate any confusion about how the Lease incentives might be treated, which could result from the illustration of these incentives in the example (illustrative example 13 accompanying IFRS 16); and
d) Remove the requirement in paragraph 22 of IAS 41 that entities shall not take tax cash flows into account when measuring the fair value of a biological asset using the present value method (IAS 41). **The Group is still assessing the impact of the Amendments to the Standards on future Consolidated Financial Statements.**

5.4 Significant Accounting Policies

a) Intangible assets

Intangible assets are non-monetary assets without physical existence, and are recognised by Group companies when it is probable that the economic benefits associated with such assets will flow into the Group. They are initially recognised at cost, which also includes import and non-refundable purchase taxes after deduction of discounts, and any directly attributable costs of preparing the asset for its intended use. The subsequent costs related to the intangible assets are capitalised only in cases when it is likely that future economic benefits, associated with a part of this asset, will flow into the Group, and if the cost can be measured reliably. All other costs are recognised in the profit or loss as costs as soon as they are generated. An intangible asset is derecognised upon disposal, or when no more economic benefits are expected from its use and subsequent disposal.

Intangible fixed assets of the Group relate to property rights, such assets in development, and other long-term accrued revenue and deferred expenses. The property rights of the Group consist of investments into software, real rights in immovable property, and substantive rights for the use of holiday apartments.

Depreciation and Useful Life

All intangible assets are depreciable assets with a finite useful life. The straight-line depreciation method is used. Depreciation, charged for each accounting period, is recognised as a cost or an operating expense of the period, and declared in the Income Statement under the item Depreciation. The Group checks the useful life in accordance with IAS 38 and, if necessary, carries out an adjustment.

Significant groups of depreciable assets	Estimated useful life in years	Depreciation rate in %	
		Minimum	Maximum
Computer software	2 - 3	33.33	50.00
Rights in rem on immovable property	100	1.00	1.00
Right to use facilities	30	3.33	3.33

b) Tangible fixed assets (land, buildings and equipment)

Tangible fixed assets, which are owned by Group companies, are recognised when it is probable that the economic benefits associated with them will flow in, and their cost can be measured reliably. Groups of tangible fixed assets are the immovable property (land, buildings), equipment and other tangible fixed assets, as well as investments in the acquisition of such assets and receivables for other assets in this respect. Small tools with useful lives longer than one year (hand tools and devices) are also considered tangible fixed assets.

Upon initial recognition they are valued at cost, which consists of the purchase price, import duties and non-refundable purchase fees, and costs that can be attributed directly to the preparation for their intended use.

In accordance with IAS 23, the cost also comprises **borrowings costs** related to the acquisition of new tangible fixed assets, for those fixed assets for which the period from the date of the provision of services of the first invoice for construction assembly services or equipment to bringing the fixed asset for use is longer than one year, and, namely, for the period from the payment deadline of each invoice until the date of bringing the fixed asset into use, whereby the capitalisation rate is calculated for each individual investment, taking into account the average weighted interest rate of withdrawals of investment loans for the period for which interest is calculated.

The land is valued at cost, which includes the costs of real-estate turnover taxes and Land Registry fees. The cost of buildings comprises expenditures to cover the purchase, construction or upgrading of facilities, project and other documentation based on which the acquisition, construction or upgrades were made, for land development, for the necessary permits for the manufacture of connections, and other costs that can be attributable directly to preparing them for use. Expenditures for the acquisition of land on which buildings are situated, and expenditures for the acquisition of land intended for access to buildings or other needs regarding their use are not included in the cost. The cost of equipment comprises expenditures to cover the purchase, manufacture or elaboration of equipment, costs of delivery, installation and other expenses arising during purchase, manufacture or elaboration.

The cost of tangible fixed assets constructed or produced in the Group consists of costs originating from their construction or manufacture, and indirect costs of their construction or manufacture that can be attributed to the assets. The cost of such fixed assets cannot be higher than the same or similar fixed assets on the market. Investments carried out in the Parent Company are divided into renovations (major repairs of fixed assets due to wear), replacements, and increase in capacity (investment in replacing or increasing the capacity of the existing fixed assets) and new investments (investments in the acquisition of new fixed assets). Here, the fixed assets acquired free of charge are valued at cost, and if this is not known, at fair value as determined in the Free Acquisition Agreement.

If the cost of the fixed asset is significant, it shall be divided into its parts. If these parts have a different useful life significant in the relation to the complete cost of the tangible fixed asset, every part is dealt with individually.

The land is valued at cost less any impairment (Section 5.4(h)). Buildings and equipment are valued at cost, reduced by the calculated depreciation and any impairment of value (Section 5.4(h)). Subsequent costs incurred for repairs and maintenance related to tangible fixed assets are recognised by the Group as maintenance costs when they are incurred in the process of restoring and maintaining future economic benefits based on the initial estimated level of the asset's efficiency. Estimated costs of regular inspections or repairs of tangible fixed assets are treated as parts of tangible fixed assets.

A fixed asset is derecognised when disposed of, or if no further economic benefits are expected from its use or disposal. Gains and losses from the sale or disposal, which are determined in such a way that sales revenues are compared to the book value, are included in the Income Statement of the Group.

Depreciation and Useful Life

Significant groups of depreciable assets	Estimated useful life in years	Depreciation rate in %	
		Minimum	Maximum
Energy infrastructure buildings	20 - 50	2.00	5.00
Other buildings	20 - 40	2.50	5.00
Energy infrastructure equipment	3 - 33.33	3.00	33.33
Other equipment	2 - 33.33	3.00	50.00
Vehicles	5 - 12.5	8.00	20.00
Equipment in SHPPs, SPSs and CHPPs	4 - 30	3.33	25.00

The Group uses the straight-line depreciation method, taking into account the useful life of each individual part of the tangible fixed assets, which depends on the expected physical wear, technical and economic ageing, and expected legal, leasing and other restrictions of use, considering the shortest one.

Depreciation is calculated individually until the amount replaces the value that forms the basis for the calculation of depreciation fully. Accumulated depreciation of fixed assets is carried out for the amount of depreciation which is determined in the final annual accounts of depreciation. Depreciation is not calculated for land, fixed assets of cultural, historical or artistic significance, fixed assets permanently out of use, investing in the acquisition of fixed assets until they are available for use, and other assets for the acquisition of fixed assets.

The Group checks the useful life of fixed assets in accordance with IAS 16, with the depreciation rate converted accordingly if expectations differ significantly from the estimates. The useful life of the fixed assets of the Parent Company shall be determined by the joint commission of electricity distribution companies, appointed specifically for that purpose, and for the assets of the subsidiaries, by the commission of the Parent Company. The effect of the restatement is treated as a change in the accounting estimate, and shall be presented in the Explanatory Notes. Impairment of assets is described in Section 5.4 (g).

c) Investment property

Investment property is real-estate owned by the Group to bring in rent. Investment property is defined as a commercial building, provided for single or multiple instances of an operating Lease, or an empty commercial building, available for rent.

The investment properties of the Group are measured at cost upon initial recognition, which includes the purchase price and attributable costs (costs for legal services, taxes on the transfer of property, other transaction costs and interest in accordance with IAS 23). Upon initial recognition, they are valued at cost, reduced by the depreciation amount, identified in the final Annual Statement of Depreciation and any impairment of value. The Group uses the straight-line depreciation method, taking into account an expected useful life of 50 years. The impairment of assets is described in Section 5.4(h).

d) Leases

GROUP AS LESSEE

Assets representing the right to use

The Group recognises the assets that represent the right to use at the commencement date of the Lease. Assets that represent the right to use are measured at cost less accumulated depreciation, and accumulated losses due to the impairment of assets, and corrected for the remeasurement of Lease liabilities.

The value of the asset representing the right to use comprises: The amount of the initial measurement of the Lease liability, the Lease Payments made on or before the commencement date of the Lease, reduced by the received Lease incentives, initial direct costs incurred by the lessee and an estimate of the costs incurred by the lessee in dismantling or removing the assets that are the subject of the Lease.

The asset representing the right to use is depreciated from the beginning of the Lease to the end of its useful life, or until the end of the duration of the Lease, if shorter. To determine whether an asset that represents a right to use is impaired, the Group applies IAS 36 Impairment of assets.

Significant groups of depreciable assets	Estimated useful life in years	Depreciation rate in %	
		Minimum	Maximum
Right to use equipment	2.17 – 8	12.50	46.15
Right to use buildings	3 – 3.25	30.77	33.33

The right to use the leased asset is reassessed if the duration period of the Lease, the amount of the Lease Payments (e.g. change in future amounts of the Lease Payments as a result of a change in index or rate of determining the amount of the Lease Payments), or the estimate of the Lease termination fee changes, and when the Lease Agreement is modified, if this change is not accounted for as a separate Lease.

Lease Liabilities

At the commencement date of the Lease, the Group measures the Lease Liability at the present value of the Lease Payments not yet paid at that date, reduced by the Lease incentive received and increased by the initial direct costs. In the calculation of the present value of Lease Payments, the interest rate that has been accepted on the Lease is used, but if that is not determinable, the average weighted interest rate on loans taken out after the commencement date of the Lease is used.

After the commencement date of the Lease, the Group measures the Lease Liability by increasing the book value, reflecting interest on the Lease Liability and decreasing it due to Lease Payments. The book value of the Lease Liability is reassessed if the duration period of the Lease, the amount of the Lease Payments, the estimate of the Lease termination fee changes, and when the Lease Agreement is modified, if this change is not accounted for as a separate Lease.

Short-Term and Low-Value Leases

The Group applies the exemption from recognising the liability for short-term Leases (at the date of commencement of the Lease, the duration of the Lease shall not exceed 12 months, and shall not include an option to purchase), and Leases for which the asset subject to the Lease is of low value. The Group recognises Lease costs (excluding the cost of services such as insurance, maintenance etc.) on a straight-line basis in the Income Statement under the item of Cost of Services.

The Group determines the duration of the Lease as the period during which the Lease cannot be terminated, together with the periods for which the option to extend the Lease applies, provided that it is reasonably certain that the Group will utilise this option and the periods for which the option to terminate the Lease applies, provided that it is reasonably certain that the Group will not make use of this option. It also uses a judgement to assess whether it is highly likely to make use of the option of extending the Lease, or not to make use of the option of terminating the Lease. In doing so, it shall take into account all relevant facts and circumstances that provide an economic incentive to extend or terminate the Lease.

GROUP AS LESSOR

Assets provided for an Operating Lease by the Group are recorded among its tangible assets, while Lease Payments reduce receivables. Revenue from Lease Payments is recognised on a straight-line basis in the Income Statement among operating revenue in the Lease period.

e) Non-current assets (or disposal groups) held for sale

Long-term assets (or disposal groups) are classified among assets held for sale when the sale is considered highly likely. They are shown at the book value or fair value, whichever is lower, less costs of sales.

f) Financial instruments

Upon initial recognition, the Group classifies them as financial assets or financial liabilities measured at fair value through profit or loss, loans given and receivables, financial instruments at fair value through comprehensive income and financial liabilities measured at amortised cost. The classification depends on the purpose for which the instrument was acquired.

FINANCIAL ASSETS

Financial assets of the Group include cash and cash equivalents, receivables, loans given, and investments. The Group initially recognises loans and receivables, while cash and its equivalents are recognised on the day of their creation, with other financial assets recognised initially on the day of trading or settlement. Financial assets are derecognised by the Group when it no longer has any contractual obligations in respect to the cash flows from a particular asset, or when all the risks and rewards of ownership of the financial assets are transferred to a third party.

Financial instruments at fair value through other comprehensive income are, upon initial recognition, measured at fair value plus transaction costs arising directly out of the purchase or issue of the financial asset. Investments in the shares and shareholdings of companies that are classified as financial instruments at fair value through other comprehensive income, and that are listed on the Stock Exchange, are displayed by the Group at fair value. It is measured according to the closing Stock Exchange price, with gains or losses from the revaluation shown directly in equity (in the reserve for fair value) in an amount that has already been reduced by deferred taxes, and are recognised in Other Comprehensive Income. Reversal of investment also means a reversal of loss or profit, previously recognised in the fair value reserve and recognised in the Income Statement, if the financial asset is not an equity instrument, or in the profit or loss brought forward if it is an equity instrument. The fair value of investments that are not dealt in on a Stock Exchange cannot be determined reliably, therefore they are recognised at cost. The Group, at the end of the year on the Balance Sheet date, evaluates these investments to determine whether there is objective evidence for their impairment.

Exposure to various types of risks, especially the risk of reduction in the value of investments below their cost, is not hedged with financial instruments. The value that best represents the maximum exposure to such risk is the total value of the investment.

Loans given, receivables and assets from Contracts with the customers are, depending on their maturity, classified as current financial assets (maturity of up to 12 months after the date of the Statement of the Financial Position), or long-term financial assets (maturity over 12 months after the date of the Statement of the Financial Position). The Group recognises them initially at their historical cost, plus direct transaction costs. Upon initial recognition, receivables and loans are measured at amortised cost using the method of the applicable interest rate reduced due to impairment or increased as a result of their reversal. The exceptions are long-term trade receivables from customers undergoing compulsory composition procedures bearing interest pursuant to the Decisions on compulsory compositions, operating receivables from the Company SODO, bearing interest in accordance with the Network Charge Act, as well as non-interest-bearing receivables of significant amounts recognised at the discounted amount.

Cash and cash equivalents include cash on current accounts and deposits at commercial banks (investments which, in the near future, can be converted quickly to an amount of cash, known in advance, and which are subject to an insignificant risk of changes in value). They are recognised in the amounts derived from the relevant documents after verification that they have such a nature. Current account overdrafts at banks, which can be settled on call and are an integral part of the Group's cash, are included among the components of cash and cash equivalents in the Cash Flow Statement.

FINANCIAL LIABILITIES

Among financial liabilities, the Group also shows **received loans**, recognised when the Group becomes a contractual party related to a particular instrument. The Group derecognises such items when the obligations specified in the Contract or other legal act are met, annulled or expired. They are recognised initially with the amounts from the relevant documents on their creation, plus costs attributable directly to the transaction. Received loans are measured at amortised cost. Before compiling the Financial Statements, the Group estimates the fair value of short-term liabilities based on Contracts at least once a year, and if the book values are lower than the established fair values, it performs a mandatory adjustment to their amortised cost. Received loans are increased by accrued interest and reduced by the liquidated amounts or any potential other settlements. Depending on the maturity, financial liabilities are classified as short-term (maturity of up to 12 months after the date of the Statement of the Financial Position), or long-term (maturity over 12 months after the date of the Statement of the Financial Position).

As of the Balance Sheet date 31 December 2020, the Group had forward Contracts concluded for the purchase of electricity for the years 2021 and 2022. The Contracts were concluded for the purpose of receipt or delivery of non-financial assets in accordance with the expected purchase, sale or use thereof, and are, therefore, treated as ordinary Purchase Contracts by the Group based on IFRS 9.2.4, and not as derivative financial instruments (considering the purpose of purchase and manner of managing operations involving electricity, physical delivery is not present, etc.).

Among financial **liabilities, the Group also shows the liabilities relating to the distribution of profit or loss (dividends),** which are recognised as a liability in the period and at the level approved by the Assembly, and **financial liabilities for leased assets.**

g) Impairment of financial assets

A financial asset is deemed to be impaired if there is objective evidence that shows that one or more events have led to a decrease in the expected future cash flows from that asset and that can be measured reliably.

Impairment of Investments at Fair Value Through Other Comprehensive Income

The Group revalues investments to their fair value at the end of the financial year. The Group also checks whether the market for an individual investment works, or whether sufficient transactions have been concluded to reflect its fair value. If the recorded book value of a long-term investment is higher than the market value calculated according to the last published Stock Exchange price, impairment is carried out. Proven losses from changes in fair value of a financial instrument at fair value through other comprehensive income are recognised directly in equity as a reduction in reserves (loss) resulting from fair-value based valuation. Investments that are not listed on an active market are impaired to the extent that their reported book value is higher than the proven realisable value. On the Balance Sheet date, the Group assesses whether there are objective reasons for tests assessing impairment of investments if any of the investments is losing value significantly or permanently, or whether there is objective evidence that indicates permanent impairment of investments.

The amount of loss is measured as the difference between the book value of the investments on the Balance Sheet date and the present value of expected future cash flows of these investments, discounted at the current market rate of return (recoverable value), which applies to similar financial assets and recognised in the Income Statement as a financial expense. Such impairment losses may not be reversed.

Impairment of Receivables

The Group assesses evidence of an impairment of receivables and carries out a valuation adjustment for total receivables in bankruptcy proceedings, for receivables that are the subject of litigation, and for receivables more than 90 days past maturity on the Balance Sheet date. For receivables in compulsory composition proceedings, the Group carries out a valuation adjustment depending on the decisions of compulsory compositions or in the amount of 80% if the compulsory composition has not been confirmed yet. Valuation adjustments are reduced by payments and write-offs of receivables based on supporting documents: Court Decision, a Decision on compulsory composition, a Decision on bankruptcy proceedings and other relevant documents. The Group, in addition to receivables on network charges and receivables on default interest for network charges, also adjusts values for non-matured receivables and receivables with maturities up to 90 days, in the amount of the calculated percentage of non-payments based on the average monthly balance of receivables of the previous three years and the predicted IMAD economic growth in the coming year.

Losses due to adjustments or impairment of receivables are recognised in profit or loss among expenses. When, due to later events, the amount of impairment loss is decreased, the decrease in impairment loss is reversed through profit or loss.

h) Impairment of non-financial long-term assets

The Group reviews the book value of significant non-financial assets to determine whether there is any indication of impairment. If such indications exist, the recoverable value of the asset is estimated. The recoverable value is the fair value less costs of sale or value in use, whichever is greater. As a rule, the Group revalues non-financial assets due to impairment immediately when their book value exceeds the recoverable value. Impairment is shown in the Income Statement.

A substantial change in circumstances of operations as regards tangible fixed assets is such that, the assumptions used in estimating the value in use and fair value, reduced by the costs of sale, change by more than 5% in a single year. A review of impairments is decided based on a significant asset with the longest useful life; the Group defines a significant asset as an asset whose cost is more than 0.5% of the total cost of tangible fixed assets. A decrease in value of depreciable assets due to impairment is treated as an operating expense.

The value of land, buildings, distribution equipment and investment property is assessed by certified appraisers. For the latter, the Group determines whether there is any indication of impairment in relation to their fair value resulting from the official assessment of the Surveying and Mapping Authority of the Republic of Slovenia (GURS).

i) Equity

Equity is the liability to owners of Group companies, which is due for payment when the Company goes out of business. It is defined in the amounts invested by the owners and the amounts generated during operation that belong to the owners. Equity is reduced by loss from operations and payment of dividends. Total equity consists of Share Capital, share premium, profit reserves, retained net profit, fair value reserves and non-controlling interests.

The called-up or Share Capital of the Group refers to the Share Capital of the Parent Company, which is defined in nominal terms as Share Capital in the Company's Articles of Association (divided into 24,192,425 freely transferable ordinary shares) and registered in court. All shares are a part of one class and have been paid in full. Ordinary shares provide holders with the right to participate in the management of the Parent Company, to a share of profit and an appropriate share of the assets remaining after liquidation or bankruptcy of the Parent Company. Dividends on ordinary shares are recognised as liabilities in the period in which they were approved at the Assembly.

Share premium of the Group consists of amounts of reversals of the general equity revaluation adjustment, and are formed in accordance with the purpose of use pursuant to Article 64 of the Companies Act (ZGD-1).

Profit reserves include **legal reserves** (amounts retained from profit from previous years purposefully, mainly to settle potential future losses), acquired Treasury shares, other profit reserves (formed from profit in the amount and under conditions laid down by law and by the Articles of Association of Group companies) and **reserves for Treasury shares**. The latter are formed in the Statement of the Financial Position from net profit for the financial year in accordance with the Articles of Association and ZGD-1 if Group companies buy back their Treasury shares. Acquired Treasury shares are a constituent part of total equity and are deducted from it. Reserves for Treasury shares are released only if the Treasury shares have been alienated or withdrawn.

Profit reserves are formed in the amount and under the conditions laid down in Article 64 of ZGD-1 and Articles of Association of the Parent Company from net profit amounts for the business year and retained profit. Other profit reserves may be used for any purpose under ZGD-1, except in the case of the fifth paragraph of Article 64 of ZGD-1, or if the Company's Articles of Association provide otherwise. Capital and statutory reserves may, pursuant to ZGD-1, be used to cover net loss for the year if it cannot be covered from retained net profit or other profit reserves, and for coverage of the retained loss if it cannot be covered by net profit for the year or from other profit reserves. If the total amount of these reserves is higher than the statutory prescribed percent of share capital (10%), they can also be used to increase Share Capital from the Parent Company's assets, and to cover net and retained loss for the business year.

Reserves for fair value contain the effects of valuation of financial instruments at fair value through other comprehensive income, as well as actuarial gains and losses related to provisions for post-employment and other long-term employee benefits.

j) Inventories

The Group's inventory includes the material, small tools with useful lives of up to a year, which have the characteristics of inventory of material, but also with the useful life of more than one year if their individual cost does not exceed EUR 500 (protective equipment and tools) and merchandise. An inventory quantity unit is recognised at cost consisting of the purchase price, reduced by any discount obtained, import and other non-refundable purchase fees (excise duties,) as well as the direct costs of acquisition (transport costs, the costs of loading, handling, unloading and transport insurance cost etc.).

Inventory of material is valued at cost or net realisable value, specifically, the lesser of the two. Inventory of merchandise is held by retail prices including VAT, and is also recorded at cost or net realisable value, the lesser of the two, in the Statement of the Financial Position. The net realisable value is the estimated sales price reduced by the estimated costs associated with the sale. Consumption of inventory of material is valued according to the weighted average price method, with merchandise valued at the most recent average cost.

Inventory of materials and merchandise is revalued due to the impairment if their book value exceeds the net realisable value. Write-downs of damaged and obsolete inventories are performed by the Group regularly throughout the year and during inventory-taking.

k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event (legal or indirect), the amount of which can be estimated reliably, and it is likely that, in the settlement of the obligation, an outflow of the factors providing economic benefits will be necessary. The amount recognised as a provision is the best estimate of the expenditures (includes risks and uncertainties) required for the settlement of usually long-term commitments existing on the date of the Statement of the Financial Position. If the effect of the time value of money is material, the expected expenditures must be discounted appropriately to their present value. The difference resulting from the calculation of the net present value of the provision is recognised as a financial expense. Provisions are not revaluated. At the end of the accounting period, they are adjusted so that their value is equal to the current value of the expenditure expected to be required to settle the obligation.

Provisions for post-employment and other long-term benefits of employees of the Group are formed for long-service bonuses to employees, severance upon their retirement and allowance in the case of the death of employees in the amount of estimated future payments for severance, long-service bonuses and solidarity aid for employees, discounted at the end of the reporting period. In line with the Statutory Regulations, the Collective Agreement and the Internal Rules, companies are obliged to pay long-service bonuses to the employees and severance upon their retirement. Other liabilities arising from post-employment benefits of employees do not exist.

A calculation using the Projected Unit Credit method based on the multiple decrement model, which takes into account the cost of the current service, interest expense, payment of earnings, and actuarial gains/losses incurred as a result of changes in actuarial assumptions and experience adjustments, is prepared by the authorised actuary. Payments of severance upon retirement and payments of long-service bonuses reduce the provisions formed. In the Income Statement, the Group recognises revenue or expenses in connection with the adjustment of provisions for retirement severance (service costs, interest expenses), while actuarial gains and losses in respect of retirement severance commitments are recognised in equity in the context of the reserves for fair value. The revenue and expenses in connection with the adjustment of the provision for long-service bonuses and allowance payments in the case of death of an employee (service costs, interest costs, actuarial gains/losses) are recognised in the Income Statement.

Provisions for lawsuits are formed by the Group for lawsuits in which the companies act as the defendant. Every year, the eligibility of provisions formed is assessed in relation to the state of disputes and the likelihood of a favourable or unfavourable resolution. The amount of the provisions is determined by the known amount of compensation claims, or according to the anticipated amount if the claim amount is not yet known.

l) Long-term deferred revenue

Long-term deferred revenue for fixed assets acquired free of charge are classified into categories according to the depreciation rate of the acquired assets. Deferred revenue is reallocated to revenue in proportion to the depreciation rate of those depreciable assets. Fixed assets acquired free of charge also relate to the connections of customers which the Parent Company assumed as tangible fixed assets, with a commitment to maintain and restore them, in accordance with Regulations (Decree on General Conditions for the Supply and Consumption of Electricity – SPDOEE).

Long-term deferred revenue for average costs of connection charged are formed by the Group for the calculation of average costs of connection pursuant to the Decision on determining the network charge for use of the electricity networks of the Energy Agency of the Republic of Slovenia for electricity for the period up to 30 June 2007, and relate to the dedicated payment of connections to the network or increase in connected load (financing investments in network expansion). Deferred revenue is reallocated to operating revenue in proportion to the depreciation rate of those depreciable assets equal to the prevailing level of fixed assets of the electricity infrastructure in the amount of 3%.

Long-term deferred revenue for government grants, received to cover expenses, are recognised as revenue over the periods in which the expenses in question which should be replaced by these grants are produced.

m) Revenue recognition

REVENUE FROM SALES includes revenue from the sale of electricity and other energy products (sale of biomass and natural gas), charged lease payments and maintenance of the infrastructure, and the provision of services for DNSO, revenue from the sale of merchandise (online sales), and revenue from services rendered (revenue from services rendered to customers, Lease Payments). It also achieves its operating revenue in the segment of electricity and heat generation activities at SHPPs, SPSs and CHPPs. Sales revenue is recognised in an amount that reflects the transaction price that is allocated to a stand-alone performance obligation. The transaction price is the amount of compensation to which the Company is entitled in exchange for the transfer of goods and services to a customer, excluding amounts collected on behalf of third parties. Compensation includes fixed amounts, variable amounts or both.

Revenue from Contracts with customers is recognised by the Group based on the terms of the individual Purchase Contract with the customer when transferring the control of the goods or services to the customer for an amount that reflects the compensation that the Group believes is justified in exchange for the goods or services. Control depends on the provisions of the Purchase Contract, but as a rule, the transfer takes place at the moment the customer takes over the goods or the service is performed. The revenue is recognised at fair value of the reimbursement of the goods or receivables received taking into account variable compensation reduced by refunds and rebates granted at the time of sale, or later as a result of the earlier payments, excluding Value Added Tax. Where the revenue cannot be measured reliably, the Group shall delay the recognition of revenue until the uncertainty is eliminated. The Group estimates the amount of variable compensation in cases where there is a high probability that no significant decrease in the amount of recognised total revenue will occur when the uncertainty is subsequently eliminated. Revenue from the sale of services is recognised based on the conclusion of the transaction, assessed based on the actually performed service. The method of inputs (e.g. assets, car rides, working hours, costs), which have already been spent by the metering date, is used to measure the performance obligation.

The right to compensation in return for goods or services that are transferred to the customer is an asset from Contracts with customers. The liabilities from Contracts with customers are the liabilities to transfer goods or services to the customer in exchange for the compensation received by the Group from the customer, and are recognised as revenue when the Group fulfils its performance obligation under the Contract.

Revenue from Lease Payments also includes revenue from the Lease of energy infrastructure and the provision of services for the activity of DNSO (Explanatory Note in Section 2.2.e of the Accounting Report of the Company Elektro Celje).

Capitalised own services are services rendered for the Company's own needs, and capitalised among tangible fixed assets or intangible fixed assets. The Group recognises revenue in the amount of expenses, required for the construction or production of such asset which, however, shall not exceed the cost of similar assets that the Group may buy on the market.

n) Government grants

Government grants are recognised at fair value when there is a reasonable assurance that the Group will meet the conditions related to them and receive the grants. Government grants are recognised as revenue over the periods necessary to match them with the related costs which they are intended to compensate. In the event that a government grant relates to a particular asset, it is recognised as deferred revenue that is recognised in the Income Statement during the expected useful life of the asset.

o) Financial revenue and expenses

Financial revenue includes revenue from dividend payments, revenue from disposals of financial assets, interest received from deposits, assets on the accounts and loans granted, exchange gains, revenue, and interest on late payment of electricity, network charges and services. Interest revenue is recognised as it accrues, using the effective interest rate, revenue from dividends on the date when the shareholder's right to receive payment is enforced, whereas interest on late payment of electricity, network charges and services are recognised when charged if there is no doubt about their size and date of maturity.

Financial expenses comprise costs of borrowing (if these are not capitalised), expenses due to impairment and write-off of investments, interest from operating liabilities and negative exchange rate differences. They are recognised in the Income Statement if a decrease in economic benefits during the accounting period is associated with the reduction of assets or increase in debt, and if this reduction can be measured reliably. Financial expenses are recognised at settlement, irrespective of the payments associated with them.

Borrowing costs incurred in relation to borrowing financial assets are recognised by the Group in the Income Statement using the effective interest method, except for those that are capitalised and attributable to tangible fixed assets in the course of construction or development (Section 5.4 (b)).

p) Income tax

Current tax of the Group is charged from the taxable profit of the Group for the financial year according to the tax rates applicable at the reporting date, and any adjustments to tax liabilities in relation to the previous financial years. Taxable profit differs from the net profit recorded in the Income Statement because it excludes items of revenue or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible.

Deferred tax assets and liabilities are charged using the liability method in the Statement of the Financial Position, while accounting for temporary differences arising between the tax values of assets and liabilities and their book values in the separate Financial Statements of Group companies. The amount of the deferred tax is based on the expected mode of reimbursement or settlement of the book value of assets and liabilities, using tax rates which are expected to be used when the deferred tax asset is realised or the deferred tax liability is cleared. A deferred tax asset is recognised in the amount of probable future taxable profits available, against which the deferred assets can be used in the future. Deferred tax assets are reduced by the amount for which it is no longer likely that tax relief, associated with an asset, can be claimed.

q) Earnings per share

The Group discloses the basic profitability of shares, which is calculated by dividing the profit accruing to the holders of the controlling interest in net profit by the weighted average number of ordinary shares for the financial year; the Group's Treasury shares are hereby excluded.

r) Cash Flow Statement

The Cash Flow Statement of the Group is prepared according to the direct method, and shows inflows and outflows from operating, investing and financing activities truly and fairly, explaining changes in the movement of cash.

5.5 Determination of Fair Value

According to the Accounting Policies of the Group, it is necessary, in certain cases, to determine the fair value of financial and non-financial assets and liabilities. Fair value is the amount for which an asset could be sold or a liability exchanged between market participants. The fair value of the Group, for the purpose of measurement or reporting, is set by the methods below:

Investment Property

In determining the fair value of the investment property owned by the Group, it adheres to the fair value stemming from the official evaluation of GURS.

Investments

The fair value of investments that are listed on a Stock Exchange is determined based on the final share price on the reporting date. Investments that are not listed on an active market and the fair value of which cannot be estimated reliably, are assessed by the Group on Balance Sheet date to decide whether there is impartial evidence of their impairment. Impairments of these investments are described in Section 5.4 (i).

Operating and Other Receivables and Operating and Other Liabilities

Short-term operating receivables, due to their short-term nature, are not discounted, but the impairment of their value is taken into consideration. All receivables are subject to interest, except for DNSO receivables from outstanding preliminary reconciliations, which are only subject to interest until their inclusion in the Regulatory Framework. These are receivables of significant value, and are thus shown in the Balance Sheet at amortised cost.

As with short-term operating receivables, operating and other liabilities are also carried at amortised cost. Their fair value is not disclosed because, in accordance with IFRS 7, the amortised cost is a good approximation of fair value.

5.6 Composition of the Elektro Celje Group

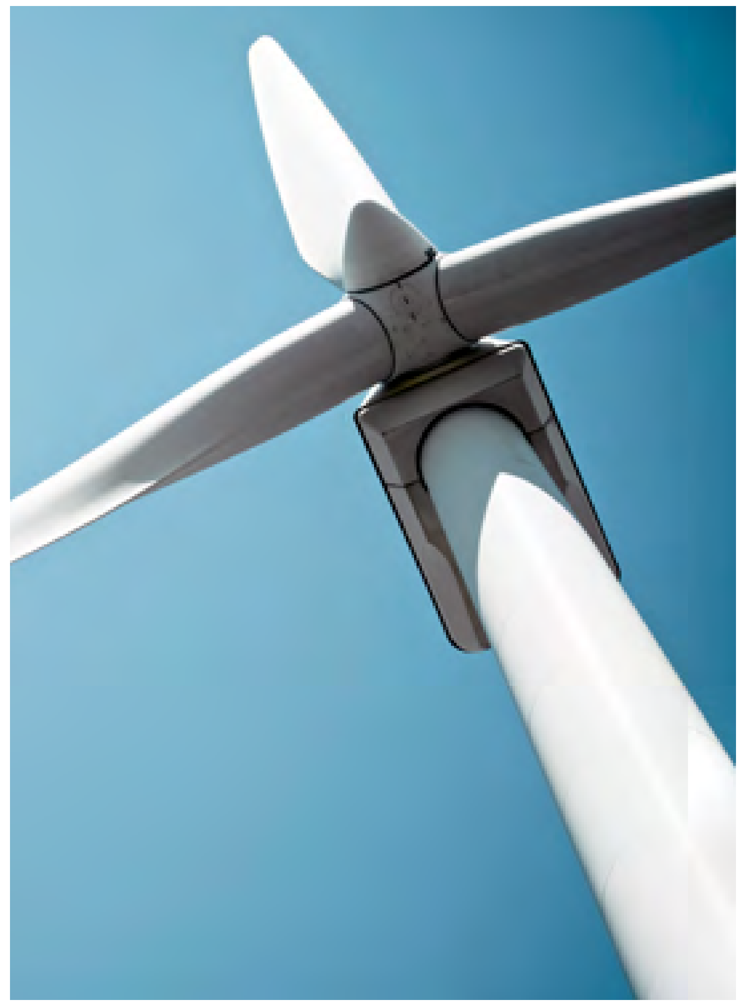
The Elektro Celje Group consists of the **Parent Company Elektro Celje** and:

- **ECE d. o. o.**, subsidiary, Head Office: Vrunčeva 2a, Celje, the activity of which is the purchase and sale of electricity and other energy products to end customers, both household and business consumers.
- **Elektro Celje OVI, d. o. o.**, subsidiary, Head Office: Rimska cesta 108, Šempeter v Savinjski dolini, whose activity is the production of electrical and thermal energy in SHPPs, SPSs and CHPPs, and the engineering of mainly electrical power plants.

Item in EUR	Subsidiaries			
	ECE d. o. o.		Elektro Celje OVI, d. o. o.	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Ownership share (in %)	74.3256	74.3256	100	100
Share capital	3,436,768	3,436,768	72,519	12,519
Book value of equity	18,815,157	18,406,619	2,561,220	2,473,200
Value of shares in subsidiaries	13,984,478	13,680,830	2,561,220	2,473,200
Value of assets/liabilities	48,194,908	46,501,223	3,132,970	3,039,447
	2020	**2019**	**2020**	**2019**
Profit or loss	500,081	66,555	34,285	43,522
Net cash flow from operating activities	3,433,089	–2,522,897	31,627	253,552
Net cash flow from investing activities	–165,869	387,732	–89,798	–630,610
Net cash flow from financing activities	–280,890	–1,541,378	–27,379	364,760

The company Elektro Celje is the Parent Company of the **Company ECE**, based on the rights stemming from the Articles of Association. The Company ECE operates as a part of the Elektro Celje Group. In doing so, risks, stemming from the operations of the subsidiary, are managed in a unified manner. The Parent Company, as a majority shareholder in accordance with paragraph 2 of Article 25 of the Articles of Association, nominates and dismisses the Manager – Director of the subsidiary. The shareholder, as a body, influences the operations of the Company, as ZGD-1 does not demand the independence of the management in their management activities. Management decisions are tied to the consent of the Assembly, but the shareholder as a body may also issue binding instructions to the management. The information right of every shareholder is, irrespective of their ownership share, almost unlimited in content, whereby it may be implemented outside the Assembly, or independently of the agenda of the Assembly. In addition, the shareholder as a body has broad possibilities of direct control of the Company's operations, as no Supervisory Board has been organised in the Company. Through a supervisory college, the majority shareholder manages its investment through coordinating meetings with the director of the subsidiary, giving binding instructions on current issues, allowing for faster defining of actions to address the potential problems, while supervising the operations and the work of the director regularly and effectively. The dividends paid to the minority shareholder of the Company ECE in 2020 amounted to EUR 17,088 (EUR 345,431 in 2019).

The Company Elektro Celje is also the Parent Company of the **Company Elektro Celje OVI** based on the rights as founder, and sole shareholder arising from the Articles of Association. The Company Elektro Celje OVI operates as a part of the Elektro Celje Group. In doing so, risks, stemming from the operations of the subsidiary, are managed in a unified manner. The Company Elektro Celje, as sole shareholder in accordance with the Articles of Association, nominates and dismisses the Manager – Director of the subsidiary. The sole shareholder as a body influences the operations of the subsidiary, as management decisions are tied to the prior consent of the sole shareholder, and the latter may issue as a body, binding instructions to the management. The Director of the subsidiary also has a limit regarding the conclusion of legal transactions over EUR 50,000, and regarding the conclusion of real-estate transactions, for which, in accordance with the Articles of Association, the Director must acquire the written consent of the Management Board of the Parent Company. The information right of every shareholder is, irrespective of their ownership share, unlimited in content. The sole shareholder has the option of direct control of the Company's operations, as no supervisory board has been organised in the Company. Through a Supervisory College, the sole shareholder manages its investment through coordinating meetings with the Director of the subsidiary, giving binding instructions on current issues, allowing for faster defining of actions to address the potential problems, while supervising the operations and the work of the Director of the subsidiary regularly and effectively.



The Parent Company invested in the associated company **Informatika d. d.**, Head Office: Vetrinjska ulica 2, Maribor, whose activities are information services and engineering. It possesses 2,479 INFG shares issued by the Company Informatika, d. d., which represent a 16.57% stake in the capital (a 15.18% stake as of 31 December 2019). As the Company Elektro Celje has a significant impact on adopting decisions regarding financial and business orientations of the Company Informatika, d. d., it was recognised as an Associate. The Group did not apply the equity method because it is an investment of insignificant value, and the non-application of the equity method has no significant impact on the Consolidated Financial Statements.

5.7 Disclosure of Items in the Consolidated Statement of Financial Position

5.7.1 Intangible Assets

Intangible fixed assets (in EUR)	**31 Dec. 2020**	**31 Dec. 2019**
Property rights	5,044,215	3,941,830
Intangible assets under preparation	79	405,459
Advances for intangible fixed assets	0	80,830
Other long-term accrued revenue and deferred expenses	7,465	88,988
Total	**5,051,759**	**4,517,107**

The Group disclosed financial liabilities arising from a financial Lease for the lease, upgrade and provision of software and the appropriate IT support licenses in the amount of EUR 372,291 as of 31 December 2020 (EUR 595,248 as of 31 December 2019); of which EUR 314,794 matures in 2021 and EUR 57,497 in 2022. The software will become permanently owned by the Group upon fulfilment of its contractual obligations.

Operating liabilities for the acquisition of intangible assets of the Group amounted to EUR 571,505 as of 31 December 2020 (EUR 1,119,399 as of 31 December 2019) and it had no intangible assets given as guarantees for debt repayments or with limited property rights, as well as no commitments to acquire intangible assets.

Changes in intangible fixed assets (in EUR)	Property rights	Intangible assets under preparation	Advances for intangible FA	Other long-term accrued revenue and deferred expenses	Total
COST					
As of 1 January 2019	**12,773,953**	**29,982**	**0**	**12,584**	**12,816,519**
Increase	31,167	2,677,442	80,830	137,346	2,926,785
Carry-over from ongoing investments	2,276,965	–2,301,965	0	0	–25,000
Decrease	–1,030,055	0	0	–60,942	–1,090,997
As of 31 Deceber 2019	**14,052,030**	**405,459**	**80,830**	**88,988**	**14,627,307**
As of 1 January 2020	**14,052,030**	**405,459**	**80,830**	**88,988**	**14,627,307**
Increase	0	2,416,295	37,400	0	2,453,695
Carry-over from ongoing investments	2,884,075	–2,821,675	–62,400	0	0
Decrease	–68,085	0	0	–81,519	–149,604
Transfer to assets held for sale	–1,135,582	0	–55,830	–4	–1,191,416
As of 31 December 2020	**15,732,438**	**79**	**0**	**7,465**	**15,739,982**
VALUE ADJUSTMENT					
As of 1 January 2019	**9,614,231**	**0**	**0**	**0**	**9,614,231**
Depreciation	1,522,666	0	0	0	1,522,666
Rentals from holiday facilities	3,358	0	0	0	3,358
Decrease	–1,030,055	0	0	0	–1,030,055
As of 31 December 2019	**10,110,200**	**0**	**0**	**0**	**10,110,200**
As of 1 January 2020	**10,110,200**	**0**	**0**	**0**	**10,110,200**
Depreciation	1,688,254	0	0	0	1,688,254
Rentals from holiday facilities	3,358	0	0	0	3,358
Decrease	–68,085	0	0	0	–68,085
Transfer to assets held for sale	–1,045,504	0	0	0	–1,045,504
As of 31 December 2020	**10,688,223**	**0**	**0**	**0**	**10,688,223**
CARRYING AMOUNT					
As of 1 January 2019	3,159,722	29,982	0	12,584	3,202,288
As of 31 December 2019	3,941,830	405,459	80,830	88,988	4,517,107
As of 1 January 2020	**3,941,830**	**405,459**	**80,830**	**88,988**	**4,517,107**
As of 31 December 2020	**5,044,215**	**79**	**0**	**7,465**	**5,051,759**

5.7.2 Tangible Fixed Assets

Property, plant and equipment (in EUR)	31 Dec. 2020	31 Dec. 2019
Land	5,973,340	5,993,990
Buildings	191,288,389	188,123,201
Equipment	65,170,432	62,345,176
Property, plant and equipment in the course of acquisition	6,597,294	6,957,089
Advance payments for PP&E	15,000	414,032
Total	**269,044,455**	**263,833,488**

The book value of long-term intangible and tangible fixed assets leased to the Company SODO d. o. o., based on the Contract on leasing the electricity distribution infrastructure and provision of services for the system operator and associated annexes on 31 December 2020, amounted to EUR 263,691,385 (EUR 255,945,609 in 2019).

The cost of in-house construction and manufacture of tangible fixed assets amounted to EUR 16,740,724 in 2020 (EUR 15,164,716 in 2019). Borrowing costs, which in 2020 were attributed by the Group to newly activated engineering structures, amounted to EUR 17,671 (EUR 4,925 in 2019).

Investments in progress include interest in the amount of EUR 7,109 (EUR 3,122 in 2019).

The Group as of 31 December 2020 disclosed liabilities in the amount of EUR 903,415 for the acquisition of tangible fixed assets (EUR 1,206,415 as of 31 December 2019). The Group, according to the situation as of 31 December 2020, did not disclose any tangible fixed assets with limited right to property, nor were any of them pledged as security for liabilities (the same as of 31 December 2019). Concluded as of 31 December 2020, the Group also did not have any Contracts on the purchase of fixed assets concluded, whereby liabilities have not been recognised yet (the same as of 31 December 2019).

Changes in property, plant & equipment (in EUR)	Land	Buildings	Equipment	Ongoing investments	Advances for acquisition of tangible fixed assets	Total
Cost						
As of 1 January 2019	**6,002,831**	**583,005,245**	**169,942,187**	**10,110,968**	**0**	**769,061,231**
Increase	0	0	14,311	23,065,737	415,305	23,495,353
Carry-over from ongoing investments	21,964	19,451,949	6,745,593	–26,219,506	–1,273	–1,273
Decrease	–30,805	–12,453,289	–1,818,251	–110	0	–14,302,455
As of 31 December 2019	**5,993,990**	**590,003,905**	**174,883,840**	**6,957,089**	**414,032**	**778,252,856**
As of 1 January 2020	**5,993,990**	**590,003,905**	**174,883,840**	**6,957,089**	**414,032**	**778,252,856**
Acquisitions by merger	0	0	38,383	0	0	38,383
Transfers between assets	0	121,505	–124,042	0	0	–2,537
Increase	0	3,126	40,171	24,121,818	15,000	24,180,115
Carry-over from ongoing investments	21,933	14,378,182	10,026,732	–24,376,975	0	49,872
Decrease	–2,212	–31,577,467	–2,472,380	–75,314	–414,032	–34,541,405
Transfer to assets held for sale	–40,371	–524,385	–965,436	–29,324	0	–1,559,516
As of 31 December 2020	**5,973,340**	**572,404,866**	**181,427,268**	**6,597,294**	**15,000**	**766,417,768**
Value adjustment						
As of 1 January 2019	**0**	**404,097,489**	**107,658,705**	**0**	**0**	**511,756,194**
Increase	0	0	20,841	0	0	20,841
Depreciation	0	10,162,879	6,574,983	0	0	16,737,862
Decrease	0	–12,379,664	–1,715,865	0	0	–14,095,529
As of 31 December 2019	**0**	**401,880,704**	**112,538,664**	**0**	**0**	**514,419,368**
As of 1 January 2020	**0**	**401,880,704**	**112,538,664**	**0**	**0**	**514,419,368**
Increase	0	0	0	0	0	0
Depreciation	0	9,782,199	6,722,959	0	0	16,505,158
Decrease	0	–30,307,567	–2,267,063	0	0	–32,574,630
Transfer to assets held for sale	0	–238,859	–737,724	0	0	–976,583
As of 31 December 2020	**0**	**381,116,477**	**116,256,836**	**0**	**0**	**497,373,313**
Carrying amount						
As of 1 January 2019	6,002,831	178,907,756	62,283,482	10,110,968	0	257,305,037
As of 31 December 2019	5,993,990	188,123,201	62,345,176	6,957,089	414,032	263,833,488
As of 1 January 2020	**5,993,990**	**188,123,201**	**62,345,176**	**6,957,089**	**414,032**	**263,833,488**
As of 31 December 2020	**5,973,340**	**191,288,389**	**65,170,432**	**6,597,294**	**15,000**	**269,044,455**

5.7.3 Investment Property

Changes in investment property (in EUR)	Amount
Cost	
As of 1 January 2019	790,791
As of 31 December 2019	790,791
As of 1 January 2020	790,791
Carry-over from ongoing investments	25,443
Transfer to non-current assets held for sale	–816,234
As of 31 December 2020	**0**
Value adjustment	
As of 1 January 2019	573,400
Depreciation	15,141
As of 31 December 2019	588,541
As of 1 January 2020	588,541
Depreciation	15,141
Transfer to non-current assets held for sale	–603,682
As of 31 December 2020	**0**
Carrying amount	
As of 1 January 2019	217,391
As of 31 December 2019	202,250
As of 1 January 2020	**202,250**
As of 31 December 2020	**0**

Investment property relating to business premises leased by the Group to individuals or other companies was reclassified as non-current assets held for sale at the end of 2020 (Explanatory Note in Section 5.2 (g)). According to official evaluations of GURS, the fair value of the property amounts to EUR 302,420 (not counting the land value) which, according to our estimates, is a good approximation, while the Group itself did not obtain an evaluation of investment property by an authorised property appraiser. Revenue from Lease in 2020 amounted to EUR 11,274 (EUR 7,865 in 2019), with relating costs amounting to EUR 8,153 (EUR 9,214 in 2019) and relate to the ongoing maintenance of the property.

In 2020, the cost of investment property increased by EUR 25,443 from the renovation of business premises. The increase relates entirely to joinery articles and other equipment incorporated in the real-estate itself.

5.7.4 Leases

The Group, as a **lessee**, has buildings and various equipment under Lease. The duration of the Lease varies, depending on the type of Lease, for buildings from 2.2 to 8 years and for equipment from 3 to 3.3 years. The Lease Payment amounts for the entire Lease period are agreed in the terms of the Contract and are fixed. The possibility of termination of an individual lease agreement exists in the event of a breach of contractual obligations of the parties or based on mutual agreement, while the possibility of renewal of the lease agreement is not specified in the contracts.

Right to use leased assets	Right to use buildings	Right to use equipment	Total
COST			
As of 1 January 2019	**150,807**	**156,044**	**306,851**
As of 31 January 2019	**150,807**	**156,044**	**306,851**
As of 1 January 2020	**150,807**	**156,044**	**306,851**
Transfers between assets	–2,537	0	–2,537
Transfer to assets held for sale	–148,270	–136,223	–284,493
As of 31 December 2020	**0**	**19,821**	**19,821**
VALUATION ADJUSTMENT			
As of 1 January 2019	**0**	**0**	**0**
Depreciation	46,642	66,966	113,608
As of 31 December 2019	**46,642**	**66,966**	**113,608**
As of 1 January 2020	**46,642**	**66,966**	**113,608**
Depreciation	35,861	66,966	102,827
Decrease	–11,204	0	–11,204
Transfer to assets held for sale	–71,299	–125,734	–197,033
As of 31 December 2020	**0**	**8,198**	**8,198**
CARRYING AMOUNT			
As of 1 January 2019	**150,807**	**156,044**	**306,851**
As of 31 December 2019	**104,165**	**89,078**	**193,243**
As of 1 January 2020	**104,165**	**89,078**	**193,243**
As of 31 December 2020	**0**	**11,623**	**11,623**

The Group also shows the upgrade and provision of software and appropriate licenses for the operation of information support, the rental of vehicles in the subsidiary EC OVI and short-term, low-value asset and variable-rate Leases among Leases. The total value of lease liabilities of the Group settled in 2020 amounted to EUR 512,005; short-term leases and low-value asset leases are also included.

Costs of lease (in EUR)	2020	2019
Depreciation of rights of use	4,099	4,100
Financing expenses	2,303	248
Costs of lease	51,434	42,334
Total	**57,836**	**46,682**

The cost of depreciation of rights of use (EUR 98,728), financing expenses (EUR 1,722) and Lease costs (EUR 266,615) of the Company ECE are included in the Consolidated Income Statement in the item of profit and loss of discontinuing operations after taxes.

The Group, as a **lessor**, showed on 31 December 2020 receivables from Operating Lease totalling EUR 5,804,920 (rental of apartments, business premises and, in particular, the electricity infrastructure of the Parent Company) with a maturity of up to three months following the Balance Sheet, excluding receivables from the Company SODO in the amount of EUR 1,142,136, which will be settled by the end of 2021 (mainly from the preliminary account of the RF 2015). Revenue recognised from Lease as operating revenue in the Income Statement in 2020 amounted to EUR 44,844,000.

5.7.5 Investments

Investments do not serve as security for liabilities and are burden-free. All investments, except for Zavarovalnica Triglav, d. d., are valued at cost, because they are not listed on a Stock Exchange, and information needed to assess their fair value cannot be obtained by the Group. The Group took the view that there are no objective reasons for their impairment.

Long-term investments of the Group on 31 December 2019 include an investment in the Company Solar Plus d. o. o. worth EUR 40,000.

As of 1 January 2020, the Company was merged with the subsidiary EC OVI and included in the Consolidated Financial Statements of 2020.

Changes in investments (in EUR)	Shares in the associate	Other shares and interest	Long-term investments	Total
Carrying amount as of 1 January 2019	**206,987**	**548,480**	**0**	**755,467**
Increase	0	0	40,000	40,000
Adjustment to fair value	0	35,787	0	35,787
Sale	0	–288,766	0	–288,766
Carrying amount as of 31 December 2019	**206,987**	**295,501**	**40,000**	**542,488**
Carrying amount as of 1 January 2020	**206,987**	**295,501**	**40,000**	**542,488**
Decrease due to merger by acquisition	0	0	–40,000	–40,000
Adjustment to fair value	0	–18,560	0	–18,560
Transfer to assets held for sale	0	–79,920	0	–79,920
Carrying amount as of 31 December 2020	**206,987**	**197,021**	**0**	**404,008**

INVESTMENT IN THE ASSOCIATE

Investment in the associate (in EUR)	31 Dec. 2020	Number of shares	31 Dec. 2019	Number of shares
Informatika, d. d.	206,987	2,479	206,987	2,479
Total	**206,987**		**206,987**	

The Group received EUR 4,462 from the share in the profit of the Associated Company in 2020 (EUR 0 in 2019). For the investment in the Associated Company, the Group had carried out an impairment in the past and made a value adjustment of EUR 103,508 (as of 31 December 2015). The Group's participation in the profit or loss of the Associate in 2020 amounted to EUR 37,351 (EUR 20,770 in 2019), in the other comprehensive income to EUR -11,483 (EUR -12,182 in 2019) and the total comprehensive income to EUR 25,869 (EUR 8,588 in 2019).

OTHER SHARES AND INTEREST

All investments in stocks and shares are classified as investments at fair value through Other Comprehensive Income under IFRS 9.

Investments (in EUR)	31 Dec. 2020	Number of shares or shareholdings	31 Dec. 2019	Number of shares or shareholdings
Zavarovalnica Triglav, d. d.	88,800	2,960	187,280	5,624
Stelkom, d. o. o.	108,221	12.64%	108,221	12.64%
Skupaj	**197,021**		**295,501**	

The value of investments listed on a Stock Exchange amounted to EUR 88,800 as of 31 December 2020 (EUR 187,280 as of 31 December 2019). The fair value of shares of the Company Zavarovalnica Triglav, d. d. as of 31 December 2020 compared to 31 December 2019 decreased by EUR 9,768 due to revaluation. The Group did not receive dividends in 2020, and the costs of trading accounts amounted to EUR 900.

An impairment of the investment in the Company Stelkom by EUR 1,243 was carried out in 2004. 2,664 shares of the Company Zavarovalnica Triglav d. d. in the amount of EUR 79,920 owned by the Company ECE, were reclassified among non-current long-term assets held for sale (Explanatory Note in Section 5.2 (g)).

5.7.6 Non-Current Assets Held for Sale and Related Non-Current Liabilities

As of 1 January 2020, the Group reclassified public and road lighting, the sale of which is being discussed with municipalities, from tangible fixed assets to non-current assets held for sale at book value as of 1 January 2020. Their value as of 31 December 2020 amounted to EUR 803,951.

As of 31 December 2020, assets amounting to EUR 47,827,791 and liabilities amounting to EUR 28,912,328 relating to the sale of an interest in the subsidiary ECE were also reclassified at book value as of 31 December 2020 among non-current assets held for sale and related non-current liabilities (explained in Section 5.2 (g)). As of 31 December 2019, the Group had no non-current assets for sale and related non-current liabilities.

5.7.7 Inventories

Inventories (in EUR)	31 Dec. 2020	31 Dec. 2019
Material	1,545,394	1,520,842
Material in processing	2,970	469
Small tools	93,275	95,033
Merchandise	0	50,003
Total	**1,641,639**	**1,666,347**

In 2020, the Group established a EUR 3,069 deficit (EUR 4,392 in 2019) and a EUR 7,426 surplus (EUR 17,639 in 2019) in inventories of materials, which was accounted for within the Company's expenses or revenue. Due to obsolescence or changes in the quality of the materials, EUR 8,702 worth of inventories were written off in 2020 (EUR 20,639 in 2019). The Group had no inventories pledged as security for its liabilities.

As of 31 December 2020, the value of the merchandise of the Company ECE in the amount of EUR 168,693 was reclassified as assets held for sale (Explanatory Note in Section 5.2 (g)).

5.7.8 Operating Receivables

LONG-TERM OPERATING RECEIVABLES

Long-term trade receivables amounted to EUR 122,178 as of 31 December 2020, and comprised long-term operating receivables due from electricity customers in the amount of EUR 27,766 (EUR 25,825 refers to the long-term portion of the receivables from established unjustified consumption in 2019, due in 2022 and EUR 1,941 to operating receivables after compulsory settlements with a deadline for payment of more than one year), and the remainder of long-term receivables from the preliminary reconciliation 2015 amounting to EUR 94,412; from which the discounting of this receivable amounts to EUR -749. Receivables from the Company SODO from the preliminary reconciliation of the regulatory year 2015, which, following inclusion in the Regulatory Framework no longer bore interest, were disclosed at their discounted values, with the method of remuneration of deficits and surpluses from Article 85 of the Network Charges Act, and an average weighted interest rate on the Parent Company's investment loans in 2020 of 0.793% taken into account.

Long-term operating receivables (in EUR)	31 Dec. 2020	31 Dec. 2019
Operating trade receivables	173,967	1,882,848
Valuation adjustment to trade receivables	–51,040	–352,378
Discounting of receivables	–749	–11,428
Long-term operating trade receivables	**122,178**	**1,519,042**
Long-term operating receivables due from others	7,583	7,682
Long-term operating receivables due from others	**7,583**	**7,682**
Total	**129,761**	**1,526,724**

Long-term receivables are not collateralised, nor pledged as collateral for liabilities of the Group.

SHORT-TERM OPERATING TRADE RECEIVABLES

Short-term operating trade receivables (in EUR)	31 Dec. 2020	31 Dec. 2019
Trade receivables from customers abroad	1,050	1,050
Trade receivables from domestic customers	9,800,859	54,856,958
Valuation adjustment to trade receivables	–477,671	–3,251,314
Discounting of receivables	–10,109	–14,975
Receivables for interest	26,298	157,950
Valuation adjustment to receivables for interest	–24,242	–111,276
Advance payments made	25,633	76,255
Valuation adjustment to advance payments made	–1,548	0
Total	**9,340,270**	**51,714,648**

OTHER OPERATING RECEIVABLES AND OTHER ASSETS

Other operating receivables and other assets (in EUR)	31 Dec. 2020	31 Dec. 2019
Other operating receivables and other assets	689,930	2,725,377
Valuation adjustment to short-term receivables from others	–8,294	–93,672
Total	**681,636**	**2,631,705**

As of 31 December 2020, the Group showed the majority of other operating receivables, totalling EUR 332,667, from State Institutions, with receivables for input VAT amounting to EUR 56,486 and receivables from corporate income tax to EUR 148,273 (input VAT receivables in the amount of EUR 1,954,275 represented the majority of other operating receivables in 2019). Items in the Statement of the Financial Position are real and do not include any undisclosed reserves.

Long-term operating receivables in the amount of EUR 177,309 and short-term trade receivables from the customers of the Company ECE in the amount of EUR 38,130,122, were reclassified among non-current assets held for sale. The value of the reclassified other operating receivables and other assets of the Company ECE amounted to EUR 3,506,765 (Explanatory Note in Section 5.2 (g)).

5.7.9 Assets from Contracts with Customers

Assets from contracts with customers (in EUR)	31 Dec. 2020	31 Dec. 2019
Accrued projects from services performed to customers	114,913	125,974
Total	**114,913**	**125,974**

5.7.10 Cash and Cash Equivalents

Cash on accounts with commercial banks is subject to interest amounting to up to 0.01% for positive balances. The Group signed a Contract with a commercial bank on the use of a negative balance on transaction accounts in the amount of EUR 2,000,000 in 2020 (EUR 1,500,000 in 2019). As of 31 December 2020, there were no negative balances on transaction accounts.

Cash and cash equivalents (in EUR)	31 Dec. 2020	31 Dec. 2019
Cash in current accounts	665,036	1,436,043
Cash items in the process of collection	0	45
Overnight deposits	0	363,640
Total	**665,036**	**1,799,728**

The cash of the Company ECE, which was reclassified as non-current assets held for sale as of 31 December 2020, amounted to EUR 4,238,802.

5.7.11 Equity and Reserves

Equity (in EUR)	31 December 2020	31 December 2019
Equity share of the owners of the Parent Company	**231,416,546**	**228,339,195**
Share capital	**150,955,090**	**100,953,201**
Share premium	**62,260,317**	**62,260,317**
Revenue reserve	**16,370,128**	**62,388,945**
Legal reserves	4,747,799	4,471,554
Reserves for treasury shares	886,371	886,371
Treasury shares	–886,371	–886,371
Other revenue reserves	11,622,329	57,917,391
Fair value reserves	**–671,326**	**–669,678**
Reserves resulting from valuation at fair value	–693,943	–669,678
Reserves resulting from valuation at fair value of the Group held for sale	22,617	0
Net profit or loss	**2,502,337**	**3,406,410**
Retained net profit or loss from previous years	247,880	1,206,072
Net profit or loss of current year	2,254,457	2,200,338
Non-controlling interests	**5,129,034**	**4,964,474**
Total	**236,545,580**	**233,303,669**

The state of and change in individual components of the Group's equity structure in 2020 are shown in Table 4.5 and explained in Section 5.4 (i).

SHARE CAPITAL

Ownership Structure	31 December 2020		31 December 2019	
	Number of shares	Share in %	Number of shares	Share in %
Republic of Slovenia	19,232,978	79.50	19,232,978	79.50
Kapitalska družba, d. d.	192,429	0.80	192,429	0.80
Financial corporations, insurance companies and funds	1,419,435	5.87	1,333,251	5.51
Other Slovene legal persons	1,025,728	4.24	1,106,428	4.57
Foreign legal persons	1,440,136	5.95	1,440,136	5.95
Natural persons	547,870	2.26	553,354	2.29
Treasury shares	333,849	1.38	333,849	1.38
Total	**24,192,425**	**100.00**	**24,192,425**	**100.00**

The Group's Share Capital, amounting to EUR 150,955,090, is divided into 24,192,425 no-par value ordinary freely transferable shares. In 2020, there were no changes regarding the number of shares issued (Section 5.4 (i)).

The Share Capital of the Group, which amounted to EUR 100,953,201 as of 31 December 2019, increased in 2020 with the Decision of the General Meeting of the Parent Company from the Company's assets by converting other profit reserves in the amount of EUR 50,001,889 to Share Capital. After the increase, it amounts to EUR 150,955,090.

RESERVES

Reserves as of 31 December 2020 are comprised of share premium, profit reserves and fair value reserves (the creation, purpose of creation and utilisation of individual reserves are described in Section 5.4 (i)).

The share premium of the Group includes a general equity revaluation adjustment in the amount of EUR 62,260,317, and is not intended for division, but may be used under the conditions and for the purposes specified by law.

Revenue reserves include:

- **Legal reserves**, which are formed from net profit for the financial year, and as of 31 December 2020 amounted to EUR 4,747,799, showing a EUR 276,245 increase over 31 December 2019.
- **Reserves for Treasury shares** were formed from the net profit in the past years in the amount of the purchase of Treasury shares, and as of 31 December 2020, amounted to EUR 886,371.
- **Other revenue reserves** amounted to EUR 11,622,329 on 31 December 2020. Other revenue reserves decreased by EUR 46,295,062 in 2020 (conversion of other revenue reserves into the Share Capital of the Company in 2020 amounting to EUR 50,001,889).

Fair value reserves, which amounted to EUR -671,326 as of 31 December 2020 and were EUR 1,648 lower compared to the previous year, include:

- **Fair value reserves of financial instruments**, which, as of 31 December 2020, amounted to EUR 51,207, and include a decrease in the fair value of financial assets measured at fair value through other comprehensive income amounting to EUR 16,302, and increase due to the deferred tax effect in connection with the change in the value of these investments amounting to EUR 3,097.
- **The reserves for actuarial deficits and surpluses** as of 31 December 2020 amounted to EUR -745,150, and included a reduction in post-employment benefits of EUR 30,505 and deferred taxes due to the conversion of post-employment benefits of EUR 2,606, as well as the transfer of actuarial loss to the profit or loss brought forward of EUR 44,668.
- **Reserves arising from revaluation at fair value of the Group held for sale** in the amount of EUR 22,617.

RETAINED NET PROFIT OR LOSS AND DIVIDEND PER SHARE

Retained net profit or loss in the amount of EUR 2,502,336 includes retained profit of previous years (EUR 247,880) and net profit of the current year (EUR 2,254,457). On 24 June 2020, the shareholders of the Parent Company adopted a Decision regarding the allocation of the distributable profit, established on 31 December 2020, in the amount of EUR 2,934,604.85 for the payment of the dividends to the Company's shareholders, namely EUR 0.123 per share (in 2019 dividends were paid for 2018 in the amount of EUR 3,220,907.76 at EUR 0.135 per share).

The Management Board of the Company Elektro Celje proposes that the distributable profit for 2020, amounting to EUR 1,741,676, be allocated in its entirety for the payment of dividends.

EQUITY SHARE OF NON-CONTROLLING INTEREST

Equity share of non-controlling interest pertains to the Company Elektro Gorenjska, which entered the Company ECE as a partner in the process of merger by acquisition of its subsidiary Elektro Gorenjska Prodaja as the company acquired by the company Elektro Celje Energija, namely on 1 October 2015.

Minority shareholder's interest	Non-controlling interest in %		Minority shareholder's equity (in EUR)		Minority shareholder's net profit (in EUR)	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Elektro Gorenjska, d. d., a minority shareholder of the subsidiary ECE d. o. o.	25.6744	25.6744	5,129,034	4,964,474	188,064	76,759

5.7.12 Provisions

Provisions (in EUR)	31 Dec. 2020	31 Dec. 2019
Liabilities related to post-employment benefits for employees	6,910,193	7,412,840
Provisions for lawsuits	201,282	197,734
Total	**7,111,475**	**7,610,574**

Changes in provisions (in EUR)	Liabilities for post-employment and other long-term benefits	Other provisions	Total
As of 1 January 2019	**6,639,043**	**321,855**	**6,960,898**
Utilisation	–345,491	–3,713	–349,204
Formation	1,119,288	11,444	1,130,732
Reversal	0	–131,852	–131,852
As of 31 December 2019	**7,412,840**	**197,734**	**7,610,574**
As of 1 January 2020	**7,412,840**	**197,734**	**7,610,574**
Utilisation	–320,829	–3,725	–324,554
Formation	551,134	64,266	615,400
Reversal	0	–56,993	–56,993
Transfer among liabilities related to assets and disposal groups	–732,952	0	–732,952
As of 31 December 2020	**6,910,193**	**201,282**	**7,111,475**

PROVISIONS FOR POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

Liabilities related to long-term employee benefits (in EUR)	Long-service bonuses	Severance pays	Death allowance	Total
As of 1 January 2019	**1,800,971**	**4,671,986**	**166,086**	**6,639,043**
Current service costs	140,076	281,370	13,843	435,289
Interest expense	25,584	70,704	2,521	98,809
Payments of benefits	–171,466	–168,562	–5,463	–345,491
Actuarial surplus/deficit	166,367	410,066	8,757	585,190
As of 31 December 2019	**1,961,532**	**5,265,564**	**185,744**	**7,412,840**
As of 1 January 2020	**1,961,532**	**5,265,564**	**185,744**	**7,412,840**
Current service costs	139,181	225,113	12,717	377,011
Interest expense	14,122	39,695	1,373	55,190
Payments of benefits	–146,841	–164,665	–9,323	–320,829
Actuarial surplus/deficit	89,541	35,091	–5,699	118,933
Transfer among liabilities related to assets and disposal groups	–206,548	–510,259	–16,145	–732,952
As of 31 December 2020	**1,850,987**	**4,890,539**	**168,667**	**6,910,193**

The actuarial calculation of the Parent Company as of 31 December 2020 took into account the following assumptions: A statistical probability of death and disability prior to retirement, retirement in accordance with the law and staff turnover (2.5% probability until the age of 40, 1% probability between the ages of 41 and 50, 0% for those over 51 years of age), a 0.3475% discount rate, 2.3% salary growth in the Republic of Slovenia, in the Electricity sector and at the Company, a valid employer contribution rate of 16.1% and a 0.25% growth in the amounts provided for in the Decree on the tax treatment of reimbursement of costs and other income from employment. The same assumptions were included in the actuarial calculation of the subsidiary, except for staff turnover until the age of 40, where a 1.5% rate was taken into account. Benefit payments amounted to EUR 320,829, additional recognition of provisions to EUR 551,134 and the actuarial surplus of the Group to EUR 118,933.

Sensitivity analysis	Discount rate		Salary growth		Staff turnover		Life expectancy	
Change in the percentage point	0.50	– 0.50	0.50	– 0.50	1.00	– 1.00	+ 1 year	– 1 year
Impact on the state of liabilities (in EUR)	–353,802	385,924	390,100	–361,816	–688,331	307,010	8,577	–9,390

PROVISIONS FOR LAWSUITS

Other provisions as of 31 December 2020 in the amount of EUR 201,282 also included the formation of lawsuit provisions in the amount of EUR 193,843 (debited to operating expenses) by the Parent Company. With the ruling of the Court in favour of the Company Elektro Celje, in 2020 provisions amounting to EUR 53,000 were eliminated (formed in 2018 from an action for damages due to electrical breakdown, which supposedly caused the fire in the sample house), with newly formed provisions amounting to EUR 64,265 (EUR 12,599 for an action for damages over the damage on the facility caused by the construction of the underground cable and EUR 51,666 for a lawsuit over TS land ownership).

5.7.13 Long-Term Deferred Revenue

Long-term deferred revenue (in EUR)	31 Dec. 2020	31 Dec. 2019
For State and EU grants	934,585	782,404
For fixed assets acquired free of charge	9,147,110	9,342,449
For assets received from connection fees	2,026,352	2,134,344
Total	**12,108,047**	**12,259,197**

Changes in long-term deferred revenue (in EUR)	Amount
As of 1 January 2019	**12,535,219**
Recognition	461,201
Reversal	–737,223
As of 31 December 2019	**12,259,197**
As of 1 January 2020	**12,259,197**
Utilisation	–768,798
Recognition	795,279
Transfer among liabilities related to assets and disposal groups	–177,631
As of 31 December 2020	**12,108,047**

In 2020, the Group generated long-term deferred revenue from fixed assets acquired free of charge in the amount of EUR 337,397 (EUR 346,331 in 2019), with reversal of long-term deferred revenue from fixed assets acquired free of charge and average connection costs in the amount of EUR 640,728 (EUR 631,989 in 2019). Reversal of long-term deferred revenue from drawing on government subsidies for purchasing fixed assets amounted to EUR 97,463 (EUR 97,276 in 2019). In 2020, the Group received a grant in the amount of EUR 289,471 from the European Union (EUR 114,871 in 2019) to cover costs and expenses incurred in pilot projects; their consumption amounted to EUR 26,747 (EUR 3,072 in 2019).

5.7.14 Loans Granted and other Financial Liabilities

Financial liabilities (in EUR)	31 Dec. 2020	31 Dec. 2019
Long-term financial liabilities to banks	31,539,807	28,774,011
Long-term lease liabilities	85,842	378,565
Long-term financial liabilities	**31,625,649**	**29,152,576**
Short-term financial liabilities to banks	7,779,759	10,658,015
Short-term lease liabilities	328,303	410,845
Short-term payables for dividends paid out	1,572	2,631
Short-term financial liabilities	**8,109,634**	**11,071,491**
Total	**39,735,283**	**40,224,067**

Changes in financial liabilities (in EUR)	Loans received	Financial leases	Other financial liabilities	Total
Value as of 1 January 2019	**37,502,951**	**170,093**	**3,869**	**37,676,913**
Monetary changes	1,480,575	0	–3,220,908	–1,740,333
Non-monetary changes	0	433,547	3,219,670	3,653,217
Value as of 31 December 2019	**38,983,526**	**603,640**	**2,631**	**39,589,797**
Value as of 1 January 2020	**38,983,526**	**603,640**	**2,631**	**39,589,797**
Monetary changes	336,040	0	–2,934,249	–2,598,209
Non-monetary changes	0	–189,495	2,933,190	2,743,695
Value as of 31 December 2020	**39,319,566**	**414,145**	**1,572**	**39,735,283**

BANK LOANS

To finance investments in the period 2015-2017, the Parent Company concluded a Loan Agreement in the amount of EUR 28,000,000 with the European Investment Bank in 2015, with the credit conditions determined upon absorption of individual tranches (moratorium of 2 to 36 months, maturity up to 15 years, interest rate etc.). In 2018 and 2019, Credit Agreements with commercial banks were concluded for financing investments in the amount of EUR 20.8 million (with a repayment period of 5 years and a one-year moratorium), and in 2020 in the amount of EUR 13.1 million (with a repayment period of 6 years and a one-year moratorium). To finance the occasional deficit in liquid assets, a long-term revolving loan in an amount of up to EUR 3,000,000 was used, which was not utilised as of 31 December 2020. In 2018 and 2019, the subsidiary EC OVI also took out long-term loans totalling EUR 494,206 for the reconstruction of SHPP Majcen and SHPP Rastke.

In 2020, the Group repaid EUR 10,813,472 of the principal of investment loans. Maturing instalments of the principal and interest are settled within the time limits. The loans of the Parent Company are secured by Bills of Exchange, while the loans of the Company Elektro Celje OVI are secured by the assignment of receivables. The value of the principal due for payment five years after the Balance Sheet date amounted to EUR 6,181,073.

Commitments of the Group for long-term loans obtained relate to monitoring the indicators, which are defined at the level of the Consolidated Financial Statements of the Group: Financial debt/EBITDA (lower than 2.5), financial debt/equity (lower than 0.3), EBITDA/financial expenses from financial liabilities (higher than 12) and current ratio (higher than 0.9). The Group had fulfilled all contractual financial commitments as of the Balance Sheet date. Exposure to interest rate risk is presented in Section 5.12.2, and the maturity of financial liabilities in Section 5.12.3.

LEASE LIABILITIES

Lease Liabilities relate mainly to the accrued portion under the Contract on the lease, upgrade and provision of software and the appropriate licenses for the operation of information support of the Parent Company, in the total amount of EUR 372,291, for which the Company Informatika d. d. will be issuing invoices in the following two years (EUR 314,794 in 2021 and EUR 57,497 in 2022).

5.7.15 Operating Liabilities

Long-term operating liabilities include long-term accrued liabilities to the Company SODO from the final reconciliation of the regulatory year 2018 in the amount of EUR 530,193, the value of which is likely to be included in the Regulatory Framework for the period 2022–2024 by the Energy Agency.

Short-term operating liabilities are comprised mainly of liabilities from operations for a third-party account (liabilities to the Company SODO d. o. o. for using the network in accordance with the Agreement), trade payables for the purchase of fixed assets, materials and services and liabilities to employees and the State. Included are also the accrued labour costs for unused annual leave of employees for 2020 (EUR 559,624) and the short-term part of the derogations from the preliminary and final reconciliations in the amount of EUR 1,139,991, of which the negative deviation of the preliminary reconciliation for 2020 amounts to EUR 1,060,657.

Contingent liabilities (in EUR)	31 Dec. 2020	31 Dec. 2019
Long-term operating trade payables	530,193	307,218
Other long-term operating liabilities	0	1,033
Long-term operating liabilities	**530,193**	**308,251**
Short-term liabilities for purchase of electricity	0	16,745,911
Short-term trade payables	4,487,475	4,173,811
Short-term operating liabilities from operations for third-party account	3,233,150	10,017,951
Short-term liabilities to employees	3,165,612	3,355,959
Short-term liabilities to state and other institutions	317,871	1,442,181
Other short-term operating liabilities	1,000,061	1,680,719
Short-term operating liabilities	**12,204,169**	**37,416,532**
Total	**12,734,362**	**37,724,783**

The amount of operating liabilities reclassified as non-current liabilities related to assets and disposal groups as of 31 December 2020 amounted to EUR 27,061,604.

5.7.16 Liabilities from Customer Contracts

Liabilities from customer contracts (in EUR)	31 Dec. 2020	31 Dec. 2019
Short-term operating liabilities based on advances	138,905	913,469
Total	**138,905**	**913,469**

The liabilities from the Contracts with the customers of the Company ECE of EUR 798,637 were reclassified as non-current liabilities related to assets and disposal groups as of 31 December 2020.

5.7.17 Contingent Liabilities

Contingent liabilities (in EUR)	31 Dec. 2020	31 Dec. 2019
Ongoing litigation procedures	64,769	52,317
Bank guarantees given	33,353	17,286,692
Total	**98,122**	**17,339,009**

Contingent liabilities in the amount of EUR 98,122 failed to comply with the conditions for recognition as Balance Sheet items. The amount of contingent liabilities arising from outstanding civil cases where the Parent Company is the defendant decreased by EUR 52,317 due to the completed proceedings for the payment of compensation (the Group will pay EUR 16 thousand in compensation in the case of an action for construction on a foreign land) and increased by EUR 64,769. There were contingent liabilities for an action for damages due to the use of foreign property in the amount of EUR 7,871 newly formed, the value of the annulment of the Decision on extraordinary termination of an employee's Contract in the amount of EUR 3,898 and in the amount of EUR 53,000 for the reversal of the provision, based on the judgement received in favour of the Company until it is final. The bank guarantees given in the amount of EUR 33,353 relate to performance bonds. The Group does not have off-Balance-Sheet contingent liabilities as defined by the Companies Act (ZGD-1).

The contingent liabilities of the Company ECE of EUR 16,004,325 were reclassified as Off-Balance-Sheet liabilities related to disposal assets.

5.7.18 Contingent Assets and Other Off-Balance-Sheet Records

The Group's Off-Balance-Sheet records as of 31 December includes bank guarantees received for good performance and elimination of defects in the warranty period (EUR 2,894,461), with claims for damages against insurance companies, which had not been paid in full to date and are, therefore, prior to the liquidation of the claim by the insurance company, recorded as Off-Balance-Sheet items (EUR 641,735), receivables from shareholders from companies removed from the Register (EUR 139,989), and tax allowances for the employment of people with disabilities (EUR 104,199).

The contingent assets of the Company ECE of EUR 240,167 were reclassified as Off-Balance-Sheet disposal assets.

The value of the fixed assets in the Off-Balance-Sheet record, which were financed from the funds of average connection costs and transferred to the Company SODO d. o. o., and included in the Off-Balance-Sheet record by the Company Elektro Celje amounted to EUR 2,990,223 as of 31 December 2020 (EUR 3,132,909 in 2019).

Contingent assets (in EUR)	31 Dec. 2020	31 Dec. 2019
Bank guarantees received	2,894,461	2,981,920
Damage claims	641,735	84,722
Receivables from partners in companies deleted from the register	193,989	944,849
Tax reliefs for employing disabled persons	104,199	108,520
Total	**3,834,384**	**4,120,011**

5.7.19 Determination of Fair Value

Book and fair value of financial instruments (in EUR)	31 December 2020		31 December 2019	
	Book value	Fair value	Book value	Fair value
Investments at fair value through other comprehensive income	88,800	88,800	187,280	187,280
Loans received	–39,319,566	–39,319,566	–39,432,026	–39,432,026
Financial lease liabilities	–414,145	–414,145	–789,410	–789,410
Total	**–39,644,911**	**–39,644,911**	**–40,034,156**	**–40,034,156**

The Table includes assets and financial liabilities measured at fair value for which the fair value is also disclosed. The Group did not include cash and cash equivalents and operating receivables and liabilities in the Table, which, in accordance with IFRS 7, are considered a good approximation of fair value. The Table also does not include investments that are valued at cost by the Group, as their fair value cannot be measured reliably.

Assets and Liabilities with Respect to the Determination of Their Fair Value

Financial instruments measured at fair value (in EUR)	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments at fair value through other comprehensive income	88,800	0	0	**88,800**	187,280	0	0	**187,280**

According to the determination of their fair value, they are classified in the following levels:

- Level 1 – includes assets at market price;
- Level 2 – includes assets whose value is determined directly or indirectly from comparable market data;
- Level 3 – includes assets and liabilities whose values cannot be obtained from market data.

Financial instruments where fair value is disclosed (in EUR)	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans received	0	0	–39,319,566	**–39,319,566**	0	0	–39,432,026	**–39,432,026**
Financial lease liabilities	0	0	–414,145	**–414,145**	0	0	–789,410	**–789,410**
Total	**0**	**0**	**–39,733,711**	**–39,733,711**	**0**	**0**	**–40,221,436**	**–40,221,436**

Financial Instruments by Categories

Financial liabilities measured at amortised cost	31 Dec. 2020	31 Dec. 2019
Financial liabilities	39,735,283	40,224,067
Operating liabilities	12,873,268	38,638,252
Total	**52,608,551**	**78,862,319**

Financial assets (in EUR)	31 December 2020		31 December 2019	
	Financial instruments at amortised cost	Investments at fair value through other comprehensive income	Loans and receivables	Investments at fair value through other comprehensive income
Investments	0	197,021	0	295,501
Operating receivables	10,136,819	0	54,472,327	0
Cash and cash equivalents	665,036	0	1,799,728	0
Total	**10,801,855**	**197,021**	**56,272,055**	**295,501**

5.8 Important Events Following the Date of the Group's Statement of the Financial Position

There were no events following the date of the Statement of the Financial Position and up to the date of the Auditor's Report which would affect the assets and liabilities of the Group materially and impair the ability of the users of the Statement of the Financial Position to perform a relevant evaluation and reach an informed decision.

5.9 Disclosure of Items in the Consolidated Income Statement

5.9.1 Sales Revenue

Revenue from the lease and maintenance of infrastructure and the provision of services for the Company SODO d. o. o. in the amount of EUR 44,431,069 also include negative deviations from the preliminary reconciliation of the regulatory year 2020 (EUR -1,045,063) and the final reconciliation for 2018 (EUR -524,944).

Net sales revenue (in EUR)	2020	2019
Revenue from contracts with customers	2,844,885	2,595,358
– revenue from the sale of services	2,676,042	2,436,164
– revenue from the sale of electricity and heat generated	168,843	159,194
Revenue from lease	44,844,000	48,295,214
– revenue from lease of electricity infrastructure and provision of services for SODO	44,431,069	47,862,849
– revenue from lease payments	412,931	432,365
Total	**47,688,885**	**50,890,572**

5.9.2 Capitalised own Products

Capitalised own products and services (in EUR)	2020	2019
In-house construction of electricity infrastructure	16,740,724	15,164,716

The services provided by the Group for its own needs and capitalised among tangible fixed assets or intangible assets include the value of the material used (EUR 9,438,484), the value of the work performed (EUR 6,169,723) and the cost of motor vehicle transport (EUR 1,132,517). The Group does not disclose profit from the in-house construction of electricity infrastructure.

5.9.3 Other Operating Revenue

Explanatory Notes regarding the reversal of provisions and long-term deferred revenue are presented in Sections 5.7.12 and 5.7.13.

The types of State aid received in 2020 resulting from the measures taken by the Republic of Slovenia to contain the Covid-19 epidemic are explained in Section 5.2 (f) (EUR 908,969).

In line with the explanation of the Slovenian Institute of Auditors and the expert position regarding the disclosure of salary reimbursements, the Group also included revenue from reimbursements among other revenue in 2020. In previous years, these were shown on a net basis or offset against salary costs. The effect of the transition from the net to the gross basis of recording sick pay amounted to EUR 575,447 (for 2019 it would amount to EUR 417,603). The comparative data for 2019 have not been revised, as the Group did not consider these values to be significant.

Other operating revenue (in EUR)	2020	2019
Revenue from reversal and utilisation of provisions	56,993	45,652
Revenue from reversal of long-term deferred revenue	640,728	631,989
Profit from selling tangible fixed assets and dismantling material	146,299	77,290
Other revenue associated with business effects	799,046	200,889
State aid	908,969	0
Contractual penalties received	0	43,135
Compensation received	235,708	357,211
Other operating revenue	73,277	36,184
Total	**2,861,020**	**1,392,350**

5.9.4 Costs of Materials and Services Used

Cost of material (in EUR)	2020	2019
Cost of material for the implementation of self-managed investments	9,438,484	8,040,892
Cost of material used in provision of services to customers	1,108,201	610,840
Cost of material used in maintenance	586,134	635,879
Cost of fuel and energy	367,135	524,360
Cost of material for damage repair	162,414	153,662
Cost of small tools	174,157	238,215
Other cost of material	119,686	55,190
Total	**11,956,211**	**10,259,038**

Cost of services (in EUR)	2020	2019
Cost of maintenance services	1,983,458	2,125,819
Cost of intellectual and personal services	336,879	352,610
Costs of insurance premiums and payment transactions	1,116,219	858,647
Cost of transport services	270,508	254,051
Cost of fairs, advertising and representation costs	38,145	50,936
Cost of services used in provision of services to customers	428,660	366,555
Cost of services of damage repair	90,261	122,928
Lease payments	51,434	42,334
Cost of labour contracts	188,285	203,431
Cost of other services	1,744,380	1,705,454
Total	**6,248,229**	**6,082,765**

5.9.5 Labour Costs

Labour costs (in EUR)	2020	2019
Cost of salaries	17,196,012	16,410,857
Supplementary pension insurance costs for employees	801,920	794,804
Cost of employer contributions and other levies on salaries	2,809,662	2,676,367
Other labour costs	3,022,021	2,718,963
Post-employment and other long-term benefits	469,777	527,112
Total	**24,299,392**	**23,128,103**

Retirement and disability insurance costs in 2020 amounted to EUR 2,341,314, with the cost of other social security amounting to EUR 1,270,268. Labour costs, include labour costs accrued for unused annual leave by employees in the Group in 2020 in the amount of EUR 559,624 (EUR 545,393 in 2019), and post-employment and other long-term employee benefits in the amount of EUR 469,777 (EUR 527,112 in 2019).

Number of employees by education in the Parent Company and subsidiaries ECE and EC OVI for the financial year 2020:

Number of employees according to the educational structure	No. of employees 1 Jan. 2020	Share (in %)	No. of employees 31 Dec. 2020	Share (in %)	Average no. of employees
Educational level I	2	0.3	2	0.3	2
Educational level II	3	0.4	3	0.4	3
Educational level III	21	3.0	18	2.5	20
Educational level IV	175	24.8	172	24.3	174
Educational level V	262	37.2	266	36.8	264
Educational level VI/1	80	11.3	82	11.6	81
Educational level VI/2	91	12.9	76	10.7	84
Educational level VII	52	7.4	71	10.0	62
Educational level VIII/1	18	2.6	18	2.5	18
Educational level VIII/2	1	0.1	1	0.1	1
Total	**705**	**100.0**	**709**	**100.0**	**707**

5.9.6 Depreciation

Depreciation according to groups of assets (in EUR)	Intangible assets	Buildings	Equipment	Right to use equipment	Total
Depreciation for 2020	1,668,350	9,739,426	6,565,696	4,099	**17,977,571**
Depreciation for 2019	1,510,878	10,111,185	6,414,127	4,099	**18,040,289**

5.9.7 Losses, Write-Offs and Valuation Adjustments

Valuation adjustments include adjustments to trade receivables in lawsuits, bankruptcy procedures and compulsory settlement proceedings, receivables whose due date has exceeded 90 days on the Balance Sheet date, non-matured receivables and receivables matured for up to 90 days, and interest on network charges and revaluations of material inventory.

Losses, write-offs and assets valuation adjustments (in EUR)	2020	2019
Losses from the retirement of tangible fixed assets	267,283	123,204
Asset valuation adjustments	10,847	73,188
Total	**278,130**	**196,392**

5.9.8 Other Operating Expenses

Other operating expenses (in EUR)	2020	2019
Cost of charges for use of land	171,669	173,801
Compensations and annuities	100,618	19,301
Cost of court and administrative fees	22,101	32,346
Donations and solidarity aid	26,250	13,673
Environmental protection expenditure and environmental charges	2,168	1,228
Other operating expenses	110,502	137,179
Total	**433,308**	**377,529**

5.9.9 Financial Revenue and Expenses

Financial revenue and expenses (in EUR)	2020	2019
Revenue from shares in other companies	0	7,400
Revenue from shares in associates	4,462	0
Financial revenue from loans granted to others	7,998	9,718
Financial revenue from operating receivables due from others	41,727	50,007
Total financial revenue	**54,187**	**67,125**
Financial expenses from loans received from banks	–305,108	–325,518
Financial expenses from other financial liabilities	–2,303	–248
Financial expenses from trade payables	–21,359	–2
Financial expenses from other operating liabilities	–50,205	–89,590
Total financial expenses	**–378,975**	**–415,358**
Net flow	**–324,788**	**–348,233**

Dividends received by the Group amounted to EUR 4,462 (EUR 7,400 in 2019). Financial revenue from interest on granted loans to others includes accrued contractual interest in the amount of EUR 7,964 (EUR 9,623 in 2019) charged for instalment repayment of unauthorised consumption, determined in 2019. The accrued interest expenses from Asset Leases amounted to EUR 2,303, financial expenses for net interest arising from the actuarial estimation of the expected present value of liabilities arising from long-service bonuses, severance pays and solidarity aids amounted to EUR 49,599, and regulatory interest of the Company SODO to EUR 20,843 (EUR 5,249 of regulatory interest was charged after the final reconciliation for the regulatory year 2018 and EUR 15,594 were with the preliminary reconciliation for the regulatory year 2020).

5.9.10 Income Tax

Income tax (in EUR)	2020	2019
Income tax for the current year	**–473,136**	**–828,545**
Deferred tax	**–258,494**	**–104,156**
Income Tax	**–731,630**	**–932,701**
Profit before tax	6,864,254	10,295,598
Tax levied theoretically (19%)	–1,304,208	–1,956,164
Tax from increase in expenses	120,116	182,665
Tax from tax-non-deductible expenses	–374,582	–365,683
Tax from tax reliefs	912,826	1,038,454
Tax from revenue reducing tax basis	109,802	419,254
Tax from revenue increasing tax basis	–59	–13,595
Change in temporary differences	–258,494	–104,156
Tax from other items	0	–133,476
Income tax	**–794,599**	**–932,701**
Tax from continuing operations	–543,778	–897,008
Tax from discontinuing operations	–250,821	–35,693
Effective tax rate of continuing operations	**7.9 %**	**9.1 %**

In 2020, the applicable income tax rate in the Republic of Slovenia was 19%. The Group was liable for a corporate income tax receivable in the amount of EUR 145,629 in the financial year 2020, recognised based on the Tax Return.

Income tax (in EUR)	31 Dec. 2020	31 Dec. 2019
Income tax receivables	148,273	1,150,477
Income tax liabilities	–62,969	0
Total	**85,304**	**1,150,477**

DEFERRED TAX ASSETS

Deferred tax assets (in EUR)	31 Dec. 2020	31 Dec. 2019
for trade receivables	106,636	720,703
for provisions for post-employment and other employee benefits	640,445	686,575
for deferred tax assets for tax losses	0	115,182
for investments	19,667	19,667
for long-term deferred revenue	740,720	811,225
Total	**1,507,468**	**2,353,352**

Changes in deferred tax assets (in EUR)	Operating receivables	Provisions for post-employment and other employee benefits	Deferred tax assets for tax loss	Investments	Long-term deferred revenue for fixed assets acquired free of charge	Total
As of 1 January 2019	**906,974**	**614,931**	**0**	**19,667**	**881,731**	**2,423,303**
Recognised in the Income Statement	0	37,439	115,182	0	0	152,621
Recognised in the Statement of Comprehensive Income	0	34,205	0	0	0	34,205
Reversed in the Income Statement	–186,271	0	0	0	–70,506	–256,777
As of 31 December 2019	**720,703**	**686,575**	**115,182**	**19,667**	**811,225**	**2,353,352**
As of 1 January 2020	**720,703**	**686,575**	**115,182**	**19,667**	**811,225**	**2,353,352**
Recognised in the Income Statement	0	25,263	0	0	0	25,263
Reversed in the Income Statement	–22,756	0	0	0	–70,505	–93,261
Reversed in the Statement of Comprehensive Income	–133,710	–3,296	–56,097	0	0	–193,103
Transfer to assets held for sale	–457,601	–68,097	–59,085	0	0	–584,783
As of 31 December 2020	**106,636**	**640,445**	**0**	**19,667**	**740,720**	**1,507,468**

DEFERRED TAX LIABILITIES

Deferred tax liabilities (in EUR)	31 Dec. 2020	31 Dec. 2019
Investments	12,011	28,530
Total	**12,011**	**28,530**

Changes in deferred tax liabilities (in EUR)	Amount
As of 1 January 2019	**21,731**
Recognised in the Statement of Comprehensive Income	6,799
As of 31 December 2019	**28,530**
As of 1 January 2020	**28,530**
Reversed in the Statement of Comprehensive Income	–3,526
Transfer among liabilities related to assets and disposal groups	–12,993
As of 31 December 2020	**12,011**

Deferred tax liabilities relate to the change in the value of investments measured at fair value through other comprehensive income.

5.10 Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the accounting period attributable to owners of the controlling share (EUR 6,049,783) by the weighted average number of ordinary shares outstanding in the accounting period (EUR 23,858,576). Treasury shares are excluded from the calculations. Basic earnings per share in 2020 amounted to EUR 0.2536, and were 29% lower than in 2019, when they amounted to EUR 0.357 per share.

5.11 Disclosure of Items in the Consolidated Cash Flow Statement

CASH FLOW (in EUR)	2020	2019
Cash balance at the beginning of the year	**1,799,728**	**5,584,107**
Cash flow from operating activities	16,773,561	8,603,014
Cash flow from investing activities	–10,264,000	–10,328,351
Cash flow from financing activities	–3,405,451	–2,059,042
Net cash flow for the period	**3,104,110**	**–3,784,379**
Cash from discontinuing operations	–4,238,802	0
Cash balance at year-end	**665,036**	**1,799,728**

The opening cash balance as of 1 January 2020 amounted to EUR 1,799,728, while the net cash flow in the period from January to December 2020 amounted to EUR 3,104,110. The Group's cash balance, taking into account the elimination of cash in the process of discontinuing operations in the amount of EUR 4,238,802, amounted to EUR 665,036 as of 31 December 2020.

In 2020, the Group created:

- ***EUR 365,166,655 in inflows from operating activities***, which relates mainly to inflows from the sale of electricity and other energy products, inflows from Lease and services under the Contract with the Company SODO d. o. o. and inflows from the use of the network;
- ***EUR 466,524 in inflows from investing activities***, which includes inflows from interest received and shares in the profit of others (EUR 4,529), inflows from the disposal of tangible fixed assets (EUR 458,783) and inflows from the acquisition of the subsidiary;
- ***EUR 25,391,839 in inflows from financing activities***, which include the use of long-term loans from commercial banks for financing investments (EUR 10,700,000), inflows (EUR 14,300,000) from multiple drawings of the long-term revolving credit facility in the amount of EUR 3 million and the use of a credit line (EUR 391,839).

The outflows in the amount of EUR 387,920,908 were financed with the assets available (EUR 391,021,806):

- ***EUR 348,393,094 in outflows from operating activities***; mainly outflows for the purchase of materials and services and wages and salaries (95.2%), as well as charges (contributions and taxes) and other outflows;
- ***EUR 10,730,524 in outflows from investment activities***, comprising outflows for the acquisition of intangible and tangible fixed assets;
- ***EUR 28,797,290 in outflows from financing activities***, which refer to outflows for interest paid (EUR 335,539), repayments of investment loans (EUR 10,813,472), multiple repayments of the leased revolving credit facility (EUR 14,300,000), payment of financial Leases (EUR 4,747), credit line used (EUR 391,839) and dividend payouts (EUR 2,951,693).

5.12 Financial Risk Management

In the group of financial risks, exposure to individual risk types and measures for their management are assessed and implemented based on the effects on cash flows and financing expenses. The Group assesses them regularly, and verifies the suitability of the effects for their management. The method and methodology of Financial Risk Management are presented in more detail in the Business Report in the Section Risk Management and Types of Risks in the Elektro Celje Group.

5.12.1 Credit Risk

Credit risk in operating receivables (risk of non-fulfilment of debtors` liability) is related to the non-payment or late payment by electricity consumers and by recipients of the services rendered by the Group. Management of receivables and debt recovery is implemented in accordance with the provisions of 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 Rules on the financial operations of the Parent Company. Risk management activities are focused on continuous monitoring and accounts receivables security and active collection of overdue and unpaid receivables as well as the charging of default interest in case of delayed payment. The Group's short-term operating receivables, which relate to receivables from certain critical business customers, are secured through debt collection instruments, bank guarantees, bills of exchange or security (by EUR 4,544,554). Other receivables are not insured by the Group as the Regulation on general conditions for the supply and distribution of electricity does not provide for this.

Exposure to Credit Risk

Among the Group's receivables, which were shown in the Balance Sheet as short-term operating trade receivables (for network charge, services, lease payment, average connection costs, electricity and heat, and interest on late payment), EUR 477,791 was receivables with a maturity of over 181 days (bankruptcies, compulsory compositions, lawsuits and property manager debt as per the Housing Act and a valuation adjustment recognised for these receivables) and EUR 8,930,185 receivables not yet due. The maturity profile takes into account short-term trade receivables and interest receivables (without valuation adjustments).

Maturity analysis of short-term trade receivables (in EUR)	31 December 2020	Share in %	31 December 2019	Share in %
Non-matured receivables	8,930,186	91.3	47,740,678	89.9
Receivables overdue less than 30 days	256,259	2.6	2,195,465	4.1
Receivables overdue by 31–60 days	78,630	0.8	416,879	0.8
Receivables overdue by 61–90 days	3,718	0.0	70,617	0.1
Receivables overdue by 91–180 days	32,156	0.3	16,102	0.0
Receivables overdue by 181–365 days	7,703	0.1	30,800	0.1
Receivables overdue by over 365 days	470,088	4.8	2,639,678	5.0
Total	**9,778,740**	**100.0**	**53,110,219**	**100.0**

	Changes in valuation adjustments to short-term receivables for 2020 (in EUR)	As of 1 January 2020	Write-offs	Reconciliation			As of 31 December 2020
				Recognition	Transfer between accounts	Reversal	
	Adjustments to receivables – energy products	2,674,720	–493,158	255,185	106,985	–298,551	2,245,181
	Adjustments to receivables – network charge	541,403	–50,525	0	0	–47,761	443,117
	Adjustments to receivables – SODO services	19,202	–1,787	757	0	0	18,172
	Adjustments to receivables – services	15,660	–1,768	2,412	0	0	16,304
	Adjustments to receivables – other	329	–208	0	0	–43	78
A	**Total adjustments – receivables**	**3,251,314**	**–547,446**	**258,354**	**106,985**	**–346,355**	**2,722,852**
	Adjustments to late charge – network charges	24,941	–2,035	0	0	–1,527	21,379
	Adjustments to late charge – SODO services	560	–33	271	0	0	798
	Adjustments to late charge – services	1,587	–141	0	0	–27	1,419
	Adjustments to late charge – other	84,187	–16,665	2,684	–4,416	1,626	67,416
B	**Total adjustments – late charge**	**111,275**	**–18,874**	**2,955**	**–4,416**	**72**	**91,012**
	Adjustments to misc. short-term receivables	93,672	–11,413	1,086	7,199	0	90,544
C	**Adjustments to misc. short-term receivables**	**93,672**	**–11,413**	**1,086**	**7,199**	**0**	**90,544**
D	**Valuation adjustment to advance payments made**	**0**	**0**	**1,548**	**0**	**0**	**1,548**
E	**Transfer to assets held for sale**	**–2,842,974**	**519,485**	**–257,869**	**–109,768**	**296,925**	**–2,394,201**
TOTAL (A + B + C + D + E)		**613,287**	**–58,248**	**6,074**	**0**	**–49,358**	**511,755**

The valuation adjustment of receivables for the Group in 2020 amounted to EUR 263,943, with its reversal amounting to EUR 346,283. The total valuation adjustment carried out on receivables of the Group as of 31 December 2020 amounted to EUR 2,905,956. The adjustment to the receivables of the Company ECE transferred to non-current assets for disposal amounted to EUR 2,394,201. Group companies carried out a valuation adjustment for receivables in bankruptcy and composition proceedings, for receivables which are the subject of litigation, and for receivables whose due date has exceeded 90 days on the balance sheet date. The valuation adjustment to receivables is explained further in Section 5.4 (g) within the framework of the Accounting Policies for receivables (measurement upon initial recognition). In 2020, EUR 1,753 in invoices for unjustified consumption of electricity was charged (EUR 462,193 in 2019), with received payments under this heading amounting to EUR 163,203 (EUR 143,989 in 2019).

	Changes in valuation adjustments to short-term receivables for 2019 (in EUR)	As of 1 January 2019	Write-offs	Reconciliation			As of 31 December 2019
				Recognition	Transfer between accounts	Reversal	
	Adjustments to receivables – energy products	3,479,599	–677,942	148,818	72,592	–348,347	2,674,720
	Adjustments to receivables – network charge	579,948	–63,122	24,577	0	0	541,403
	Adjustments to receivables – SODO services	18,790	–1,331	1,743	0	0	19,202
	Adjustments to receivables – services	80,520	–64,296	0	0	–564	15,660
	Adjustments to receivables – other	7,658	–6,978	0	0	–351	329
A	**Total adjustments – receivables**	**4,166,515**	**–813,669**	**175,138**	**72,592**	**–349,262**	**3,251,314**
	Adjustments to late charge – network charges	35,144	–14,478	4,275	0	0	24,941
	Adjustments to late charge – SODO services	0	0	560	0	0	560
	Adjustments to late charge – services	2,943	–1,169	0	0	–187	1,587
	Adjustments to late charge - other	124,073	–35,742	2,405	10,884	–17,432	84,188
B	**Total adjustments – late charge**	**162,160**	**–51,389**	**7,240**	**10,884**	**–17,619**	**111,276**
	Adjustments to misc. short-term receivables	108,120	–14,933	116	369	0	93,672
C	**Adjustments to misc. short-term receivables**	**108,120**	**–14,933**	**116**	**369**	**0**	**93,672**
TOTAL (A + B + C)		**4,436,795**	**–879,991**	**182,494**	**83,845**	**–366,881**	**3,456,262**

Credit risk arising from investments refers to the risk of higher fluctuations in the value of financial instruments. Reduced creditworthiness affects the liquidity of financial instruments and complicates the possible sale of the investment. In extreme cases, credit risk may lead to an investment being worthless. Financial assets, the prices of which are quoted in an active market and whose fair value can be measured reliably, are measured at fair value and others at cost. On the balance sheet date, the managements of Group companies establish whether there are any objective reasons for impairment assessment of an investment in an equity instrument. The value that best represents the maximum exposure to such risk is the total value of the investment. Exposure to the risk of reduction in the value of long-term investments below their cost cannot be hedged with financial instruments (explained in Section 5.4 (g)).

5.12.2 Market Risk

Within market risks, the Group can be exposed to the risk of changes in interest rates on loans received. Exposure to interest rate risk represents an (un) favourable movement of the EURIBOR reference interest rate. The Group does not insure against fluctuations of EURIBOR interest rates with financial instruments, with exposure to interest rate risk for the Group estimated as **low**. The average weighted interest rate on the Group's loans as of 31 December 2020 amounted to 0.802%. The Group in 2020 does not expect a major increase in the EURIBOR, which is projected to remain negative.

Cash Flow Sensitivity Analysis

Sensitivity to changes in interest rates is assessed using the sensitivity analysis method. Given the volume of acquired loans as of 31 December 2020 and the projected negative trend for EURIBOR, even a change in the interest rate (EURIBOR) of 0.3% (30 basis points) would not result in higher expenses for interest paid. The probability of larger change in the EURIBOR is estimated as low. This analysis assumes that all other variables remain unchanged.

As a precaution, the Group rejects all terms of Contracts that would allow the lender to change interest rates (increased costs clauses) subsequently 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 Parent 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. In accordance with the Decree, the consent of the Ministry of Finance is required for commencement of any and each borrowing procedure and for signing of contracts with banks.

5.12.3 Liquidity Risk

Financial instruments based on maturity as of 31 December 2020 (in EUR)	Book value as of 31 December 2020	Maturity		
		up to 1 year	from 1 year to 5 years	above 5 years
1. Loans from banks	39,319,009	7,779,202	25,358,734	6,181,073
2. Financial lease liabilities	414,145	328,303	85,842	0
3. Trade payables	5,017,668	4,487,475	530,193	0
Total financial liabilities to banks	**44,750,822**	**12,594,980**	**25,974,769**	**6,181,073**

Financial instruments based on maturity as of 31 December 2019 (in EUR)	Book value as of 31 December 2019	Maturity		
		up to 1 year	from 1 year to 5 years	above 5 years
1. Loans from banks	39,431,527	10,657,516	22,304,127	6,469,884
2. Financial lease liabilities	789,410	410,845	378,424	141
3. Trade payables	21,227,973	20,919,722	308,251	0
Total financial liabilities to banks	**61,448,910**	**31,988,083**	**22,990,802**	**6,470,025**

The Elektro Celje Group measures exposure to liquidity risk based on the balance of inflows and outflows, while an important element in liquidity risk management is also cash flow planning. The Group's cash flow risk is also affected by the amount of the collected network charge for the distribution network, as due to the deficit of the network charge in 2015, the preliminary recalculation for the contractual liabilities of the Company SODO, amounting to EUR 3,426,391, will only be settled fully in the regulatory year 2021 (the last third), the deficit of the network charge for the Slovene distribution network is also possible in 2021, with delays in payments by the Company SODO.

To ensure daily liquidity and for the event of unplanned increase in liquidity demand, the Parent Company has a long-term bank credit agreement for a revolving credit amounting to EUR 3,000,000 and provides long-term solvency through investment loans.

In 2015, it signed a contract with the EIB for EUR 28 million to finance investments in the period 2015–2017, and in the period 2018–2020 with commercial banks in the amount of EUR 33.9 million. The risk to long-term creditworthiness is managed by providing appropriate financing sources and favourable values of financial indicators.

In accordance with the depreciation schedules under loan agreements concluded with banks and the forecast movement of EURIBOR, we assess the interest for loans with maturity of up to one year will amount to EUR 288,417, with those with a maturity from one to five years amounting to EUR 587,943 and above five years EUR 84,986.

The value of financial liabilities from leases and liabilities to the suppliers of the Company ECE, reclassified as non-current liabilities related to a group of assets held for sale, amounted to EUR 24,464,396 (EUR 24,452,278 due within one year and EUR 12,118 due within one to five years).

5.12.4 Equity Risk

The Republic of Slovenia has a 79.5% stake in the Parent Company, which also provides services of public utilities of electricity distribution and defined the investment as strategic. The equity risk would imply acquiring 100% of the State's ownership by purchasing Treasury shares further.

Pursuant to the provisions of Loan Contracts with EIB, the Group shall attain the values of financial commitments defined in Loan Contracts, whereby the failure to attain the contractual values may be a reason for early maturity of the loans (financial debt/equity < 0.3 at the level of the Group). The Group will in 2021 again meet all its financial commitments to banks and plans to achieve a net return on equity (ROE) of 4.35%. The equity risk of the Parent Company is estimated to be **low** (Section 2.9.3).

Financial leverage indicator (in EUR)	31 Dec. 2020	31 Dec. 2019
1. Loans granted and other financial liabilities	39,319,566	40,224,067
2. Equity	236,545,580	233,303,669
Debt to equity ratio	**0.166**	**0.172**

5.13 Transactions with Associated Parties

5.13.1 Transactions with Owners

The largest shareholder of the Parent Company, the Republic of Slovenia, has a 79.5% stake in the Company Elektro Celje. The Parent Company provides services of public utility service – electricity distribution and, thus, the Republic of Slovenia classified the investment as strategic. The dividends received from the Parent Company in 2020 amounted to EUR 2,365,656.

The Group generated EUR 48,227,963 of revenue in transactions with state-related companies in which the Republic of Slovenia has a direct shareholding of at least 20% in 2020; of which 99.9% was generated by leasing energy infrastructure and services provided to the Company SODO. The costs realized in business cooperation with related companies amounted to EUR 1,451,661.

The Group showed receivables from the associated parties in the amount of EUR 4,333,609 as of 31 December 2020 (EUR 4,248,863 from the Company SODO) and operating liabilities in the amount of EUR 6,451,556 (EUR 3,233,150 from the Company SODO).

5.13.2 Transactions of the Parent Company with Subsidiaries and the Associate

Item/year (in EUR)	2020		2019	
	ECE d. o. o.	Elektro Celje OVI, d. o. o.	ECE d. o. o.	Elektro Celje OVI, d. o. o.
Assets:				
Short-term trade receivables	60,903	2,394	10,455	18,364
Accrued revenue and deferred expenses	0	0	0	0
Total assets	**60,903**	**2,394**	**10,455**	**18,364**
Liabilities:				
Short-term trade payables	22,843	57,635	16,503	38,937
Other operating liabilities	0	0	217	0
Total liabilities	**22,843**	**57,635**	**16,720**	**38,937**
Revenue:				
Net sales revenue	108,415	40,150	104,289	43,539
Financial revenue	49,468	0	1,000,292	0
Revenue from revaluation	0	0	0	0
Total revenue	**157,883**	**40,150**	**1,104,581**	**43,539**
Costs and expenses:				
Cost of material	128,820	149,795	138,684	147,787
Cost of services	0	47,384	0	33,597
Total costs and expenses	**128,820**	**197,179**	**138,684**	**181,384**

Group companies participated based on concluded purchase contracts, whereby market prices for services, goods and materials (rental of business premises, supply of natural gas, electricity and heat, provision of services), insurance and methods of settlement, which are characteristic of normal market conditions, were used in transactions among associated parties. Dividends within the Group in 2020 amounted to EUR 49,468 (EUR 1,000,000 in 2019).

The cost of services rendered in 2020 by the Associate Informatika in transactions among associated parties amounted to EUR 1,024,700. The Group showed operating liabilities to the Associated Company for maintenance, consultancy services and implementation of information support amounting to EUR 308,581, and financial Leases amounting to EUR 280,615 as of 31 December 2020.

5.13.3 Data on Groups of Natural Persons

Amounts of remuneration granted to groups of persons for 2020 for the performance of functions in the Group are as follow:

Gross receipts of groups of persons (in EUR)	**2020**	**2019**
Member of the Management Board	122,197	117,638
The directors of subsidiaries	179,296	174,237
Holder of procuration	55,507	54,427
Members of the Supervisory Board and Supervisory Board Audit Committee	122,630	136,972
Other employees on individual contracts	591,650	563,327
Total	**1,071,280**	**1,046,601**

Remuneration of the Member of the Management Board and Director in the Elektro Celje Group

Name and surname	**Position**	**Receipts (in EUR)**	**Total**
Boris Kupec, MSc (since 1 May 2016)	Chairman of the Management Board of Elektro Celje, d. d.	Gross receipts	122,197
		Net receipts	59,283
Sebastijan Roudi (since 12 August 2016)	Managing Director of the company ECE	Gross receipts	103,393
		Net receipts	53,098
Srečko Mašera (since 1 February 2017)	Managing Director of the company Elektro Celje, OVI	Gross receipts	75,903
		Net receipts	42,200
Karmen Šmon, MSc (since 12 August 2018)	Procurator of the company ECE	Gross receipts	55,507
		Net receipts	32,158
Total		**Gross receipts**	**357,000**
		Net receipts	**186,739**

The Chairman of the Management Board of the Parent Company, who has been in office since 1 May 2016, was appointed as a member of the Supervisory Board of the company STELKOM – telekomunikacije in storitve d. o. o. on 17 December 2018, is the deputy mayor of the municipality of Prebold for the mandate period 2018–2022 and has a subsidiary activity on his farm, main activity (Standard Classification of Activities -SKD): 85.590 (Instruction, training and further training) since 1 May 2016. The managing directors of the subsidiaries were not members of management or supervisory bodies in other companies in 2020.

The remuneration of benefits and reimbursements of travel costs arising from employment contracts and the remuneration of professional education in 2020 were as follows:

Name and surname	Total receipts (in EUR)	Reimbursement of labour costs	Insurance premiums	Use of company vehicle	Professional education	Holiday allowance
Boris Kupec, MSc	9,149	1,242	637	4,911	379	1,979
Sebastijan Roudi	10,420	1,267	1,192	5,954	28	1,979
Karmen Šmon, MSc	4,487	1,316	1,192	0	0	1,979
Srečko Mašera	6,087	1,450	61	2,597	0	1,979
Total	**30,143**	**5,275**	**3,082**	**13,462**	**407**	**7,916**

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD AND THE SUPERVISORY BOARD AUDIT COMMITTEE

The basic annual remuneration, which the Chair of the Supervisory Board receives for the performance of her duties amounts to EUR 19,500, with her deputy receiving EUR 14,300 (the Resolution of the 21st General meeting of 1 September 2016). The members of the Supervisory Board receive EUR 13,000, the members of the Committees EUR 3,250 and the Chairs of the Supervisory Board Committees EUR 4,875.

The Supervisory Board of the Parent Company has four members four of whom are shareholder representatives and two employee representatives. The Supervisory Board members are appointed by the Shareholder's Assembly by a simple majority of shareholders present, except for the members of the Supervisory Board who are elected by the Workers' Council. All members possess equal rights and duties. Amendments and supplements to the Articles of Association are adopted by the Assembly by a three-fourths majority of the equity represented at the General Meeting.

The liability insurance in accordance with the resolution of the Supervisory Board of the Company Elektro Celje d. d. presented in the credit rating of members of the Supervisory Board represents the remuneration of other benefits for the members of the Supervisory Board in 2020. Members of the Supervisory Board and the Supervisory Board Audit Committee in accordance with the resolution of the 21st Shareholders' Assembly are entitled to reimbursement of the costs of professional education and training contextually connected to the performance of control functions and operations of the Company in the total amount of EUR 10,000 per individual financial year.

Name and surname	Name and surname	Attendance at meeting				Receipts (in EUR)			
		SB meeting	SB HRC meeting	SB HRC meeting by corr.	SB AC meeting	Total (net)	Total (gross)	Attendance fees and basic remuneration	Travel expenses
1	2	3	5	6	7	8	9 = 10 + 11	10	11
REPRESENTATIVES OF SHAREHOLDERS:									
Drago Štefe, MSc	Member of the SB since 30 August 2017 and Chairman of the Human Resources Committee since 14 December 2017;	10	1	3	-	14,717	20,271	19,556	715
Miha Kerin, MSc	Member of the SB since 1 September 2016 (on 2 September 2020 he was re-elected as a member of the SB) Chairman of the SB AC since 3 September 2017;	10	-	-	6	15,254	21,010	20,225	785
Mirjan Trampuž, MSM and MSc Energetics	Chairman of the SB until 26 August 2017, member of the SB from 27 August 2017 to 6 September 2017, Deputy Chairman since 7 September 2017;	10	-	-	-	11,214	15,455	15,455	0
Rosana Dražnik, MSc	Member of the SB from 27 August 2017 to 6 September 2017, Chair of the SB since 7 September 2017 and member of the Human Resources Committee since 14 December 2017;	9	1	3	-	17,486	24,078	23,790	288
REPRESENTATIVES OF EMPLOYEES:									
Miran Ajdnik, Bachelor of Electrical Engineering	Member of the SB since 1 October 2018;	10	-	-	-	10,539	14,527	14,527	0
Janko Čas, Electronics Engineer and Energetics expert	Member of the SB since 1 October 2018 and member of the Human Resources Committee since 15 November 2018;	10	1	3	-	13,104	18,053	18,053	0
INDEPENDENT THIRD-PARTY EXPERTS, MEMBERS OF THE SB AC:									
Ignac Dolenšek, MSc	Member of the SB AC since 19 October 2017;	-	-	-	6	3,509	4,825	4,570	255
Darinka Virant, BA in Economics	Independent third-party expert, member of the SB AC since 9 December 2013;	-	-	-	6	3,208	4,411	4,194	217
TOTAL						**89,031**	**122,630**	**120,371**	**2,259**

Costs of other benefits (in EUR)	Liability insurance	Professional education
REPRESENTATIVES OF SHAREHOLDERS:		
Drago Štefe, MSc	97	275
Miha Kerin, MSc	97	0
Mirjan Trampuž, MSM and MSc Energetics	97	854
Rosana Dražnik, MSc	97	0
REPRESENTATIVES OF EMPLOYEES:		
Miran Ajdnik, Bachelor of Electrical Engineering	96	0
Janko Čas, Electronics Engineer and Energetics expert	96	0
INDEPENDENT THIRD-PARTY EXPERTS, MEMBERS OF THE SB AC:		
Ignac Dolenšek, MSc	0	0
Darinka Virant, BA in Economics	0	0
TOTAL	**580**	**1,129**

Membership in the management or supervisory bodies	
Drago Štefe, MSc	/
Miha Kerin, MSc	Chairman of the Management Board of the Company Varnost sistemi, d. o. o.
Mirjan Trampuž, MSM and MSc Energetics	/
Rosana Dražnik, MSc	Director of the Company Finera svetovanje d. o. o.,
	Sole trader, Rosana Dražnik s.p., Intax;
Janko Čas, Electronics Engineer and Energetics expert	/
Janko Čas, elektrotehnik energetik	/

The Management Board and Supervisory Board of the Company Elektro Celje did not receive any remuneration in connection with tasks in subsidiaries. The Group did not approve any loans or guarantees to members of the Supervisory Board, the Supervisory Board Audit Committee or the Management Board and as of 31 December 2020, does not show any receivables under these headings from them.

REMUNERATION TO EMPLOYEES BASED ON THE CONTRACTS which are not subject to the tariff part of the collective agreement in 2020 amounted to EUR 591,650 gross or EUR 314,192 net.

5.14 Auditor Costs

The contractual value for auditing the Annual Reports, conducted for the Group by the auditing firm BDO Revizija d. o. o. in 2020, amounted to EUR 17,460, excluding VAT (EUR 17,460 in 2019), with the value of assurance services and other non-audit services amounting to EUR 1,550, excluding VAT (EUR 1,550 in 2019). The audit firm did not provide any other services in 2020 and 2019.

Supervisory Board Report

In 2020, the Supervisory Board provided responsible supervision of the Company's operations, in accordance with the adopted strategy and with the long-term interests of the Company. The Supervisory Board carried out its work in accordance with the powers and competencies laid down in the legislation, the Articles of Association and the Rules of Procedure of the Supervisory Board, the Code of Corporate Governance of State-Owned Enterprises and other recommendations of good practice of corporate governance. It discussed various aspects of operations and took decisions in this regard, monitored their implementation and took care of socially responsible increase in the economic efficiency of the Company Elektro Celje and the Elektro Celje Group.

The composition of the Supervisory Board and its Committees did not change in 2020. The four-year term of a member of the Supervisory Board, Miha Kerin, MSc, expired on 1 September 2020, but was re-elected at the General Meeting on the proposal of the Supervisory Board. The members of the Supervisory Board, who are shareholder representatives, were elected by the General meeting, with employee representatives elected by the Workers' Council.

The work of the Supervisory Board was professionally supported by the Audit and Human Resources Committees. The Supervisory Board Audit Committee consists of three members. The Chairman of the Committee is a member of the SB, while the other two members are external members, who with their expertise and competences make a significant contribution to the successful work of the Audit Committee and the Supervisory Board. The Supervisory Board Human Resources Committee consists of three members, all of whom are also Supervisory Board members. Two members of the Human Resources Committee are shareholder representatives in the Supervisory Board with one member an employee representative.

The composition of the Supervisory Board and its Committees is presented in more detail in the Annual Report in the Section Corporate Governance.

The operating costs of the Supervisory Board, the Audit Committee and the Human Resources Committee consist of payments for the performance of duties, meeting fees, and training and travel costs. They are paid in accordance with the resolutions of the General meeting and disclosed in Section 2.10.2 of the Company's Accounting Report. A contract on cooperation was signed with independent expert members of the Audit Committee, which is subject to the criteria and recommendations of the Capital Assets Management Agency of the Republic of Slovenia.

Supervision of Operations and Management of the Company

In compliance with its fundamental function of responsible supervision of the Company's management and operations, the Supervisory Board monitored the implementation of set goals and the efficiency of Company operations with the purpose of ensuring stable operations and development orientation.

The Supervisory Board held ten regular and no meetings by correspondence in 2020. The meetings were adapted to the epidemiological situation and thus, some sessions were held at a distance using information and communication technology. All members are involved in the functioning of the Supervisory Board, contributing to a more efficient implementation of the tasks within the competence of the Supervisory Board with their presence at meetings and active participation in discussions and decision-making. The members of the Supervisory Board attended the meetings regularly and prepared for the topics covered carefully, which enabled an informed and constructive discussion, and based on prepared reports and oral and written information provided by the Management Board, competent decision-making and efficient performance of control over the Company's operations. The Supervisory Board, together with the Management Board and with the support of the Supervisory Board's expert committees, endeavoured to adequately manage risks and seek opportunities for improving the operations. The Management Board observed and acted on the recommendations and decisions of the Supervisory Board. In compliance with the Articles of Association, the Supervisory Board granted the necessary approvals to individual transactions of the Management Board. At its meetings, the Supervisory Board adopted the following decisions regarding individual tasks and areas of operations:

Operations supervision:

- It was acquainted with the measures taken by the Company Elektro Celje, together with its subsidiaries, in view of the epidemiological situation, the objective of managing risks and preventing the spread of infection with COVID-19 among employees and, consequently, potential disturbances in the working process, all the more important, because the Company ensures the functioning of critical infrastructure for the economy and the population.
- The Supervisory Board was presented quarterly reports on the operations and performance of the Company Elektro Celje, and its subsidiaries ECE and Elektro Celje OVI, risk management and litigation matters, while carefully monitoring the Company's performance indicators.
- It monitored investment realisation with an emphasis on important investment projects.
- The Supervisory Board monitored the realisation of the strategic objectives defined in the Company's Strategic Business Plan for the Period 2017–2018 and approved the Strategic Business Plan of the Company for the following period 2021–2025.
- It monitored the functioning of individual business processes and recommended which improvements could be made, pointing out potential risks.
- It followed particularly closely the field of security culture and the implementation of the strategic human resources project and gave its consent to the Rules on internal organisation and post classification.
- It gave its consent to the contents of the Business Plan of the Company Elektro Celje and the Elektro Celje Group for 2021 with the starting points for 2022 and 2023 and to the contents of the 10-year development plan of the Company Elektro Celje.
- It agreed to the multi-annual plan for the internal audit activity of the Company Elektro Celje for the period from 2021 to 2025 and to the plan for the internal audit activity for 2021 and monitored activities and findings within the scope of the internal audit activity.

Shareholders Assembly:

- The SB approved the Annual Report of the Company Elektro Celje for 2019, and the Consolidated Annual Report of the Elektro Celje Group, and adopted the report on the Annual Report audit.
- He presented the election proposal for the election of Miha Kerin, MSc for a new four-year term of office of a member of the Supervisory Board.
- The SB proposed to the Company's General Meeting that they adopt the decision on granting a discharge from liability to the Company Management Board and Supervisory Board for 2019, and approved the proposal of the Management Board for the allocation of distributable profits.
- Together with the Management Board, it proposed to increase the share capital and to amend and supplement the Articles of Association of the Company.
- It submitted a proposal for the regulation or reduction of the Supervisory Board's remuneration by 30 percent at the time of the Covid-19 epidemic in the territory of the Republic of Slovenia, between 1 March 2020 and 31 May 2020.

Corporate governance:

- It gave its consent to the increase in the share capital of the subsidiary Elektro Celje OVI.
- It agreed to the strategic connection – vertical integration of the Company ECE with the Company HSE, which includes the immediate sale of 51% of the shareholding in the Company ECE to the Company HSE with the call and put options for the sale of the remaining stake.
- It amended the policy on the remuneration of the management and informed the Shareholders' Assembly of the Company Elektro Celje about this in June 2020.
- In the autumn of 2020 it also amended the Rules on the determination of other rights in the employment contract of the Chairman of the Management Board of the Company Elektro Celje, which were harmonised with the new recommendations and expectations of the Slovenian Sovereign Holding (Ljubljana, August 2020) relating to the adoption of rules on other rights of the members of the management bodies. Based on the amendment to the Rules, an Annex to the employment contract of the Chairman of the Management Board was also concluded.
- The SB was acquainted with reports on the implementation of corporate integrity, reports of the Corporate Integrity Compliance Officer and the communication promotion plan of the Code of Ethics.

Supervisory Board Committees

AUDIT COMMITTEE

The Audit Committee of the Supervisory Board met at six regular meetings. Prior to 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. The Audit Committee worked in close cooperation with the Internal Audit Department. At its meetings, the Committee discussed regularly the areas of financial reporting as well as the internal control, risk management and corporate integrity systems. It studied the individual reports by the Internal Audit Department, while examining in detail the individual key processes. It also took note of the proposal for the annual corporate integrity plan for 2021 and made some suggestions for improvements. The Chairman of the Audit Committee reports regularly at the meetings of the Supervisory Board.

Based on the presentation and report of the external audit firm BDO, the Slovenian Directors' Association guidelines for external audit quality monitoring and the auditor's own financial statement quality assessment also including assessments of individual employees at the Company Elektro Celje, cooperating directly with the external auditor, the Committee gave a positive assessment of the work in 2019.

With regard to the 2019 audit, the Audit Committee interviewed the external auditor, reviewed the unaudited and audited Annual Reports of the Company Elektro Celje and the Consolidated Annual Report of the Elektro Celje Group, providing its opinion for the Supervisory Board.

The Audit Committee carried out a self-appraisal of the work in 2020 and, in doing so, defined set goals or activities for the following period.

HUMAN RESOURCES COMMITTEE

In 2020, the Human Resources Committee met at one regular meeting and carried out four meetings by correspondence. The Chairman of the Human Resources Committee reports regularly at the meetings of the Supervisory Board. With its work, the Human Resources Committee provided the Supervisory Board with expert assistance in evaluating the work of the Management Board or in assessing and rewarding the Management Board, and prepared a proposal for the amendment of the management's remuneration policy and a proposal for the content of the supplements to the Rules on the determination of other rights in the employment contract of the Chairman of the Management Board of the Company Elektro Celje. In accordance with the content of the supplements to the Rules referred to, the Human Resources Committee prepared a proposal for the contents of the Annex to the individual employment contract with the Chairman of the Management Board.

Supervisory Board Composition and Self-Appraisal

The Supervisory Board considers that its composition in 2020 was appropriate in terms of size, activity of the Company and expertise of the Board members, although the need for an IT specialist to participate in it is increasingly evident. All Supervisory Board members meet, in addition to the statutory criteria, the requirements of the Corporate Governance Code for state-owned assets of the Republic of Slovenia and are not in any potential conflict of interest with the Company. The members of the Supervisory Board complement each other in terms of their expertise and competences. Its composition is diverse in terms of education, work experience and personal characteristics, which enabled the effective exchange of views and opinions and the drawing up of decisions. The two employee representatives also support the functions of the Supervisory Board with their experience and specific knowledge of power distribution and the conditions in the Company.

The members carry out their functions independently and objectively, but acknowledge the interest of the Company and follow the principles of corporate governance, ethical principles of business culture and good practice. They are committed to personal integrity and business ethics. They follow current trends and events in the business world and take care of their personal and professional development. All members of the Supervisory Board have also signed the Statements of Independence and Absence of Conflict of Interest, published on the Company website.

The Supervisory Board, as always, carried out a self-appraisal or evaluation of work efficiency with the purpose of improving the quality of work of the Supervisory Board and the Committees. The Slovenian Directors' Association methodology was applied. The results show that the Supervisory Board operates well, but there are areas where opportunities for improvement are present.

Supervision of Company and Group Operations After the End of the Fiscal Year

Following the conclusion of the fiscal year 2020, the Supervisory Board paid special attention to reviewing the Company's Annual Report for 2020 and monitoring the final phase of auditing the Financial Statements for 2020. The members of the Supervisory Board also monitored the measures taken by the Company Elektro Celje, together with its subsidiaries, due to the epidemiological situation, with the aim of managing the risks and preventing the spread of the infection with COVID-19.

Audit and Approval of the Annual Report

The Supervisory Board reviewed the audited Annual Report of the Company Elektro Celje and the Elektro Celje Group for 2020 at its 4th regular session held on 18 May 2021. The Supervisory Board notes that in 2020, the Company achieved most of its economic and technical goals despite the extraordinary epidemiological situation.

The Annual Reports of the Company Elektro Celje, the Elektro Celje Group and the subsidiary ECE were audited by the audit firm BDO Revizija, d. o. o., giving a favourable opinion on the Annual Report of the Company Elektro Celje as well as on the Consolidated Annual Report of the Elektro Celje Group for 2020.

The Supervisory Board discovered that the Annual Report of the Company Elektro Celje for 2020 was prepared in accordance with the provisions of the Companies Act (ZGD-1) and the Slovenian Accounting Standards that apply to the Company and the International Financial Reporting Standards that apply to the Elektro Celje Group. The Supervisory Board believes that the Annual Report of the Company Elektro Celje and the Elektro Celje Group is a credible reflection of the companies' operations in the past financial year, and presents a true and fair view of the financial state of the Company Elektro Celje and the Elektro Celje Group as of 31 December 2020, of its Profit or Loss and Cash Flows in 2020.

When adopting the Annual Report, the Supervisory Board also took a stance on the Corporate Governance Statement and the Declaration of Conformity, which is included in the Business Report of the Annual Report of the Company Elektro Celje for 2020 and the Statement on Non-Financial Operations, and assessed that it reflected the actual corporate governance state of the Company in 2020.

After the final audit of the Annual Reports and Financial Statements with Explanatory Notes, the audit of the Management Board's proposal for the use of the distributable profit and the report of the authorised auditor, the Supervisory Board had no comments and approved the Annual Report of the Company Elektro Celje and the Consolidated Annual Report of the Elektro Celje Group for 2020.

Chair of the Supervisory Board
Rosana Dražnik, MSc

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List of Abbreviations

AD	As-Built Design
ADI	Annual Development Interview
ADMS	Advanced Distribution Management System
AMP	Annual Management Plan
AX	Information System for Comprehensive Management of Operations
BIA analysis	Business Impact Analysis
BSC	Balanced Scorecard
CAPEX	Capital Expenditures
CD	Conceptual Design (IDZ)
CHPP	Combined Heat and Power Plant
COVID-19	Coronavirus Disease 19
CRM	Customer Relationship Management
D. D.	Public Limited Company
D. O. O.	Limited Liability Company
DCC	Distribution Control Centre
DD	Detailed Design (PZI)
DGD	Documentation for Obtaining Building Permit
DMS	Distribution Management System
DNSO	Distribution Network System Operator
DNZO	Documentation for Obtaining a Building Permit for Non-complex Construction
DS	Distribution Substation
DTS	Distribution Transformer Substation
DU	Distribution Unit
E	Electricity
EA	Energy Act
EAgen	Energy Agency of the Republic of Slovenia
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
ECB	European Central Bank
EDC	Electricity Distribution Company
EIA	Economic Interest Association
EIB	European Investment Bank
ELES	Elektro – Slovenija, d. o. o. (ELES, Ltd., Electricity Transmission System Operator)
EMS	Environmental Management System
EPS	Electric Power System of the Republic of Slovenia
ERP	Enterprise Resource Planning
EU3, EU4	Electric Utilities (Disclosures for Energy Companies)
FAT	Factory Acceptance Test
FS	Fire Safety
G4-DMA	Disclosures on Management Approach
GDP	Gross Domestic Product
GIS	Geographic Information System
GRI	Global Reporting Initiative – International Guidelines for Sustainable Reporting
GWh	Gigawatt Hour
HPP	Hydro Power Plant
HV	High Voltage
HVUC	High-Voltage Underground Cable
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASB	International Accounting Standards Board
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rates
ICES	Energy System Educational Centre
IFRS	International Financial Reporting Standards

IP	Internet Protocol
ISO	International Organization for Standardization
IT	Information Technology
km	Kilometre
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt Hour
LV	Low Voltage
LVUC	Low-voltage Underground Cable
MAIFI	Momentary Average Interruption Frequency Index
MV	Medium Voltage
MW	Megawatt
MWh	Megawatt Hour
MX	Asset Management Information System
NSP	National Spatial Plan
OHS	Occupational Health and Safety
OMS	Outage Management System
OPEX	Operating Expenses
OPL	Overhead Power Line
OT	Operational Technology
P2P	Peer-to-Peer
PD	Preliminary Design (IDP)
PRESAT	Site Acceptance Test
PRSPO	Slovenian Business Excellence Prize
PSI	Software Solution for Distribution Control Centres
QMS	Quality Management System
RCS	Remote-Controlled Switchgear
RES	Renewable Energy Sources
RF	Regulatory Framework
ROA	Return on Assets
ROE	Return on Equity
RS	Republic of Slovenia
RUPS	Rotary Uninterruptible Power Supply
SA	Slovene Accreditation
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SAS	Slovenian Accounting Standards
SAT	Site Acceptance Test
SCADA	Supervisory Control and Data Acquisition
SHPP	Small Hydro Power Plant
SiOK	Slovenian Organisational Climate and Employee Satisfaction
SONDSEE	Rules on the System Operation of Electricity Distribution Network
SPDOEE	General Conditions for the Supply and Consumption of Electricity
SPS	Small-Scale Photovoltaic System
SSH	Slovenski državni holding, d. d. (Slovenian Sovereign Holding)
SWOT analysis	Strengths, Weaknesses, Opportunities, Threats Analysis
TC	Telecommunication
TR	Transformer
TS	Transformer Substation
UC	Underground Cable
ZGD	Companies Act
ZIntPK	Integrity and Prevention of Corruption Act
ZIUZEOP	Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy
ZJN	Public Procurement Act