

Connecting⁺ successes in the network of the future



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

2018



Elektro Celje

Connecting⁺ successes in the network of the future



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

2018



Elektro Celje

Table of Contents

| | |
|---|----|
| INTRODUCTORY PART | 8 |
| 01 Operation highlights of the Company Elektro Celje and the Elektro Celje Group .. | 10 |
| 02 Foreword by the Chairman of the Management Board | 12 |
| 03 Supervisory Board Report | 14 |
| BUSINESS REPORT | 20 |
| 04 Overview of Major Events and Awards in 2018 | 22 |
| 4.1 Major Events at the Company Elektro Celje after the End of the Accounting Period | 25 |
| 05 Company Governance and Management | 26 |
| 5.1 Elektro Celje Corporate Governance Statement | 27 |
| 06 Presentation of Elektro Celje Group | 32 |
| 6.1 Controlling Company Elektro Celje | 33 |
| 6.1.1 Profile of the Company Elektro Celje | 33 |
| 6.1.2 Mission, Vision and Values | 34 |
| 6.1.3 Company's activity and area of operations | 34 |
| 6.1.4 Ownership structure | 35 |
| 6.1.5 Organisational Structure of Elektro Celje | 36 |
| 6.2 Subsidiary ECE | 37 |
| 6.2.1 Profile of the Company ECE | 37 |
| 6.2.2 Operations of ECE | 37 |
| 6.2.2.1 Purchase of Electricity | 38 |
| 6.2.2.2 Sales of Electricity | 38 |
| 6.2.2.3 Renewable Energy Sources | 39 |
| 6.2.2.4 Natural Gas | 39 |
| 6.2.2.5 Wood Biomass | 40 |
| 6.2.2.6 Online shop | 40 |
| 6.3 Subsidiary Elektro Celje OVI | 41 |
| 6.3.1 Profile of the Company Elektro Celje OVI | 41 |
| 6.3.2 Operations of Elektro Celje OVI | 41 |
| 07 Development Strategy of the Elektro Celje Group | 46 |
| 7.1 Presentation of the Strategy of the Company Elektro Celje | 46 |
| 7.1.1 Strategic guidelines of the company Elektro Celje until 2020 | 46 |
| 7.1.2 Strategic objectives and diagram | 47 |
| 7.2 Strategic guidelines of the company ECE until 2021 | 48 |
| 7.3 Strategic guidelines of the company Elektro Celje OVI until 2021 | 49 |
| 7.4 Business Goals of the Company Elektro Celje .. | 49 |
| 7.4.1 Ensuring a High-quality Supply of Electricity to Customers and a Safe Network Operation | 50 |
| 7.5 Planned Development of the Distribution Network of the Company Elektro Celje | 51 |
| 7.5.1 Expected Information System Development | 54 |
| 7.6 Business Goals of the Elektro Celje Group | 54 |
| 08 Operating Conditions | 56 |
| 8.1 Business Environment Analysis | 56 |
| 8.1.1 Impact of the Economic Environment on the Volume of Electricity Consumption and Operating Conditions | 56 |
| 8.1.2 Impact of Expected Economical and other Factors on the Generation of Electricity and Thermal Energy | 57 |
| 8.2 Legal and Regulatory Framework of Operations of the Company Elektro Celje and Elektro Celje Group | 58 |
| 8.3 Composition of the Price of Electricity for the Final Customer | 60 |
| 8.4 Shares of Categories on the Electricity Bill for a Typical Household Customer of the Company Elektro Celje | 60 |
| 09 Organisation and Activities of the Company Elektro Celje | 61 |
| 9.1 Operation and Development of the Distribution Network | 61 |
| 9.1.1 Development of the Distribution Network | 61 |
| 9.1.1.1 Land Development Documents | 62 |
| 9.1.1.2 Quality of Electricity Supply and Network Development | 63 |
| 9.1.2 Operation of the Distribution Network | 66 |
| 9.1.3 Protection and Remote Control | 68 |
| 9.1.4 Telecommunications | 69 |
| 9.1.5 Access to Network and Metering | 70 |
| 9.1.5.1 Energy Balance Sheet | 71 |
| 9.1.5.1.1 Input (Production) Balance | 71 |
| 9.1.5.1.2 Electricity Suppliers | 72 |
| 9.1.5.1.3 Electricity Consumers | 73 |
| 9.1.5.2 Metering Devices | 73 |
| 9.1.6 Network Charge Calculation | 74 |

| | |
|--|----|
| 9.2 Maintenance and Engineering | 74 |
| 9.2.1 Maintenance..... | 74 |
| 9.2.2 Engineering..... | 77 |
| 9.2.2.1 Design..... | 77 |
| 9.2.2.2 Investments..... | 78 |
| 9.2.3 Marketing Services of the Company Elektro Celje..... | 81 |

10 Operation and Performance Analysis..... 84

10.1 Operation and Performance Analysis of the Company Elektro Celje..... 84

| | |
|---|----|
| 10.1.1 Profit or Loss..... | 84 |
| 10.1.2 Assets and Liabilities..... | 87 |
| 10.1.3 Cash Flow Statement..... | 88 |
| 10.1.4 Performance Indicators of the Company Elektro Celje..... | 89 |

10.2 Performance Analysis of the Elektro Celje Group..... 94

| | |
|---|----|
| 10.2.1 Profit or Loss..... | 94 |
| 10.2.2 Assets and Liabilities..... | 96 |
| 10.2.3 Cash Flow Statement..... | 98 |
| 10.2.4 Performance Indicators of the Elektro Celje Group..... | 98 |

11 Organisational Development..... 104

11.1 Management Systems..... 104

11.2 Risk Management at the Company Elektro Celje..... 106

| | |
|---|-----|
| 11.2.1 Overview of Basic Risks at the Company Elektro Celje..... | 107 |
| 11.2.1.1 Strategic Risks..... | 107 |
| 11.2.1.2 Operational Risks..... | 108 |
| 11.2.1.3 Financial Risks..... | 109 |
| 11.2.2 Risk Management and Types of Risks in the Elektro Celje Group..... | 110 |

11.3 Internal Audit..... 111

11.4 Corporate Integrity and the Code of Ethics..... 112

12 Sustainable Development..... 116

12.1 Research and Development Investments..... 116

| | |
|--|-----|
| 12.1.1 Pilot Project Dealing with the Critical Peak Tariff (Flex4Grid)..... | 116 |
| 12.1.2 Slovenian and Japanese demonstration project (NEDO)..... | 117 |
| 12.1.3 Future Participation of the Company Elektro Celje in Development and Research Projects..... | 118 |

12.2 Financial aspect – investments..... 118

12.3 Societal and Social Aspects..... 119

| | |
|---|-----|
| 12.3.1 Responsibility towards Employees..... | 119 |
| 12.3.1.1 Number and Structure of Employees..... | 119 |
| 12.3.1.2 Employee Education and Training..... | 121 |
| 12.3.1.3 Concern for Employee Development..... | 123 |
| 12.3.1.4 Communication with employees..... | 124 |
| 12.3.2 Responsibility towards Investors and the Financial Public..... | 125 |
| 12.3.3 Responsibility towards Customers and the Influential Public..... | 125 |
| 12.3.4 Social Responsibility..... | 128 |

12.4 Environmental Aspect..... 128

12.5 Objectives of Sustainable Development – Non-Financial Indicators..... 130

FINANCIAL REPORT..... 132

13 Independent Auditor's Reports..... 134

14 Financial Statements of Elektro Celje..... 138

14.1 Balance Sheet..... 138

14.2 Income Statement..... 140

14.3 Statement Of Comprehensive Income..... 141

14.4 Statement of Cash Flows..... 142

14.5 Statement of Changes In Equity..... 143

15 Explanatory Notes to the Financial Statements..... 145

15.1 Reporting Company..... 145

15.2 Bases for the Preparation of the Financial Statements..... 145

15.3 Significant Accounting Policies..... 147

15.4 Disclosure of Items in the Balance Sheet..... 158

| | |
|---|-----|
| 15.4.1 Long-term Intangible Assets and Long-term Accrued Revenue and Deferred Expenses..... | 158 |
| 15.4.2 Tangible Fixed Assets..... | 160 |
| 15.4.3 Long-term Financial Investments..... | 161 |
| 15.4.4 Deferred Tax Assets..... | 163 |
| 15.4.5 Inventory..... | 163 |
| 15.4.6 Receivables..... | 164 |
| 15.4.6.1 Long-term Operating Receivables..... | 164 |
| 15.4.6.2 Short-term Operating Receivables..... | 165 |
| 15.4.7 Cash..... | 166 |
| 15.4.8 Accrued Revenue and Deferred Expenses..... | 166 |
| 15.4.9 Equity..... | 166 |
| 15.4.10 Provisions and Long-term Accrued Expenses and Deferred Revenue..... | 167 |

| | |
|---|-----|
| 15.4.11 Long-term Financial and Operating Liabilities.. | 169 |
| 15.4.12 Deferred Tax Liabilities | 170 |
| 15.4.13 Short-term Financial and Operating Liabilities | 171 |
| 15.4.14 Short-term Accrued Expenses and Deferred Revenue | 172 |
| 15.4.15 Contingent Liabilities | 172 |
| 15.4.16 Potential Receivables and other Off-balance Sheet Items | 173 |
| 15.5 Significant Events After the Balance Sheet Date | 173 |
| 15.6 Disclosure of Items in the Income Statement | 173 |
| 15.6.1 Net Sales Revenue..... | 174 |
| 15.6.2 Capitalised Own Services..... | 174 |
| 15.6.3 Other operating revenue..... | 174 |
| 15.6.4 Costs of Materials and Services..... | 175 |
| 15.6.5 Labour Costs..... | 175 |
| 15.6.6 Write-downs and Write-offs..... | 176 |
| 15.6.7 Other Operating Expenses | 177 |
| 15.6.8 Financial Revenue from Shares..... | 177 |
| 15.6.9 Financial Revenue from Granted Loans..... | 177 |
| 15.6.10 Financial Revenue from Operating Receivables | 177 |
| 15.6.11 Financial Expenses from Financial Liabilities | 177 |
| 15.6.12 Financial Expenses from Operating Liabilities | 178 |
| 15.6.13 Other Revenue | 178 |
| 15.6.14 Other Expenses | 178 |
| 15.6.15 Profit or Loss..... | 178 |
| 15.6.16 Statement of Comprehensive Income | 178 |
| 15.6.17 Income Tax..... | 179 |
| 15.7 Disclosure of Items in the Cash Flow Statement | 179 |
| 15.7.1 Inflows from Operating Activities..... | 179 |
| 15.7.2 Outflows from Operating Activities | 179 |
| 15.7.3 Inflows from Investing Activities..... | 179 |
| 15.7.4 Outflows from Investing Activities..... | 180 |
| 15.7.5 Inflows from Financing Activities..... | 180 |
| 15.7.6 Outflows from Financing Activities | 180 |
| 15.8 Disclosure of Items in the Statement of Changes in Equity | 180 |
| 15.9 Financial Risk Management | 181 |
| 15.9.1 Credit Risk..... | 181 |
| 15.9.2 Market Risk..... | 183 |

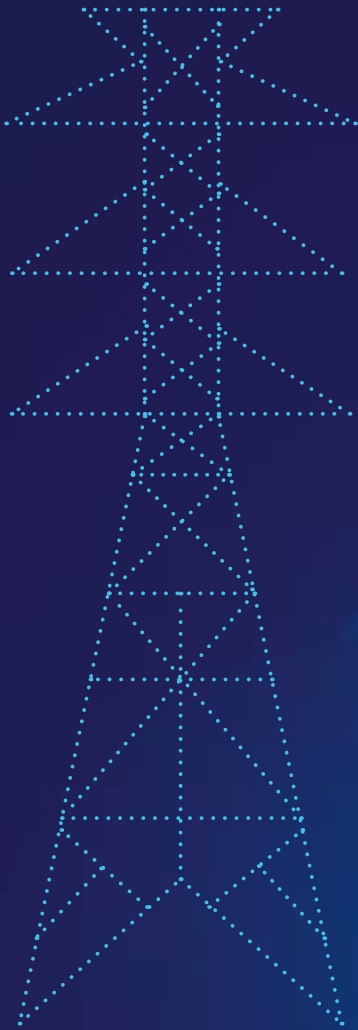
| | |
|--|-----|
| 15.9.3 Liquidity Risk..... | 183 |
| 15.9.4 Equity Risk..... | 185 |
| 15.10 Transactions with Associated Parties | 186 |
| 15.10.1 Transactions with Group Companies | 186 |
| 15.10.2 Data on Groups of Persons | 186 |
| 15.11 Disclosures Pursuant to the Energy Act | 189 |
| 15.11.1 Balance Sheet Broken Down by Activities | 189 |
| 15.11.2 Income Statement Broken down by Activities | 196 |
| 15.11.3 Statement of Cash Flows Broken down by Activities..... | 199 |

| | |
|--|-----|
| 16 Consolidated Financial Statements of Elektro Celje Group | 204 |
| 16.1 Consolidated Statement of Financial Position | 204 |
| 16.2 Consolidated Income Statement | 205 |
| 16.3 Consolidated Comprehensive Income Statement | 205 |
| 16.4 Consolidated Statement of Cash Flows | 206 |
| 16.5 Consolidated Statement of Changes in Equity | 207 |

| | |
|--|-----|
| 17 Explanatory Notes to the Consolidated Financial Statements | 209 |
| 17.1 Reporting Company | 209 |
| 17.2 Bases for the Preparation of Consolidated Financial Statements | 209 |
| 17.3 Significant Accounting Policies | 212 |
| 17.4 Determination of fair value | 226 |
| 17.5 Composition of the Elektro Celje Group | 227 |
| 17.6 Intangible Assets | 228 |
| 17.7 Tangible Fixed Assets | 229 |
| 17.8 Investment Property | 231 |
| 17.9 Financial investments | 231 |
| 17.9.1 Investments in Associates | 231 |
| 17.9.2 Other financial investments..... | 232 |
| 17.10 Inventory | 232 |
| 17.11 Operating Receivables | 232 |
| 17.11.1 Long-term Operating Receivables..... | 232 |
| 17.11.2 Short-term Trade Receivables | 233 |
| 17.11.3 Assets from Contracts with Customers..... | 233 |
| 17.11.4 Other Operating Receivables and Other Assets..... | 234 |
| 17.12 Cash and cash equivalents | 234 |

| | | | |
|---|-----|--|-----|
| 17.13 Equity and Reserves | 234 | 17.33 Income Tax | 247 |
| 17.14 Provisions | 236 | 17.33.1 Deferred Tax Assets..... | 248 |
| 17.15 Long-term Deferred Revenue | 238 | 17.33.2 Deferred Tax Receivables..... | 249 |
| 17.16 Loans Received and Other Financial Liabilities | 238 | 17.34 Earnings per Share | 249 |
| 17.17 Long-term Operating Liabilities | 239 | 17.35 Disclosure of Items in the Consolidated Statement of Cash Flows | 249 |
| 17.18 Short-term Operating Liabilities and Liabilities from Contracts with Customers | 240 | 17.35.1 Inflows from Operating Activities | 249 |
| 17.18.1 Short-term Operating Liabilities | 240 | 17.35.2 Outflows from Operating Activities..... | 250 |
| 17.18.2 Liabilities from Contracts with Customers | 240 | 17.35.3 Inflows from Investing Activities..... | 250 |
| 17.19 Contingent Liabilities | 241 | 17.35.4 Outflows from Investing Activities | 250 |
| 17.20 Contingent Assets and Other Off-balance-sheet Records | 241 | 17.35.5 Inflows from Financing Activities..... | 250 |
| 17.21 Assets Received and Given into Lease | 242 | 17.35.6 Outflows from Financing Activities..... | 250 |
| 17.22 Determination of Fair Value | 242 | 17.36 Financial Risk Management | 250 |
| 17.23 Important Events Following the Date of the Group's Statement of Financial Position | 243 | 17.36.1 Credit Risk | 251 |
| 17.24 Net Sales Revenue | 244 | 17.36.2 Market Risk..... | 253 |
| 17.25 Capitalised own products | 244 | 17.36.3 Liquidity Risk..... | 253 |
| 17.26 Other operating revenue | 244 | 17.36.4 Equity Risk..... | 254 |
| 17.27 Costs of Materials and Services | 245 | 17.37 Transactions with Associated Parties | 255 |
| 17.28 Labour Costs | 245 | 17.37.1 Transactions with Owners..... | 255 |
| 17.29 Amortisation and depreciation | 246 | 17.37.2 Transactions of the Parent Company with Group Subsidiaries..... | 255 |
| 17.30 Operating Expenses from Revaluation | 246 | 17.37.3 Data on Groups of Natural Persons..... | 256 |
| 17.31 Other Operating Expenses | 247 | 17.38 Auditor Costs | 259 |
| 17.32 Financial Revenue and Expenses | 247 | 18 Statement of the Management Board | 260 |
| | | List of Abbreviations | 262 |

INTRODUCTORY PART




18 km
of new lines





A major natural disaster made us stronger than before

Natural disasters cannot always be prevented. And when they do occur, we are ready to come back even stronger. Thus, **18 km of lines were restored and cabled after the snow and wind damage in the Upper Savinja Valley in December 2017, with 7 transformer substations renovated.** The result is an even greater reliability of the operation of the power distribution network in this area.



Operation highlights

of the Company Elektro Celje and the Elektro Celje Group

01

Company Elektro Celje

+19 %

(compared to 2017)

+11.9%

(compared to 2017)

+6.9%

(compared to 2017)

TOTAL PROFIT

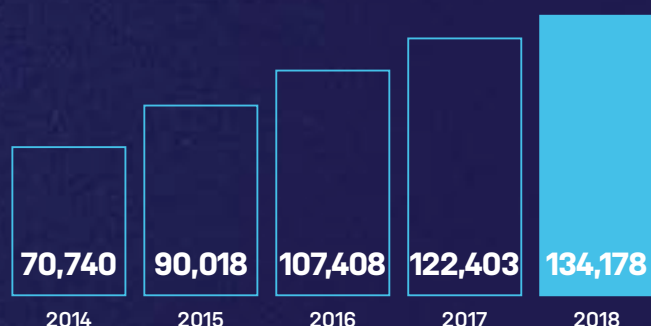
EUR 11.9 MILLION

RETURN ON EQUITY – ROE

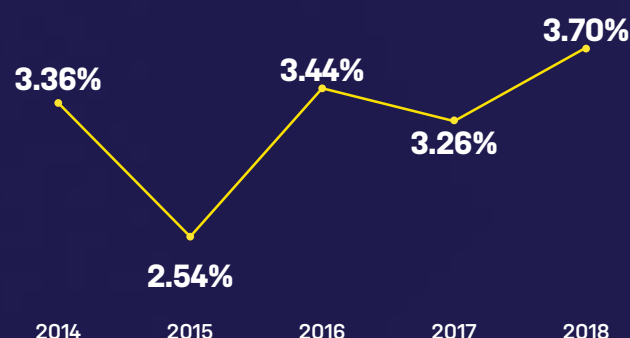
5.1%

REALISED INVESTMENTS

EUR 23.7 MILLION



Number of remote metering points



Return on assets (ROA in %)

| Company Elektro Celje (in EUR) | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| EBIT | 9,749,430 | 8,539,422 | 9,518,167 | 8,688,934 | 11,504,499 |
| EBITDA | 29,124,466 | 26,639,589 | 27,596,970 | 26,982,023 | 28,994,302 |
| EBITDA margin | 40.3 % | 38.4 % | 42.6 % | 41.1 % | 42.8 % |
| GROSS VALUE ADDED | 48,943,645 | 47,732,674 | 49,345,560 | 48,958,649 | 51,742,861 |
| NET PROFIT | 8,841,612 | 6,808,482 | 9,435,710 | 9,062,759 | 10,428,778 |
| EQUITY | 192,935,102 | 196,443,080 | 200,929,373 | 207,146,133 | 214,215,726 |
| ASSETS | 264,813,515 | 272,260,993 | 276,059,990 | 279,697,695 | 284,080,642 |
| Actual investment | 23,123,000 | 21,765,222 | 20,072,117 | 22,140,904 | 23,669,548 |
| Electricity distributed | 1,868,300 | 1,928,787 | 1,944,411 | 2,001,430 | 2,006,905 |
| Number of customers | 169,414 | 170,006 | 170,688 | 171,340 | 172,132 |

Elektro Celje Group

+29.2%

(compared to 2017)

+23.1%

(compared to 2017)

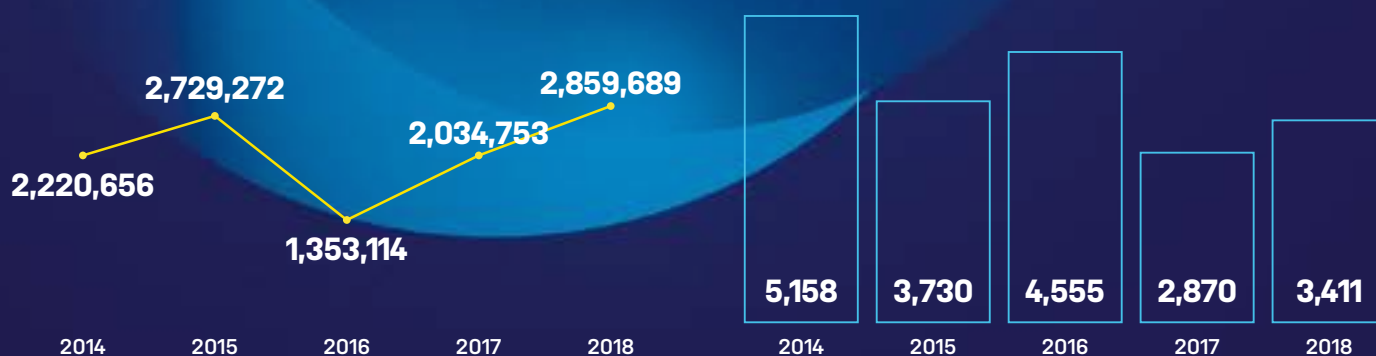
+4.0%

(compared to 2017)

TOTAL PROFIT
EUR 14.8 MILLION

RETURN ON EQUITY – ROE
5.6%

EQUITY
EUR 228.6 MILLION



Net profit of the subsidiary ECE (in EUR)

Electricity production in the subsidiary Elektro Celje OVI (in MWh)

| Elektro Celje Group (in EUR) | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| SALES REVENUE | 140,389,018 | 162,405,192 | 182,114,244 | 178,141,232 | 180,987,203 |
| VALUE ADDED | 54,553,794 | 54,680,314 | 55,176,463 | 54,971,932 | 58,888,825 |
| NET PROFIT | 10,733,939 | 10,233,231 | 10,747,578 | 9,843,544 | 12,550,115 |
| EQUITY | 196,839,551 | 207,638,928 | 213,314,562 | 219,770,154 | 228,621,568 |
| ASSETS | 285,713,412 | 312,244,544 | 314,273,205 | 318,122,910 | 323,636,596 |

Foreword by the Chairman of the Management Board



2TWh

We have distributed a total of over 2 TWh of electricity.

Elektro Celje is in charge of the supervision, management and operation of the electricity distribution network, as well as maintenance, construction and refurbishment of electric power distribution lines and devices in an area extending over **22% of the total territory of Slovenia**. The dispersed lines and devices supplying over 172,000 customers represent, in view of their total length, the **second longest network among the five distribution companies** in Slovenia.

Company operations exceeded the Business Plan

The operations of Elektro Celje in 2018 were in line with the Business Plan and the expectations of the company's owners. In spite of the wind damage and the long winter, we managed to implement the Business Plan in full. We have distributed a total of over **2 TWh** of electricity. **Loss** of electricity in the network amounted to **4.5%**. In 2018, we had **643 employees on average**. **Investment realisation** for 2018 amounted to over **EUR**

23.6 million, which is 7.6% more than planned. The company invested the majority of resources in energy lines and devices as well as management systems to be prepared for future challenges. Several global investments were implemented last year, mainly strengthening and cabling existing overhead power lines in the area of the Upper Savinja Valley and in the Koroška region. The construction of the distribution transformer substation 110/20 kV Vojnik began as well. It is a large investment worth at least five million Euro, but it is urgent. The town of Celje is actually spreading to the periphery, where electricity consumption is increasing, requiring larger investments to enable us to ensure a quality supply to our customers in the future.

The year 2018 was dedicated to the introduction of new information systems

Two new information systems were introduced at Elektro Celje on 1 January 2018. Microsoft Dynamics AX serves

Elektro Celje protects the confidentiality, completeness and availability of all information goods important for customers, consumers, shareholders and the company in general.

as information support for business processes and IBM Maximo as information support for processes involving the maintenance, planning and implementation of investments. Both systems fully replaced several earlier information systems such as IIS, ePlan, ePredračuni, eNaročila, Project Server and somewhat later, also MOWe and EDIC.

Although these are information projects, they bring numerous changes and adaptations in business processes. All changes will affect the company's operating method in the future. Precisely the simultaneous changes in information support and business processes made operations under such conditions even more demanding and full of challenges. A significant number of employees from Elektro Celje as well as the information companies which introduced both information systems took part in both projects.

We are aware of the significance of information protection

Digitalisation of nearly all aspects of our everyday lives and the use of the internet in private and business environments led to an extreme increase in collection of data and stepped up the flow of information on individuals. Since these data can be used for different purposes, the European Union adopted the General Data Protection Regulation. The General Data Protection Regulation (GDPR) has been in force since 25 May 2018.

Regular and appropriate information protection has become very important due to the increasing dependency on information technologies, the openness of organisations and increasing importance of information in modern operations. Elektro Celje protects the confidentiality, completeness and availability of all information goods important for customers, consumers, shareholders and the company in general. Thus, we embarked on the introduction of the ISO 27001 international standard including requirements related to the Information Protection Management System in 2018. Our goal is certainly to protect the company's information and prevent the loss or misuse of information.

We are strengthening cooperation in international pilot projects

The three-year European development project **Flex4Grid** with Elektro Celje as one of the leading partners was concluded

on 31 December 2018. The Project was focused on developing an open technological system for data management and provision of services, enabling management of the flexibility of distribution network users in both consumption, as well as generation, of electricity. There were no significant savings, with the willingness of users to adapt measured in particular, with the response being very favourable.

Elektro Celje also takes a very active part in **the Slovene and Japanese smart grids project** (in cooperation with the company ELES and the Japanese agency NEDO), which is important for all of Slovenia.

All these projects, including several planned for the future, are important for the region as well as network development, and enable distribution companies to obtain European development funds, which would otherwise not be possible.

Large investments in the network and new technologies will be required for efficient transition to a low carbon society.

Reliability of the electricity supply to customers in Slovenia has achieved a very enviable level today or so to speak, the highest in the world. However, we must be aware that a robust and strong distribution network will have to be constructed in the future to maintain and improve the current state. The classical energy supply system that was present in past will certainly no longer exist in the future. Renewable energy sources, heat pumps, energy storage facilities, smart grids, e-mobility, digitalisation and use management are only some of the challenges that electricity distribution companies are already facing in relation to planning, design and implementation alone. This is a significant technical challenge that Elektro Celje is currently tackling successfully with expertise, well-planned past investments in the distribution network, automation and management.

Chairman of the Management Board
Boris Kupec, MSc



EUR **23.6**
million

Investment realisation for
2018 amounted to over
EUR 23.6 million

03

Supervisory Board Report

I. INTRODUCTION

In 2018, the Supervisory Board supervised the operations of the company Elektro Celje and the Elektro Celje Group in accordance with relevant legislation, the company's Articles of Association, the Rules of Procedure of the Supervisory Board, the Code of Corporate Governance of State-Owned Enterprises, recommendations of the Capital Assets Management Agency of the Republic of Slovenia, and other principles of good practice of corporate governance. The SB read reports on the company's operations and other key company activities regularly, adopted adequate resolutions and monitored their implementation.

II. GENERAL INFORMATION

The Supervisory Board of Elektro Celje operated with a six-member composition in 2018, with four members comprising shareholder representatives and two, employee representatives. The composition of the Supervisory Board changed in 2018 due to the expiry of the four-year term of two shareholder representatives in the middle of the year.

In 2018 the Supervisory Board comprised:

Four shareholder representatives:

- Rosana Dražnik, MSc, Chairwoman of the Supervisory Board
- Mirjan Trampuž, MSc, BSEE, Deputy Chairman of the Supervisory Board
- Miha Kerin, MSc, Member of the SB
- Drago Štefe, MSc, Member of the SB

and two employee representatives:

- Tomislav Pajić, BSc in energy technology, Member of the SB (until 1 September 2018)
- Boris Počivavšek, Electronics Engineer and energetics expert, Member of the SB (until 1 September 2018)

- Miran Ajdnik, Diploma in Electrical Engineering, Member of the SB (since 1 October 2018)
- Janko Čas, Electronics Engineer and energetics expert, Member of the SB (since 1 October 2018)

The Supervisory Board held eight regular and two correspondence meetings in 2018.

Supervisory Board Committees

Audit committee

The Audit Committee consists of the following three members:

- Miha Kerin, MSc, Chairman of the SB AC
- Darinka Virant, BA Economics, independent external expert member of the Audit Committee in the areas of accounting and finance
- Ignac Dolenšek, MSc, independent external expert member of the Audit Committee in the areas of accounting and finance

The Audit Committee of the Supervisory Board met at six regular meetings, with no meetings by correspondence carried out.

Human Resources Committee

The Human Resources Committee of the Supervisory Board consists of three members, all of whom are also Supervisory Board members. Two members of the Human Resources Committee are shareholder representatives in the SB with one member an employee representative. The employee representative in the Supervisory Board Human Resources Committee was replaced in 2018. In 2018, the Committee comprised:

- Drago Štefe, MSc, Chairman of the SB HRC, shareholder representative in the SB
- Rosana Dražnik, MSc, member of the SB HRC, shareholder representative in the SB

- Tomislav Pajić, member of the SB HRC, employee representative (until 1 September 2018)
- Janko Čas, member of the SB HRC, employee representative (since 15 November 2018)

Expenses for the operation of the Supervisory Board, the Audit Committee and the Human Resources Committee consists of payment for the performance of their duties, meeting fees, and training and travel costs in accordance with the Resolutions of the Shareholders Assembly and are disclosed in Section 15.10.2 of the company's Annual Report 2018. A contract on cooperation was signed with independent members of the Audit Committee, which is subject to the criteria and recommendations of the Capital Assets Management Agency of the Republic of Slovenia.

III. 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. Particular attention was paid to the development goals of the company and with a proactive approach and recommendations, the company's corporate governance continued to be maintained at a high level.

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

the Supervisory Board granted approvals to individual company transactions. At its meetings, the Supervisory Board adopted the following decisions regarding individual tasks and areas of operations:

Operations supervision:

- The Supervisory Board (SB) was presented quarterly reports on the operations and performance of the company Elektro Celje, and its subsidiaries ECE d.o.o. and Elektro Celje OVI, including the balance of claims and liabilities, 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 SB approved the contents of the Business Plan of the Company Elektro Celje and Elektro Celje Group for 2019, with baselines for 2020 and 2021 and the proposal for a ten-year development plan of the distribution network from 2019 to 2028.
- The SB monitored the company's project to buy back its treasury shares.

Company and group organisation:

- The SB monitored the functioning of individual business processes, mainly the purchase and investment processes, and recommended which improvements could be made, pointing out potential risks.
- It particularly monitored the field of occupational health and safety and measures adopted by the Management Board following two serious accidents very carefully.
- The SB monitored activities regarding possibilities for integrating subsidiaries with strategic partners.
- It gave its opinion on the contract of the managing director of the subsidiary MHE Elpro (renamed Elektro Celje OVI d.o.o.).

- The SB gave a positive opinion on the appointment of the managing director of the company ECE for a four-year term.

Internal Audit:

- The Supervisory Board gave its consent to the plan for the internal audit activity for 2018 and in December 2018, to the plan for the internal audit activity for 2019, monitoring activities and findings within the scope of the internal audit activity.
- It made a request to implement an extraordinary internal audit of the takeover of the subject of public procurements.

Strategic planning and business excellence:

- The SB monitored the realisation of strategic goals set out in the Strategic Business Plan of the company for the period 2017-2020, and
- Read the report on self-appraisal according to the EFQM model (business excellence) implemented by the company in 2018.

Shareholders Assembly:

- The SB approved the Annual Report of the company Elektro Celje for 2017, and the Consolidated Annual Report of the Elektro Celje Group, and adopted the report on the Annual Report audit.
- The SB proposed to the company's Shareholders Assembly that they appoint the auditing firm BDO Revizija, d.o.o., as the authorised Auditor for the fiscal year 2018, and concluded a contract with the same.
- The SB proposed to the company's Shareholders Assembly that they adopt the Decision on granting a discharge from liability to the company Management Board and Supervisory Board for 2017, and approved the proposal of the Management Board for the allocation of distributable profits.

Corporate governance:

- Pursuant to the Companies Act (ZGD-1), the Supervisory Board made sure that total remuneration paid out to the Management Board is in proportion to the Management Board's tasks and the financial position of the company, as well as in compliance with the Act Governing the Remuneration of Manag-

ers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities.

- It amended the Management Policy, including the Diversity Policy, which represents a framework of company management and in which the Supervisory and Management Boards, in accordance with legal and statutory provisions, undertake to disclose how they intend to oversee and manage the company.
- It was acquainted with reports on the implementation of corporate integrity, reports of the Corporate Integrity Compliance Officer and communication promotion plan of the Code of Ethics.

IV. SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

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. It worked in close cooperation with the Internal Audit Department. At its meetings, the Committee discussed the areas of financial reporting, the internal control and risk management systems regularly. It studied the individual reports by the Internal Audit Department and reports on the status of outstanding receivables and liabilities, while examining in detail the individual key processes or operations.

In addition, the Committee conducted two separate interviews with the internal and independent auditors, without the Management Board being present. It participated in the selection process for financial statement auditors and held several interviews with them. The Committee also reviewed the 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 reported on its operations to the Supervisory Board, providing the perspective and recommendations to the points under evaluation. All members of the Supervisory Board receive Minutes from the meetings of

the Audit Committee, which ensures the transparency of the Committee's operation and greater efficiency of the Supervisory Board. The Audit Committee carried out a self-appraisal of its operation in 2018 and defined its framework activities which it will strive to perform in the future period based on the results.

In 2018, the SB AC of Elektro Celje assessed the work of the independent auditor BDO in relation to the audit of the annual report for 2017 pursuant to the internal criteria and methodology. The Audit Committee proposed to the Supervisory Board to renew audit operations with BDO based on the assessment of its work to date and cooperation of the contractor with the Audit Committee and the Supervisory Board. The Supervisory Board approved this proposal which was then also approved at the company's Shareholders Assembly. The Audit Committee received a written statement of independence and an explanation of the procedures applied by the contractor for 2018 ensuring independence and objectivity in the implementation of contractual transactions from the external auditor.

HUMAN RESOURCES COMMITTEE

The Supervisory Board Human Resources Committee held one regular meeting in 2018 approving the questionnaire and the method of implementation of self-appraisal of the Supervisory Board, reading the Human Resources Report for 2017, giving its opinion to the contract of the managing director of MHE Elpro d.o.o. (renamed to Elektro Celje OVI d.o.o.) and approving the proposed amendment to the Management Policy including the Diversity Policy.

The Human Resources Committee held one meeting by correspondence in 2018, giving its positive opinion on the payment of the performance bonus to the Chairman of the Management Board and proposing to the Supervisory Board to adopt the decision on the payment in view of meeting the performance criteria of the company Elektro Celje in 2017. At its meeting by correspondence, it also took note of the proposal of the Management Board regarding the appointment of the managing director of the subsidiary ECE and proposed to the Supervi-

sory Board to give its positive opinion to the appointment of the managing director pursuant to Article 40 of the Articles of Association of Elektro Celje.

V. SUPERVISORY BOARD COMPOSITION AND SELF-APPRAISAL

The members of the Supervisory Board representing the shareholders were appointed via a structured nomination accreditation procedure by the Slovene Sovereign Holding (SSH) referred to as SDH, d.d., and subsequently elected and, thus, confirmed by the Shareholders Assembly; the employee representatives were elected by the Works Council.

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. The members of the Supervisory Board have relevant education, expertise, work experience, skills, and they are not in any potential conflict of interest with the company. They provide expert knowledge from different fields, as well as complementary knowledge and skills. The two employee representatives also support the functions of the Supervisory Board with their long-years' experience and specific knowledge of power distribution and the conditions in the company.

The members of the Supervisory Board supervise the work of the company Management Board in a conscientious, responsible and professional manner. Different opinions leading to joint decisions in constructive dialogues were expressed at the meetings. The members are allowed to carry out their functions independently and objectively, but must acknowledge the interest of the company and the principles of corporate governance and good practice. They are committed to personal integrity and business ethics. All members of the Supervisory Board have signed the Statements of Independence and Absence of Conflict of Interest, published on the company website.

Members of the Supervisory Board take part in training and education in specific fields that are relevant to the function of supervising the company's operations

on their own initiative and attend educational meetings organised by SSH regularly, while also monitoring changes in the legislation, following current events that are important for the company's operations, or taking part in them.

The Supervisory Board continued what it had been practising in the past few years and conducted a self-assessment, or an assessment of work efficiency to improve the efficiency, communication and quality of work conducted by the Supervisory Board and Audit Committee and improve commercial practices. The Slovenian Directors' Association methodology was applied. The joint assessment was the same than the assessment from the previous year. The results show that the Supervisory Board operates well, whereas in areas where opportunities for improvement are present, it will adopt measures to further improve the situation.

VI. SUPERVISION OF COMPANY AND GROUP OPERATIONS AFTER THE END OF THE FISCAL YEAR

Following the conclusion of the financial year 2018, the Supervisory Board paid special attention to completing the financial year 2018, reviewing the company's Annual Report for 2018 and monitoring the final phase of auditing the Financial Statements for 2018. In addition to that, the members of the Supervisory Board addressed the investments, conclusion of the project of transition to the new information systems Microsoft Dynamics AX and Maximo, internal audit activity and read the annual management plan of SDH d.d.

VII. 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 2018 at its 4th regular session held on 16 May 2019.

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 2018.

In line with good practice, prior to the meeting of the Supervisory Board, the Audit Committee reviewed the audited the Annual Report for 2018 with due diligence, including the Audit Report, and submitted a proposal to the Supervisory Board to approve it and adopt a positive position regarding the auditor's report.

The Supervisory Board discovered that the Annual Report of the company Elektro Celje for 2018, which was prepared by the Management Board and reviewed by an Auditor, was drafted in a clear and transparent manner, and is in accordance with the provisions of ZGD-1, the Slovenian Accounting Standards that apply to the company, and the International Standards that apply to the Elektro Celje Group. The Supervisory Board believes that the Annual Report of the company 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 on 31 December 2018, of its Profit or Loss and Cash Flows in 2018.

Therefore, based on its own audit of the Annual Reports, the review of the Audit Report issued by the certified auditor for 2018, and the report by the Supervisory Board Audit Committee on the audit of the Annual Report of the company Elektro Celje for 2018 and of the Consolidated Annual Report of Elektro Celje Group: The Supervisory Board of the company Elektro Celje approves, without any comments, the Annual Report of the company Elektro Celje for 2018 and the Consolidated Annual Report of the Elektro Celje Group for 2018.

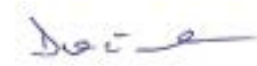
- The Supervisory Board of the company Elektro Celje gives a positive opinion on the Audit Report on the companies' operations in 2018, as it finds that the Report was compiled in conformity with the relevant law and prepared on the basis of a careful and comprehensive review of the operations and performance and the Annual Reports of Group companies.
- The Supervisory Board of the company Elektro Celje proposes to the Shareholders Assembly to adopt the Decision to grant discharge from liability to the company Management Board and

Supervisory Board for 2018, for it judges that the company operations were carried out in conformity with the set goals and the Business Plan for 2018.

- The Supervisory Board hereby adopts the Report on the work performed by the Supervisory Board in 2018.

Celje, 16 May 2019

Chairwoman of the Supervisory Board
Rosana Dražnik, MSc



BUSINESS
REPORT



Flex4Grid



Taking part in innovative international projects

As members of the international consortium, we took part in the European Flex4Grid pilot project exploring the management of flexibility of distribution network users. **A pilot testing including more than 2,000 households was implemented successfully.** Important data forming the basis for further development of technological solutions for lowering peak loads and the imbalance between the consumption and distributed energy generation were provided.



04

Overview of Major Events and Awards

in 2018



The company Elektro Celje introduced the **Microsoft Dynamics AX** (set up of a comprehensive information system to support our operations) and **EAM IBM Maximo** (resource management system throughout their entire lifecycles) information systems.



The company received a notification from the company SODO d.o.o. regarding the preliminary reconciliation of the regulatory framework for 2017 and facts ascertained regarding the deviation for 2014 due to the penalisation for interrupted supply in 2014 in the amount of EUR 793.

A meeting of representatives of the distribution network operator Hrvaško elektrogospodarstvo (HEP – ODS) and the working group for technical matters within the framework of the Economic Interest Association for Electricity Distribution GIZ – DEE (representatives of all five Slovene electricity distribution companies) was organised on 16 February 2018 in Celje in order to strengthen the existing cooperation, including the mutual exchange of good practices and cooperation in projects.



The Energy Agency of the Republic of Slovenia announced the assessment of the soundness of reporting on uninterrupted electricity supply for 2017, carried out in April and May 2018.

The company Elektro Celje signed a letter of intent for participation in the new European project Compile.



The company joined the **Programme of Comprehensive Support for Companies to manage and prevent psychosocial risks** (PSDT Programme), which will be implemented in the framework of the project "Comprehensive psychosocial support for companies for active ageing of the workforce (AHEAD – NAPREJ) – For a healthy and active future!" to manage negative impacts of the working environment and psychosocial risk factors on the physical and mental health of employees.

The 4th Strategic Conference of Slovene Electricity Distribution entitled Electrification for 2050: Representatives of five Slovene electricity distribution companies put forward the impact of the growing number of electricity consumers and their increased consumption on the functioning of the distribution system and consequently, challenges arising from digitalisation, decarbonisation of heating, e-mobility and integration of renewable sources in the network in the near future and

the important role of distribution in relation to the end customer, as well as the fact that only robust networks will be able to ensure reliable supply to end customers in future.

The company hosted the project assessment procedure at the end of April upon the conclusion of the **Flex-4Grid project** from the European Development and Research Programme Horizon 2020. The results achieved were consistent with the expectations of the European Commission and the company Elektro Celje proved itself in particular by managing to convince over 1,000 households to take part in the project and at the same time supported by the Energy Agency of the Republic of Slovenia, included dynamic electricity tariffing in the project.

The integrated management review of the **ISO 9001, ISO 14001, OHSAS 18001 and ISO 31000 management systems** was organised and implemented at the company Elektro Celje.



The Minister of Economic Development and Technology, Mr Zdravko Počivavšek inspected **the new switchyard at DTS Ravne** within the scope of his working visit to the Koroška region. The construction of two underground cables (2x20 kV underground cables DTS Ravne – DS Mežica and the 20 kV underground cable DTS Ravne – TS LEK) is underway to ensure uninterrupted and quality electricity supply and due to the increased consumption of the companies TAB Mežica in Žerjav and Črna na Koroškem, and LEK in Prevalje. The investment in the amount of EUR 3 million was concluded in autumn 2018.

The integration of the General Data Protection Regulation in the company's operations was concluded; The company handles the personal data of customers in a legal, fair, safe and transparent manner. A document containing key information regarding data processing including the company's liabilities and customers' rights in accordance with the applicable regulation was published on the company's website.



At the **23rd regular Shareholders Assembly of Elektro Celje, d.d.**, held on 28 June 2018 at the company's headquarters, the shareholders were informed of the company's operations in 2017 and presented with the reports of the company's Management and Supervisory Boards and of the acquisition of treasury shares. The shareholders adopted, among others, decisions on the use of distributable profit for 2017, the granting of discharge from liability to the company's Management and Supervisory Boards for the work performed in the previous year, and the appointment of an authorised auditor for the fiscal year 2019.

The Distribution Network System Operator SODO d.o.o. submitted **a proposal of a new contract between SODO and the company Elektro Celje** regarding the lease of electricity infrastructure and the provision of services for SODO.



The company Elektro Celje signed a contract on the upgrade of the DMS software for the distribution management system with the company Schneider Electric.



Mr Miran Ajdnik and Mr Janko Čas became members of the Supervisory Board of the company Elektro Celje for a four-year mandate, that is from 1 October 2018 to 30 September 2022 pursuant to the decision adopted at the 1st meeting of the Works Council of the company Elektro Celje, d.d. on 24 September 2018.

A service for informing customers on planned power supply interruptions – the EceO service (by e-mail or by means of a Short Message Service – SMS) was introduced for customers of the company Elektro Celje.



The Chairman of the Management Board, Boris Kupec, MSc and the President of the Trade Union Mr Gorazd Jović signed **a new Collective Entrepreneurship Agreement**, valid for the Elektro Celje Group from 1 January 2019 on 28 December 2018 in Slovenj Gradec.

A control assessment of management systems and a certification assessment of the information security management system were implemented. At the beginning of December, auditors verified the compliance of the functioning of the quality management system, the environmental management system, the system for managing occupational health and safety, and for the first time, the information security management system. No discrepancies were ascertained during the assessment of the company's operations pursuant to the established 9001:2015, 14001:2015 and OHSAS 18001:2012 ISO standards, with numerous opportunities for improvement recognised.

4.1 Major Events at the Company Elektro Celje after the End of the Accounting Period

A decision on the successfully passed assessment of the information security system in accordance with the ISO 27001:2013 standard was issued on 14 February 2019 by the certification firm Bureau Veritas.

The company Elektro Celje signed a production contract with the company Informatika d.d. for the period 2019–2021 on 21 February 2019.

05

Company Governance and Management

The corporate governance bodies at 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 2018, 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 em-

ployee 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.

Two new Supervisory Board members were elected by the company's Works Council on 1 October 2018 due to the expiry of their four-year mandate on 1 September 2018.

Management of the company Elektro Celje

- Boris Kupec, MSc, Chairman of the Management Board
- Marijan Šunta, MSc, advisor
- Nino Maletić, BA in Law, Director of the Joint Services Sector
- Maks Burja, BA in Economy, Director of the Economic and Financial Sector
- Boštjan Turinek, MSc, Director of the Development and Operations Sector
- Damir Lončar, BSc Electrical Engineering, Director of the Maintenance and Engineering Sector
- Aleš Rojc, power engineer, Director of the Distribution Unit Celje
- Miran Jankovič, BSc Electrical Engineering, Director of the Distribution Unit Krško
- Ivan Škratek, Diploma in Electrical Engineering (professional higher education), Director of the Distribution Unit Slovenj Gradec
- Matej Coklin, Diploma in Management Organisation, Director of the Distribution Unit Velenje

Supervisory Board of the company Elektro Celje

Representatives of shareholders:

- Rosana Dražnik, MSc, Chairwoman
- Mirjan Trampuž, MSM and MSc Energetics, Deputy Chairman
- Miha Kerin, MSc, member
- Drago Naberšnik, MSc, member

Representatives of employees: (until 1 September 2018):

- Tomislav Pajić, BSc in energy technology, member
- Boris Počivavšek, electronics engineer, member

Representatives of employees: (until 1 October 2018):

- Miran Ajdnik, Diploma in Electrical Engineering, member
- Janko Čas, electronics engineer, member

Supervisory Board Committees of the company Elektro Celje

Audit Committee:

- Miha Kerin, MSc, Chairman
- Ignac Dolenšek, MSc, external expert member
- Darinka Virant, BA in Economics, external expert member

Human Resources Committee:

- Drago Štefe, MSc, Chairman
- Rosana Dražnik, MSc, member
- Tomislav Pajič, BSc in energy technology, member (until 1 September 2018)
- Janko Čas, electronics engineer, member (until 15 November 2018)

5.1 Elektro Celje Corporate Governance Statement

The Management and Supervisory Boards of the company Elektro Celje declare that the management of the company in 2018 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 Slovenski državni holding d.d. (Slovene Sovereign Holding), published on the website www.sdh.si.

In its work and operations, Elektro Celje observes and applies voluntarily the Corporate Governance Code for Companies with Capital Assets of the State, published on the website of Slovene Sovereign Holding (SSH).

The Corporate Government Statement forms an integral part of the 2018 Annual Report and is accessible on the company's website www.elektro-celje.si.

The Management Board 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, provides a framework for setting, achieving and supervising the achievement of business goals, and establishes the values, principles and standards of fair and responsi-

ble decision-making and behaviour in all aspects of the company's operations. The applicable regulations important for the operation of the company, as well as the company's Articles of Association are published on the company's website.

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

Explanations Relating to the Code of Corporate Governance of State-Owned Enterprises and Recommendations and Expectations of the Slovenian Sovereign Holding.

In 2018, the company's operation did not deviate from the principles, procedures and criteria prescribed by the above code or from recommendations and expectations of the company SSH. The company declares that it may not act in accordance with the Code or Recommendations and Expectations fully and coherently, when the provisions of the said code or recommendations and expectations 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's operations deviated from the following principles, procedures and criteria:

• **Diversity Policy – Section 3.6.**

The Management and Supervisory Boards adopted the Diversity Policy in 2018, implemented in relation to representation in the company's management or supervisory bodies with respect to aspects such as gender, age and professional profile within the framework of the supplemented Management Policy rather than in the form of a specific act and is published on the company's website. The Diversity Policy in the structure of the Supervisory Board enables the achievement of greater efficiency of the body as a whole and its optimum functioning and supplementation to the body's work, which is at this level crucial for maintaining the company's successful operations and development potential. The Human Resources Committee of the Supervisory Board and the Supervisory Board observe this policy mainly with the procedure of selecting the candidates and proposing them for the Supervisory Board to the company's Shareholders Assembly and when implementing a self-appraisal of the work of the Supervisory Board, including the appraisal of its structure. The Management Board of Elektro Celje consists of one member and thus, its structure cannot be said to be diverse.

• **Public Obligations and Duties – Section 5.1.2:**

Elektro Celje has no obligations and duties made public, which it performs under the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator.

• **Supervisory Board**

The selection procedure of candidates for the Supervisory Board and proposal-making for the Assembly – Section 6.8.1, Section 6.8.2:

In 2018, the Supervisory Board did not carry out a selection procedure of candidates for the Supervisory Board, as the terms of the Supervisory Board members who are representatives of shareholders, did not expire. The Supervisory Board determines the remuneration paid out to the Chairman of the Management Board pursuant to the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of

the Republic of Slovenia, Nos. 21/10 and 8/11), and the Regulation on Setting the Highest Correlation of Basic Payments and the Rate of Variable Remuneration of Directors (Official Gazette of the Republic of Slovenia, Nos. 34/10 and 52/11).

It is this company's opinion that the members of the Supervisory Board are professional, responsible and independent in performing their duties, and act in accordance with the provisions of the said Code, as well as recommendations and expectations of The Slovene Sovereign Holding.

The company also declares that, in 2018, the Management Board of the controlling company has followed actively and supervised directly the operation of the controlled undertakings ECE and MHE – ELPRO renamed to Elektro Celje OVI in accordance with strategic guidelines, with the purpose of achieving the set business objectives. In the governance and management of its subsidiaries, the company has imposed uniform Corporate Governance Standards as apply for the controlling company in the Elektro Celje Group.

The company Elektro Celje will continue to observe the recommendations of SSH in the future, fine-tuning and improving its management system accordingly. In the case of any departure from the present statement on the Code's observance, the company will see to its timely publication.

Clarifications in accordance with the Companies Act

The company Elektro Celje provides the following explanatory notes pursuant to the provision of the fifth paragraph Article 70 of ZGD-1 defining the minimum content of the Corporate Governance Statement:

1. Description of the main characteristics of internal control and risk management systems in the company in relation to the financial reporting procedure.

Internal controls represent guidelines and procedures that the company Elektro Celje conducts at all levels to manage risks, including those related to financial reporting. The purpose of this process is to ensure the efficiency and success of operations, and the reliability of financial

reporting in accordance with applicable laws and other external and internal regulations. Accounting controls are based on authenticity verification, the division of responsibilities, transaction execution control, up-to-date record-keeping, and checking if the balance in accounting records corresponds to the actual situation.

The company has 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, they are connected with financial reporting procedures, and defined in the accounting rules and regulations, the provisions of the financial regulation, the provisions of stock verification, and precise guidelines within the scope of management system documents. The controls 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 buyers and suppliers, checking if the balance in the books corresponds to the actual balance etc.), and the limitation of authority and responsibility (e.g. separate booking and payment of invoices and obligatory additional approval of payments).

Accounting controls are related closely to controls in the field of Information Support which, among other things, guarantee limitations and monitoring of data and application access (access rights are granted selectively) as well as completeness (systemic control) and accuracy of data collection and processing.

The adequacy of internal controls, which are important for auditing, is checked by an authorised audit company annually. In addition to that, the company also established an Internal Audit, reviewing the adequacy and efficiency of the established internal controls and their reliability when several risks are being managed simultaneously.

By identifying the risks at all levels and fields of the company, assessing and, consequently, addressing them, the company will be able to manage risks at acceptable levels and take the opportunities. This will enable the Management Board to achieve the strategic, operation-

al and financial goals set and adopted for the company as a whole, as well as for all the company's levels.

The Management Boards 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 company's culture and practices and adapted to the company's business processes. Each decision-making process in the company, 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 in the manner prescribed by the legislation, and in accordance with the requirements of the Asset Manager. It 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. It places a responsibility on the Risk Management Committee and empowers it for managing risks, while, at the same time, providing the required financial and other resources for risk management to it.

The company has an established communication mechanism and a defined form and frequency of internal reporting. A framework form and frequency of external reporting are defined by regulations and internal rules. The Management Board additionally establishes an organisational culture promoting the engagement of internal and external stakeholders for managing risks in all fields of the company. The company has a coordinator of risk management activities, responsible for determining and harmonising the necessary activities and reporting on risks. The company discloses significant risks and methods for their management, including a description of the internal control system in its Annual Report.

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 un-certificated form and freely transferable.

The owner of a qualified holding as determined by the Takeovers Act of the company Elektro Celje is as of 31 December 2018, the Republic of Slovenia, with a 79.50% ownership stake; that is 19,232,978 shares.

The company Elektro Celje has no share schemes for employees.

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 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 2016, the company Elektro Celje obtained an authorisation to redeem Treasury Shares based on the Decision of the Shareholder's Assembly dated 31 August 2016 and adopted the Regulation on the Treasury Shares Fund. Based on the authorisation of the General Meeting, valid for the period from 1 September 2016 to 31 March 2018, the company's Management Board was authorised to acquire up to 2,419,242 shares in total, representing 10% of the company's share capital. The authorisation enabled the company's Management Board to acquire up to 790,068 Treasury Shares in 2016, up to

781,443 Treasury Shares in 2017 and, in 2018, Treasury Shares up to the amount of difference between 2,419,242 shares and acquired Treasury Shares in 2016 and 2017. The authorisation of the General Meeting enabled the company to purchase Treasury Shares in the period from 1 September 2016 to 31 March 2018, at a price not lower than EUR 2.38 and not higher than EUR 3.43 per share.

Based on the authorisation and decision of the General Meeting, the company acquires shares for the purposes defined in paragraph one Article 247 of ZGD-1 due to the increased value of the company's assets and for other purposes. Following the authorisation of the General Meeting and the conducted public call for shareholders to redeem Treasury Shares, the company acquired 73,697 Treasury Shares in 2018 and, thus, had 333,849 Treasury Shares as at 31 December 2018.

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

In 2018, 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 commissions.

A comprehensive presentation of the management and supervisory bodies and their commissions is given in Section 3.

9. System of Operations Compliance and Corporate Integrity

A system of corporate integrity, with elements containing elements defined by the Slovenian Guidelines of Corporate Integrity, was established and used in the company in 2018. Corporate integrity and risks related to it are included into the already functioning 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 a systematic and independent control of risk management efficiency.

The company's corporate integrity is one of our strategic goals and, as such, is integrated into the strategic orientation of the Elektro Celje Group. In this way, we wish to facilitate the attainment of set goals, promote the proactive management, enhance the identification of opportunities and threats, act in compliance with the applicable Regulations and Standards, and increase operational efficiency and performance.

Since 2016, the Code of Ethics has been in force, defining the basic principles and rules followed by our personnel, providing an additional basis for ensuring compliance of operations with positive legislation and codes, and a legal framework for ensuring data protection and integrity and prevention of discrimination of all forms in the workplace. The Code of Ethics was distributed to all employees in a printed edition and is published on the company's intranet, as well as its website, for the purpose of informing the internal and external public about its content. All

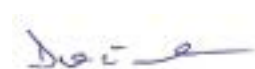
employees have signed the Statement on acquaintance with and observation of the provisions of the Code of Ethics. The company adopted additional organisational and technical measures, enabling anonymous notification of any irregularities or violations of compliance of operations in the company. Any procedures 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.

Pursuant to Article 60a of the Companies Act, the Management Board and the Supervisory Board of the company Elektro Celje ensure that the Annual Report of the Company Elektro Celje and Elektro Celje Group for 2018 is compiled and published in compliance with the Companies Act and Slovenian Accounting Standards and the Consolidated Financial Statements of the Elektro Celje Group are in accordance with International Financial Reporting Standards.

Chairman of the Management Board
Boris Kupec, MSc



Chairwoman of the Supervisory Board
Rosana Dražnik, MSc



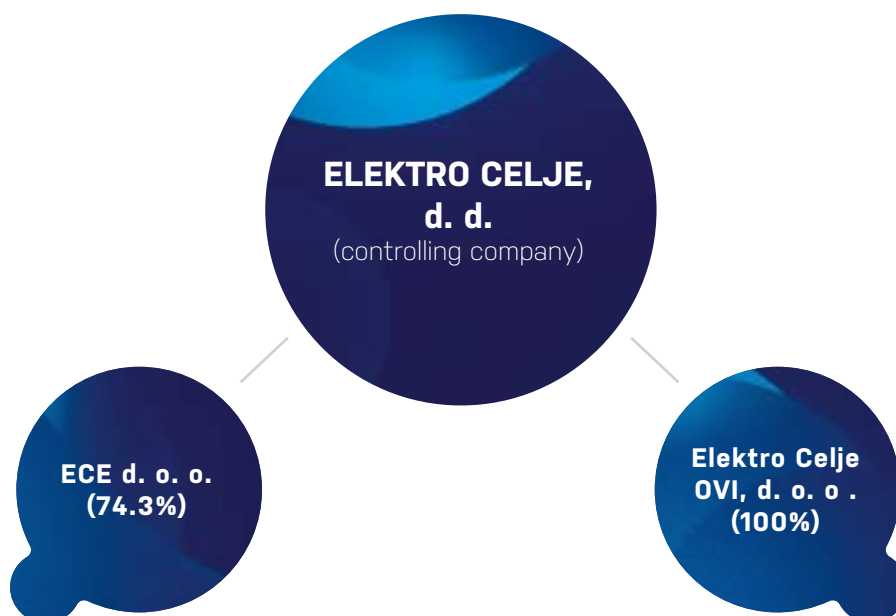
06

Presentation of Elektro Celje Group

The Elektro Celje Group consists of the parent company Elektro Celje, as well as its subsidiaries ECE supplying electricity

and other energy products and Elektro Celje OVI generating electricity and providing engineering services.

ELEKTRO CELJE GROUP



The company Elektro Celje is the Parent Company of ECE, based on the rights stemming from the Shareholders Agreement. 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 company Elektro Celje, as a majority shareholder in accordance with paragraph 2 of Article 25 of the Shareholders Agreement, nominates and dismisses the managing director of the subsidiary. The shareholder influences the operations of the company, as ZGD-1 does not demand the independence of management in their management activities. Management decisions are tied

to the consent of the Assembly, but the shareholder 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.

The company Elektro Celje is also the Parent Company of the company Elektro Celje OVI based on the rights as found-

er, and sole shareholder arising from the Articles of Association. The company Elektro Celje OVI operates as a part of the Elektro Celje Group. Thereby, the risks, stemming from the operations of the subsidiary, are managed in a unified manner. The company Elektro Celje, as a majority shareholder in accordance with paragraph 2 of Article 12 of the Shareholders Agreement, nominates and dismisses the managing director of the subsidiary. The sole shareholder influences the operations of the subsidiary, as all 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

information right of every shareholder is, considering 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. The company Elektro Celje, as the shareholder in subsidiaries, manages its investments through a supervisory college, by coordinating meetings with the Managing Directors of the subsidiaries, giving binding instructions on current issues, allowing for faster definition of actions to address potential problems, while supervising the operations and work of the Managing Directors of the subsidiaries regularly and effectively.

6.1 Controlling Company Elektro Celje

6.1.1 Profile of the Company Elektro Celje

| | |
|---|---|
| Company: | 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 |
| Website: | http://www.elektro-celje.si |
| E-mail: | info@elektro-celje.si |
| Legal registration: | Register of Companies of the District Court of Celje, Reg. No. 1/00600/00 |
| Company share capital: | EUR 100,953,200.63 |
| Number of shares: | 24,192,425 |
| Registration number: | 5223067 |
| VAT identification number: | SI62166859 |
| Company size (according to the provisions of the Companies Act – ZGD-1): | large company |
| Distribution area: | Three Slovene regions: Savinjska, Koroška and Spodnjeposavska, with 40 Municipalities in their entirety and 2 in part |
| Size of distribution area: | 4,345 km ² |
| Number of employees as of 31 December 2018: | 633 |
| Number of MWh distributed in 2018: | 2,006,905 MWh |
| Number of customers as of 31 December 2018: | 172,132 |
| Chairman of the Management Board: | Boris Kupec, MSc |
| Chairwoman of the Supervisory Board: | Rosana Dražnik, MSc |

6.1.2 Mission, Vision and Values

MISSION

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

VISION

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

VALUES

Good faith and fair dealing, professional competence and entrepreneurship, partnership, respect and responsibility, positive communication, equality, healthy lifestyle, safety at work and data protection.

6.1.3 Company's activity and area of operations

Elektro Celje, d.d., is the owner of an electricity infrastructure consisting of 13,182 km of low-voltage networks, over 1,003 km of medium-voltage underground cables, 91 km of 110 kV overhead power lines, 2,598 km of medium-voltage overhead power lines, 18 distribution transformer substations, 16 distribution substations, and over 3,500 transformer substations

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

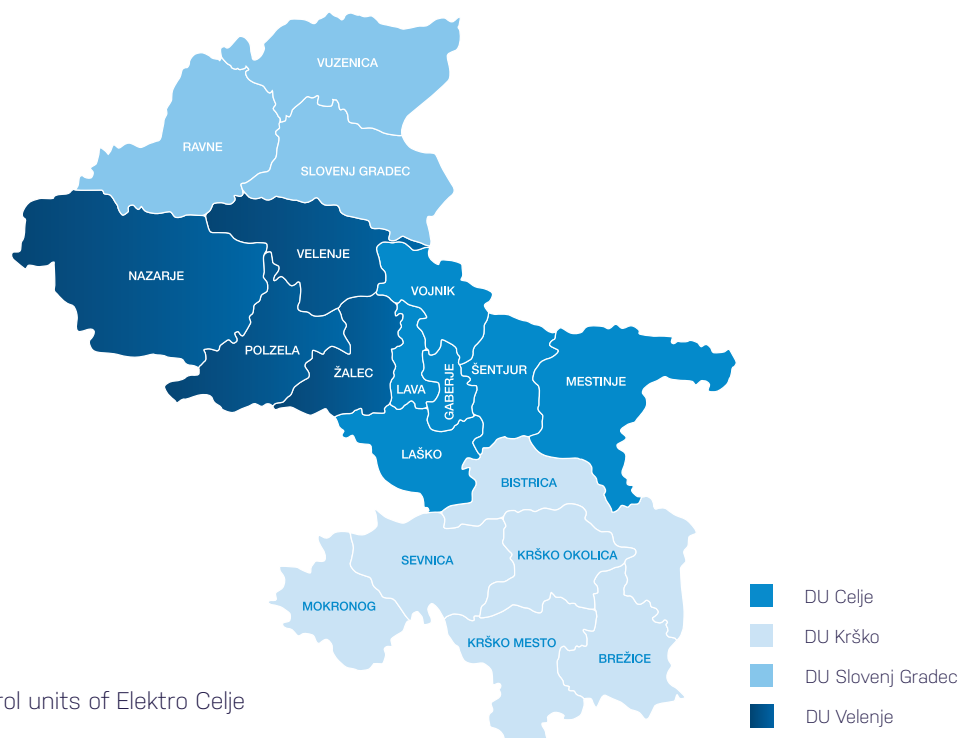
Elektro Celje, d.d., is the owner of an electricity infrastructure consisting of 13,182 km of low-voltage networks, over 1,003 km of medium-voltage underground cables, 91 km of 110 kV overhead power lines, 2,598 km of medium-voltage overhead power lines, 18 distribution transformer substations, 16 distribution

substations, and over 3,500 transformer substations. On 1 July 2007, the company leased its electricity infrastructure to the provider of economic public service of the National Electricity Distribution Network System Operator, the company SODO d.o.o., signing the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator.

Elektro Celje, d.d. is in charge of the supervision, management and operation of the electricity distribution network, as well as maintenance, construction and refurbishment of electric power distribution lines and devices in an area extending over 4,345 km², or 22% of the total

territory of Slovenia in the Savinjska, Koroška and Spodnjeposavska regions, comprising 40 Municipalities in their entirety and 2 in part. Accordingly, the

dispersed lines and devices represent, in view of their total length, the second longest network among all five distribution companies in Slovenia.



Distribution and control units of Elektro Celje

6.1.4 Ownership structure

The company 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 2018 were: Kapitalska družba, d.d. (1.57%), investment companies and other legal (15.82%) and natural persons (3.11%).

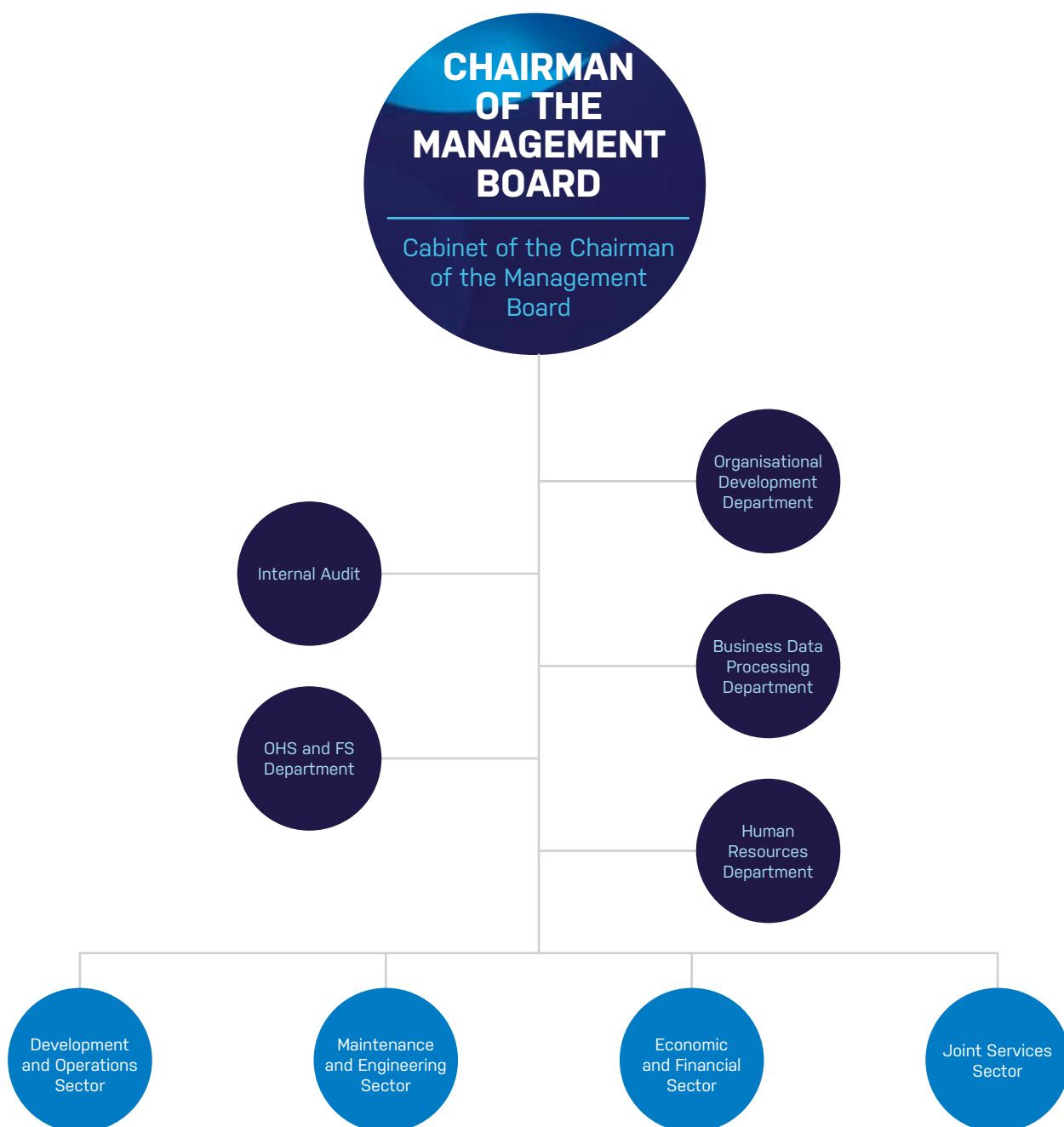
A decision regarding the acquisition of treasury shares was adopted at the 21st Meeting of the company's Assembly held on 31 August 2016, with the company's Management Board informed that it may

purchase treasury shares in the period from 1 September 2016 to 31 March 2018, whereas the overall share of treasury shares may not exceed 10% of the share capital. The decision of the Assembly defined the purpose of acquisition of treasury shares, which was to increase the value of the company's assets and maximise the value for shareholders. As of 31 December 2018, the company held 333,849 treasury shares at a cost of EUR 886,371, which represents 1.38% of all Company shares.

6.1.5 Organisational Structure of Elektro Celje

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

ensure expert, efficient and rational performance of company operations, as well as provide effective internal control over the execution of the tasks.



6.2 Subsidiary ECE

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, with the shareholder Elektro Gorenjska, d.d. entering the company in the process of an acquisition of its subsidiary company Elektro

Gorenjska Prodaja by 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%

6.2.1 Profile of the Company ECE

| | |
|---|---|
| Company: | ECE, energetska družba, d. o. o. |
| Abbreviated name: | ECE d. o. o. |
| Head office: | Vrunc̃eva 2a, 3000 Celje |
| Branch offices: | Celje, Kranj, Kr̃sko, Slovenj Gradec, Velenje, Źirovnica |
| Telephone: | +386 (0)80 22 04 |
| Website: | http://www.ece.si |
| E-mail: | info@ece.si , prodaja@ece.si , podjetja@ece.si |
| Legal registration: | 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 |
| Company share capital: | EUR 3,436,767.65 |
| Registration number: | 6064892000 |
| VAT identification number: | SI55722679 |
| Company size (according to the provisions of the Companies Act – ZGD-1): | large company |
| Number of employees as of 31 December 2018: | 73 |
| Amount of electricity sold in 2018 in MWh: | 2,728,996 MWh |
| No. of measuring points as of 31 December 2018: | 182,473 |
| Managing director: | Sebastijan Roudi, MSc |

6.2.2 Operations of ECE

The year 2018 was one of the most successful years in the history of the company ECE d. o. o. from the aspect of all significant fields and indicators. The results from the previous year as well as the goals planned were exceeded considerably.

Successful operations are the result of one-time events as well as more successful current operations. However, these numbers do not show the effect of the growth in prices on the forward purchase and sale of energy products throughout the year, which was already seen in 2018, mainly through daily offsetting of pur-

chases at an hourly level and will be felt to a significantly larger extent in 2019 and the following years. The growth of prices resulted from the growth of prices of allowances, coal and the global influence of the protectionist USA policy.

These changes required intensive addressing of customers in various fields to achieve the appropriate and expected effects in 2019. The extent of marketing campaigns increased in the last quarter of the financial year, with the offer for household customers renewed and supplemented, and increased communication with business customers.

The field where we failed to meet expectations and achieve the results from the previous year was wood biomass. This field represents complementary activity from the aspect of operations, facing unfair competition, a flood of poor-quality products and numerous obstacles in the operational implementation. Wood

biomass certainly remains a part of our additional offer, and at the same time poses a challenge for the future.

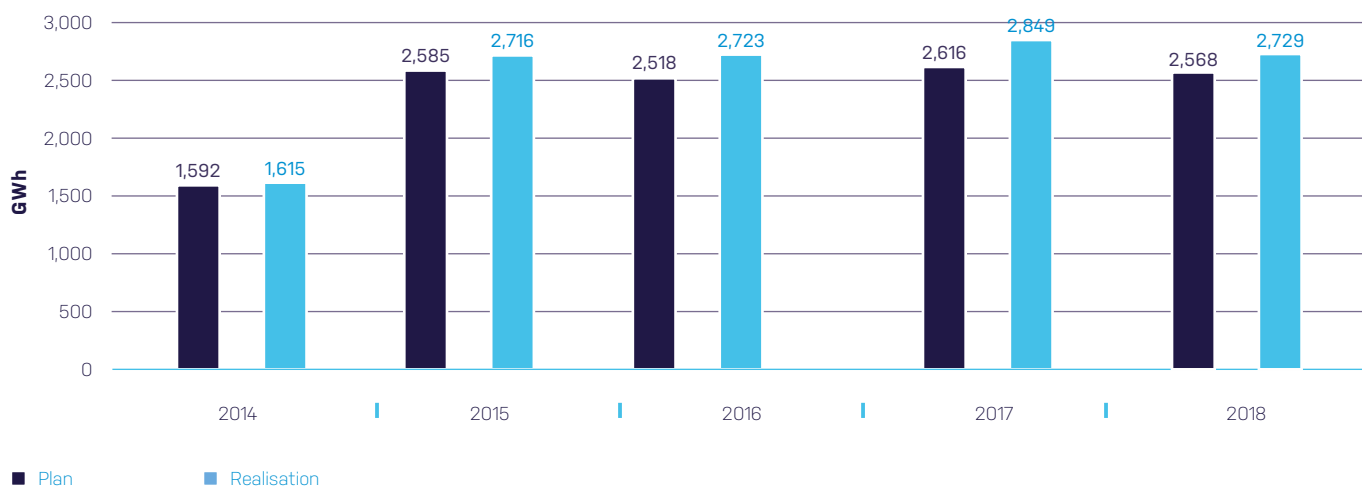
Except for biomass, we exceeded the planned results in all other activities and consequently, assess our operations in 2018 as very successful.

6.2.2.1 Purchase of Electricity

The total purchase of electricity in 2018 was 6.3% higher than planned and amounted to 2,728,996 MWh. Purchases includes quantities for sale to end cus-

tomers, estimated needs of the final annual reconciliation of deviations as well as the difference between charged sales and purchases during the year.

Purchase of electricity in the period from 2014 to 2018



The share in the structure of electricity purchases amounted to 78% for busi-

ness customers and 22% for households.

6.2.2.2 Sales of Electricity

In 2018, 2,728,996 MWh were sold. The sales to household customers amounted to 597,515 MWh and those to business customers 2,131,481 MWh. The sale of electricity to business customers also includes the sale on the Borzen South-pool Stock Exchange and sale in view of deviations from timetables amounting to 137,108 MWh in total.

Sales of electricity to business customers

Business customers are legal persons purchasing electricity for the needs of their operations. In principle, they are classified into large and small business customers in view of their annual con-

sumption in particular.

Offers and transactions with them are also adapted to their size. Thus, there is a more individualised approach to cooperation with large customers, with communication with small customers mainly implemented by e-mail, post, phone and, where possible, also in person.

In the past year, the company ECE supplied energy to 21,551 metering points of business customers or 11,057 different legal persons. It should be stressed that the number of metering points and partners in business customers is not as important as in households, since

their energy consumption and, above all, achievement of the difference in price, does not depend on the number of metering points. Here, the volume of consumption, its dynamics, consumption stability, etc. matter in particular.

Sales of electricity to household customers

Various measures intended to retain existing and attract new household customers were adopted in 2018. Positive effects of these measures can also be expected in 2019. One of the effects involves the stabilisation of the number of customers at around 160,000, stopping the negative trend of switch-overs to another supplier and the arrival of new customers. The electricity offer was

changed and simplified, thus simplifying the work and providing greater comprehensibility to customers. The increase in prices in 2019 will lead to a higher number of switch-overs over the number of new customers in the transitional period.

The volume of sales will be slightly below the planned values. Every year, we try to pursue the goal not to reduce the sales in this segment in terms of volume as well as number of customers. However, we have not succeeded so far. Sales to 150,000 households at the end of the year thus amounted to 597,515 MWh, representing a good 18.6% of the market share according to our estimates (no official data are available so far).

6.2.2.3 Renewable Energy Sources

In 2018, we supplied electricity generated entirely by renewable energy sources to all household customers. We also supplied all business customers concluding a Contract with us based on a Public Tender, where the share of renewable energy must be at least 40% pursuant to the legislation, with such electricity.

We are planning to confirm our commitment by redeeming guarantees of origin on the invoice controlled by the Energy Agency of the Republic of Slovenia proving the origin of the electricity sold by the end of May 2019. We inform individual customers about this directly.

6.2.2.4 Natural Gas

No progress was achieved in the natural gas market in Slovenia compared to the previous year, and it is still significantly less developed compared to the electricity market. Distribution system operators do not see the need for improvement to make the market more open and transparent, with the unperformed unbundling, which was implemented in electricity long ago, representing an additional obstacle. Thus, the distribution and supply activities for this energy product are combined in the same company, which

results in decreased transparency making equal treatment of customers or end consumers less likely. The introduced exchange enables uninterrupted supply and there are virtually no obstacles to the implementation of contractual relationships.

In 2018, 86,751 MWh of natural gas was sold to business customers (including the sale from deviations from timetables), and 18,140 MWh to households, for a combined total of 104,891 MWh.

| Volume and value of natural gas sales * | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------------|-------------|-------------|-------------|-------------|
| Volume (MWh) | 48,722 | 107,108 | 101,642 | 102,022 | 104,891 |
| Value (in EUR) | 1,337,119 | 2,770,986 | 2,150,443 | 1,995,075 | 2,074,314 |

* The company ECE introduced the sale of natural gas in December 2013. Since 1 January 2017, natural gas is charged in Slovenia in kWh (previously in Sm³).



6.2.2.5 Wood Biomass

In 2018, 1,236 tonnes of wood biomass were sold, with sales of wood pellets representing the majority. The extreme competition (pellets are sold in virtually

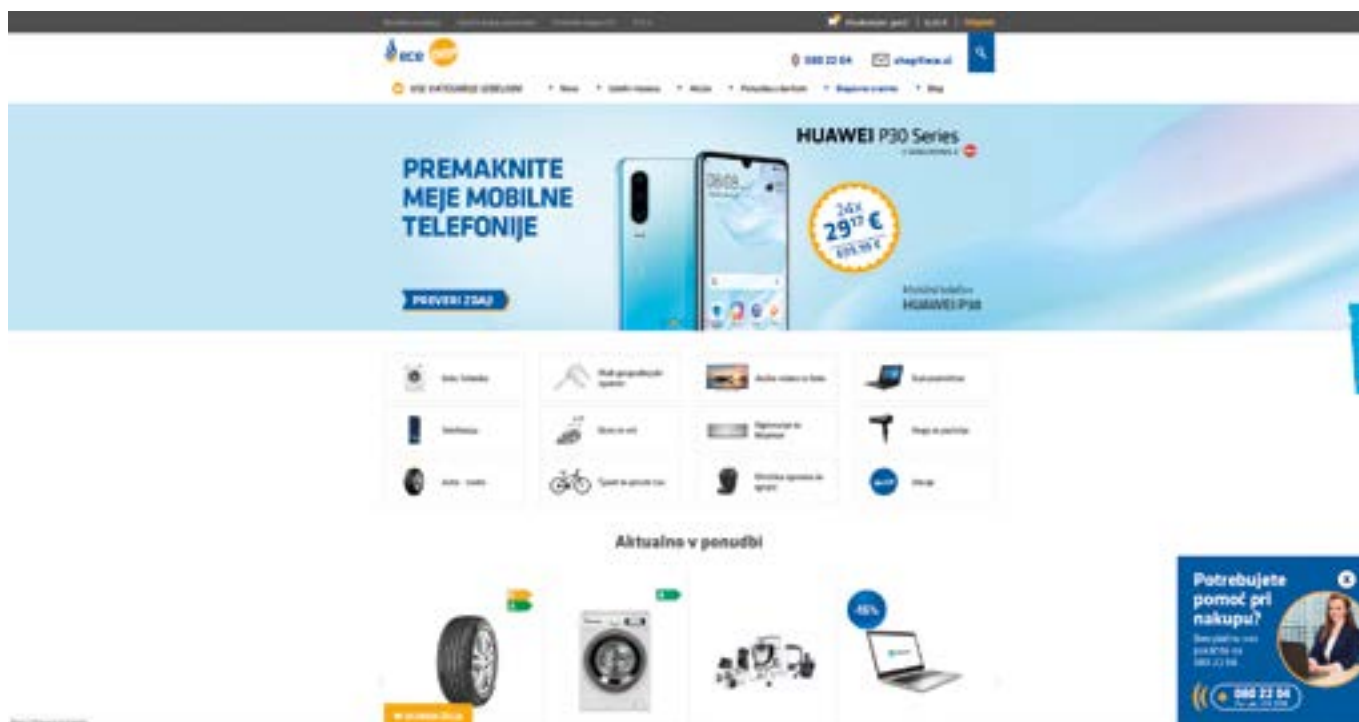
every shop) and the difficulties of our supplier made us curtail our offer, which affected end sales.

| Volume and value of wood biomass sales | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|---------|---------|---------|---------|---------|
| Volume (t) | 1,672 | 2,229 | 2,001 | 1,842 | 1,236 |
| Value (in EUR) | 346,457 | 415,981 | 356,747 | 346,735 | 269,722 |

6.2.2.6 Online shop

Revenues from sales in the online shop amounted to EUR 697,389 in 2018 and was 115.6% higher than in 2017.

ECE concluded the financial year 2018 with a net profit of EUR 2,859,689 (index 140.5 compared to 2017 and an index of 206 in relation to the annual plan).



6.3 Subsidiary Elektro Celje OVI

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.

6.3.1 Profile of the Company Elektro Celje OVI

| | |
|---|---|
| Company: | 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 |
| Legal registration: | Register of Companies of the District Court of Celje, Ref. No. Srg 2018/11042 |
| Company share capital: | EUR 12,518.78 |
| Registration number: | 1700758 |
| VAT identification number: | SI52011429 |
| Company size (according to the provisions of the Companies Act – ZGD-1): | micro company |
| Number of employees as of 31 December 2018: | 3 |
| Number of SHPs (small hydro power plants) | 4 |
| Number of SPSs (small-scale photovoltaic systems) | 10 |
| Number of CHHPs (combined heat and power plants) | 4 |
| Charging stations for electric vehicles: | 7 |
| Amount of electricity produced in 2018 in MWh: | 3,411 MWh |
| Amount of thermal energy produced in 2018 in MWh: | 1,398 MWh |
| Director: | Srečko Mašera, BSEE |

6.3.2 Operations of Elektro Celje OVI

The operations of the company Elektro Celje OVI, d.o.o. include:

- **Small hydro power plants** (SHPs): Rastke, Ljubija zgornja (does not operate), Ljubija spodnja (does not operate) and Majcen Mislinja (built in the period from 1985 to 1991 from the Republican funds according to the programme involving the construction of a hundred SHPs at the time),
- **Small-scale photovoltaic systems** (SPSs): Brdo pri Kranju, Srce, Lava, Šempeter 1, Šempeter 2, Slovenj Gradec 1, Slovenj Gradec 2, Slovenj Gradec 3, Mestinje 1 and Mestinje 2 using solar radiation for generating electricity,

- **Combined Heat and Power Plants** (CHPPs) Srce, Slovenj Gradec, Krško in Selce.

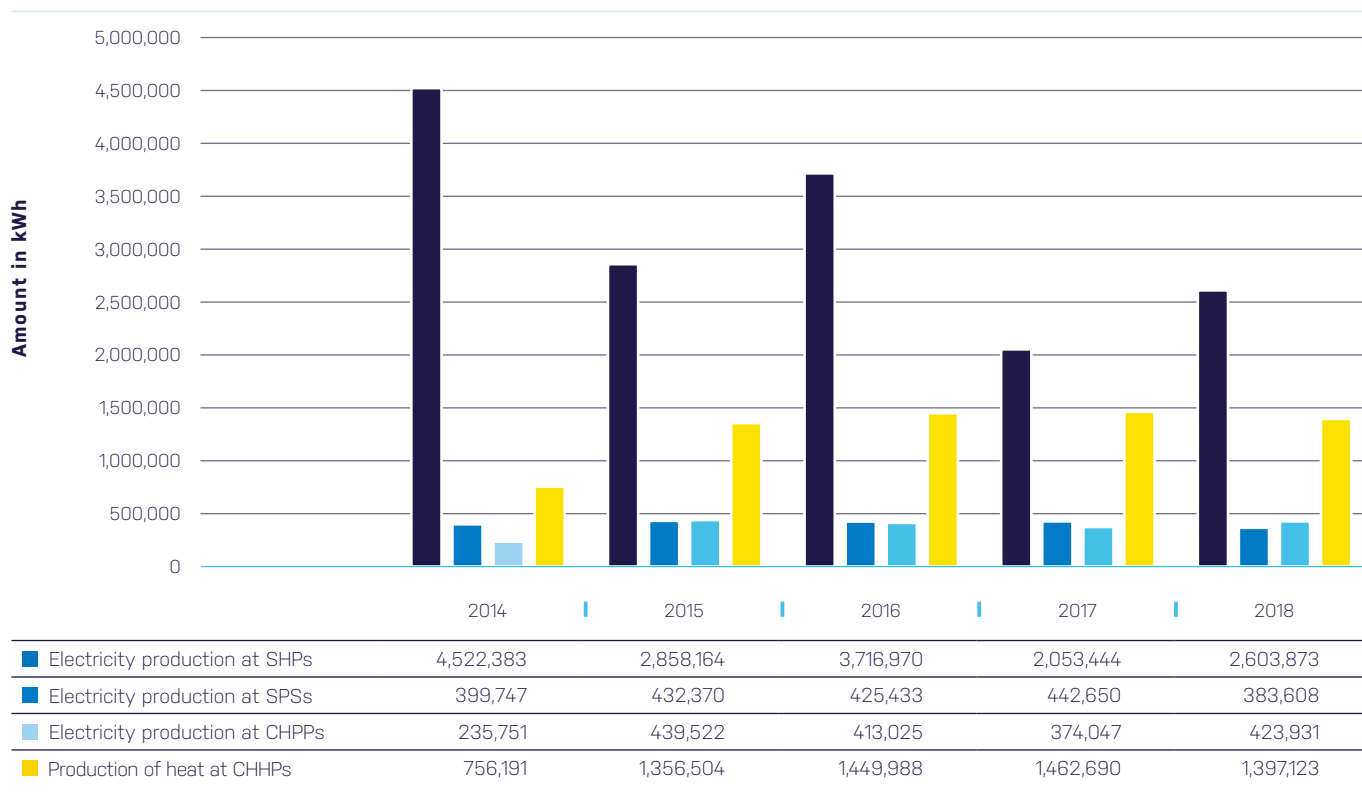
The company Elektro Celje OVI, d.o.o. owns 7 electric vehicle charging stations.

Reconstruction of machinery installations and mechanical equipment as well as electrical installations and equipment was implemented at SHP rastke in 2018. As the smaller generator began operating again on 16 April 2018 and the larger one on 26 April 2018, electricity generation in this facility reached only 54% of the set plan in the first half of the year.

The same renovation is also underway at SHP Majcen Mislinja. Project documentation was prepared, the tendering procedure carried out, a work contract

signed and all equipment to be installed in the facility prepared. The reconstruction of this facility continues in 2019.

Production of electrical and thermal energy in the company Elektro Celje OVI



The output of **SHPs** depends largely on natural circumstances. Two years stand out in the last five years, namely 2014 and 2016, as very wet years. The volume of generation in 2015 and 2018 was about the same. The year 2017 stands out as a very dry year, resulting in low electricity generation from hydropower plants.

The operation of **SPSs** depends on the amount of solar radiation, which also varies with the seasons. In 2018, total SPS output was 13.3% lower compared to the year before.

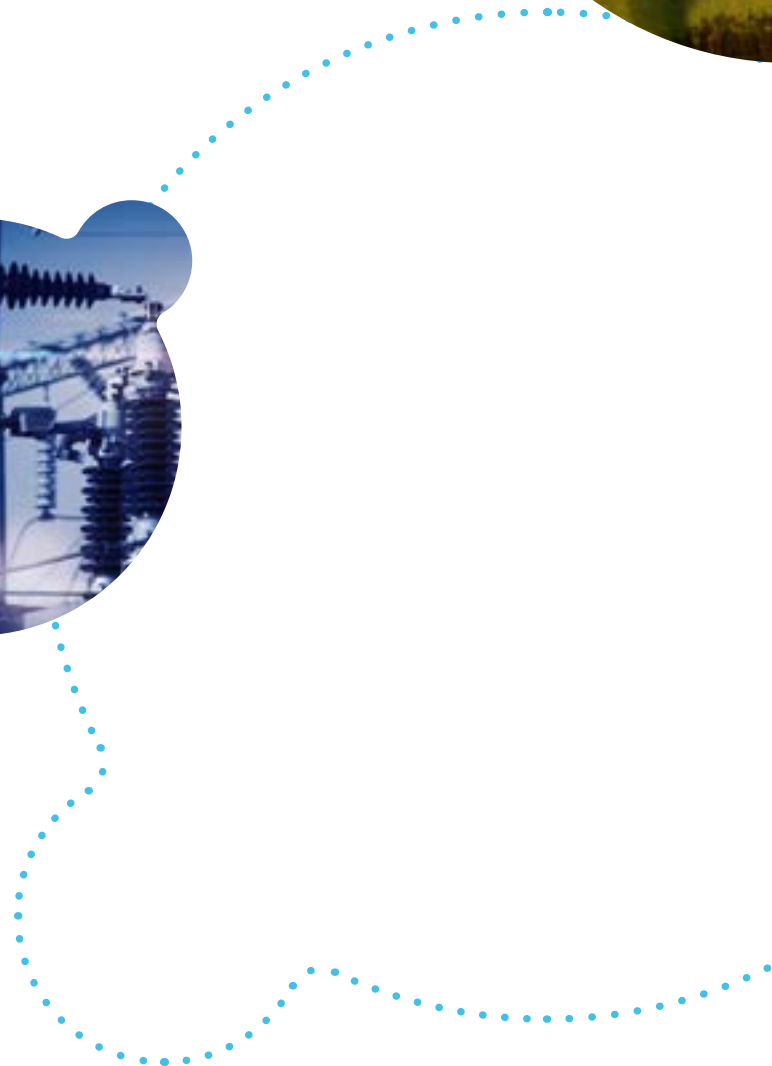
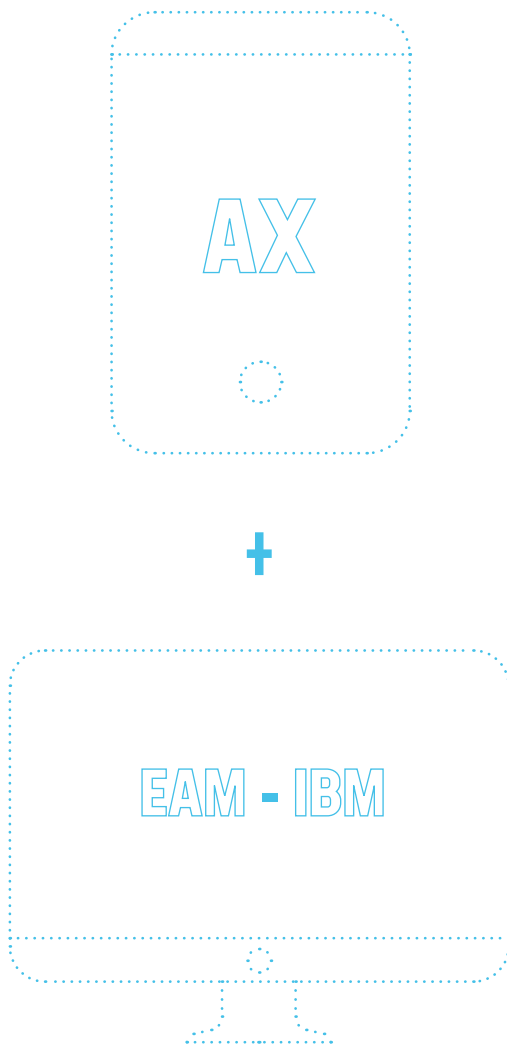
The operation of the Combined Heat and Power Plants (**CHPPs**) is planned during the heating season, and designed to provide heating for the Elektro Celje company office buildings. Operation and power output depend on the buildings' needs for heating in relation to outside temperatures. The planned result of electricity

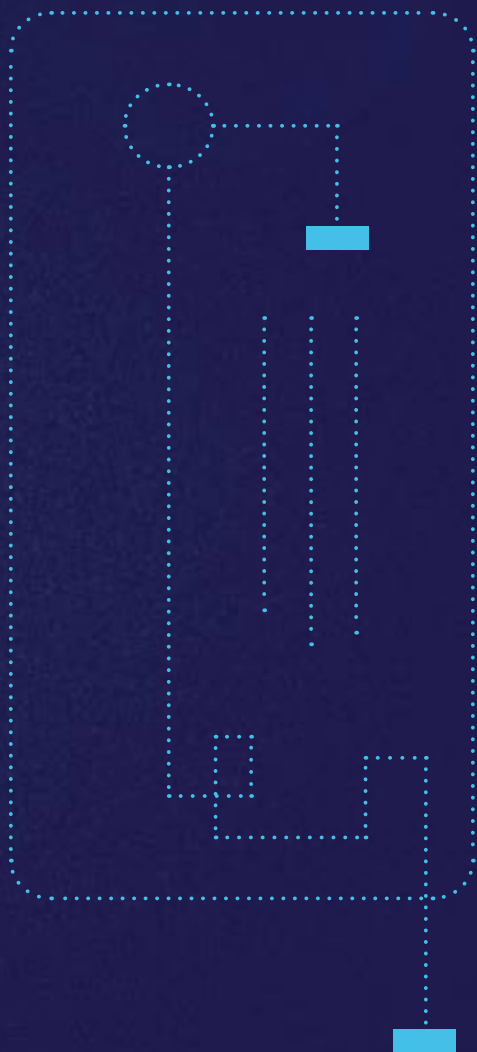
and heat generation from CHPPs was achieved in 2018.

The electricity produced and fed into the public electricity network by the company Elektro Celje OVI in 2018 amounted to **3,411,412 kWh**. The share of electricity produced by SPSs was 76.3%, the share of SPS-generated electricity 11.3%, and the share of electricity output from CHPPs 12.4%.

The construction of the new TS Grand Hotel Rogaška Slatina and a new underground cable for the GO Hotel in Rogaška Slatina were realised successfully. Realisation of customer services exceeded EUR 100,000.

The company Elektro Celje OVI concluded the financial year 2018 with a net profit of EUR 29,234 (index 65.2 compared to 2017 and an index of 34 in relation to the annual plan).





14 km
of new supply lines



Addressing the needs of industrial customers

Zanesljiva in kakovostna dobava energije do naših odjemalcev zahteva redno obnavljanje in investiranje v distribucijsko omrežje. Prilagoditev večjim potrebam odjemalcev pomeni tudi tehnološko nadgradnjo omrežja in proizvodnji razvoj. **We invested in the construction of a new medium-voltage supply line between the distribution transformer substation Ravne and the distribution substation Mežica extending over 14 kilometres in 2018 due to the increased need for industrial consumption of electricity in the Mežica Valley.**





Development Strategy of the Elektro Celje Group

7.1 Presentation of the Strategy of the Company Elektro Celje

The Strategic Business Plan for the period 2017 – 2020 is being implemented. Considering the results of self-appraisals according to the EFQM model and strategic analysis, the company verifies the valid strategy and the achievement of strategic goals. Strategic guidelines deriving from the company's operations were not changed. However, the company's values and management system were adjusted in part. Strategic goals were renewed and set in a transparent and structured manner in accordance with the company's process organisation in the Strategic Business Plan in 2017.

Six strategic goals with responsible operators in charge of achievement of goals in the planned periods were set to adhere to the identified strategic guidelines, among which **network availability**

and customer satisfaction should be stressed.

The draft of the strategy was addressed and confirmed by the Supervisory Board in April 2017 and was subject to a wider debate of the company's management and Works Council.

STRATEGIC PLAN RENEWAL

A new self-appraisal according to the EFQM model was implemented in 2018, with a renewed self-appraisal and participation in the Business Excellence Prize of the Republic of Slovenia (PRSP0) competition envisaged for 2019. Both self-appraisals and an external appraisal will ensure an appropriate selection for any possible changes in the renewed strategy and the definition of strategic goals in the future.

7.1.1 Strategic guidelines of the company Elektro Celje until 2020

Strategic guidelines intended for preparing and defining strategic goals, activities and tasks were suggested and

adopted in 2017, based on a careful analysis of changes in the internal and external environments and a SWOT analysis.

PROVISION OF QUALITATIVE SERVICES FOR CUSTOMERS BY STRENGTHENING THE DISTRIBUTION NETWORK

The introduction of new technologies, optimization of the electric power supply to customers, improved customer communication, obtaining concessions for the provision of the economic public service of SODO in the Elektro Celje, d.d. geographical area, an improved employee working culture, introduction of advanced IT support, and optimising the delimitation of work performed with the company's own resources, and in cooperation with subcontractors, will have the greatest impact on the successful implementation of these strategic guidelines in the future.

OPTIMIZATION AND INCREASED EFFICIENCY OF BUSINESS PROCESSES

The following are related to optimization and increased operational efficiency: Optimization 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 in 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 must be 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). The investment in the company Informatika d.o.o. is strategic. After completing the information support upgrade (ERP, Maximo), the strategy of the investment has to be verified, which will depend on the successful completion of projects. The investment in the company Stelkom d.o.o. must be monitored and monetised at the appropriate moment. For corporate governance of subsidiaries, synergies must be found within the legally possible limits, and the Management Policy of the company Elektro Celje, d.d. must be taken into account.

Supplement to the corporate strategies requires mainly effective communication or transmission of information regarding the strategy and strategic goals to all stakeholders, and, besides management and supervisory bodies, to the managing team and employees in particular.

Constant control of the implementation of strategic activities and monitoring of achievement of strategic goals by using indicators are required during the implementation of the Strategic Business Plan.

7.1.2 Strategic objectives and diagram

Strategic Goals, enabling us to ensure the expected development and successful operations of the company, were set for implementing 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 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.

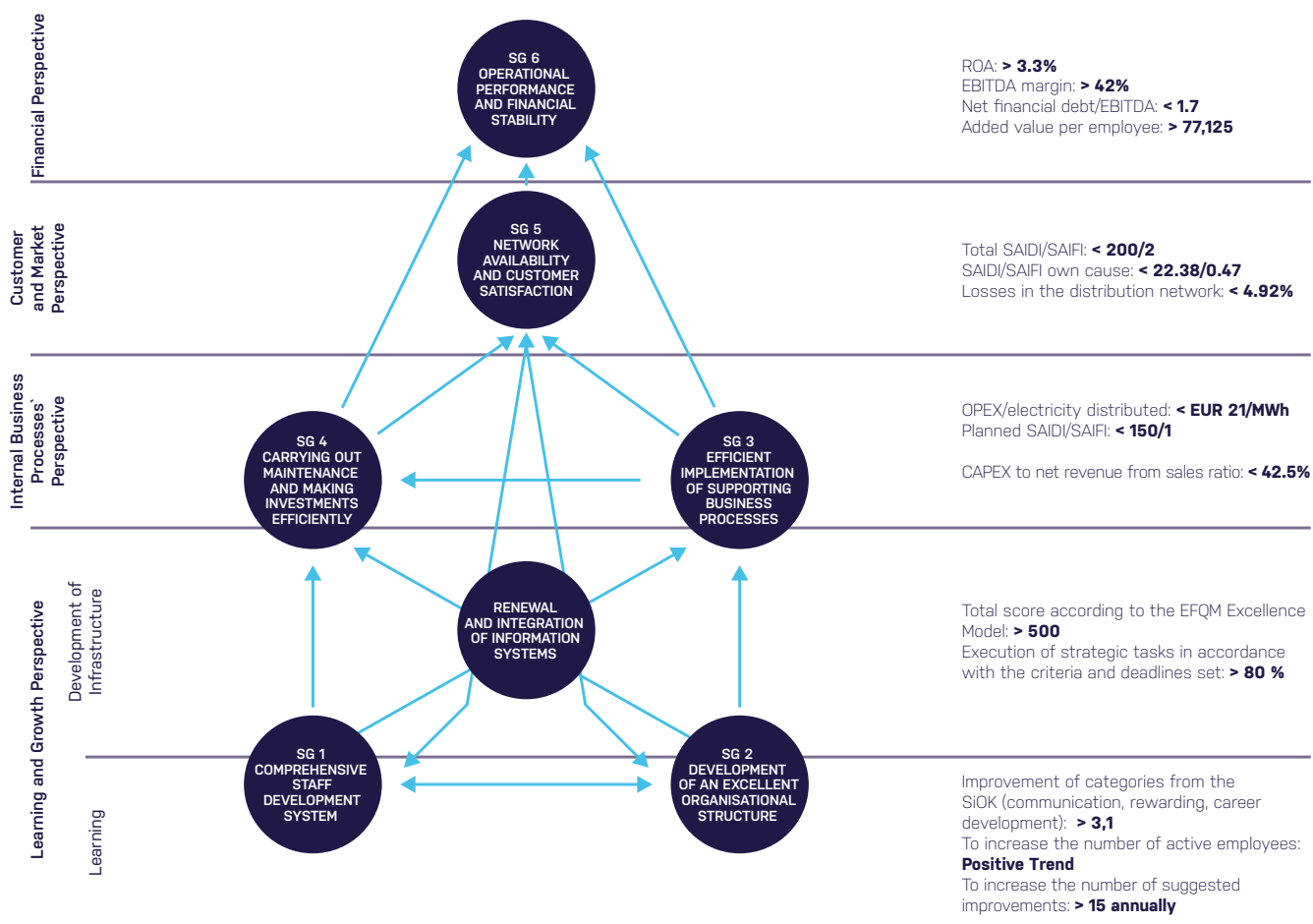
Interlinks between Strategic Goals (understanding the cause-consequence relation) are shown schematically in the Strategic Diagram.

Strategic Goals are not presented in order of their importance, but in an order that follows the implementation of the strategy or the understanding of the strategic diagram through a bottom-up approach: development of competences of employees, where their motivation and enthusiasm in an excellent organisa-

tion leads to 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 environment-friendly electric power supply and related services (Customer and Market Perspective). The result is successful and efficient operations and satisfied stakeholders (Financial Perspective).

Strategic goals of the company Elektro Celje, d.d. in the Strategic Business Plan until 2020:

- SG 1 Comprehensive Staff Development System
- SG 2 Development of an Excellent Organisational Structure
- SG 3 Efficient Implementation of Supporting Business Processes
- SG 4 Carrying out Maintenance and Making Investments Efficiently
- SG 5 Network Availability and Customer Satisfaction
- SG 6 Operational Performance and Financial Stability



7.2 Strategic guidelines of the company ECE until 2021

Challenge represents the company's strategy. Nowadays, the rapid changes in the environment require constant adaptation. Consequently, this also applies to strategic guidelines. Notwithstanding this, the basic guidelines we follow include:

- To remain one of the leading providers of electricity, especially in terms of quality and diversity of services.
- To exceed the market share of 20% in sales of electricity in order to upgrade customer relations (establishment of long-term cooperation).

- To introduce the marketing of new products and services, focused largely on cooperation with other providers of products and services so as to enable improved contents and higher value added to customers (the field of "smart home solutions", energy solutions, e-mobility).
- Development of the activity of the online shop to achieve a larger volume of sales compared to 2018.
- Investment of the profit in electricity generation units to achieve greater flexibility as regards purchase, profitability and the offer of new products for end customers.
- To continue connecting with related companies in the sector, thus strengthening the existing position in the region for further growth of the company after achieving connections.

These are important strategic guidelines, based on which particularly **developmental** and additional synergy effects are expected.

- Risk management in the field of energy portfolio management.
- Upgrading risk management in the field of dynamic assessment of the future potential of the operations of the companies we cooperate with.
- Development of the company ECE into a cost-efficient, well organised and high-quality IT-supported company attracting various stakeholders in the environment at every moment (owners, customers, employees, additional service providers, job seekers and finally, related companies in the industry from the aspect of further connections).

7.3 Strategic guidelines of the company Elektro Celje OVI until 2021

In the future three-year period, we wish to realise the following key goals: increased generation of electricity from RES, implementation of engineering services in the energy sector, provision of e-mobility services and inclusion in development projects.

- **Increased electricity generation** can be achieved by reconstructing the existing powerplants, thus achieving the desired goal by improving efficiency, or by constructing new renewable energy sources. The renovation of obsolete hydropower plants owned by the company is currently topical. At the same time, activities for purchasing other small hydropower plants which are abandoned or will be sold by their owners due to lack of their profitability, are being implemented.
- **The field of provision of services for the market** is divided into four segments: preparation of the project and technical documentation, performance of works in

the field of electricity, energy efficiency consultancy and implementation of the programme for energy contracts.

- Projects involving the **set up of charging stations**, the operators of which are municipalities, are underway. Considering the experience obtained by constructing already functioning charging stations, we will actively undertake cooperation with municipalities in realising the projects. Here, it is important that the projects are also managed in terms of elaboration of the existing centre for operating electrical vehicles (CUPI) – payment of bills for electricity consumption.
- Substantial EU resources are earmarked for **development projects in the fields of RES and RUE**. As several contacts have already been established with project teams working in this field, cooperation with them must be stepped up (the controlling company, faculties, institutes).

7.4 Business Goals of the Company Elektro Celje

Business goals for 2019 are set out in the Business Plan of the company El-

ektro Celje and Elektro Celje Group for 2019, complete with the starting points

for 2020 and 2021. They were prepared based on strategic starting points and goals of the company Elektro Celje for the period 2017–2020, the Plan for the Development of the Electricity Distribution Network for the period 2019–2028, regulatory framework of the Energy Agency of the Republic of Slovenia for the period 2019–2021, expectations and recommendations by the capital assets management of the Republic of Slovenia SDH, d.d., commitments under credit agreements, binding regulations and internal

documents of the company Elektro Celje and forecasted current macroeconomic developments. The company's dividend policy will harmonise the need for future growth of the company's operations, and the expectations of investors or owners of the company. The company's operations will be in accordance with the Code of Corporate Governance of State-Owned Enterprises and Recommendations and Expectations of the Slovenian Sovereign Holding.

| Operational Goals and their Achievement | Business Plan 2018 | Achieved 2018 | Business Plan 2019 |
|---|--------------------|---------------|--------------------|
| SAIDI (System Average Interruption Duration Index) | ≤ 27.78 | 33.84 | ≤ 32.00 |
| Share of distributed electricity loss (in %) | ≤ 4.71 | 4.55 | ≤ 4.49 |
| OPEX per electricity distributed (in EUR/MWh) | ≤ 20.00 | 19.55 | ≤ 19.98 |
| SAIFI (System Average Interruption Frequency Index) | ≤ 0.71 | 0.80 | ≤ 0.75 |
| MAIFI (Momentary Average Interruption Frequency Index) | ≤ 3.46 | 3.49 | ≤ 3.90 |
| ROA (in %) | ≥ 3.50 | 3.70 | ≥ 3.00 |
| EBITDA margin (in %) | ≥ 43.28 | 42.75 | ≥ 40.98 |
| Net financial debt/EBITDA (in EUR) | ≤ 1.50 | 1.28 | ≤ 1.47 |
| CAPEX to net revenue from sales ratio (in %) | ≥ 44.15 | 46.86 | ≥ 46.34 |
| Value added per employee (in EUR 000) | ≥ 79.63 | 82.20 | ≥ 79.25 |
| Net profit (in EUR million) | ≥ 9.8 | 10.4 | ≥ 8.6 |
| Investment realisation (in EUR million) | ≥ 22.0 | 23.7 | ≥ 23.0 |
| In-house Investment realisation (in EUR million) | ≥ 14.5 | 15.2 | ≥ 15.2 |
| Realisation of customer services (in EUR million) | ≥ 1.4 | 1.9 | ≥ 1.5 |
| Realisation of maintenance of electricity infrastructure (in EUR million) | ≥ 15.2 | 15.5 | ≥ 16.3 |




The business goals can be achieved if the operating conditions in 2019 will not deviate from the expectations significantly. Risk factors include mainly the frequency of extreme climatic events

causing damage on electricity distribution lines and devices owned by the company Elektro Celje, which is decreased by cabling.

7.4.1 Ensuring a High-quality Supply of Electricity to Customers and a Safe Network Operation

With regard to ensuring quality electricity supply, the company Elektro Celje achieved all goals laid down, which include: Commercial quality, continuity (reliability) of supply and voltage quality, defined by the Legal Act on the methodology determining the regulatory framework and network charge for the electricity distribution system, and the Legal Act on the rules for monitoring the quality of electricity supply. The compa-

ny will continue pursuing these goals in the future by planning, operating and maintaining the distribution network in a qualitative manner, as well as implementing its planned strategic activities (ensuring reliable network operation, efficient management of voltage conditions, cabling and modernisation of the automation of the MV network and optical connections).

| | for 2018 | | for 2019 | | |
|--|-----------------------|----------|-----------------------|----------|---|
| | Requirements of EAgem | Achieved | Requirements of EAgem | Achieved | |
| SAIFI (interruption frequency/customer) | 1.19 | 0.80 | 1.23 | 0.75 |  |
| SAIDI (number of minutes/customer) | 45.73 | 33.84 | 47.72 | 32.00 |  |
| MAIFI (momentary interruption frequency/ customer) | – | 3.49 | – | 3.90 |  |

7.5 Planned Development of the Distribution Network of the Company Elektro Celje

The development of the distribution network of the company Elektro Celje is specified in the Business Plan for 2019, with starting points for 2020 and 2021, as well as the ten-year plan for the development of the electricity distribution network from 2019 to 2028 in a total amount of EUR 226.2 million.

The plan takes into account strategic guidelines of the national energy sector, guidelines and requirements deriving from the applicable Legal Acts and

documents from the field of Energy, Electricity and Electricity Distribution, as well as European Community Directives and Regulations in the field of Electricity Supply and Consumption, with the prescribed methodology also considering long-term consumption and load forecasts, the envisaged development of individual regions, economic planning, network construction and operation, as well as availability of financial resources used in planning.



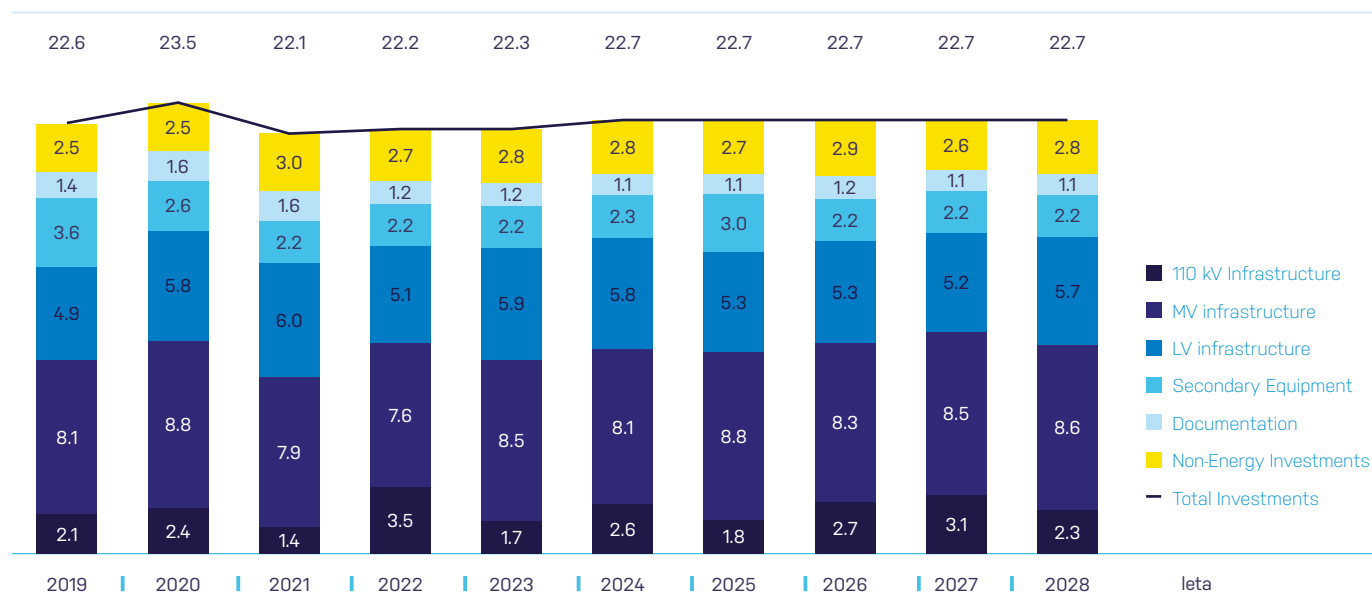
FUNDAMENTAL OBJECTIVES FOR EFFICIENT PLANNING OF THE DISTRIBUTION NETWORK:

- Ensure planned and actual consumption of electricity and meet the requirements regarding electrical power
- 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 and 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 legislation
- Meet the requirements from the Slovenia's Energy Concept (SEC)
- Meet the requirements dictated by national energy climate objectives

The allotment of the largest share of total investments in the area serviced by the company Elektro Celje in the period from 2019 to 2028 is projected for MV infrastructure (36.8%), followed by investments in LV infrastructure (24.3%), non-energy investments (12.1%), second-

ary equipment (10.8%), 110 kV infrastructure (10.4%) and the obtaining of project documentation (5.6%). It is expected that 61.6% of the funds will go for new infrastructure, 32.3% for reconstruction, 5.6% for obtaining project documentation and 0.5% for purchasing EDI.

Structure of investments in the period from 2019 to 2028 (in EUR million):



The planned development of the distribution network for the period 2019–2028 is based on analyses of the condition of the distribution network, envisaged development of individual regions and consequently, on the foreseen assessment of electricity consumption in the future, including the connection of newly constructed electrical vehicle charging stations, increased use of heat pumps and inclusion of renewable sources. The planned connections require an almost "new electrification" at the LV level (renovations and cabling of LV networks, construction of new MV/0.4 kV TSSs), with renovation and new construction also necessary at high voltage levels due to increased load.

Control over the management of the distribution system requires the introduction of new concepts related to the so-called smart grids, which means new requirements and approaches as well as understanding of the functioning of the system as a whole. In accordance with the European Directive regarding the increased share of energy from renewable sources in the final energy consumption, the development of distribution networks must also be adjusted to the inclusion of distributed energy production, necessitating modernisations by using new technologies, which also include end users, and installation of advanced metering systems in the network for obtaining accurate and more representative information on electricity consumption.

The company will contribute to environmental conservation and protection with the envisaged investments in ecological containers, arrangement of collection and separation of hazardous and non-hazardous waste, rehabilitation of oil-collectors and septic tanks, reduction of light pollution caused by commercial buildings and electricity distribution infrastructure, and increased energy efficiency of commercial buildings.

Frequent extreme weather in recent years and constant exposure to external influences (e.g. trees falling on lines) dictate more extensive cabling of the MV and LV lines in renovated and newly constructed buildings whenever conditions in the field allow it. Underground cables are considerably less susceptible to weather conditions than overhead lines, improving the quality and reliability of the electricity supply. Cabling also results in the reduction of electricity losses and improvement of voltage conditions. Apart from that, underground cables with lines with large cross-sections are cheaper and easier to site compared to overhead power lines.

The largest share of investments in the primary electricity distribution infrastructure for all voltage levels in the period 2019 – 2028 is projected for the renovation of the existing infrastructure (i. e. technical or economic obsolescence, physical use, legislative and other usage limitations) in the amount of 40.1%, 33.8% for investments due to the inclu-

sion of new users, 23.7% for improving the quality of electricity supply, 1.7% for including distributed electricity production resources and 0.7% for purchasing EDI.

The possibilities of internal financing of investments have mainly already been used (available depreciation, sale of the

company's assets or divestiture). Thus, the Management Board allocates two-thirds from the remaining net profit of the financial year for other reserves (for investments in the planned development of the distribution network), as the company's assets would otherwise not suffice for urgent investments in the long term.

Important investments planned for the Elektro Celje distribution network

- **The construction of DTS Mežica 110/20 kV** in 2028, the completion of **2 x OPL 110 kV DTS Ravne to DTS Mežica** (appr. 8 km) and **2 x underground cables (UC) 110 kV DTS Ravne to DTS Mežica** (approx. 0.5 km) in 2017 due to increased load in the Mežica Valley area.
- **The construction of DTS 110/20 kV Mokronog** is projected in 2022, with its connection to the newly constructed **2 x OPL 110 kV DTS Trebnje – DTS Mokronog** (approx. 9 km) and **2 x CU 110 kV DTS Trebnje – DTS Mokronog** (0.4 km) in 2024; Problems related to the quality of electricity and provision of stand-by supply are appearing due to long MV lines and increased electricity consumption in the areas of Mokronog and Mirna. The connection OPL 110 kV DTS Mokronog – DTS Sevnica will be taken into account in the spatial act, with the implementation planned after 2035.
- **The construction of the UC 2 x 110 kV between the planned DTS Vojnik and 110 kV OPL DTS Selce – DTS Sl. Konjice** (approx. 0.3 km) in 2020, which is necessary due to the integration of the new DTS 110/20 kV Vojnik in the 110 kV HV network.
- **The construction of the DTS Vojnik 110/20 kV** in 2020 (which will be included in the network in 2021) due to increased losses in the wide area of Vojnik, and to improve power supply reliability.
- **Renovation and restoration works in DTSs** due to wear and tear, improvement of operational reliability and provision of adequate power supply quality.
- **Investments in current TSs and their replacement, as well as an increase of capacity and renovation of MV and LV lines and devices** consistent with the projections of the electricity consumption, the state-of-the-art, environmental protection requirements and conditions of consent authorities.
- **Investments in the MV network** (UC 2 X 20 kV DTS Vuzenica –DS Radlje, phases 2 and 3, 2 x UC 20 kV DTS Podlog – DS Ločica, new standard TSs MV/0.4 kV) are related to the projected growth in electricity consumption, construction of commercial and residential areas, appropriate power supply quality and increased demand for integration of renewable energy sources (solar power plants, combined heat and power plants, small hydropower plants).
- **The transition to 20 kV lines** in the area of Celje, mainly in the old town centre, which forms an important part of the investment plan, continues.
- **Control and protection of DCCs** – replacement and modernisation of remote-control equipment, protection systems in DTSs and DSs, installation of additional remote-controlled switchgears (RCSs) and fault indicators (FIs), as well as TS remote control in poorly accessible and especially critical sections of the network, is planned for the next few years. The equipment installed enables faster fault location and repair, consequently improving SAIDI and SAIFI indicators and customers' satisfaction related to it.
- **Metering devices** – Replacement of 32,500 electricity meters in the next three years (in accordance with the requirements set out in the Energy Act – EZ-1, Official Gazette of the Republic of Slovenia, No. 17/14) to enable electricity to be charged by actual consumption to all customers by 2025 in accordance with the Plan for Implementing the Advanced Metering System in EDS of Slovenia. The newly installed system meters enable more up-to-date acquisition of information required for issuing bills and provide information contributing, among other things, to the reduction of commercial and technical losses of electricity and development of new services for network users.
- **Telecommunication** – Further extension of the company's own optical network in redundant rings throughout the entire power network of DTS and DS facilities and to key TSs, continued entry of the optical network in the Fiber Manager information system to the level of optical fibres, connectors and devices on optical fibres, and, consequently, investment in an active IP/ Ethernet network equipment and cyber-safety, use of digital radio system also for narrowband data links for remote control and automation of the MV network, and construction of the company's own wireless system for broadband data links that could cover the broadband communication needs of the entire SmartGrid system.

7.5.1 Expected Information System Development

In the period 2019–2020, funds will be allocated for:

- Increased investment in the upgrade of the DMS system,
- Assurance of compliance with GDPR – establishment of an audit trail of access to personal data and consent register,
- Additional functions in the asset management system (EAM – Enterprise Asset Management),
- Establishment of a central data warehouse for business reporting,
- Update of server equipment in the secondary data centre and primary data centre,
- Upgrade of the remote control platform (AMI – Advanced Meter Infrastructure) with advanced analysis functionality (MDM – Meter Data Management).

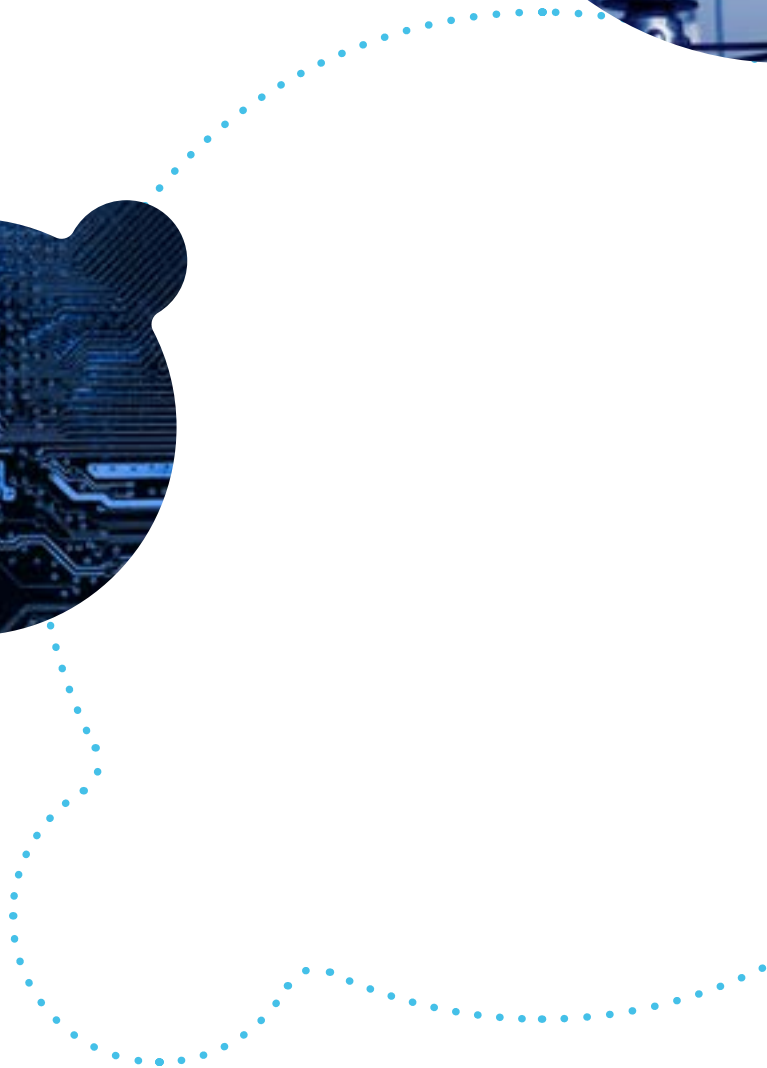
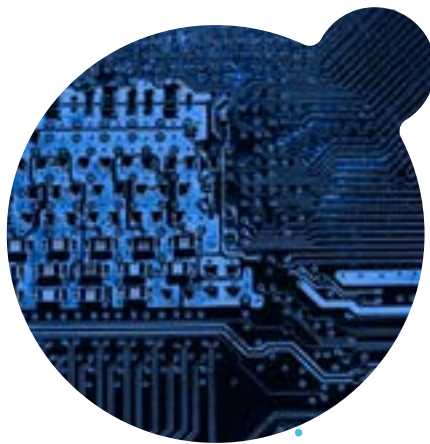
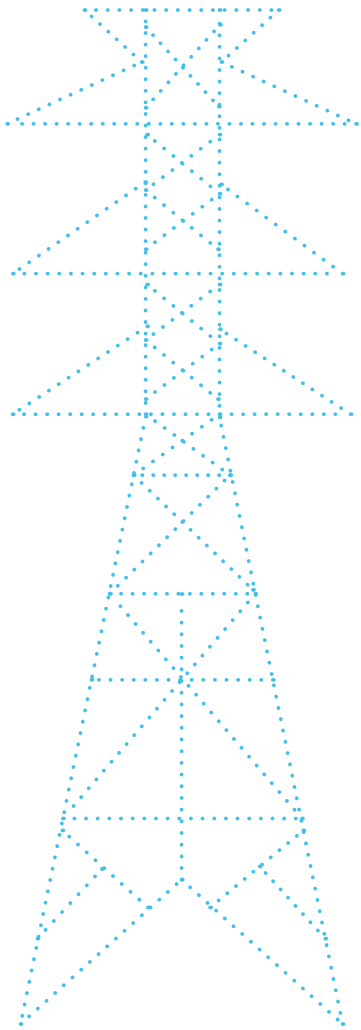
7.6 Business Goals of the Elektro Celje Group

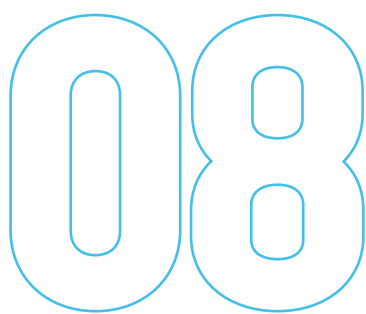
The future operation of the Group will be oriented towards planning, developing and introducing technological solutions contributing to the environmental protection and a more efficient use of sources of electricity. Concern for sustainable development, well-being of existing and future customers, responsible and con-

structive contribution to the creation of the social and natural environments, strengthening the reputation and recognition of the Elektro Celje Group, and ensuring an adequate level of protection of personal data pursuant to the legislative requirements of the Information Commissioner, will be brought to the forefront.

| Operational Goals and their Achievement | Business Plan 2018 | Achieved 2018 | Business Plan 2019 |
|---|--------------------|---------------|--------------------|
| *ROE (in %) | ≥ 4.77 | 5.60 | ≥ 4.35 |
| Total equity/liabilities ratio (in %) | ≥ 70.1 | 70.6 | ≥ 71.2 |
| Net financial debt/EBITDA (in EUR) | ≤ 1.3 | 1.0 | ≤ 1.2 |
| Financial debt/EBITDA (in EUR) | ≤ 1.3 | 1.1 | ≤ 1.4 |
| Financial debt/equity (in EUR) | ≤ 0.2 | 0.2 | ≤ 0.2 |
| EBITDA/financial expenses from financial liabilities (in EUR) | ≥ 85 | 95 | ≥ 84 |
| Current ratio (in EUR) | ≥ 1.3 | 1.2 | ≥ 1.3 |
| Sale of electricity (in MWh) | 2,575,567 | 2,728,996 | 2,934,214 |
| Electricity production (in kWh) | 3,897,062 | 3,411,412 | 3,682,612 |
| Thermal energy production (in kWh) | 1,356,032 | 1,397,723 | 1,381,147 |

* Average equity includes net profit in the current year





Operating Conditions

8.1 Business Environment Analysis

| Economic trend indicators | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------|------|------|------|------|
| GDP (real growth in %) | 3.0 | 2.9 | 2.5 | 4.9 | 4.5 |
| Average registered unemployment rate (in %) | 13.1 | 12.3 | 11.2 | 9.5 | 8.2 |
| Inflation (annual average in %) | 0.2 | -0.5 | 0.1 | 1.5 | 1.1 |
| Average gross salary in the Republic of Slovenia (nominal growth in %) | 1.1 | 0.7 | 1.8 | 2.7 | 3.4 |
| Average gross salary in the Republic of Slovenia (real growth in %) | 0.9 | 1.2 | 1.9 | 1.3 | 1.7 |

Source: Statistical Office of the Republic of Slovenia and the Employment Service of Slovenia

According to the first estimate (based on the quarterly data), Gross Domestic Product stood at EUR 45,948 million and grew by 6.9% compared to 2017. It grew by 4.5% in real terms, which is higher than what the Institute of Macroeconomic Analysis and Development (UMAR) had predicted (prediction for 2018 was 4.4%).

The average registered unemployment rate decreased in 2018 from 9.5% in 2017 to 8.2%. According to data from the Employment Agency of the Republic of Slovenia, there were 78,534 registered unemployed persons in Slovenia as of the end of December 2018, which is 7.7%

less than in December 2017.

The Slovene Consumer Price Index increased by 1.1% at an annual level (in 2017 by 1.5%). The higher prices of goods and services (with the largest increase in the prices of thermal energy) contributed most to the annual inflation. The average annual inflation rate equalled 1.7% (1.4% in 2017).

The average monthly gross salary for 2018 in Slovenia amounted to EUR 1,681.55. It grew by 3.4% in nominal and by 1.7% in real terms compared to the salary in 2017.

8.1.1 Impact of the Economic Environment on the Volume of Electricity Consumption and Operating Conditions

The power engineering sector did not change much in 2018. Key competitors remain the same, with market competitiveness achieving an extremely high level. Switch-overs to another supplier are, in the segment of households in particular, greatly influenced by sales agents marketing door to door, unfortunately causing damage to the reputation

of this activity with occasional misleading marketing practices. In the segment of business customers, the degree of switch-overs to another supplier is high, with virtually the only criterion still being the prices, which can often be assessed as dumping prices.

It is very similar for natural gas, except

for the segment of households, where the competitive activity is smaller and the market is not as dynamic for different reasons.

The consumption of end customers has been growing throughout the year. It was greatly influenced by the business segment in the circumstances of favourable economic conditions, with average consumption also being higher in households, where, notwithstanding higher efficiency of electricity consumers, their number is growing faster.

The Legal Act on the methodology determining prices of system services, which we dealt with at the end of the year in particular, was adopted due to increased energy prices to ensure secondary reg-

ulation affecting the price level of compensation of the necessary purchase of energy at a daily level.

The new Rules on the operation of the electricity market were adopted, affecting suppliers mainly by introducing a 15-minute charging interval of forecast closed contracts and operational forecasts as well as the calculation of the balance accounts from 1 January 2020, causing additional costs of investment in information support, a higher degree of uncertainty and probably higher costs of offsetting the daily purchase.

Suppliers are expecting an amended Energy Act (EZ-1) which is expected to be adopted in 2019.

8.1.2 Impact of Expected Economical and other Factors on the Generation of Electricity and Thermal Energy

The price of electricity generated from renewable energy sources consists of operational support and the purchase price of electricity. The generation of electricity at generating installations RES and CHPPs is financially supported by the Republic of Slovenia if the costs of generating such electricity exceed the price that can be achieved for it in the market. The purchase price of electricity is defined by the market. Thus, we 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 SHPs 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. In general, the most favourable average conditions for generation of electricity at SHPs are in spring and autumn. The smallest amount of electricity generation can be expected in winter (due to low temperatures and frozen water courses) and in summer which is usually dry.

The operation of SPSS depends mainly on the quantity of solar radiation. This quantity also changes with the seasons. In winter, electricity generation is at its lowest due to short days with increases as the days become longer. In addition to the aforementioned, the quantity of electricity generation also depends on snow (covering solar modules) and high summer temperatures (overheating solar modules which result in lower efficiency).

CHPPs are planned to heat facilities and must operate in the heating season when the need for heat is the highest. The optimum time for the operation of these devices is during the heating season (up to 4,000 hours), which is not always possible due to the fluctuation in external temperatures and the need for heat consumption for an individual workflow.

In addition to meteorological factors, the implementation of regular maintenance works and investment maintenance planned in the period of lowest expected generation also affects the operation of power plants.

8.2 Legal and Regulatory Framework of Operations of the Company Elektro Celje and Elektro Celje Group

Electricity distribution companies are crucial for the development of a cost-efficient distribution network in Slovenia, ensuring high-quality and reliable supply to customers in Slovenia. The role of distribution in the Slovene electric power system is defined by the Energy Act (EZ-1), together with Slovenia's Energy Concept, in which the targets of reliable, sustainable and competitive electricity supply for the subsequent 20-year period and 40-year framework period will be set, based on the projections of the economic, environmental and social development of Slovenia, and international commitments made.

The goal of 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 re-

newable energy sources and environmental protection conditions.

The development of the electricity distribution network and provision of a long-term, stable electricity supply is defined in the Plan for the Development of the Electricity Distribution Network in the Republic of Slovenia for the 10-year period from 2019 to 2028, prepared by SODO as the holder of the concession for performing the compulsory public service of Distribution Network System Operator in the Republic of Slovenia, for which previous consent must be given by the Ministry of Infrastructure.

In its operations in 2018, the Elektro Celje Group complied with all core legislative and regulatory bases and changes in legislation relating to the company's operations.

ENERGY

- Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the Promotion of the Use of Energy from Renewable Sources
- Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning Common Rules for the Internal Electricity market
- Directive 2005/89/EC of the European Parliament and of the Council of 18 January 2006 concerning Measures to Safeguard Security of Electricity Supply and Infrastructure Investment
- Directive 2012/27/EC of the European Parliament and of the Council of 25 October 2012 on Energy Efficiency
- Energy Act (EZ-1)
- Legal Act on the Methodology Determining the Regulatory Framework and Network Charge for the Electricity Distribution System
- The Legal Act on the Methodology Determining Prices of System Services

- Legal Act on the Criteria and Rules for Providing Emergency Supply of Electricity
- Network Code for the Electricity Transmission System
- Decree on Measures and Procedures for the Introduction and Interoperability of Advanced Electric Power Metering Systems
- Legal Act on the Methodology Determining the Regulatory Framework and Network Charge for the Electricity Distribution System
- Legal Act on the Rules for Monitoring the Quality of Electricity Supply
- Decision on the Appointment of the Electricity Transmission System Operator
- Decree on the Awarding of a Concession and on the Method of Provision of a Service of General Economic Interest – Electricity Transmission System Operator
- Legal Act on the Identification of Entities in the Data Exchange among Par-

ticipants in the Electricity and Natural Gas Markets

- Decree on the Division of the 110 kV Network into the Distribution and Transmission Systems
- Legal Act on the Method for the Submission of Data and Documents by Providers of Energy Sector Activities
- Legal Act on the Methodology for the Preparation and Evaluation of an Investment Plan of the Electricity Distribution System Operator
- Legal Act on the Methodology for the Preparation and Evaluation of an Investment Plan of the Electricity Transmission System Operator
- Rules on the System Operation of Electricity Distribution Network
- Decree on the Concession of an Electricity DSO Service of General Economic Interest
- Decree on the Energy Infrastructure
- Decree on the Method of Provision of an Electricity DSO Service of General Economic Interest and a Service of

General Economic Interest of Electricity Supply to Tariff

- General Conditions for Connection to the Distribution Electric System
- Decision on the Appointment of the Operator Responsible for the Electricity Transmission System in the Republic of Slovenia
- Ordinance on Stranded Costs Rescuing Programme in Electricity Producing Undertakings in the Republic of Slovenia
- Decree on Maintenance Works for the Public Benefit in the Energy Sector
- Act Determining the Methodology for Setting the Network Charge, the Criteria for Establishing Eligible Costs for Electricity Networks, and the Methodology for Charging for the Network Charge
- Rules on the Operation of the Electricity Market
- Decree on the Award of a Concession and on the Method of Provision of a Service of General Economic Interest – Electricity Market Operator
- Act on the Determination of the Shares of Individual Electricity Production Sources and on the Method of their Presentation
- Rules on the Balancing of the Electricity Market
- Act Concerning the Method of Electronic Data Reporting for Valid Regular Tariffs' Comparison of Electricity and Natural Gas Suppliers for Household and Small Business Customers
- Decision Laying Down Prices for the Electricity Supply to Household Consumers and Prices for Covering the Supplier's Costs Associated with the Electricity Supply
- Rules on Conditions and Restrictions Regarding the Construction and Use of Installations and the Performance of Activities in the Electricity Network Safety Zone
- Resolution on the National Energy Programme
- Strategy for Development of the Power Distribution System in the Republic of Slovenia between 2013 and 2022

COMMERCIAL LAW AND COMPANY'S OPERATIONS

- Companies Act (ZGD-1)
- Register of Companies Act (ZSReg)
- Prevention of Restriction of Competition Act (ZPOmK-1)
- Takeovers Act (ZPre-1)
- Corporate Income Tax Act (ZDDPO-2)
- Integrity and Prevention of Corruption Act (ZIntPK)
- Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (ZFPPIPP)
- Value Added Tax Act (ZDDV-1)
- Excise Duty Act (ZTro-1)
- Slovenian Accounting Standards (2016)

PROTECTION OF PRIVACY AND PERSONAL INFORMATION

- Decree (EU) 2016/679 of the European Parliament and Council of 27 April 2016 on the Protection of Individuals with Regard to the Processing of Personal Data and on the Free Movement of Such Data, Repealing Directive 95/46/EC
- Personal Data Protection Act (ZVOP-1)
- Information Commissioner Act (ZInfP)

IT LAW

- Electronic Communications Act (ZE-Kom-1),
- Information Security Act (ZInfV)
- Electronic Business and Electronic Signature Act (ZEPEP)
- Protection of Documents and Archives and Archival Institutions Act (ZVDAGA)
- Public Information Access Act (ZDIJZ)

EMPLOYMENT RELATIONSHIPS

- Employment Relationships Act (ZDR-1)
- Pension and Disability Insurance Act (ZPIZ-2)
- Health Care and Health Insurance Act (ZZVZZ)
- Worker Participation in Management Act (ZSDU)
- Employment, Self-employment and Work of Foreigners Act (ZZSDT)

CIVIL PROCEDURAL LAW

- Contentious Civil Procedure Act (ZPP)
- Claim Enforcement and Security Act (ZIZ)
- Decree (EC) no. 1896/2006 of the European Parliament and Council of 12 December 2006 Creating a European Order for Payment Procedure

ADMINISTRATIVE LAW

- General Administrative Procedure Act (ZUP)
- Administrative Dispute Act (ZUS-1)

LAW OF OBLIGATIONS

- Obligations Code (OZ)
- Statutory Default Interest Rate Act (ZPOMZO-1)
- Act on Prevention of Late Payments (ZPreZP-1)

PROPERTY LAW

- Law of Property Code (SPZ)
- Land Register Act (ZZK-1)
- Physical Assets of the State and Local Government Act (ZSPDSLS-1)

CONSTRUCTION AND SPATIAL PLANNING

- Spatial Planning Act (ZUreP-2)
- Building Act (GZ)
- Architecture and Civil Engineering Act (ZAID)
- Spatial Planning Act (ZPNačrt)

ENVIRONMENT

- Environmental Protection Act (ZVO-1)
- Nature Conservation Act (ZON)

PUBLIC PROCUREMENT

- Public Procurement Act (ZJN-3)
- Legal Protection in Public Procurement Procedures Act (ZPVPJN)
- Public Finance Act (ZJF)
- Public Procurement for Defence and Security Act (ZJNPOV)

8.3 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:

- Price of electricity formed in the free market;
- Network charge (determined by EAgem):
 - Transmission network charge and
 - Distribution network charge;
- Contributions (determined by the Government of the Republic of Slovenia):
 - Contribution for the provision of support to high-efficiency combined heat

and power generation and for energy generation from renewable energy sources (RES and CHPP);

- Efficient energy use (EE);

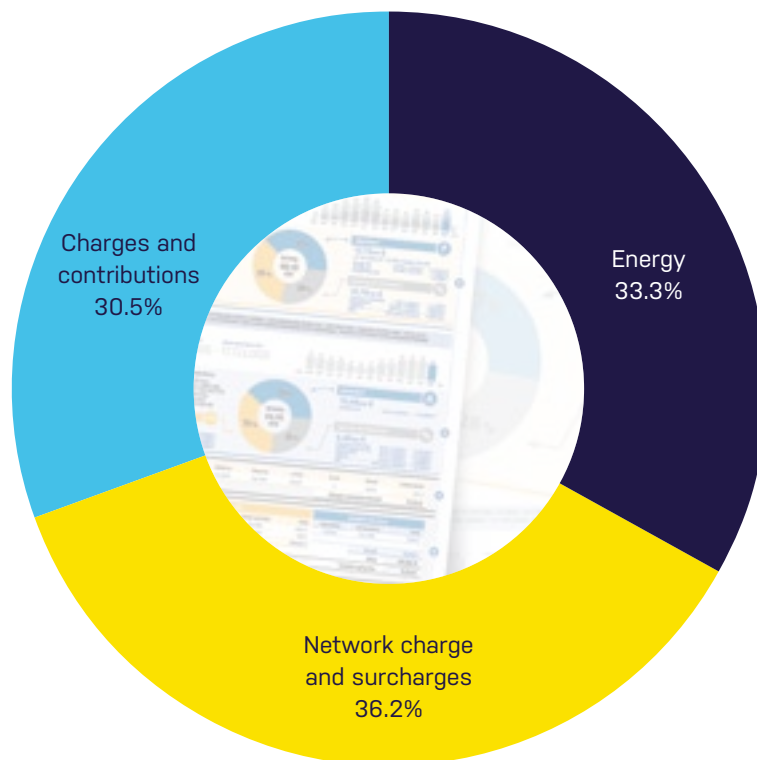
- Contribution for the activity of the market operator;

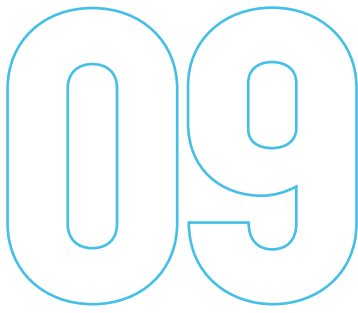
- Excise duties on electricity (determined by the Government of the Republic of Slovenia) and

- VAT (determined by the Government of the Republic of Slovenia).

Source: Energy Agency of the Republic of Slovenia

8.4 Shares of Categories on the Electricity Bill for a Typical Household Customer of the Company Elektro Celje





Organisation and Activities of the

Company Elektro Celje

9.1 Operation and Development of the Distribution Network

The Operations and Development sector performs the following tasks:

- Distribution of electricity,
- Management, control and operation of the distribution network,
- Provision of network development,
- Compliance with systemic operational instructions,
- Management of electricity transmission via the distribution network and exchange with other networks,
- Provision of the optimum restoration of system operations following any faults,
- Coordinated operation of the distribution network with connected networks,
- Provision of systemic protection of the distribution network,
- Conducting operational measurements in the distribution network,
- Conducting measurements and analyses in the field of quality of electricity supply,
- Development of operational statistics.

9.1.1 Development of the Distribution Network

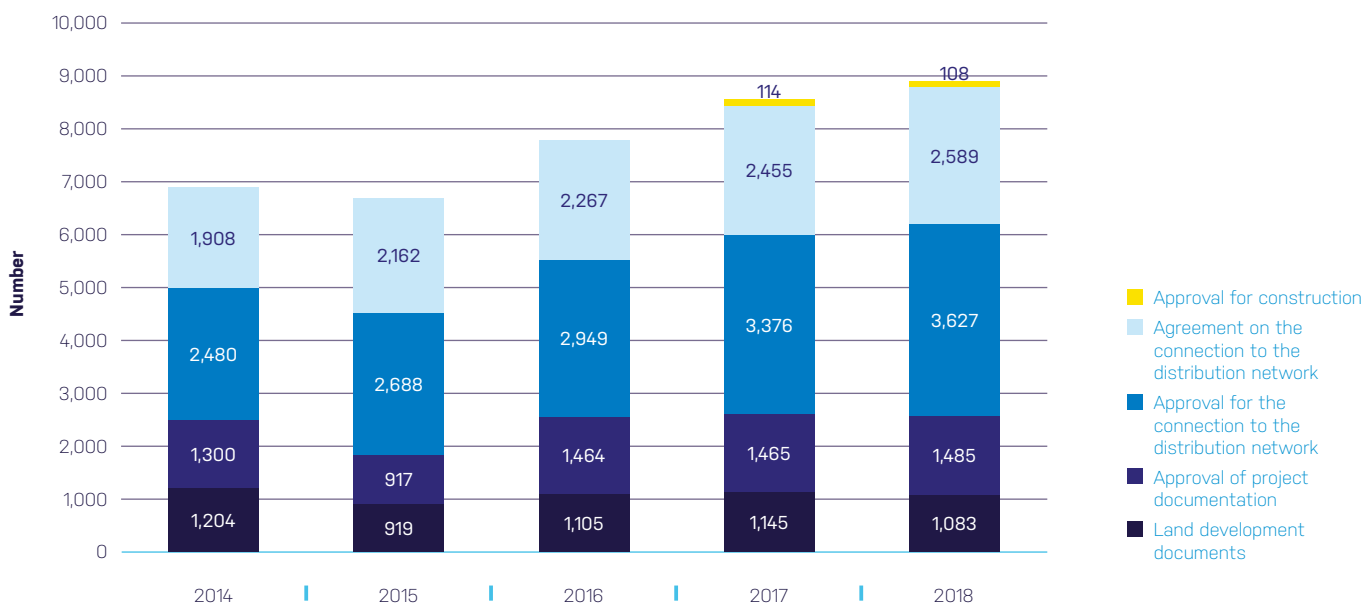
The Development Department issues land development documents and agreements on connection to the distribution network, while also being responsible for

the quality of the electricity supply and network development plans.

9.1.1.1 Land Development Documents

| Number of land development documents issued in 2018 | | | | | | | Total |
|---|---|---|--------------|--------------|---------------|--------------|---------------|
| No. | Type of document | Consumer category | DU Celje | DU Krško | DU Sl. Gradec | DU Velenje | Elektro Celje |
| 1. | Guidelines to the spatial planning document | | 18 | 7 | 11 | 17 | 53 |
| 2. | Opinion on the spatial planning document | | 11 | 18 | 4 | 19 | 52 |
| 3. | Terms of project | | 295 | 363 | 113 | 207 | 978 |
| 4. | Approval of project documentation | | 600 | 152 | 246 | 487 | 1,485 |
| 5. | Approval for construction | | 10 | 79 | 7 | 12 | 108 |
| 6. | Connection approval: | | | | | | |
| | | 0.4 kV up to 41 kW | 284 | 141 | 141 | 206 | 772 |
| | | 0.4 kV over 41 kW | 66 | 30 | 37 | 43 | 176 |
| | | household customers | 682 | 439 | 270 | 496 | 1,887 |
| | | MV (1–35 kV) | 11 | 5 | 5 | 6 | 27 |
| | | distributed energy resources – input | 81 | 92 | 157 | 50 | 380 |
| | | distributed energy resources – output | 103 | 91 | 114 | 48 | 356 |
| | | distributed energy resources – generation | 1 | 22 | 3 | 3 | 29 |
| | | Connection approvals in total: | 1,228 | 820 | 727 | 852 | 3,627 |
| 7. | Connection agreement: | | | | | | |
| | | 0.4 kV up to 41 kW | 196 | 117 | 114 | 134 | 561 |
| | | 0.4 kV over 41 kW | 43 | 21 | 25 | 27 | 116 |
| | | household customers | 468 | 418 | 241 | 408 | 1,535 |
| | | MV (1–35 kV) | 9 | 3 | 3 | 6 | 21 |
| | | distributed energy resources | 94 | 98 | 123 | 41 | 356 |
| | | Connection agreements in total: | 810 | 657 | 506 | 616 | 2,589 |
| Total | | | 2,972 | 2,096 | 1,614 | 2,210 | 8,892 |

Land development documents issued



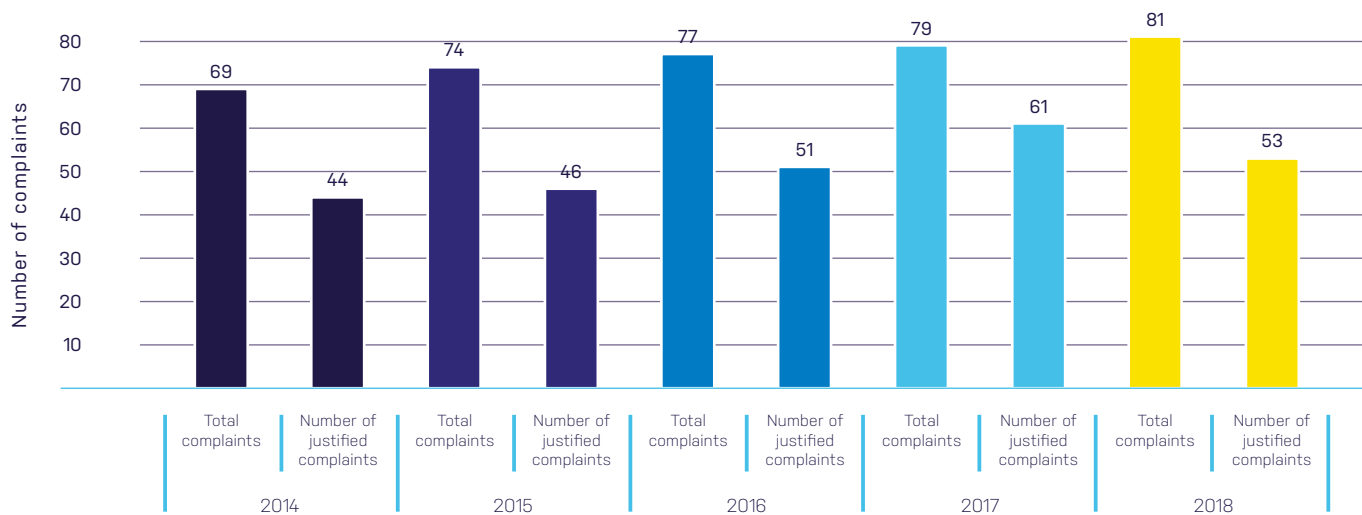
9.1.1.2 Quality of Electricity Supply and Network Development

The Development Department plans the network so as to provide a supply of electricity of adequate quality with the possibility of allowing the connection of new consumers. Every two years, updates are performed in the ten-year Development Plan, which provides the basis for the annual planning of the distribution network. For the purposes of including new, larger customers and distributed energy sources, analyses of the

network are performed with the use of appropriate software.

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

Complaints about power quality



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

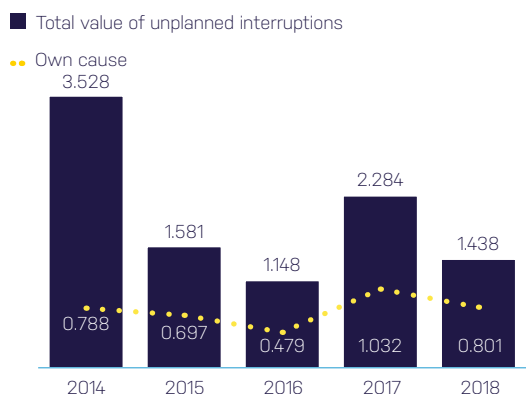
Total values of SAIFI and SAIDI reliability indicators for 2018 at the company's level in view of the cause of interruption are shown below. These indicators show an average number of interruptions and the average duration of supply interruptions per customer.

| SAIFI/SAIDI Reliability indicators | UNPLANNED INTERRUPTIONS | | | | | | PLANNED INTERRUPTIONS | |
|------------------------------------|-------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|-----------------------|-------------------|
| | OWN CAUSE | | THRID-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.) | | |
| Total urban lines | 0.608 | 19.664 | 0.138 | 5.805 | 0.127 | 7.437 | 0.579 | 90.046 |
| Total rural lines | 0.981 | 47.050 | 0.406 | 25.201 | 0.577 | 48.961 | 1.566 | 240.071 |
| Total value | 0.801 | 33.838 | 0.277 | 15.844 | 0.360 | 28.928 | 1.090 | 167.693 |

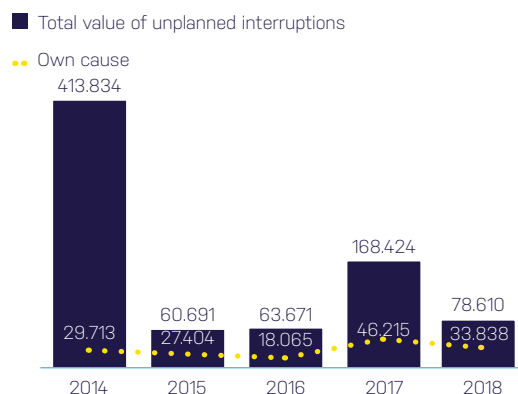
Planned interruptions for the company Elektro Celje for 2018 amounted to:

- The SAIFI indicator: 1.09 interruptions/customer, which is 34.6% more than the average of EDCs (0.81 interruptions/ customer),
- The SAIDI indicator: 167.69 minutes/customer (the average of EDCs is 114.31 minutes/customer).

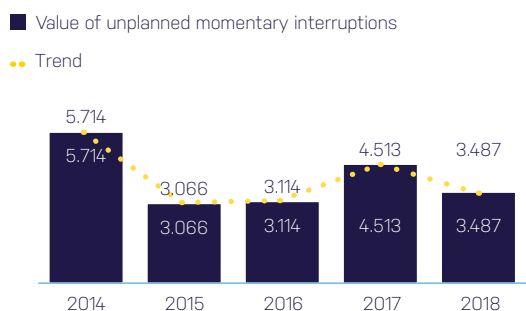
SAIFI – Average number of interruptions per customer



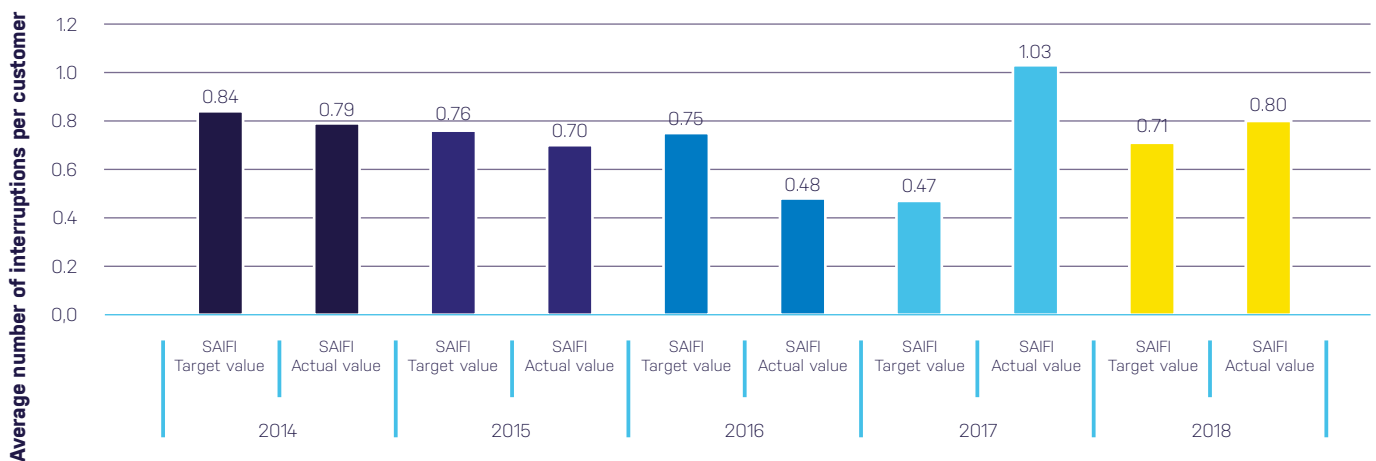
SAIDI – Average duration of interruption per customer in minutes



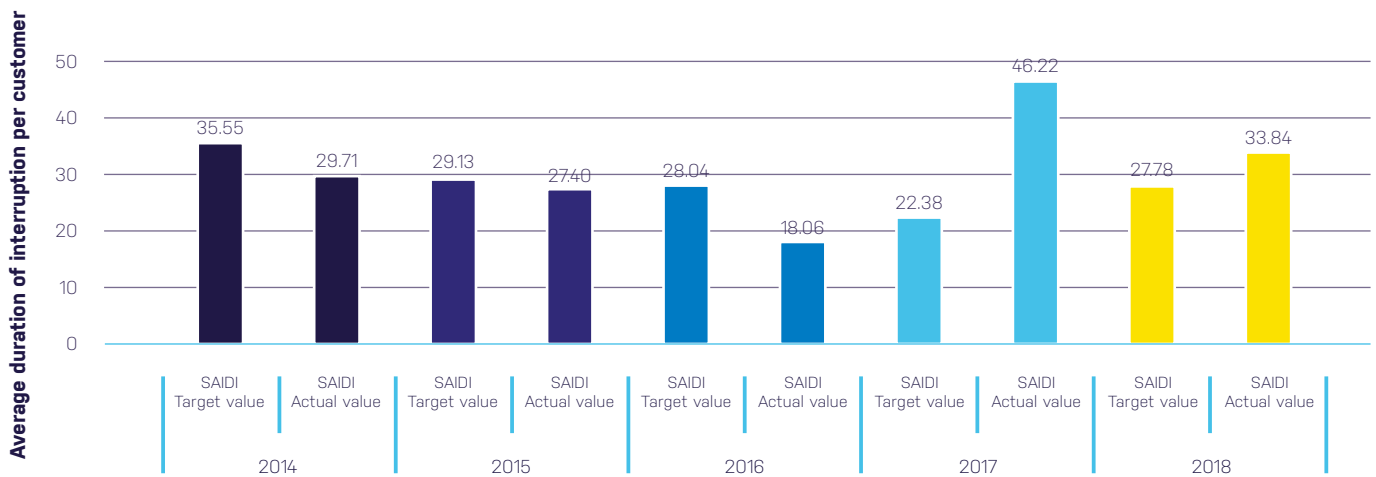
MAIFI – Average number of momentary interruptions per customer



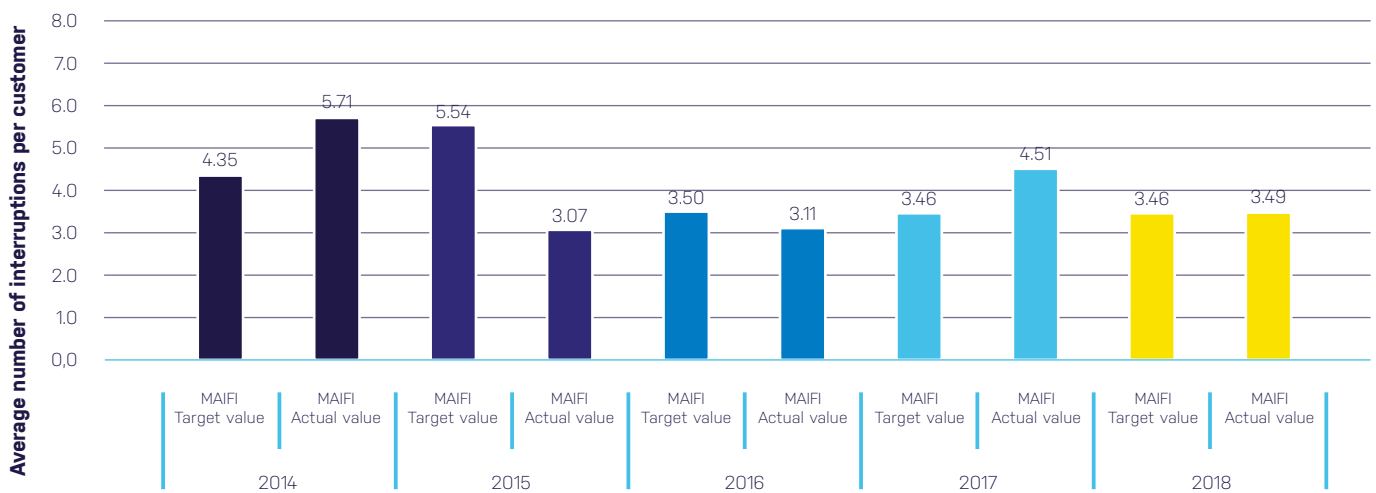
SAIFI value: unplanned interruptions – own cause



SAIDI value: unplanned interruptions – own cause



MAIFI value: unplanned momentary interruptions



9.1.2 Operation of the Distribution Network

The Operations Department includes the Distribution Control Centre (DCC), system engineering and TIS (Technical Information System – GIS).

The key tasks of the Distribution Management Centre are as follows:

- Remote control, management and provision of safe and reliable operation of the entire Distribution Electricity System (DES), more specifically DTSSs, DSs, remote-controlled TSs and RCSs (Remote-Controlled Switchgears) in the entire area of the company Elektro Celje, d.d.,
- Coordination and plan development for DES operation with neighbouring systems,
- Outage and fault analysis and operational statistics' development,
- Coordination of switchgear manipulations for planned and unplanned events in HV and MV networks,
- Dispatching in coordination with ELES's National Control Centre (NCC)

and Regional Control Centres (RCC), as well as the neighbouring Distribution Control Centres (DCC),

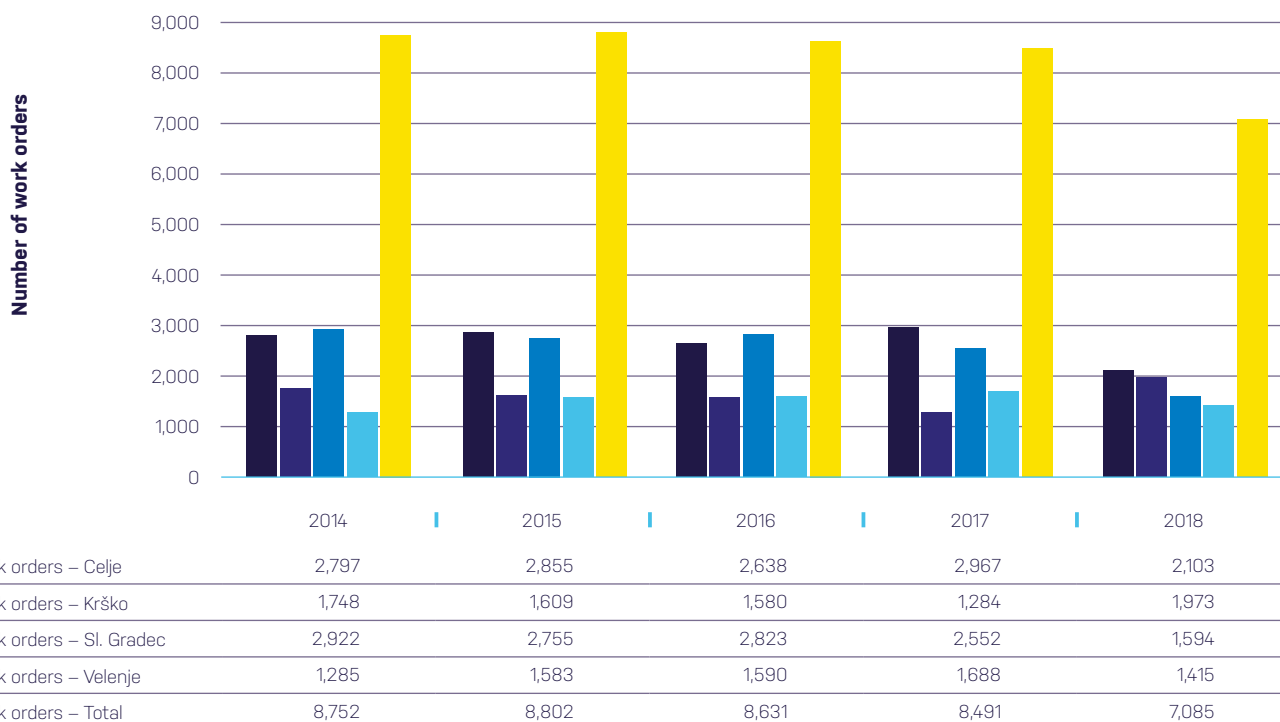
- Development of reports on planned and unplanned events, and recording events' statistics,
- Elaboration of forecasts and analyses of the power distribution network operating conditions,
- Implementation of the measures prescribed for limiting load and consumption,
- Development or confirmation of operating instructions,
- Response to network customer calls outside regular working hours,
- Review and approval of work programmes for planned work on the MV network.

The following two graphs display works performed by individual distribution units on the power distribution network in the 5-year period, broken down by work programmes and work orders.

Work programmes



Work orders



The following activities were performed in the PSI Control System in 2018:

- Arrangement of remote control for new remote-controlled TSs,
- Extensive rearrangement of the network in the area of DU Velenje,
- Arrangement of control of HV and MV cells with the replacement of the secondary equipment,
- Replacement of distance protection relays in 110 kV bays with the arrangement of control,
- Arrangement of control of MV cells DS Mežica,
- NEDO ADVC – modernisation and ADVC tests, back-up protection,
- DTS Mozirje – preparation of communication channels for the recovery of the entire facility,
- Replacement of distance protection relays in 110kV bays of DTS Šentjur with the arrangement of control,
- Siting RCSs in the regular project on the MV network, preliminary tests and start-up,
- Arrangement of remote control TS Šmartno, TS Zavodnja, TS Krmelj etc.,
- Recovery of the field for new control at DTS Krško DES, DTS Sevnica, DTS Rogaška Slatina,
- Arrangement of signalization for detecting contact with the ground at

DTS Podlog DES,

- Arrangement of signalization or neutral point at DTS Žalec,
- Arrangement of data exchange at sections bordering the companies Elektro Ljubljana and Elektro Maribor,
- Participation in the Slovene and Japanese Project (NEDO),
- Developing computer software for acquiring and processing oscillographic data from protection relays,
- Maintenance and editing of the software application Customers (Odjemalci),
- Replacement of the software for the TASE.2 protocol,
- System support for replacing UPS,
- Work performed on the PSIControl system, repair of the process base,
- Creation of the GDPR version of the software Odjemalci, testing and start up,
- Work on preparations for the ADMS project.

The following activities were performed in the DMS/DMO systems in 2018:

- Entry of new facilities in the DMS data model, changes regarding the existing facilities and harmonisation of DTS schemes with the newly drawn ones,
- The connection of new facilities

through the TASE.2 communication protocol with SCADA,

- Project Management of the DMS software tool version 2,
- Updating the information on the LV section of TSs by using the CAT function on a daily basis,
- The organisation of training regarding DMS and OMS at the level of the company Elektro Celje,
- The maintenance of the DMS v2 system linked to the maintenance contract,
- Analysing, reporting and rectifying errors in the DMS/OMS software,
- Preparation of instructions for preparing the planned works, help desk, rectification of deficiencies,
- Maintenance of the video surveillance and anti-theft systems,
- Connecting the anti-theft system to the security and surveillance centre of the company Prosignal at DTS Dravograd, DS Ločica, Sremič and in individual DUs,
- Administration of the DMS software tool comprising testing, sign-in and installation of system corrections,
- Testing outages within the DMO module in the DMS software tool version 2,
- Preparing proposed changes in the DMO module of the DMS software package version 2,
- Providing assistance to users when working with the DMS software tool version 2,
- Preparation of Tender documents for replacing SCADA at DCCs,
- Preparation of Tender documents for upgrading the DMS software tool version 2,
- Preparation and assessment of Tender documents for replacing SCADA at DCCs,
- Preparation and assessment of Tender documents for upgrading the DMS software tool version 2 with ADMS,
- Preparing, organising and conducting design workshops of the common pro-

ject for upgrading DMS and replacing SCADA at DCCs (together with the company Elektro Ljubljana).

The following activities were performed in the GIS/DTD systems in 2018:

- Entering data on electric power equipment into TIS (GIS and, later, also into DTD) and maintaining consistency between them,
- Transmitting data on electric power equipment to other information systems within the company (DMS, SCADA, Advance, Maximo, AX etc.),
- Analysing and preparing data and graphical templates for supporting other business processes,
- Preparing data and taking part in the preparation of reports for external institutions (EAgem, DNSO etc.),
- Recording the electric power equipment with manual GPS devices,
- Management and maintenance of the GIS system,
- Updating single-line diagrams of TSs,
- Ordering third-party surveying services and managing the archives of received surveying snapshots,
- Exchanging data with GURS (The Surveying and Mapping Authority of the Republic of Slovenia) in the field of the consolidated cadastre of public service infrastructure,
- Preparing and forwarding network data to external clients.

Data on electric power equipment was recorded in 2018. A great deal of time and energy was put into updating single-line diagrams of TSs, providing the preconditions for approving work programmes, in a timely and qualitative manner. We took part in the preparation of initiatives for new investments, where by drawing and entering the planned new routes determined by the expert technical commission, the basis for preparing Terms of Reference (TORs) is prepared.

9.1.3 Protection and Remote Control

In 2018, we carried out functional tests of protection and control, statutory measurements, voltage tests on HVUCs and LVUCs, cable casing tests, detection of faults at MV and LV UCs, measurements of electricity quality, as well as data capture from the electricity monitoring system on our equipment.

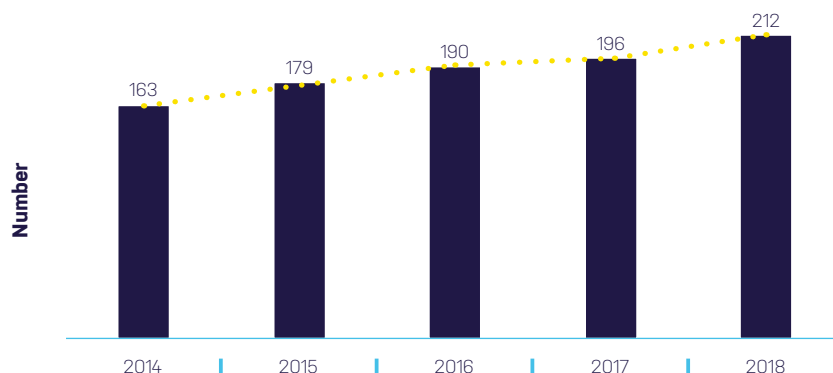
Regular maintenance and replacement of the RUPS uninterruptible system at DS Mežica and DTS Rogaška Slatina, as well as the batteries at DTS Laško, DTS Velenje, DS Liboje and DS Mežica contributed to a more reliable operation.

Within the scope of the NEDO project,

13 sets of RCSs were installed and 9 transformer substations automated. Three new RCSs were installed, 7 RCSs replaced due to wear and 4 transformer

substations automated. Regular maintenance of RCSs and secondary testing of protection contributed to a more reliable operation of the MV network.

Number of remote-controlled switchgears



The following was realised in 2018 in addition to that:

- DS Mežica: The renovation and upgrading of the switchyard were completed, with protection tests performed, and the remote-control system SCU810 (Iskra) replaced with the unit COM615 (ABB).
- DTS Šentjur: start-up tests were performed with the replacement of the primary and secondary equipment of the OPL bay 110 kV Rogaška Slatina and OPL bay 110 kV Lava,
- DTS Sevnica: start-up tests were performed with the replacement of the primary equipment for the OPL bay 110 kV Boštanj and OPL bay 110 kV Blanca,
- DTS Krško DES: start-up tests were performed with the replacement of

the primary and secondary equipment for the OPL bay 110 kV Krško and OPL bay 110 kV HPP Krško,

- DTS Brestanica and DTS Slovenj Gradec: the concept of Petersen coils was unified,
- DTS Podlog: the COM615 remote control system was replaced with the SYS600 (ABB) system, Two MV cells were equipped with protection relays,
- DTS Podplat: the SCU810 (Iskra) remote control system was replaced with the COM615 (ABB) unit, with the secondary equipment of MV lines also replaced,
- DTS Mokronog: the recovery of two MV lines which were equipped with protection relays began. Start-up tests will be implemented in 2019.

9.1.4 Telecommunications

The Telecommunications Department is responsible for the following four main telecommunication networks or systems: An optical network, the IP/MPLS Ethernet network in several redundant 1 GB/10GB 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.

In addition to the systems referred to, the Telecommunications Department is also fully responsible for the technical administration of the mechanical mechanisms, with the support of software

mechanisms for cybersecurity and information security, a microwave connection system, the corporate video conference system and the WiFi wireless network. The Department is also responsible for marketing surplus telecommunication capacities through the company Stelkom, and for renting the remaining TC infrastructure (TC premises, TC towers, collocations, cable ducts for optics etc.).

In 2018, the majority of funds was allocated for the integration of cybersecurity in the business and process network segment. Half of the network represented by the Ethernet SG ring was upgraded to

the IP/MPLS mode, which consequently enabled the installation of cybersecurity elements functioning through MPLS network services. The systems installed will enable cyber protection of power facilities and the encryption of data between power facilities and the distribution management centre. Cybersecurity, which is becoming increasingly important, is also

very complex, as it requires the mastering of advanced tools and knowledge, as well as constant investment in hardware, software and licences. Consequently, it has to be ensured that employees are suitably qualified for mastering cybersecurity systems, in the sense of training at suppliers, integrators and manufacturers of equipment.



TC facility Rahtelov vrh
Author: Dušan Juvan



Hanging optical cable in the direction towards Bizeljско
Author: Davor Lipej

9.1.5 Access to Network and Metering

At the end of 2018, 1,556 electricity producers were connected to the distribution network of the company Elektro Celje, d.d.

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

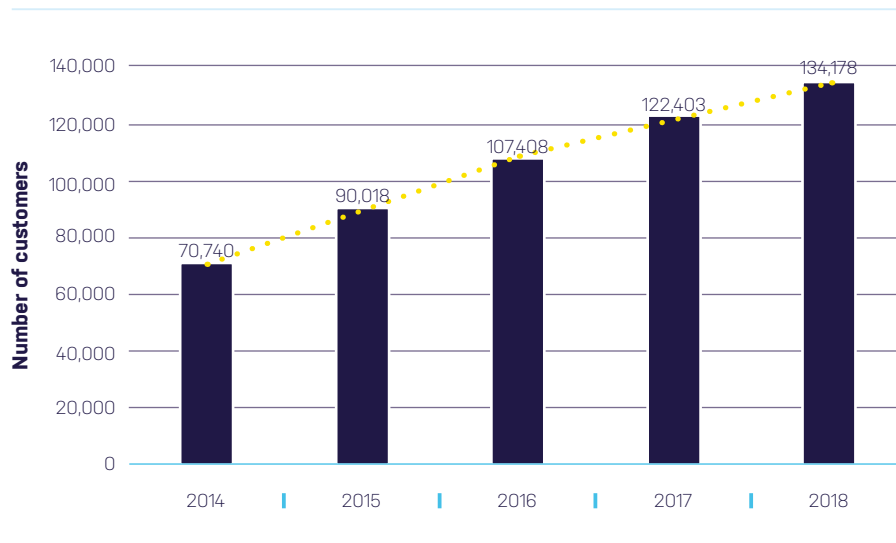
In 2018, 10,137 customers from the distribution area of the company Elektro Celje,

d.d. switched to another electricity supplier, which is 2,959 less than in 2017.

At the end of 2018, 1,556 electricity producers were connected to the distribution network of the company Elektro Celje, d.d. (with 270 connected in 2018). In the remote metering system, there are 2,493 concentrators installed in TSs, representing 65.6% of all TSs, and 2,870 control meters, representing 75.4% of all TSs, while 134,178 customers (78% of all customers) are already charged by actual consumption of electricity.

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

Charging electricity by actual consumption



9.1.5.1 Energy Balance Sheet

9.1.5.1.1 Input (Production) Balance

In 2018, the total input of electricity into the distribution network of the company Elektro Celje, d.d., amounted to 2,098,294 MWh.

In 2018, the total input of electricity into the distribution network of the company Elektro Celje, d.d., amounted to 2,098,294 MWh, which is 0.3% more than in 2017, while maximum peak load reached a limit of 341 MW in March 2018. The total amount of electricity distributed to customers connected to the

distribution network of the company Elektro Celje, d.d. (use of network) in 2018 amounted to 2,006,905 MWh, which is 0.3% more than in 2017. The percentage of input from the transmission network increased by 0.3%, from 1,922,865 MWh in 2017 to 1,928,955 MWh in 2018.

| Input and output (generation and consumption) balance | 2014 in MWh | Share in % | 2015 in MWh | Share in % | 2016 in MWh | Share in % | 2017 in MWh | Share in % | 2018 in MWh | Share in % |
|---|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Transmission network | 1,809,644 | 91.89 | 1,861,240 | 91.93 | 1,868,970 | 91.61 | 1,922,865 | 91.90 | 1,928,955 | 91.93 |
| Power producers | 143,781 | 7.30 | 143,688 | 7.10 | 152,298 | 7.46 | 150,134 | 7.18 | 149,636 | 7.13 |
| Unregulated supply | 16,005 | 0.81 | 19,719 | 0.97 | 19,032 | 0.93 | 19,337 | 0.92 | 19,703 | 0.94 |
| Total input into the distribution network | 1,969,430 | 100 | 2,024,647 | 100 | 2,040,300 | 100 | 2,092,336 | 100 | 2,098,294 | 100 |
| Total supply (output) of electricity | 1,868,300 | / | 1,928,787 | / | 1,944,411 | / | 2,001,430 | / | 2,006,905 | / |
| Unregulated supply (output) | 518 | / | 4 | / | 66 | / | 19 | / | 55 | / |
| Losses | 100,613 | 5.39 | 95,857 | 4.97 | 95,823 | 4.93 | 90,886 | 4.54 | 91,334 | 4.55 |

4.55%

Electricity losses in the distribution network were 4.55%.

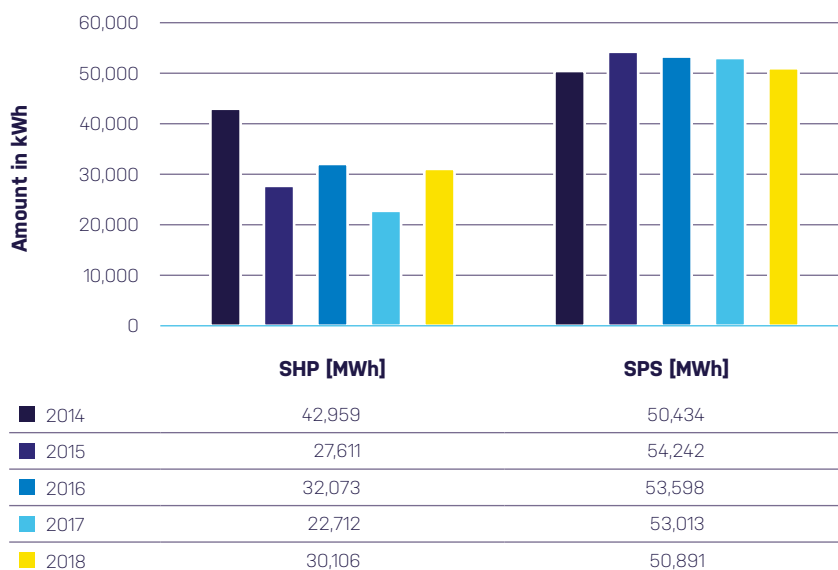
Electricity losses in the distribution network increased from 4.54% in 2017 to 4.55% in 2018, calculated in compliance with the Act Determining the Methodology for the Calculation of Network Charge. The considerable decrease of losses from previous years is a result of measurement of commercial losses, which include losses due to metering errors, inaccuracy of metering devices, unregistered consumption, unjustified consumption, and other unforeseeable

events in the operation of the power distribution system. The reason for lower commercial losses of electric energy in 2018 is, particularly, more frequent controls of metering points and a higher share of remote metering points. The measures to reduce commercial losses of electricity include the implementation of AMI systems. In fact, remote metering systems simplify our work, while allowing us to perform it more accurately.

The year 2018 was wetter compared to 2017. Electricity generation at SHPs in-

creased by 32.6%, with electricity generated at SPSs decreasing by 4%.

Annual electricity generation at SHPs and SPSs



In comparison to the previous year, the number of newly connected small power plants increased. The reason lies in the adoption of the Decree on Self-supply of Electricity from the Renewable Energy Sources (Official Gazette of the Republic of Slovenia, no. 97/15) establishing measures to promote the consumption

of electricity generated from renewable sources by means of self-supply devices. In 2018, 266 new solar power stations, 1 wind farms and 3 gas-fired power plant were connected. The total number of power plants connected to the distribution network of the company Elektro Celje, d.d. in view of energy source:

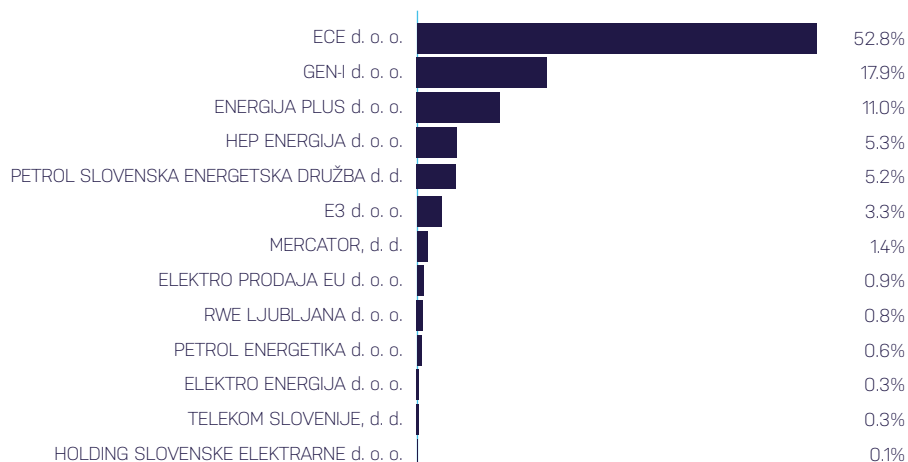
| Energy source | | | | | |
|---------------|-------|---------|-----|------|-------|
| Sun | Water | Biomass | Gas | Wind | Total |
| 1.331 | 126 | 10 | 86 | 3 | 1,556 |

9.1.5.1.2 Electricity Suppliers

ECE and GEN-I hold the largest market shares among electricity suppliers,

52.8% and 17.9%, respectively, while shares of other suppliers are smaller.

Electricity suppliers



9.1.5.1.3 Electricity Consumers

The number of consumers connected to the distribution network of the company

Elektro Celje, d.d. is shown in the Tables below:

| Number of electricity consumers | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Business customers | 19,877 | 19,929 | 20,021 | 20,147 | 20,362 |
| Household customers | 149,537 | 150,077 | 150,667 | 151,193 | 151,770 |
| Total | 169,414 | 170,006 | 170,688 | 171,340 | 172,132 |

| End consumers by category | Number | % |
|---------------------------|----------------|----------------|
| MV | 296 | 0.2 % |
| LV with measured power | 2,376 | 1.4 % |
| LV without measured power | 17,686 | 10.3 % |
| Households | 151,770 | 88.2 % |
| Charging EV on AC | 4 | 0.0 % |
| Total | 172,132 | 100.0 % |

9.1.5.2 Metering Devices

At the end of 2018, the number of customers billed on the basis of actual electricity consumption was 134,178.

In 2018, we continued with the installation of meters that allow remote transmission of data via different communication channels. By the end of the previous year, 149,018 such meters were installed, representing 86.6% of all customers connected to the distribution network of the company Elektro Celje, d.d. At the end of 2018, the number of customers billed on the basis of actual electricity consumption was 134,178.

The benefits of introducing the remote meter reading system are: Lower costs of meter reading, fewer errors in data reading and transfer, improved cash-flow, possibility of data transfer services for third parties (gas, water etc.), two-way communication, fewer customer complaints, better overview over power consumption and network operation, easier error detection, higher quality analyses, and implementation of measures for efficient energy use.

9.1.6 Network Charge Calculation

Pursuant to the agreement with SODO, the company Elektro Celje, d.d. 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 89,963,417, which is 1.5% more than in 2017.

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

| Services of the network charge department | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---------|---------|-----------|-----------|-----------|
| Agreements on access to the distribution network | 11,924 | 15,463 | 13,658 | 14,477 | 12,214 |
| Manual meter reading – annual reading | 99,528 | 85,511 | 71,341 | 52,701 | 50,673 |
| Manual meter reading – monthly reading | 82,154 | 62,502 | 44,189 | 25,988 | 20,745 |
| Remote meter reading – household and business customers | 752,845 | 947,066 | 1,172,177 | 1,401,387 | 1,531,041 |
| Manual meter reading due to change of supplier | 2,729 | 4,847 | 6,570 | 4,374 | 2,630 |
| Remote meter reading due to change of supplier | 1,892 | 4,101 | 8,949 | 8,722 | 7,507 |

We are bound by the Act Concerning the Reporting of Data on Quality of Electricity Supply, issued by the Energy Agency of the Republic of Slovenia, to monitor some activities that provide quality provision of services for electricity consumers in the distribution area of the company Elektro Celje.

The following events are recorded for monitoring commercial quality indicators:

- The time required for response to written inquiries, complaints and user requests,

- The time required to resume electricity supply at a metering point after the conditions for such resumption have been met,
- The time required to repair a meter fault,
- Number of meter readings in a year according to the type of schedule (annual, monthly),
- Time of call-hold at the Call Centre,
- Call Centre service level indicator.

9.2 Maintenance and Engineering

In addition to network maintenance and planning and implementation of investments, the Maintenance and Engineering Sector provides its customers with a complete range of services involving the construction, reconstruction, maintenance and servicing of power-generating

facilities and devices at the MV and LV levels. These tasks are carried out by the distribution units of Celje, Krško, Slovenj Gradec and Velenje and their respective control units and electrical installation teams, and by the Engineering Service.

9.2.1 Maintenance

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

by control units. Technical and other documentation for the requirements of regular and investment maintenance is provided in cooperation with technical operations at the distribution units; also, arrangements are made with property owners and customers regarding the performance of works and interruptions

in electricity supply. Maintenance teams are in charge of the performance of investment and maintenance works of public benefit.

The Tables below show the data on the amount and value of maintenance of electricity infrastructure by type of assets and work for 2018.

| Maintenance by type of asset and work (physical realisation) | Type of work | Unit of measure | DU CELJE | DU KRŠKO | DU SLOVENJ GRADEC | DU VELENJE | TOTAL ELEKTRO CELJE |
|--|--------------|-----------------|----------|----------|-------------------|------------|---------------------|
| 110 kV infrastructure | | | | | | | |
| HV overhead power lines | inspection | km | 63 | 24 | 0 | 15 | 102 |
| | removal | km | 12 | 1 | 0 | 5 | 18 |
| DTS 110/MV kV, DS 110 kV | inspection | number | 72 | 58 | 48 | 48 | 226 |
| | revision | number | 148 | 18 | 45 | 70 | 281 |
| MV infrastructure | | | | | | | |
| MV overhead power lines | inspection | km | 852 | 866 | 444 | 615 | 2,776 |
| | removal | km | 200 | 48 | 110 | 152 | 510 |
| MV underground cables | inspection | km | 122 | 46 | 22 | 205 | 395 |
| DTS MV/MV, DS MV with control and protection | inspection | number | 46 | 14 | 26 | 59 | 145 |
| | revision | number | 40 | 29 | 25 | 38 | 132 |
| TS MV/0.4 kV, TS MV/0.95 kV, TS 0.95/0.4 kV | inspection | number | 1,060 | 1,015 | 774 | 842 | 3,691 |
| | revision | number | 280 | 234 | 248 | 211 | 973 |
| LV network | inspection | km | 1,128 | 859 | 348 | 677 | 3,012 |
| | removal | km | 133 | 16 | 48 | 134 | 332 |

| Maintenance of electricity infrastructure by type of asset (financial realisation) | TOTAL ELEKTRO CELJE | | |
|--|---------------------|----------------|----------------|
| | Material | Storitve | Ure |
| HV overhead power lines | 4,105 | 44,183 | 5,802 |
| HV underground cables | 0 | 0 | 7 |
| DTS 110/MV kV, DS 110 kV | 26,841 | 228,440 | 21,686 |
| Total 110 kV infrastructure | 30,946 | 272,623 | 27,494 |
| MV overhead power lines | 55,979 | 418,164 | 60,827 |
| MV underground cables | 6,786 | 18,282 | 9,845 |
| DTS MV/MV, DS MV (with control and protection) | 3,661 | 22,582 | 7,776 |
| TS MV/0.4 kV, TS MV/0.95 kV, TS 0.95/0.4 kV | 101,680 | 41,529 | 57,663 |
| Total MV infrastructure | 168,106 | 500,556 | 136,111 |
| LV network | 232,656 | 156,850 | 109,202 |
| Total LV network infrastructure | 232,656 | 156,850 | 109,202 |
| TOTAL MAINTENANCE OF LINES AND DEVICES | 431,708 | 930,029 | 272,807 |

The Table does not include the costs of material, services and hours of work performed for:

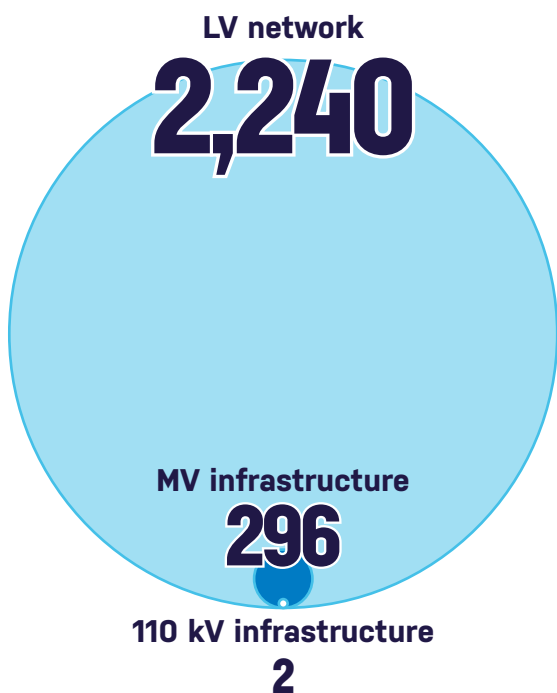
- organisation and provision of emergency services,
- management-operation and process management,
- TC support and operation of protective devices.

In 2018, 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. Extreme weather conditions in October, November and December aggravated the indicators of interruptions or faults. We re-

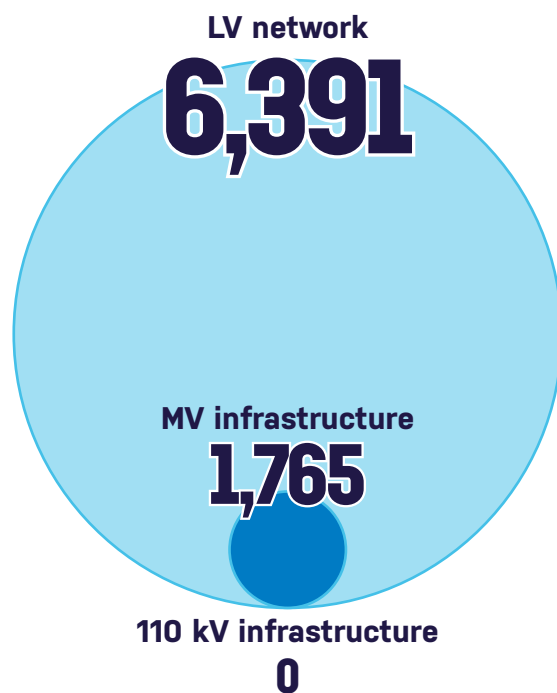
corded 384 loss events.

Strong wind accompanying extreme weather conditions caused the greatest extent of faults in the network in early November. The damage was the worst in the area of the distribution unit Slovenj Gradec (Črna na Koroškem – Koprivna).

Number of interruptions



No. of hours required to repair the faults



In the area of **DU Celje**, the number of interruptions on the MV infrastructure decreased from 66 to 57 (by 13.6%) compared to the previous year, with the time required to repair them decreasing by 68.8%. The number of interruptions on the LV network compared to 2017 rose from 1,398 to 1,416 (by 1.3%), and the time required to repair them decreased by 45.6%.

In the area of **DU Krško**, the number of interruptions on the MV infrastructure (59) is similar to that of 2017 (61), with the time required to repair them decreasing by 52.6%. The number of faults on the LV infrastructure also decreased from 282 to 198, with the time required to repair them also decreasing (from 931 to 729 hours).

In the area of **DU Slovenj Gradec**, the number of interruptions on the MV infrastructure (51) was also similar to that of

2017 (48). Since the faults were minor, the time to repair them decreased from 1,447 to 657 hours. The number of interruptions on the LV network decreased from 232 to 158 (by 31.9%) compared to the previous year, with the time required to repair them also decreasing (by 13.9%).

In the area of **DU Velenje**, the number of interruptions on the MV infrastructure increased from 92 to 129 (by 40.2%), with the time required to repair them decreasing (from 1,934 to 399 hours), as these were minor faults. The number of interruptions on the LV infrastructure increased from 450 to 468 (by 4%), with the time necessary for their repair decreasing (by 29.8%).

In 2018, we replaced 25 transformers due to the increased capacity, and 36 due to faults and wear. We also restored 789 LV connections.

| Electricity distribution infrastructure owned by Elektro Celje, d.d. as of 31 December 2018 | DU Celje | DU Krško | DU Slovenj Gradec | DU Velenje | Total Elektro Celje |
|---|----------|----------|-------------------|------------|---------------------|
| Number of DTSSs | 6 | 4 | 4 | 4 | 18 |
| Number of DSs | 4 | 5 | 3 | 4 | 16 |
| Number of TSs | 997 | 955 | 729 | 833 | 3,514 |
| 110 kV OPL (km) | 62 | 22 | 0 | 7 | 91 |
| MV OPL (km) | 708 | 810 | 437 | 644 | 2,598 |
| MV UC (km) | 286 | 255 | 202 | 260 | 1,003 |
| 0.4 kV LV network (km) | 4,058 | 3,544 | 2,499 | 3,081 | 13,182 |

9.2.2 Engineering

The Engineering Department performs the planning, control and targeting of investments in the company, and drafts project documentation until the building permit is obtained (PD – conceptual design, BD – basic design), project documentation for the execution of the works (DD – detailed design), preliminary designs (PDs) and project documentation for completed works (AD – as-built design) for newly constructed and renovated MV/LV transformer stations, MV and LV connection lines, relocations and revisions of power distribution lines and equipment, mechanical protection of lines, etc. Employees devote considera-

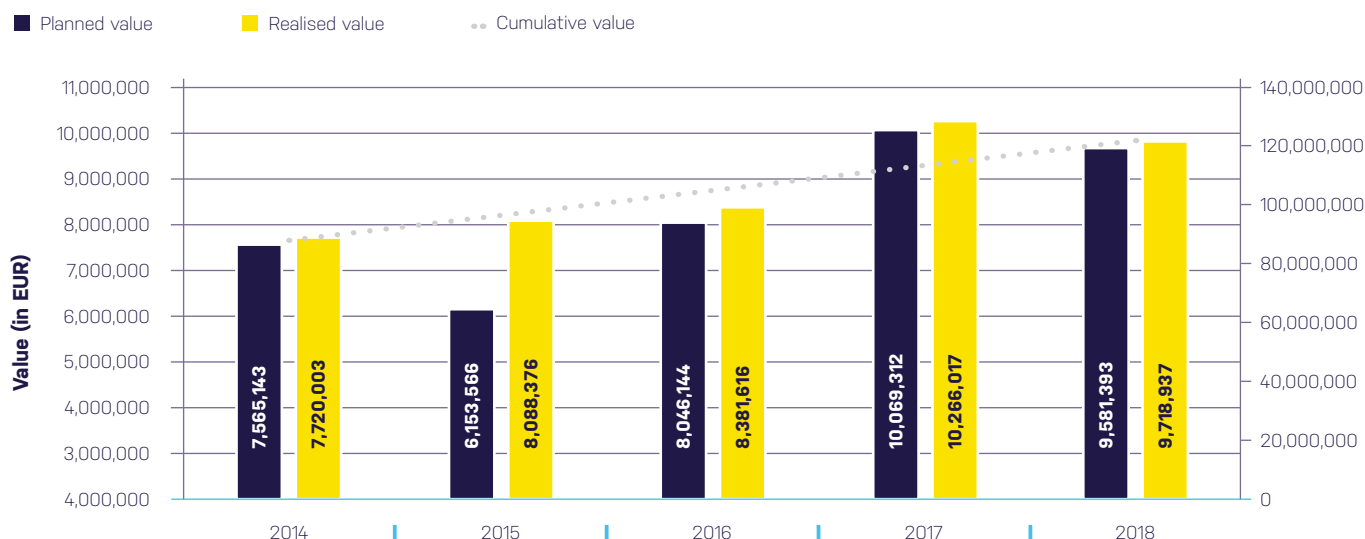
ble attention and time to the integration of facilities in the environment, impacts on the environment, matters related to Land Law, coordination regarding electrical power line routes and the location of electricity installations with land-owners, obtaining data on land-owners, preparation and conclusion of Agreements on Easement and determining Easement compensations. The employees manage investments for new MV and LL infrastructure, and new DTSSs or DSs from preparing the ToR to the integration of the new facility in the operation or fixed asset mobilisation.

9.2.2.1 Design

The total investment value of completed project documentation for obtaining a building permit (BD, DNZO) and project

documentation for the execution of the works DD in 2018 amounted to EUR 9,718,937.

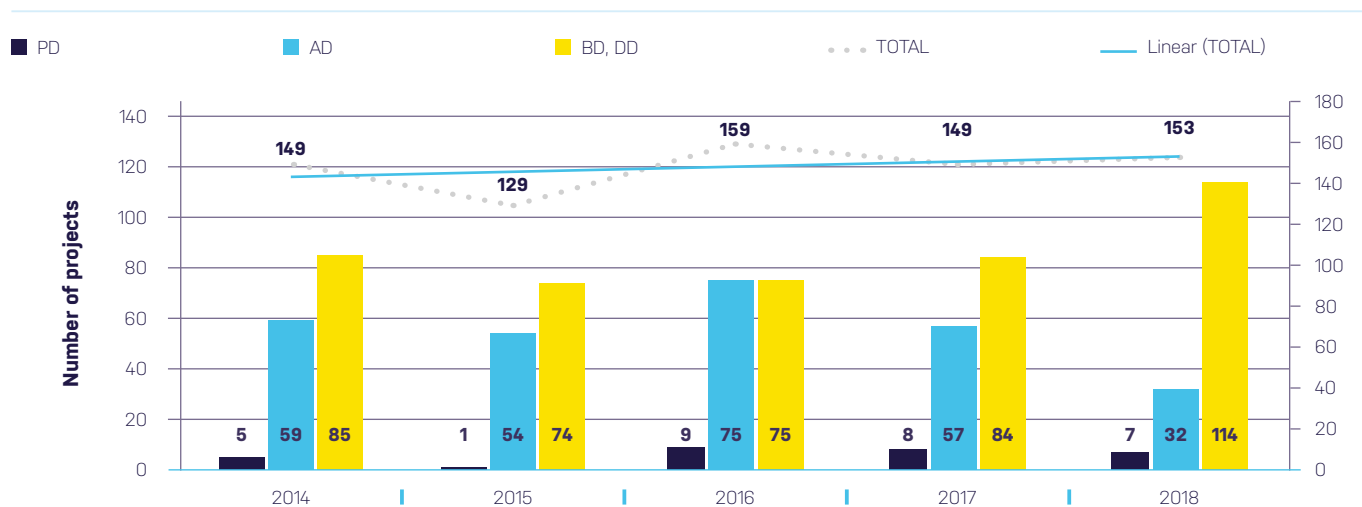
Plan and realisation of completed projects according to estimated value of investment



In 2018, a total of 153 designs were prepared, of which 61 were developed for

third-party customers (46 BDs (DNZOs) and (or) DDs, 8 ADs and 7 PDs).

Number of projects completed by year



In 2018, 381 contracts on easement were acquired and 337 appraisals of easement compensations drafted. There were 63 landowners' consents obtained and 32 contracts on building rights concluded. There were 42 agreements on

compensation for damage caused after completed construction drawn up, and 193 claims for payment of compensations under the signed contracts on easement settled.

9.2.2.2 Investments

In 2018, investments amounted to EUR 23,669,548 (the value of acquisitions stated in the Tables of Intangible Assets and Tangible Fixed Assets in 2018, minus the value of Tangible Fixed Assets acquired free of charge), which is equivalent to 107.6% of the annual plan of EUR 22,000,000. The investments were financed with own depreciation assets in the amount of EUR 5,541,083, other own sources in the amount of

EUR 8,128,465, and loans in the amount of EUR 10,000,000. The value of Fixed Assets acquired free of charge in 2018 amounted to EUR 248,412. The plan was exceeded due to the urgent renovation of lines required to eliminate the consequences of wind damage as well as favourable weather conditions in autumn resulting, in an increased number of facilities realised.

| Realisation of investments in 2018 | Plan | Achieved | Achieved Plan |
|---|-------------------|-------------------|----------------|
| New MV and LV structures | 8,151,000 | 9,977,679 | 122.4 % |
| Replacement, increase of capacity and refurbishment | 5,479,000 | 6,635,622 | 121.1 % |
| Other energy investments | 4,648,000 | 4,778,214 | 102.8 % |
| Non-energy investments | 3,722,000 | 2,278,034 | 61.2 % |
| TOTAL | 22,000,000 | 23,669,548 | 107.6 % |

New MV and LV infrastructure

We constructed 24 new TSs (20/0.4 kV), 1 km of MV overhead power lines, 90.5 km of MV underground cables, and 38.1 km of LV underground cables. The annual plan was exceeded due to the urgent re-

alisation of the facilities required to eliminate the consequences of wind damage. Wind damage affected mainly the Upper Savinja Valley and parts of the Koroška region. The cabling of OPL 20 kV Logarska dolina alone in a length of approx. 18

km represents an investment of approximately EUR 1.7 million.

Renovation, replacement, and an increase of capacity

The actually used funds were intended for remediation of damaged lines and other infrastructure, replacement of cables, utility poles with relevant equipment, disconnectors, overhead power lines, construction of replacement MV underground cables, replacement of LV cabinets, overvoltage conductors, refurbishment of the building or MV equipment at transformer substations, replacement of utility poles for overhead LV power lines and underground cabling of the LV network. We remedied 28.1 km of MV overhead power lines, 10.5 km of MV underground cabling, 151.7 km of the LV network, replaced MV switching blocks at 43 TSs and LV switching blocks at 33 TSs, and replaced 747 MV and 1,145 LV utility poles. The realisation exceeded the plan due to favourable weather conditions mainly in autumn when more facilities were realised than planned.

Other energy and non-energy investments

are defined in the Review of Major Investments in 2018..

Review of major investments in 2018 OPL 2 x 110 kV DTS Ravne – DTS Mežica

The Municipality of Prevalje did not confirm the Municipal Detailed Spatial Plan (MDSP) in 2016. Thus, we commenced with the process of NSP as early as in 2017. The process continued in 2018. The initiative to launch the process for implementing the NSP was submitted to the Ministry of Economy.

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

A draft NSP was prepared.

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

A portion of the construction works of the facility was implemented, with an invitation to tender for the 110 kV GIS and MV switchyard made.

DS Ločica

The facility was realised according to plan with concluding works underway.

DTS 110/20 kV DTS Brestanica

TR boxes were closed with doors and a

net for protection against birds. The upgrade of the Petersen's coil system was also completed.

DTS 110/20 kV Krško

The primary and secondary equipment for the OPL bay was replaced.

DTS 110/20 kV Laško DES, DS Liboje

AKU batteries were replaced.

DTS 110/20 kV Žalec

The upgrade of the Petersen's coil system began.

DTS 110/20 kV Podlog

Two MV cells were equipped with protection and control for the planned 20 kV lines DS Ločica.

DTS 110/20 kV Rogaška Slatina

RUPS was replaced and the replacement of the primary equipment of the HV OPL bay began.

DTS 110/20 kV SI. Gradec

The connecting and measurement cells were transformed with the upgrade of the Petersen's coil system completed.

DTS 110/20 kV Sevnica

The façade was renovated, the roof replaced and the driveway paved. The primary equipment for the OPL bay was replaced.

DTS 110/20 kV Šentjur

The primary equipment for the OPL bay and distance protection at 110 kV OPL bays were replaced.

DTS 110/20 kV Velenje

AKU batteries were replaced. The primary and secondary equipment for the OPL bay is underway.

OPL 110 kV DTS Rogaška Slatina – DTS Cirkovce

The implementation of anti-corrosion protection of lattice masts began.

DS Mežica

The secondary equipment, management systems, RUPS and AKU batteries were replaced.

DS Mokronog

The equipping of two MV cells began. The investment is currently being completed.

DS Podplat

The revision of the MV switchyard and the control space began in 2018. The revision will be finished completely in 2019 when the RUPS will be replaced as well. The secondary equipment and management systems were replaced.

Metering Devices

In 2018, regular and extraordinary substitution activities included the replacement of 20,243 meters, allowing 11,775 additional network users to be billed on the basis of actual electricity consumption. The plan of investments in metering control devices in 2018 amounted to EUR 1,600,000, with realisation amounting to EUR 1,542,627 (96.4%); the entire investment was implemented in our own work.

Telecommunication network

Investments in the TC network are specified in detail in Section 9.1.4.

A contract for the provision of services was concluded with external contractors in 2018. Consequently, we purchased a large amount of the underground and self-supporting ADSS optical cables, fibre optic closures, and modules for implementing current projects related to the construction of the optical network. Several ADSS and UOC (underground optical cable) optical routes were realised in the area of all four distribution units.

MV network automation

Investments are specified in detail in Section 9.1.3.

DCC

An invitation to tender for a new SCADA was made in 2018, with a contract for the supply of the new SCADA and ADMS v3 subsequently signed with the company SE Slovenija. The planned funds for the investments were used in their entirety.

Business data processing

In 2018, the use of the Microsoft Dynamics (AX) ERP and IBM Maximo (MX) EAM systems began, with the systems upgraded in the same year. The purchase of new server equipment enabled

the modernisation of the back-up data centre in Dravograd. Additional server licences were purchased for the needs of ADMS (Advanced Distribution Management System).

The following activities were also performed:

- The introduction of the AX system for managing the audit trail of access to personal data (at the company Informatika d.d.),
- Some upgrades of eIS (charging peak power, metering control devices in relation to MX),
- Introduction of the GIS – MX integration,
- Introduction of the first part of the central data warehouse (CDWH),
- Purchase and replacement of the obsolete firmware.

Business premises and inventory

Landscaping was implemented in individual distribution and control units (rehabilitation of cracks in the yards and drawing-up of ground markings), with "panic buttons" installed and the garage doors replaced. Decrepit inventory and equipment in the business premises of individual services as well as in holiday facilities by the sea, in spas and in the hills were replaced.

Means of transport

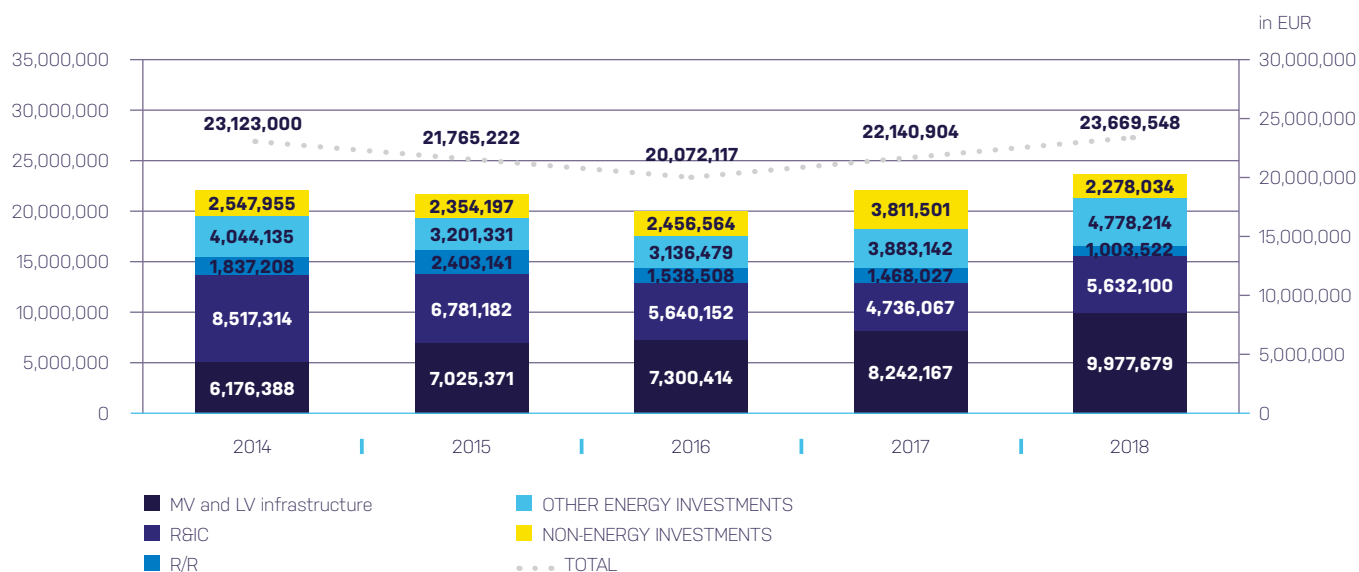
In 2018, 5 passenger vehicles, 10 goods vehicles with a load capacity of up to 3.5 t (one of which a special vehicle purchased for performing measurements), 1 trailer and 3 goods vehicles with a load capacity of above 3.5 t were purchased based on an executed public contract.

Ecology investments and major and small tools

Cabinets for environmentally safe storage of gas cylinders were purchased at the locations of the Control Units Mestinje, Lava, Selce and DU Slovenj Gradec in 2018. The purchase and replacement of small tools were carried out in accordance with the requirements of distribution units.

The graph below presents the value and structure of investments for the period from 2014 to 2018.

Value and structure of investments



9.2.3 Marketing Services of the Company Elektro Celje

Marketing services in the company Elektro Celje are classified into several groups:

- Project preparation,
- Construction and electric installation works,
- Maintenance of third-party devices,
- Various measurements for customers,
- Other works in non-energy marketing activities (network switchovers, works at metering control devices, supervision during construction of facilities etc.).

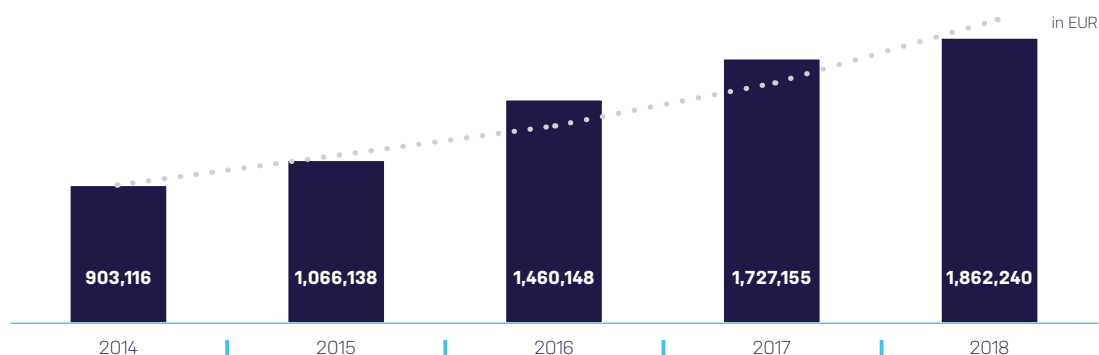
In 2018, revenue from the sale of services to customers amounted to EUR 1,862,240, which is 7.8% more compared

to the previous year, or 33.4% more than planned for 2018. The largest share is held by the construction of LV and MV facilities for customers, other works in non-energy marketing activities and the construction of LV and MV connections.

The planned revenue was exceeded due mainly to:

- The planned execution of preparation of offers and communication with potential subscribers to our services,
- Increased demand for these services, or increased investment of external investors in the construction of the new and renovation of the existing electricity infrastructure.

Revenue from sale of services to customers



AX



EAM - IBM



Constantly improving business processes

A new information system was introduced successfully in the company's operations at the beginning of 2018.

Two new programmes for planning the company's resources – **Microsoft Dynamics AX and EAM – IBM MAXIMO for asset management** – were added. This enabled us to ensure a considerably improved efficiency of business processes and cost control. Positive results of improvements were seen already in the first year of the functioning of the new information system.



10

Operation and Performance Analysis

The Operation and Performance Analysis includes information on values and ex-

planations for the company Elektro Celje and the Elektro Celje Group.

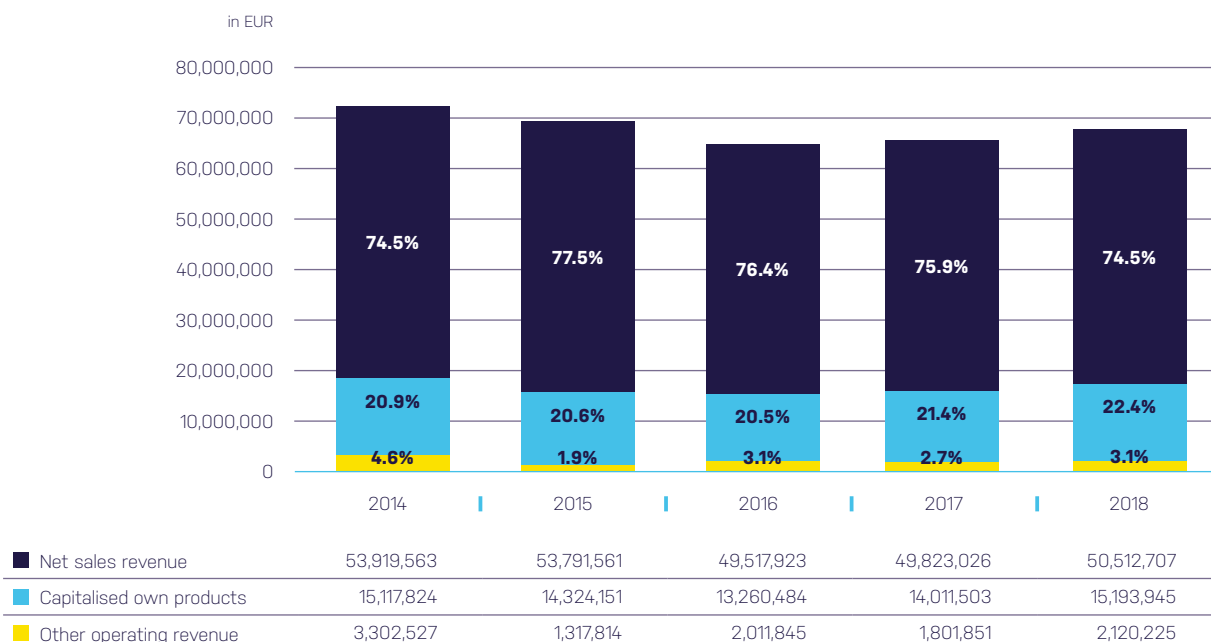
10.1 Operation and Performance Analysis of the Company Elektro Celje

10.1.1 Profit or Loss

Operating revenue of the company Elektro Celje in the amount of EUR 67,826,877 represents 98.4% of the total income of the company, and includes

net revenues from the sale, revenues acquired by building its own fixed assets, and other operating revenues.

Operating Revenue of the Company Elektro Celje



Net sales revenue refers mainly to revenue from lease and maintenance of infrastructure and provision of services for SODO, to revenue from the provision of services to customers and to revenue from the lease.

Revenue from lease and maintenance of infrastructure and provision of services for SODO in the amount of EUR 48,019,782 represents the greatest share in the structure of operating revenue (70.8%), and was generated within the framework of the plan for this period;

from which, EUR 25,828,501 from leasing the infrastructure (reimbursement of the depreciation cost and return on regulatory asset base), and EUR 22,191,281 from provision of services (reimbursement of costs of operation and maintenance). They also include deviations from 2018 and past regulatory periods, which are presented in detail in Section 15.6.1.

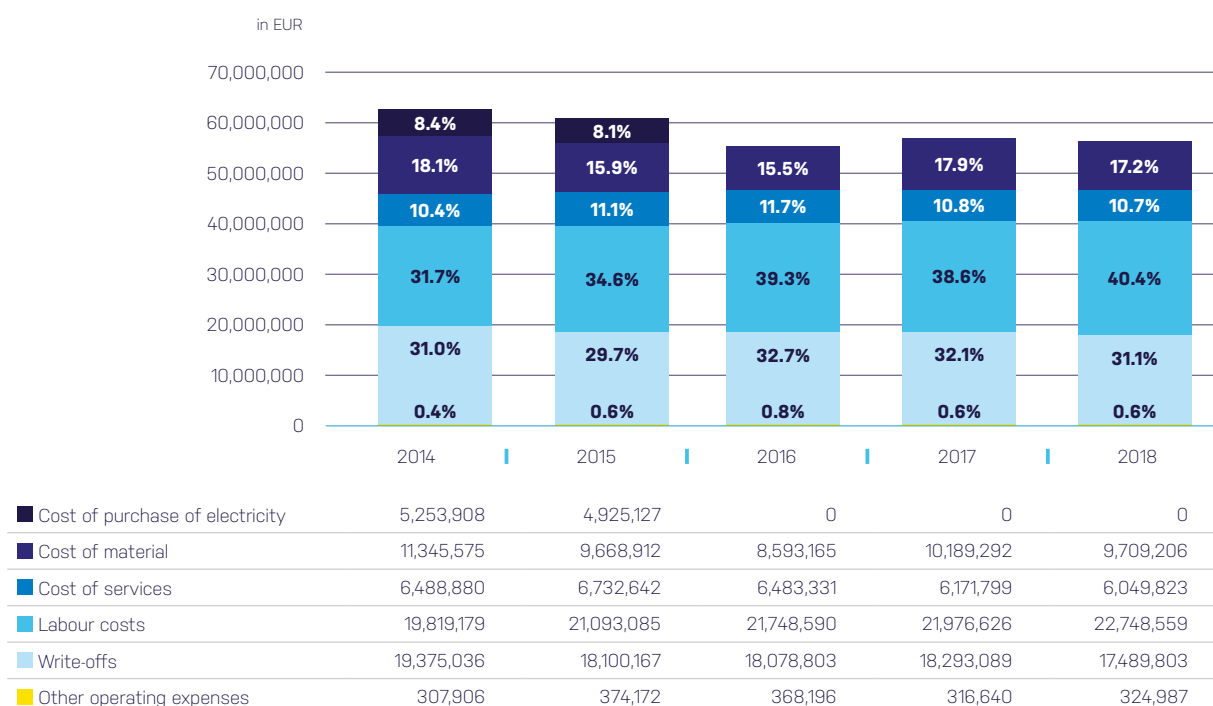
Revenue from sales of services in the amount of EUR 2,492,925 includes performance of electric installation services for external clients and Lease fees. Revenue from the sale of services to customers was generated in the amount of EUR 1,862,240, which is 33.4% more than planned, and 7.8% more than calculated for the same period of the previous year.

Revenue from the construction of own fixed assets was generated in the amount of EUR 15,193,945, which is 4.6% more than planned for this period. The value of consumed materials amounted to EUR 7,577,772, the value of the work performed EUR 6,433,015 and the cost of car travel EUR 1,183,158.

Other operating revenue in the amount of EUR 2,120,225 were 59.4% higher than those planned for 2018, mainly due to the reversal of provisions from deviation of the final reconciliation of the regulatory year 2014 in the amount of EUR 782,933.

Operating expenses of Elektro Celje amounted to EUR 56,322,378 representing a 98.8 percent share of total expenses.

Operating Expenses of the Company Elektro Celje



Cost of material in the amount of EUR 9,709,206 were 7.9% higher than those planned for 2018, predominantly because of higher material costs related to: services to customers EUR 173,775 higher (due to the completion of a larger scope of services to customers in 2018), maintenance (17% higher) and energy (7.5% higher). Lower cost of material relative to the planned amount was recorded in expenses for eliminating damage (50% lower) and in write-offs of small tools (20.5% lower).

Cost of services in the amount of EUR 6,049,823 was 4.5% lower than planned for this period, primarily due to lower cost of services to eliminate damages (62.9% lower) and the provision of services to customers (10.9% lower).

Labour costs in the amount of EUR 22,748,559 attained a 39.9 percent share of total expenses and were higher than planned for 2018 (5.4% higher) and higher than achieved for 2017 (3.5% higher). The starting salary in the company at the expense of reconciliation with

the growth of retail prices (quarterly reconciliation for 85% inflation) increased by 1.8%, from EUR 622.72 for January 2018 to EUR 633.82 for December 2018. Other labour costs in the amount of EUR 3,033,870 included EUR 440,925 for costs of provisions for long-service bonuses and severance payments (EUR 140,925 more than planned for 2018).

Write-downs and write-offs in 2018 amounted to EUR 17,489,803 and included amortisation and depreciation in the amount of EUR 17,353,162, 2.6% less than planned for the observed period, operating expenses from revaluation of fixed assets (loss for the elimination or sale of fixed assets) in the amount of

EUR 120,991 and operating expenses from the revaluation of current assets (write-down, write-offs and adjustments of trade receivables in the process of bankruptcies and receiverships of sued receivables and receivables which at the balance sheet date were more than 90 days past due and value adjustments of inventories of materials) in the amount of EUR 15,650.

Other operating expenses in the amount of EUR 324,987 were 6.7% lower than planned mainly due to lower compensation costs for the use of building land (19% lower), and awards to pupils and students (25.2% lower).

Financing revenue and expenses

| Item (in EUR) | Company Elektro Celje | | | | |
|--------------------|-----------------------|-----------------|-----------------|------------------|----------------|
| | Achieved 2014 | Achieved 2015 | Achieved 2016 | Achieved 2017 | Achieved 2018 |
| Financial revenue | 632,382 | 145,345 | 470,426 | 1,805,998 | 1,099,051 |
| Financial expenses | -1,284,021 | -1,082,192 | -642,354 | -455,770 | -417,422 |
| Net flow | -651,639 | -936,847 | -171,928 | 1,350,228 | 681,629 |

Financial revenue in the amount of EUR 1,099,051 includes received dividends of the subsidiary ECE in the amount of EUR 1,000,000 (EUR 1,525,000 in 2017) and of the insurance company Zavarovalnica Triglav, d.d., late charges on overdue payments of the network charge, services and other receivables in the amount of EUR 91,583 (EUR 273,412 in 2017) as well as interest received from deposits in the amount of EUR 68 (EUR 186 in 2017).

Financial expenses in the amount of EUR 417,422 include interest on borrowings in the amount of EUR 344,388 (EUR 383,449 in 2017) and EUR 73,034 for net interest expense from provisions for retirement benefits, long-service bonuses and solidarity aid (EUR 72,321 in 2017).

Other revenue from extraordinary operation in the amount of EUR 10,531 relates mainly to received reimbursement of legal costs and bailiffs (EUR 8,180) and other revenue (EUR 2,351).

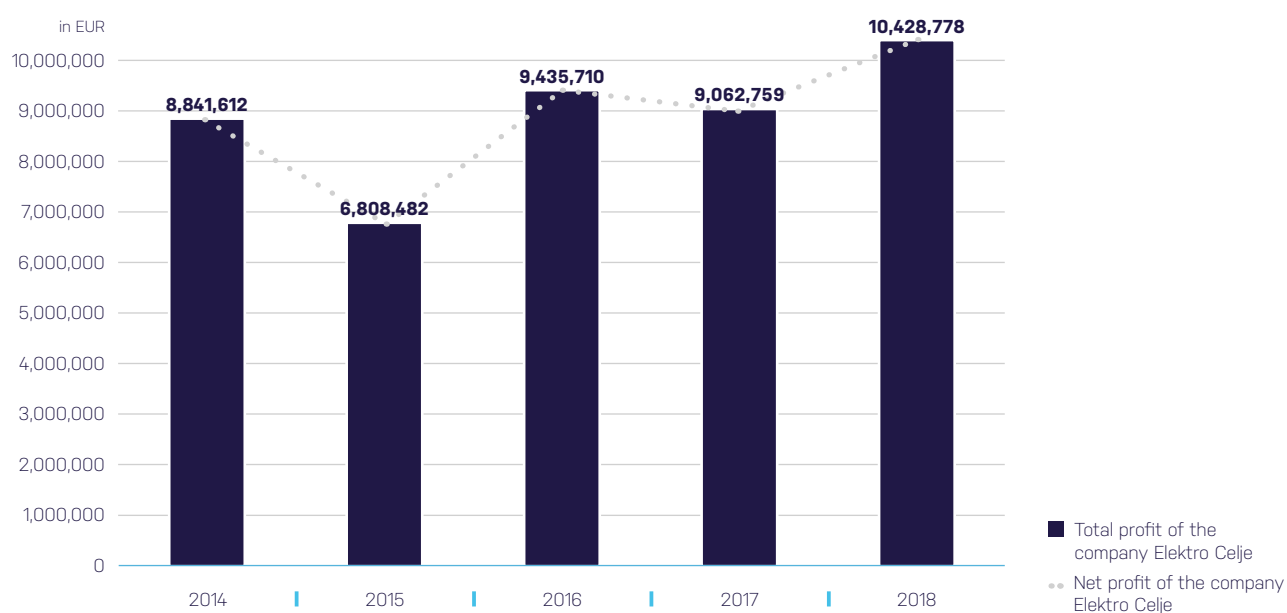
Other expenses from extraordinary activities amounted to EUR 295,008

and were EUR 236,208 higher than planned, mainly due to compensations amounting to EUR 271,870 of which compensation following the litigation with the company Šumer, d.o.o. amounted to EUR 40,794, and provisions formed from actions for damages amounted to EUR 220,554 (Elsa d.o.o. in the amount of EUR 55,727, Vrtnarstvo Nečemer in the amount of EUR 18,000, TRO rezalna orodja Prevalje in the amount of EUR 81,827, EUR 12,000 for using the TS building and EUR 53,000 for legal action due to electrical breakdown, which supposedly caused the fire in the sample house).

Profit or loss

In 2018, Elektro Celje operated with a total profit of EUR 11,901,651, which is 19% higher than in 2017 and 10% higher than planned for 2018. Total revenue amounted to EUR 68,936,459 (2.2% higher than in the same period last year, and 3.3% higher than planned for 2018), while total expenses amounted to EUR 57,034,808 (0.7% lower than in the same period of the previous year, and 2% higher than planned for 2018).

Profit or Loss of the Company Elektro Celje



10.1.2 Assets and Liabilities

Assets of Elektro Celje as at 31 December 2018 amounted to EUR 284,080,642 and were 1.6% higher than on 31 December 2017.

| Company Elektro Celje | | | | | |
|---|--------------------|---------------|--------------------|---------------|-----------------|
| Assets (in EUR) | 31 Dec 2018 | Share (in %) | 31 Dec 2017 | Share (in %) | Index 2018/2017 |
| Long-term assets | 268,879,026 | 94.6% | 264,121,289 | 94.4% | 102 |
| Intangible assets and long-term deferred expenses and accrued revenue | 3,083,401 | 1.1% | 3,644,997 | 1.3% | 85 |
| Tangible fixed assets | 254,312,030 | 89.5% | 247,578,613 | 88.5% | 103 |
| Long-term financial investments | 7,658,081 | 2.7% | 7,653,937 | 2.7% | 100 |
| Long-term operating receivables | 2,213,183 | 0.8% | 3,552,634 | 1.3% | 62 |
| Deferred tax assets | 1,612,331 | 0.6% | 1,691,108 | 0.6% | 95 |
| Current assets | 12,516,763 | 4.4% | 11,750,281 | 4.2% | 107 |
| Inventory | 1,700,625 | 0.6% | 1,111,563 | 0.4% | 153 |
| Short-term operating receivables | 10,306,106 | 3.6% | 10,467,657 | 3.7% | 98 |
| Cash | 510,032 | 0.2% | 171,061 | 0.1% | 298 |
| Short-term accrued revenue and deferred expenses | 2,684,853 | 0.9% | 3,826,125 | 1.4% | 70 |
| Total assets | 284,080,642 | 100.0% | 279,697,695 | 100.0% | 102 |

Long-term assets represent 94.6% of the company's total assets, with **intangible and tangible fixed assets** representing 90.6%.

Long-term investments include investments in the subsidiary companies ECE and Elektro Celje OVI, and investments in shares of Zavarovalnica Triglav d.d., In-

formatika d.d. and Stelkom d.o.o.

Long-term operating receivables in the amount of EUR 2,213,183 were 37.7% lower than those achieved on 31 December 2017, mainly due to long-term receivables from the company SODO in the amount of EUR 2,198,543 (EUR 3,440,532 on 31 December 2017).

Value of **inventories** as of 31 December 2018 amounted to EUR 1,700,625 (of which regular inventories amounted to EUR 1.3 million and project inventories EUR 0.4 million), which is 53% more compared to the end of 2017. We expect that functional non-compliance of transfer of the planned date of execution of works between the MX and AX information systems will be eliminated in the first months of 2019, thus establishing optimum inventories.

Short-term operating receivables to-

talled EUR 10,306,106, a 1.6% decrease over the end of the previous year. They relate mainly to short-term trade receivables in the amount of EUR 10,062,638 and short-term receivables from others in the amount of EUR 192,313. They are presented in detail in Section 15.4.6.2.

Short-term accrued revenue and deferred expenses were 29.8% lower than those achieved on 31 December 2017, mainly due to the lower preliminary reconciliation of 2018 in the amount of EUR 2,579,246 (EUR 3,074,131 in 2017).

| Company Elektro Celje | | | | | |
|--|--------------------|---------------|--------------------|---------------|-----------------|
| Kapital in obveznosti (v EUR) | 31 Dec 2018 | Share (in %) | 31 Dec 2017 | Share (in %) | Index 2018/2017 |
| Equity | 214,215,726 | 75.4% | 207,146,133 | 74.1% | 103 |
| Provisions and long-term accrued expenses and deferred revenue | 18,783,995 | 6.6% | 19,740,802 | 7.1% | 95 |
| Long-term liabilities | 26,834,819 | 9.4% | 28,630,688 | 10.2% | 94 |
| Short-term liabilities | 23,622,058 | 8.3% | 23,452,968 | 8.4% | 101 |
| Short-term accrued expenses and deferred revenue | 624,044 | 0.3% | 727,104 | 0.2% | 86 |
| Total equity and liabilities | 284,080,642 | 100.0% | 279,697,695 | 100.0% | 102 |

Equity of the company as at 31 December 2018 amounted to EUR 214,215,726, accounting for 75.4% of liabilities. The ownership structure is presented in more detail in Section 6.1.4.

Provisions and long-term accrued expenses and deferred revenue were 4.9% lower compared to 31 December 2017 mainly due to lower accrued expenses and deferred revenue from fixed assets acquired free of charge (EUR 267,931 less compared to the end of the previous year) and the reversal of provisions for deviations in the final AP 2014 in the amount of EUR 782,933.

The total amount of **financial liabilities to banks** from investment loans as at 31 December 2018 amounted to EUR 37,512,613

(with interest comprising EUR 9,662 of the amount). In 2018, interest payments on borrowings in the amount of EUR 349,278, which is 8.2% less compared to 2017, repayment of the long-term revolving credit in the amount of EUR 19,445,000 and repayment of the current part of long-term investment loans in the amount of EUR 11,187,732 were implemented. Withdrawals from the investment credit facility in the amount of EUR 10,000,000 were made in 2018, with EUR 6,000,000 of the amount for the EIB investment loan and EUR 4,000,000 for the investment loan from SKB, d.d. Withdrawals from the long-term revolving loan in the amount of EUR 19,195,000 were also made. The short-term portion of long-term financial liabilities which will fall due in 2019 amounted to EUR 11,149,424 as at 31 December 2018.

10.1.3 Cash Flow Statement

| Company Elektro Celje | | |
|--|----------------|---------------|
| Cash flow (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
| Net operating cash flow | 13,942,022 | 13,565,718 |
| Net investing cash flow | -8,420,322 | -4,412,196 |
| Net financing cash flow | -5,182,729 | -9,163,150 |
| Change in net cash and cash equivalents | 338,971 | -9,628 |

Cash of the company Elektro Celje increased by EUR 338,971 in 2018 due to positive cash flow from operating activities exceeding negative cash flow from investing and financing activities.

Cash flow from operating activities increased by EUR 376,303 in 2018 compared to 2017, mainly due to increased inflows from the sale of material and services.

Cash flow from investing activities showed a surplus of outflows over inflows and was EUR 4,008,126 higher compared to the previous year mainly due to higher outflows for obtaining

non-tangible assets and tangible fixed assets, resulting from higher investments in 2018.

The negative cash flow from financing activities is mainly attributed to the inflows and payment of long-term and short-term financial liabilities. Cash flow from financing activities was EUR 3,980,422 lower compared to 2017 mainly due to withdrawals from the long-term revolving loan in the amount of EUR 19,195,000, (EUR 7,750,000 in 2017) and repayment of the long-term revolving credit in the amount of EUR 19,445,000 (EUR 8,550,000 in 2017).

10.1.4 Performance Indicators of the Company Elektro Celje

| Strategic Goals of the Company Elektro Celje | AAMP 2018 | Plan 2018 | Achieved 2018 |
|--|-----------|-----------|---------------|
| SAIDI (System Average Interruption Duration Index) | ≤ 27.78 | 27.78 | 33.84 |
| Share of distributed electricity loss | ≤ 4.71% | 4.71% | 4.55% |
| OPEX per electricity distributed (in EUR/MWh) | ≤ 20.00 | 20.00 | 19.55 |
| SAIFI (System Average Interruption Frequency Index) | ≤ 0.71 | 0.71 | 0.80 |
| MAIFI (Momentary Average Interruption Frequency Index) | ≤ 3.46 | 3.46 | 3.49 |
| Economic Indicators for the Company Elektro Celje | | | |
| ROA | ≥ 3.60% | 3.50% | 3.70% |
| EBITDA margin | ≥ 43.28% | 43.28% | 42.75% |
| Net financial debt/EBITDA (in EUR) | ≤ 1.50 | 1.50 | 1.28 |
| CAPEX to net revenue from sales ratio | ≥ 47.45% | 44.15% | 46.86% |
| Value added per employee (in EUR 000) | ≥ 79.63 | 79.63 | 82.20 |

Deviation of the achieved values of the **SAIDI**, **SAIFI** and **MAIFI** indicators from the planned values due to own cause could mainly be seen in February and July, with the main reasons for the deviations being: faults on underground cables, particularly the increased number of breakdowns of UC heads and insulation, breakdowns of overvoltage conductors and difficulties related to separated conducting rails due to age and wear.

With the quantity of electricity distributed amounting to 2,006,905 MWh, the **share of losses per unit of electricity distributed** at the end of 2018 stood at 4.55% (4.54% in 2017), while recognised losses as per the Energy Agency regulatory framework amounted to 5.70%.

The **ROA** indicator amounting to 3.70%,

showing successful management of company's assets, exceeded the planned value by 0.2 percentage points, mainly due to increased net operating profit (6.2% higher than planned for 2018).

The **EBITDA margin** (ratio between operating revenue and operating expenses less depreciation and gross operating profit) amounted to 42.75% in 2018, and is 4% higher compared to 2017.

Gross value added per employee in 2018 amounted to EUR 82,201, and was higher than achieved in 2017 (EUR 3,758 more) and higher than planned (EUR 2,576 more). The value of the indicator improved due to higher gross operating profit (3.3% higher than planned).

The value of investments in 2018

amounted to EUR 23,669,548, and was 7.6% higher than planned and 6.9% higher than achieved in 2017. Thus, the **CAPEX to net revenue from sales ratio** was also higher than planned.

The **net financial debt to EBITDA ratio** shows that the gross cash flow would be sufficient to liquidate Company's total financial liabilities in a year and three months. In 2017, that would have taken 1.5 years. The debt ratio in 2018 stood at 0.18.







Indicators referring to regulated activity of the Company Elektro Celje stand as follows: operating expenses of regulated activity per 1 MWh of distributed electricity amounted to EUR 20 or, with those measured per 1 km of standardised network length amounting to EUR 67,344. Labour cost of regulated activity per customer amounted

to EUR 91, whereas operating revenue of regulated activity per unit of electricity distributed amounted to 25 EUR/MWh.

Short-term liabilities of Elektro Celje on 31 December 2018 prevailed over short-term assets. The current ratio amounted to 0.53.




Indicators referring to the Company's commitment to the SID bank show that in 2018, the Company maintained an appropriate financial position and fulfilled all its financial commitments under contracts concluded with banks.

Elektro Celje had fulfilled both its contractual financial commitments towards the SID bank (financial debt/equity < 0.4, net financial debt/EBITDA < 2.7) as at the balance sheet date 31 December 2018.


| A. FINANCING INDICATORS (INVESTMENTS) | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|---|
| in EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
| Equity | 196,443,080 | 200,929,373 | 207,146,133 | 209,813,822 | 214,215,726 |  |
| Liabilities | 272,260,993 | 276,059,990 | 279,697,695 | 282,006,012 | 284,080,642 | |
| Equity financing rate | 72.15% | 72.78% | 74.06% | 74.40% | 75.41% | |
| | | | | | | |
| Equity plus long-term debt (including provisions) and long-term accrued expenses and deferred revenue | 249,637,497 | 254,207,932 | 255,517,623 | 261,677,788 | 259,834,540 |  |
| Liabilities | 272,260,993 | 276,059,990 | 279,697,695 | 282,006,012 | 284,080,642 | |
| Long-term financing rate | 91.69% | 92.08% | 91.35% | 92.79% | 91.47% | |
| | | | | | | |
| B. INVESTMENT INDICATORS | | | | | | |
| in EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
| Fixed assets (carrying values) | 243,946,137 | 246,036,537 | 247,578,613 | 252,480,432 | 254,312,030 |  |
| Assets | 272,260,993 | 276,059,990 | 279,697,695 | 282,006,012 | 284,080,642 | |
| PP&E to total assets ratio | 89.60% | 89.12% | 88.52% | 89.53% | 89.52% | |
| | | | | | | |
| Fixed assets (PP&E) plus long-term accrued revenue and deferred expenses (carrying value), investment property, long-term financial investments and long-term trade receivables | 258,576,301 | 259,893,517 | 262,430,181 | 266,413,044 | 267,266,695 |  |
| Assets | 272,260,993 | 276,059,990 | 279,697,695 | 282,006,012 | 284,080,642 | |
| Long-term assets rate | 94.97% | 94.14% | 93.83% | 94.47% | 94.08% | |
| | | | | | | |
| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
| Actual investment | 21,765,222 | 20,072,117 | 22,140,904 | 22,000,000 | 23,669,548 |  |
| Planned investment | 20,300,000 | 20,000,000 | 22,400,000 | 22,000,000 | 22,000,000 | |
| Investment realisation rate | 107.22% | 100.36% | 98.84% | 100.00% | 107.59% | |
| | | | | | | |
| Investing cash flow | 21,765,222 | 20,072,117 | 22,140,904 | 22,000,000 | 23,669,548 |  |
| Net sales revenue | 53,791,561 | 49,517,923 | 49,823,026 | 49,835,750 | 50,512,707 | |
| CAPEX to net revenue from sales ratio* | 40.46% | 40.54% | 44.44% | 44.15% | 46.86% | |
| | | | | | | |

* Selected indicators for SSH for 2018 are calculated in accordance with the methodology of SSH







C. HORIZONTAL FINANCIAL STRUCTURE RATIOS

| in EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
|--|--------------|--------------|--------------|--------------|--------------|---|
| Equity | 196,443,080 | 200,929,373 | 207,146,133 | 209,813,822 | 214,215,726 |  |
| Fixed assets (carrying values) | 243,946,137 | 246,036,537 | 247,578,613 | 252,480,432 | 254,312,030 | |
| Equity to operating fixed assets ratio | 0.805 | 0.817 | 0.837 | 0.831 | 0.842 | |
| Liquid assets | 24,123 | 180,689 | 171,061 | 145,000 | 510,032 |  |
| Current liabilities | 21,825,063 | 21,156,172 | 23,452,968 | 19,718,224 | 23,622,058 | |
| Liquid assets to short-term liabilities ratio | 0.001 | 0.009 | 0.007 | 0.007 | 0.022 | |
| in EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
| Sum of liquid assets and short-term receivables | 10,926,409 | 10,418,982 | 10,638,718 | 10,035,468 | 10,816,138 |  |
| Current liabilities | 21,825,063 | 21,156,172 | 23,452,968 | 19,718,224 | 23,622,058 | |
| Acid-test ratio | 0.501 | 0.492 | 0.454 | 0.509 | 0.458 | |

D. ECONOMIC INDICATOR

| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|---|
| Operating revenue | 69,433,526 | 64,790,252 | 65,636,380 | 65,686,990 | 67,826,877 |  |
| Operating expenses | 60,894,104 | 55,272,085 | 56,947,446 | 55,395,845 | 56,322,378 | |
| Operating efficiency ratio | 1.140 | 1.172 | 1.153 | 1.186 | 1.204 | |

E. PROFITABILITY INDICATORS

| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
|---|---------------|---------------|---------------|---------------|---------------|---|
| EBITDA | 26,639,589 | 27,596,970 | 26,982,023 | 28,430,860 | 28,994,302 |  |
| Gross operating profit | 69,433,526 | 64,790,252 | 65,636,380 | 65,686,990 | 67,826,877 | |
| EBITDA margin* | 38.37% | 42.59% | 41.11% | 43.28% | 42.75% | |
| EBIT | 8,539,422 | 9,518,167 | 8,688,934 | 10,291,145 | 11,504,499 |  |
| Gross operating profit | 69,433,526 | 64,790,252 | 65,636,380 | 65,686,990 | 67,826,877 | |
| EBIT margin | 12.30% | 14.69% | 13.24% | 15.67% | 16.96% | |
| Net profit | 6,808,482 | 9,435,710 | 9,062,759 | 9,821,050 | 10,428,778 |  |
| Average equity (excl. net income from the current year) | 191,284,850 | 193,968,372 | 199,039,520 | 202,477,251 | 204,730,104 | |
| Net return on equity (ROE) | 3.56% | 4.86% | 4.55% | 4.85% | 5.09% | |
| Net profit | 6,808,482 | 9,435,710 | 9,062,759 | 9,821,050 | 10,428,778 |  |
| Average assets | 268,537,254 | 274,160,492 | 277,878,843 | 280,362,312 | 281,889,169 | |
| Return on assets (ROA)* | 2.54% | 3.44% | 3.26% | 3.50% | 3.70% | |
| in EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
| Sum of dividends for the fiscal year | 3,145,015 | 3,234,527 | 2,636,124 | 2,297,502 | 3,145,015 |  |
| Average share capital | 100,953,201 | 100,953,201 | 100,953,201 | 100,953,201 | 100,953,201 | |
| Dividends to share capital ratio | 0.031 | 0.032 | 0.026 | 0.023 | 0.031 | |
| F. LABOUR PRODUCTIVITY INDICATOR | 3,145,015 | 3,234,527 | 2,636,124 | 2,297,502 | 3,145,013 |  |
| Average equity | 194,689,091 | 198,686,227 | 204,037,753 | 207,387,776 | 210,680,930 | |
| Dividend to equity ratio | 1.62% | 1.63% | 1.29% | 1.11% | 1.49% | |

* Selected indicators for SSH for 2018 are calculated in accordance with the methodology of SSH

| F. KAZALNIK DOHODKOVNOSTI | | | | | | Graphical comparison |
|---|---------------|---------------|---------------|---------------|---------------|----------------------|
| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | |
| Gross value added | 47,732,674 | 49,345,560 | 48,958,649 | 50,004,655 | 51,742,861 | |
| Number of employees per hours worked | 633 | 631 | 624 | 628 | 629 | |
| Gross value added per employee* | 75,407 | 78,202 | 78,443 | 79,625 | 82,201 | |
| G. TECHNICAL INDICATORS | | | | | | Graphical comparison |
| | 2015 | 2016 | 2017 | Plan 2018 | 2018 | |
| SAIDI (System Average Interruption Duration Index)* | 27.40 | 18.06 | 46.22 | 27.78 | 33.84 | |
| SAIFI (System Average Interruption Frequency Index)* | 0.70 | 0.48 | 1.03 | 0.71 | 0.80 | |
| MAIFI (Momentary Average Interruption Frequency Index)* | 3.07 | 3.11 | 4.51 | 3.46 | 3.49 | |
| Losses (MWh) | 95,857 | 95,823 | 90,886 | 94,782 | 91,334 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| Losses to electricity distributed ratio* | 4.97% | 4.93% | 4.54% | 4.71% | 4.55% | |
| Electricity supplied in the time interval (MW) | 231 | 232 | 239 | 240 | 239 | |
| Peak power in the time interval (MW) | 306 | 316 | 335 | 312 | 341 | |
| Load factor (LF) | 0.75 | 0.74 | 0.71 | 0.77 | 0.70 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| Standardised network length (km) | 599 | 591 | 584 | 599 | 583 | |
| Power distribution per standardised network length | 3.220 | 3.290 | 3.427 | 3.357 | 3.445 | |
| Number of connection approvals issued by consumer category | | | | | | Graphical comparison |
| | 2015 | 2016 | 2017 | Plan 2018 | 2018 | |
| – MV (1–35 kV) | 33 | 38 | 16 | 19 | 31 | |
| – 0.4 kV measured power | 158 | 157 | 145 | 188 | 180 | |
| – 0.4 kV without measured power | 774 | 813 | 857 | 1,127 | 805 | |
| – households | 1,704 | 1,856 | 1,405 | 2,088 | 2,226 | |
| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
| Standardised network length (km) | 599 | 591 | 584 | 599 | 583 | |
| Number of employees | 632 | 632 | 628 | 628 | 633 | |
| Standardised network length per employee | 0.95 | 0.94 | 0.93 | 0.95 | 0.92 | |

* Selected indicators for SSH for 2018 are calculated in accordance with the methodology of SSH

H. TECHNICAL ECONOMIC INDICATORS OF REGULATED ACTIVITY

| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
|--|---------------|---------------|---------------|---------------|---------------|----------------------|
| Operating expenses of regulated activity (in EUR) | 45,067,062 | 40,730,638 | 41,169,008 | 39,547,106 | 39,236,015 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| OPEX per electricity distributed* | 23.37 | 20.95 | 20.57 | 19.66 | 19.55 | |
| Operating expenses of regulated activity (in EUR) | 45,067,062 | 40,730,638 | 41,169,008 | 39,547,106 | 39,236,015 | |
| Standardised network length (km)** | 599 | 591 | 584 | 599 | 583 | |
| OPEX per standardised network length | 75,237 | 68,918 | 70,495 | 66,022 | 67,344 | |
| Investment in regulated activity (in EUR) | 21,279,340 | 19,875,252 | 21,606,689 | 21,892,041 | 23,669,548 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| Investment per electricity distributed | 11 | 10 | 11 | 11 | 12 | |
| Labour costs of regulated activity (in EUR) | 15,196,660 | 15,898,245 | 16,297,584 | 15,354,035 | 15,633,136 | |
| Number of customers | 170,006 | 170,688 | 171,340 | 172,698 | 172,132 | |
| Labour costs per customer (in EUR) | 89 | 93 | 95 | 89 | 91 | |
| Operating revenue of regulated activity (in EUR) | 53,646,613 | 49,533,777 | 49,676,656 | 49,272,239 | 50,444,747 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| Operating revenue per electricity distributed | 28 | 25 | 25 | 24 | 25 | |

I. INDICATORS OF COMPLIANCE WITH BANK COMMITMENTS

| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
|---|--------------|--------------|--------------|--------------|--------------|----------------------|
| Financial debt | 45,387,489 | 44,996,904 | 39,730,756 | 42,882,951 | 37,676,913 | |
| Equity | 196,443,080 | 200,929,373 | 207,146,133 | 209,813,822 | 214,215,726 | |
| Financial debt/Equity | 0.231 | 0.224 | 0.192 | 0.204 | 0.176 | |
| Financial debt | 45,387,489 | 44,996,904 | 39,730,756 | 42,882,951 | 37,676,913 | |
| EBITDA (for a period of 12 months) | 26,639,589 | 27,596,970 | 26,982,023 | 28,430,860 | 28,994,302 | |
| Financial debt/EBITDA | 1.704 | 1.631 | 1.472 | 1.508 | 1.299 | |
| EBITDA (for a period of 12 months) | 26,639,589 | 27,596,970 | 26,982,023 | 28,430,860 | 28,994,302 | |
| Financial expenses from financial liabilities (for a period of 12 months) | 977,927 | 540,474 | 383,449 | 370,000 | 344,388 | |
| EBITDA/Financial expenses from financial liabilities | 27 | 51 | 70 | 77 | 84 | |
| Current assets | 12,306,938 | 11,579,999 | 11,750,281 | 11,092,968 | 12,516,763 | |
| Current liabilities | 21,825,063 | 21,156,172 | 23,452,968 | 19,718,224 | 23,622,058 | |
| Current ratio | 0.564 | 0.547 | 0.501 | 0.563 | 0.530 | |
| Financial debt | 45,387,489 | 44,996,904 | 39,730,756 | 42,882,951 | 37,676,913 | |
| Average equity | 194,689,091 | 198,686,227 | 204,037,753 | 207,387,776 | 210,680,930 | |
| Financial debt/Equity** | 0.233 | 0.226 | 0.195 | 0.207 | 0.179 | |
| Net financial debt | 45,363,366 | 44,816,215 | 39,559,695 | 42,737,951 | 37,166,881 | |
| EBITDA | 26,639,589 | 27,596,970 | 26,982,023 | 28,430,860 | 28,994,302 | |
| Net financial debt/EBITDA** | 1.703 | 1.624 | 1.466 | 1.503 | 1.282 | |

* Selected indicators for SSH for 2018 are calculated in accordance with the methodology of SSH

** Indicators referring to commitments to the SID bank

10.2 Performance Analysis of the Elektro Celje Group

10.2.1 Profit or Loss

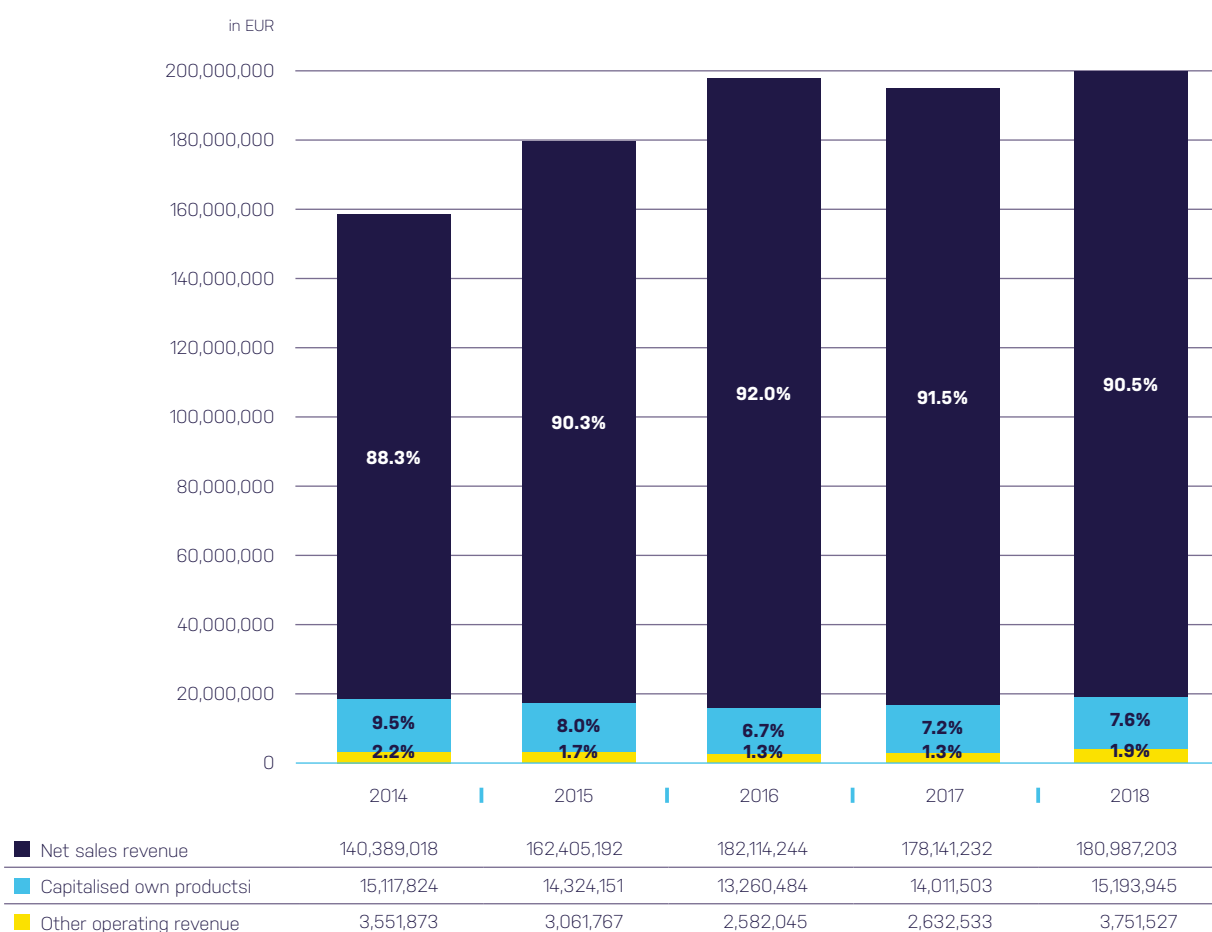
Operating revenue of the Elektro Celje Group in the amount of EUR 199,932,675 represent 99.8% of total revenue.

Net revenue from sales relates predominantly to revenue from sales of electricity and natural gas, leasing and maintenance of infrastructure, provision of services for SODO and revenue from the provision of services to customers. It was 6.9% higher than planned for 2018 mainly due to an increase in revenue from trade in electricity (9% higher than foreseen in the Business Plan for 2018) and an increase in revenue from the sale of products and services (28% higher than planned).

Revenue from construction of own fixed assets created by the parent company were 4.6% higher than planned for 2018 and 8.4% higher than achieved in 2017.

Other operating revenue in the amount of EUR 3,751,527 were 139% higher than those planned for 2018 and 42.5% higher than generated in 2017, mainly due to the reversal of provisions from deviation of the final reconciliation of the regulatory year 2014 in the amount of EUR 782,933 and increased revenue from surplus in the imputed deviation of the previous years (EUR 588,173 more compared to 2017).

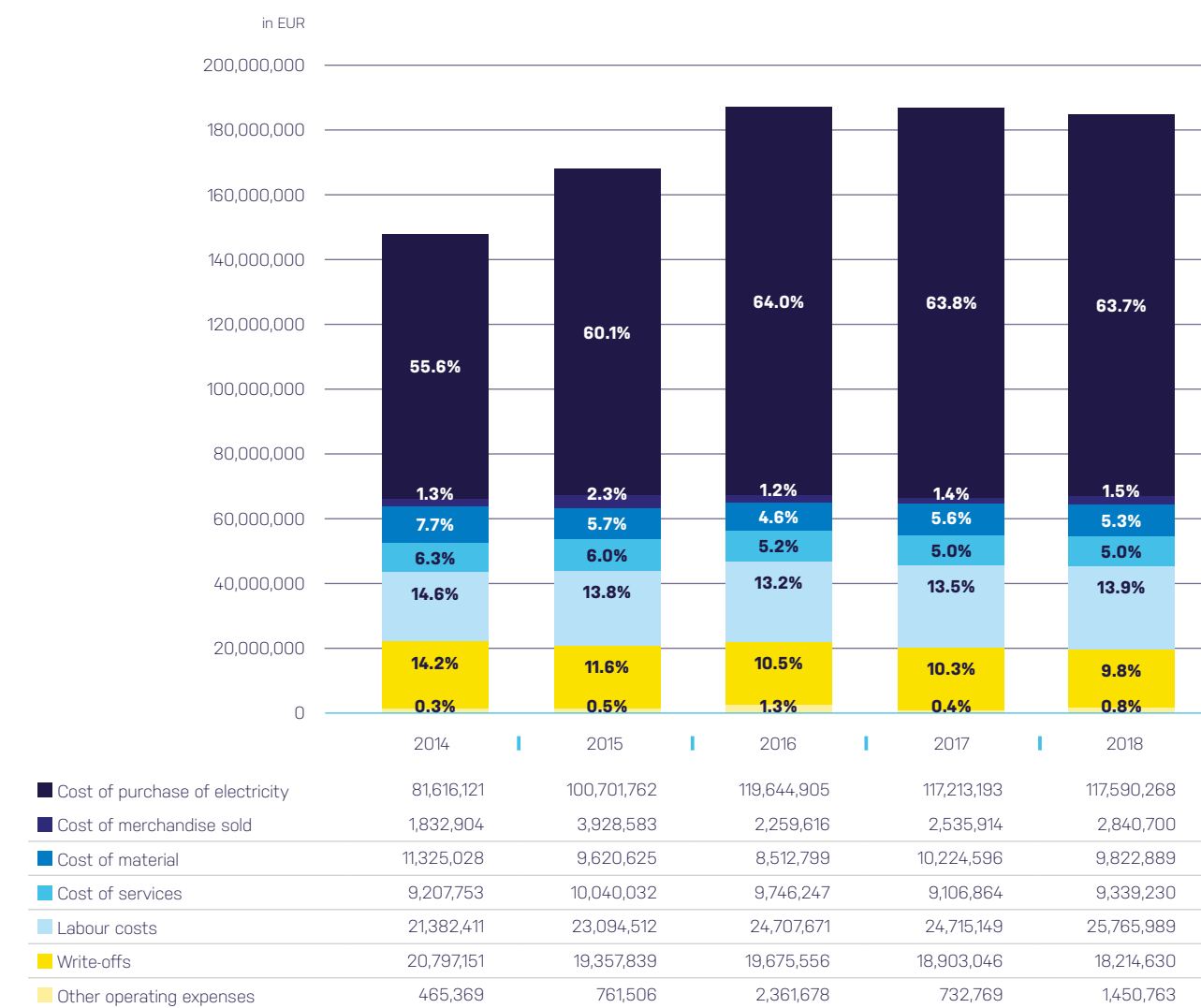
Operating Revenue of the Elektro Celje Group



Operating expenses of the Elektro Celje Group amounted to EUR 185,024,469,

representing a 99.8 percent share of total expenses.

Operating Expenses of the Elektro Celje Group



The cost of purchasing electricity made up the largest share of operating expenses and were 6.5% higher than planned for 2018.

Cost of material in the amount of EUR 9,822,889 was 7.2% higher than planned for 2018, predominantly because of higher material costs related to the implementation of investments (9.4% higher than planned) and the provision of services to customers (39.3% higher than planned).

Cost of services in the amount of EUR 9,339,230 was 1.2% higher than planned for 2018, primarily due to higher cost of services in the subsidiary Elektro Celje OVI. The recruitment of four employees performing the greater part of services

for the market was foreseen in September 2018 in the preparation of the Business Plan. As only two employees (building designers) were recruited in November 2018, the majority of services for the market was performed by external contractors.

Labour costs in the amount of EUR 25,765,989 attained a 13.9 percent share of total expenses and were 6.6% higher than foreseen in the Business Plan for 2018, mainly due to higher labour costs in the subsidiary ECE (13.1% higher than planned, mainly due to the costs of a Christmas bonus and an additional bonus which was not planned, severance payments based on commercial grounds and the effects of the actuarial calculation for the financial year 2018).

Write-downs and write-offs in 2018 amounted to EUR 18,214,630 and were 5.5% lower than planned, mainly due to lower expenses from revaluation (53.7% lower than planned).

Other operating expenses in the amount

of EUR 1,450,763 were EUR 858,438 higher than planned for 2018, primarily due to unplanned costs related to the costs of providing savings regarding end customers. This decision of the subsidiary ECE was based on favourable offers obtained in the market.

Financing Revenue and Expenses

| Item (in EUR) | Elektro Celje Group | | | | |
|--------------------|---------------------|-----------------|-----------------|---------------|-----------------|
| | Achieved 2014 | Achieved 2015 | Achieved 2016 | Achieved 2017 | Achieved 2018 |
| Financial revenue | 294,983 | 346,514 | 341,846 | 540,960 | 296,857 |
| Financial expenses | -1,307,696 | -1,103,061 | -670,278 | -464,216 | -432,834 |
| Net flow | -1,012,713 | -756,547 | -328,432 | 76,744 | -135,977 |

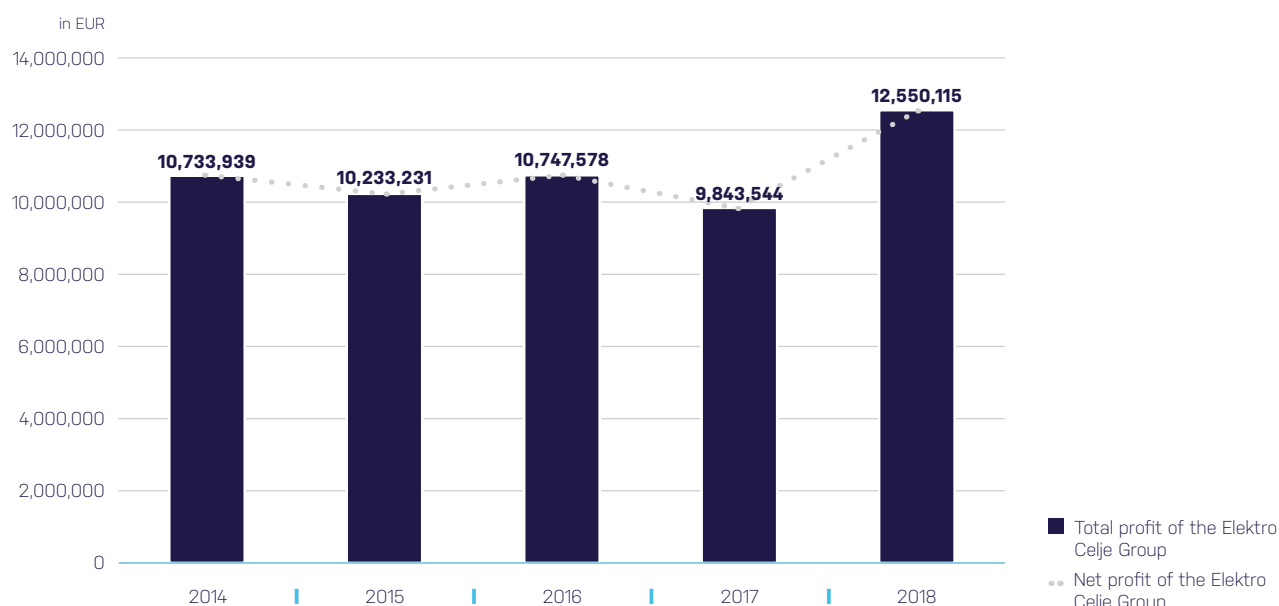
Financial revenue in the amount of EUR 296,857 was 87.7% higher than planned, predominantly because of higher revenue from operating receivables (93.8% higher than planned).

Financial expenses in the amount of EUR 432,834 are similar to those planned for 2018.

Profit or Loss

In 2018, the Elektro Celje Group operated with a total profit of EUR 14,772,229, which is 29.2% higher than generated in the same period last year and 20.7% higher than planned for 2018. Net profit of the Elektro Celje Group consists of profit in the amount of EUR 12,550,115 (27.5% higher than generated in 2017 and 19.1 higher than planned).

Profit or Loss of the Elektro Celje Group



10.2.2 Assets and Liabilities

The value of the assets of the Elektro Celje Group increased by 1.7% compared

to the previous year and as at 31 December 2018 amounted to EUR 323,636,596.

| Elektro Celje Group | | | | | |
|-----------------------------|--------------------|---------------|--------------------|---------------|-----------------|
| Assets (in EUR) | 31 Dec 2018 | Share (in %) | 31 Dec 2017 | Share (in %) | Index 2018/2017 |
| Long-term assets | 265,911,720 | 82.2% | 261,536,356 | 82.2% | 102 |
| Intangible assets | 3,202,288 | 1.0% | 3,899,732 | 1.2% | 82 |
| Tangible fixed assets | 256,998,186 | 79.4% | 250,054,522 | 78.6% | 103 |
| Investment property | 217,391 | 0.1% | 232,533 | 0.1% | 93 |
| Investments | 548,480 | 0.2% | 544,336 | 0.2% | 101 |
| Operating receivables | 206,987 | 0.1% | 206,987 | 0.1% | 100 |
| Deferred tax assets | 2,315,085 | 0.7% | 4,042,348 | 1.3% | 57 |
| Current assets | 2,423,303 | 0.7% | 2,555,898 | 0.8% | 95 |
| Inventories | 57,724,876 | 17.8% | 56,586,554 | 17.8% | 102 |
| Trade receivables | 1,710,833 | 0.5% | 1,124,611 | 0.4% | 152 |
| Income tax receivables | 45,351,954 | 14.0% | 45,526,003 | 14.3% | 100 |
| Other operating receivables | 0 | 0.0% | 24,079 | 0.0% | 0 |
| Cash and cash equivalents | 5,077,982 | 1.6% | 6,105,839 | 1.9% | 83 |
| Total assets | 5,584,107 | 1.7% | 3,806,022 | 1.2% | 147 |
| Total sredstva | 323,636,596 | 100.0% | 318,122,910 | 100.0% | 102 |

The value of **tangible assets** on 31 December 2018 was 2.8% higher compared to the value at the end of the previous year, mainly due to new investments in the financial year 2018.

Long-term operating receivables in the amount of EUR 2,315,085 were 42.7% lower than those achieved on 31 December 2017, mainly due to long-term

receivables from the company SODO in the amount of EUR 2,198,543 (EUR 3,540,235 on 31 December 2017).

The value of **cash** on transaction accounts was 46.7% higher than on 31 December 2017 due to successful operations in 2018 and improved payment discipline of customers.

| Elektro Celje Group | | | | | |
|-------------------------------------|--------------------|---------------|--------------------|---------------|-----------------|
| Equity and liabilities (in EUR) | 31 Dec 2018 | Share (in %) | 31 Dec 2017 | Share (in %) | Index 2018/2017 |
| Equity | 228,621,568 | 70.6% | 219,770,154 | 69.0% | 104 |
| Long-term liabilities | 46,389,441 | 14.3% | 49,478,706 | 15.6% | 94 |
| Short-term liabilities | 48,625,587 | 15.0% | 48,874,050 | 15.4% | 99 |
| Total equity and liabilities | 323,636,596 | 100.0% | 318,122,910 | 100.0% | 102 |

Equity of the Group as at 31 December 2018 amounted to EUR 228,621,568, accounting for 70.6% of liabilities. It increased by 4% compared to the situation on 31 December 2017 due to the effect of the net profit of the financial year 2018.

Long-term liabilities of the Group in the amount of EUR 46,389,441 relate mainly to: long-term portions of investment bank loans, which as at 31 December 2018 amounted to EUR 26,402,481, financial liabilities from financial leases for the software (ERP - MS Dynamics AX) in

the amount of EUR 170,093, long-term operating liabilities arising from software licenses (ERP – MS Dynamics AX system) in the amount of EUR 361,386, deferred tax liabilities in the amount of EUR 21,731, provisions in the amount of EUR 6,960,898, and long-term deferred revenue that relate primarily to fixed assets acquired free of charge (EUR 9,520,114) and connection fees (EUR 2,242,337).

Short-term liabilities of the Group primarily include current parts of long-term bank loans in the amount of EUR 11,182,040, short-term liabilities from op-

erations for third-party accounts (EUR 17,043,086).
11,167,104) and trade payables (EUR

10.2.3 Cash Flow Statement

| Elektro Celje Group | | |
|--|------------------|------------------|
| Cash flow (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
| Net operating cash flow | 17,166,973 | 17,139,195 |
| Net investing cash flow | –9,906,414 | –6,188,197 |
| Net financing cash flow | –5,482,474 | –9,725,983 |
| Change in net cash and cash equivalents | 1,778,085 | 1,225,015 |

Cash of the Elektro Celje Group increased by EUR 1,778,085 in 2018 due to positive cash flow from operating activities exceeding negative cash flow from investing and financing activities.



flows and was EUR 3,718,217 higher compared to the previous year mainly due to higher outflows for obtaining tangible fixed assets, resulting from higher investments in 2018.

Cash flows from operating activities in 2018 were similar to those in 2017.

The negative cash flow from financing activities is mainly attributed to the inflows and payment of long-term and short-term financial liabilities.

Cash flow from investing activities showed a surplus of outflows over in-

10.2.4 Performance Indicators of the Elektro Celje Group

| A. FINANCING INDICATORS (INVESTMENTS) | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---|
| in EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
| Equity | 207,638,928 | 213,314,562 | 219,770,154 | 223,601,771 | 228,621,568 |  |
| Liabilities | 312,244,544 | 314,273,205 | 318,122,910 | 318,925,725 | 323,636,596 | |
| Equity financing rate (Unicredit bank) | 66,50% | 67,88% | 69,08% | 70,11% | 70,64% | |
| Equity plus long-term debt (including provisions) and long-term accrued expenses and deferred revenue | 261,478,157 | 267,685,213 | 269,248,860 | 276,528,213 | 275,011,009 |  |
| Liabilities | 312,244,544 | 314,273,205 | 318,122,910 | 318,925,725 | 323,636,596 | |
| Long-term financing rate | 83,74% | 85,18% | 84,64% | 86,71% | 84,98% | |

| B. INVESTMENT INDICATORS | | | | | | |
|---|----------------|---------------|---------------|----------------|----------------|----------------------|
| in EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
| Fixed assets (carrying values) | 246,489,479 | 248,417,284 | 250,054,522 | 255,026,879 | 256,998,186 | |
| Assets | 312,244,544 | 314,273,205 | 318,122,910 | 318,925,725 | 323,636,596 | |
| PP&E to total assets ratio | 78,94% | 79,05% | 78,60% | 79,96% | 79,41% | |
| Fixed assets (PP&E) plus long-term accrued revenue and deferred expenses (carrying value), investment property, long-term financial investments and long-term trade receivables | 256,210,894 | 257,137,015 | 258,980,458 | 262,938,693 | 263,488,417 | |
| Assets | 312,244,544 | 314,273,205 | 318,122,910 | 318,925,725 | 323,636,596 | |
| Long-term assets rate | 82,05% | 81,82% | 81,41% | 82,45% | 81,41% | |
| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
| Actual investment | 21,923,723 | 20,328,477 | 22,487,596 | 22,390,000 | 24,216,074 | |
| Planned investment | 20,800,000 | 20,470,000 | 23,017,320 | 22,390,000 | 22,390,000 | |
| Investment realisation rate | 105,40% | 99,31% | 97,70% | 100,00% | 108,16% | |
| Investing cash flow | 21,923,723 | 20,328,477 | 22,487,596 | 22,390,000 | 24,216,074 | |
| Net sales revenue | 162,405,192 | 182,114,244 | 178,141,232 | 169,314,660 | 180,987,203 | |
| CAPEX to net revenue from sales ratio | 13,50% | 11,16% | 12,62% | 13,22% | 13,38% | |
| C. HORIZONTAL FINANCIAL STRUCTURE RATIOS | | | | | | |
| v EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
| Equity | 207,638,928 | 213,314,562 | 219,770,154 | 223,601,771 | 228,621,568 | |
| Fixed assets (carrying values) | 246,489,479 | 248,417,284 | 250,054,522 | 255,026,879 | 256,998,186 | |
| Equity to operating fixed assets ratio | 0,842 | 0,859 | 0,879 | 0,877 | 0,890 | |
| Liquid assets | 1,856,869 | 2,581,007 | 3,806,022 | 2,624,509 | 5,584,107 | |
| Current liabilities | 48,742,355 | 45,406,030 | 48,874,050 | 42,397,512 | 48,625,587 | |
| Liquid assets to short-term liabilities ratio | 0,038 | 0,057 | 0,078 | 0,062 | 0,115 | |
| v EUR | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2017 | Plan 2018 | 31 Dec 2018 | Graphical comparison |
| Sum of liquid assets and short-term receivables | 52,617,989 | 49,619,370 | 55,461,943 | 52,365,532 | 56,014,043 | |
| Current liabilities | 48,742,355 | 45,406,030 | 48,874,050 | 42,397,512 | 48,625,587 | |
| Acid-test ratio | 1,080 | 1,093 | 1,135 | 1,235 | 1,152 | |
| D. ECONOMIC INDICATOR | | | | | | |
| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
| Operating revenue | 179,625,613 | 197,537,341 | 194,785,268 | 185,405,580 | 199,932,675 | |
| Operating expenses | 167,397,650 | 186,744,105 | 183,431,531 | 172,849,169 | 185,024,469 | |
| Operating efficiency ratio | 1,073 | 1,058 | 1,062 | 1,073 | 1,081 | |

| E. PROFITABILITY INDICATORS | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|----------------------|
| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
| EBITDA | 31,585,802 | 30,468,792 | 30,256,783 | 31,824,598 | 33,122,836 | |
| Gross operating profit | 179,625,613 | 197,537,341 | 194,785,268 | 185,405,580 | 199,932,675 | |
| EBITDA margin | 17.58% | 15.42% | 15.53% | 17.16% | 16.57% | |
| EBIT | 12,227,963 | 10,793,236 | 11,353,737 | 12,556,411 | 14,908,206 | |
| Gross operating profit | 179,625,613 | 197,537,341 | 194,785,268 | 185,405,580 | 199,932,675 | |
| EBIT margin | 6.81% | 5.46% | 5.83% | 6.77% | 7.46% | |
| Net profit | 10,233,231 | 10,747,578 | 9,843,544 | 10,534,275 | 12,550,115 | |
| Average equity (excl. net income from the current year) | 197,122,624 | 205,102,956 | 210,827,118 | 215,741,271 | 216,809,747 | |
| Net return on equity (ROE) | 5.19% | 5.24% | 4.67% | 4.88% | 5.79% | |
| Net profit | 10,233,231 | 10,747,578 | 9,843,544 | 10,534,275 | 12,550,115 | |
| Average equity | 202,239,240 | 210,476,745 | 216,452,358 | 221,008,409 | 224,195,861 | |
| Net return on equity (ROE)* | 5.06% | 5.11% | 4.55% | 4.77% | 5.60% | |
| Net profit | 10,233,231 | 10,747,578 | 9,843,544 | 10,534,275 | 12,550,115 | |
| Average assets | 298,978,978 | 313,230,669 | 316,198,058 | 317,199,475 | 320,879,753 | |
| Return on assets (ROA) | 3.42% | 3.43% | 3.11% | 3.32% | 3.91% | |
| F. LABOUR PRODUCTIVITY INDICATOR | | | | | | |
| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
| Gross value added | 54,680,314 | 55,176,463 | 54,971,932 | 55,996,361 | 58,888,825 | |
| Number of employees per hours worked | 689 | 710 | 694 | 698 | 701 | |
| Gross value added per employee | 79,362 | 77,713 | 79,184 | 80,224 | 84,062 | |

* The selected indicator for SSH for 2018 is calculated in accordance with the methodology of SSH, which differs from SAS (net income from the current year is taken into account in the calculation of average equity).

G. TECHNICAL INDICATORS

| | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
|---|--------------|--------------|--------------|--------------|--------------|----------------------|
| SAIDI (System Average Interruption Duration Index) | 27.40 | 18.06 | 46.22 | 27.78 | 33.84 | |
| SAIFI (System Average Interruption Frequency Index) | 0.70 | 0.48 | 1.03 | 0.71 | 0.80 | |
| MAIFI (Momentary Average Interruption Frequency Index) | 3.07 | 3.11 | 4.51 | 3.46 | 3.49 | |
| Losses (MWh) | 95,857 | 95,823 | 90,886 | 94,782 | 91,334 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| Losses to electricity distributed ratio | 4.97% | 4.93% | 4.54% | 4.71% | 4.55% | |
| Electricity supplied in the time interval (MW) | 231 | 232 | 239 | 240 | 239 | |
| Peak power in the time interval (MW) | 306 | 316 | 335 | 312 | 341 | |
| Load factor (LF) | 0.75 | 0.74 | 0.71 | 0.77 | 0.70 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| Standardised network length (km) | 599 | 591 | 584 | 599 | 583 | |
| Power distribution per standardised network length | 3.220 | 3.290 | 3.427 | 3.357 | 3.445 | |
| Number of connection approvals issued by consumer category | | | | | | |
| – MV (1–35 kV) | 33 | 38 | 16 | 19 | 31 | |
| – 0.4 kV measured power | 158 | 157 | 145 | 188 | 180 | |
| – 0.4 kV without measured power | 774 | 813 | 857 | 1,127 | 805 | |
| – households | 1,704 | 1,856 | 1,405 | 2,088 | 2,226 | |
| Standardised network length (km) | 599 | 591 | 584 | 599 | 583 | |
| Number of employees | 632 | 632 | 628 | 628 | 633 | |
| Standardised network length per employee | 0.95 | 0.94 | 0.93 | 0.95 | 0.92 | |

H. TECHNICAL ECONOMIC INDICATORS OF REGULATED ACTIVITY

| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
|--|---------------|---------------|---------------|---------------|---------------|----------------------|
| Operating expenses of regulated activity (in EUR) | 45,067,062 | 40,730,638 | 41,169,008 | 39,547,106 | 39,236,015 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| OPEX per electricity distributed | 23.37 | 20.95 | 20.57 | 19.66 | 19.55 | |
| Operating expenses of regulated activity (in EUR) | 45,067,062 | 40,730,638 | 41,169,008 | 39,547,106 | 39,236,015 | |
| Standardised network length (km) | 599 | 591 | 584 | 599 | 583 | |
| OPEX per standardised network length | 75,237 | 68,918 | 70,495 | 66,022 | 67,344 | |
| Investment in regulated activity (in EUR) | 21,279,340 | 19,875,252 | 21,606,689 | 21,892,041 | 23,669,548 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| Investment per electricity distributed | 11 | 10 | 11 | 11 | 12 | |
| Labour costs of regulated activity (in EUR) | 15,196,660 | 15,898,245 | 16,297,584 | 15,354,035 | 15,633,136 | |
| Number of customers | 170,006 | 170,688 | 171,340 | 172,698 | 172,132 | |
| Labour costs per customer (in EUR) | 89 | 93 | 95 | 89 | 91 | |
| Operating revenue of regulated activity (in EUR) | 53,646,613 | 49,533,777 | 49,676,656 | 49,272,239 | 50,444,747 | |
| Electricity distributed (MWh) | 1,928,787 | 1,944,411 | 2,001,430 | 2,011,115 | 2,006,905 | |
| Operating revenue per electricity distributed | 28 | 25 | 25 | 24 | 25 | |

I. INDICATORS OF COMPLIANCE WITH BANK COMMITMENTS

| in EUR | 2015 | 2016 | 2017 | Plan 2018 | 2018 | Graphical comparison |
|---|--------------|--------------|--------------|--------------|--------------|----------------------|
| Financial debt | 47,488,684 | 45,066,277 | 39,765,440 | 42,882,951 | 37,758,483 | |
| Equity | 207,638,928 | 213,314,562 | 219,770,154 | 223,601,771 | 228,621,568 | |
| Financial debt/Equity** | 0.229 | 0.211 | 0.181 | 0.192 | 0.165 | |
| Financial debt | 47,488,684 | 45,066,277 | 39,765,440 | 42,882,951 | 37,758,483 | |
| EBITDA (for a period of 12 months) | 31,585,802 | 30,468,792 | 30,256,783 | 31,824,598 | 32,819,106 | |
| Financial debt/EBITDA** | 1.503 | 1.479 | 1.314 | 1.347 | 1.151 | |
| EBITDA (for a period of 12 months) | 31,585,802 | 30,468,792 | 30,256,783 | 31,824,598 | 32,819,106 | |
| Financial expenses from financial liabilities (for a period of 12 months) | 985,557 | 543,229 | 384,811 | 372,250 | 345,724 | |
| EBITDA/Financial expenses from financial liabilities** | 32 | 56 | 79 | 85 | 95 | |
| Current assets | 54,096,194 | 50,840,105 | 56,586,554 | 53,437,032 | 57,724,876 | |
| Current liabilities | 48,742,355 | 45,406,030 | 48,874,050 | 42,397,512 | 48,625,587 | |
| Current ratio** | 1.110 | 1.120 | 1.158 | 1.260 | 1.187 | |
| Financial debt | 47,488,684 | 45,066,277 | 39,765,440 | 42,882,951 | 37,758,483 | |
| Average equity | 202,239,240 | 210,476,745 | 216,542,358 | 221,008,409 | 224,195,861 | |
| Financial debt/Equity | 0.235 | 0.214 | 0.184 | 0.194 | 0.168 | |
| Net financial debt | 45,631,815 | 42,485,270 | 35,959,418 | 40,258,442 | 32,174,376 | |
| EBITDA | 31,585,802 | 30,468,792 | 30,256,783 | 31,824,598 | 33,122,836 | |
| Net financial debt/EBITDA | 1.445 | 1.394 | 1.188 | 1.265 | 0.971 | |

** Indicators referring to commitments to EIB.

Technical indicators are calculated for the company Elektro Celje.

The indicators for 2018 are adjusted to IFRS (current 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).

The **operating efficiency** indicator shows the efficiency of the Group's operations from its activity and amounts to 1.08 (0.7% higher than planned for 2018).

The **ROE** indicator amounting to 5.60% showing the value of net profit generated in the Group compared to average equity exceeded the expected value from the Annual Asset Management Plan – AAMP of SSH by 14.5%.

The **ROA** indicator amounting to 3.91% showing successful management of the Group's assets exceeded the planned value by 0.6 percentage points, mainly due to increased net operating profit (19.1% higher than planned for 2018).

Gross value added per employee in the Elektro Celje Group in 2018 amounted to EUR 84,062, and was higher than achieved in 2017 (EUR 4,878 higher) and

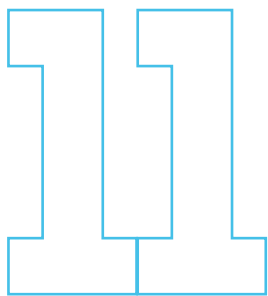
higher than planned (EUR 3,838 higher). The value of the indicator improved due to higher gross operating profit (7.8% higher than planned).

The technical indicators and technical economic indicators of regulated activity are calculated for the parent company and described in Section 10.1.4.

The debt ratio in 2018 amounted to 0.17 (0.18 in 2017). The debt ratio improved in comparison to the previous year, predominantly due to lower long-term financial liabilities.

The Elektro Celje Group had fulfilled all its contractual financial commitments towards EIB (financial debt/EBITDA < 2.5, financial debt/equity < 0.3, EBITDA/financial expenses from financial liabilities > 12 and current ratio > 0.9).





Organisational Development

11.1 Management Systems

Quality Management System – QMS and Environmental Management System – EMS

The management system is comprised of a series of interconnected elements that are used for setting up a policy and goals, and for achieving these goals. The management system includes an organisational structure, planning, responsibilities, work techniques, procedures, processes and sources. The system functions in accordance with identified processes and includes a succession of these processes and their interactions. We control, measure and analyse these processes, as well as execute measures that are necessary for reaching our goals. Additionally, we improve the processes constantly. All processes have set systems of planning, execution, revision and acting (PDCA).

The management system at Elektro Celje, d.d. functions in accordance with the ISO 9001:2015 Standard and is a system standard for company management. The Management, Occupational Health and Safety and Environmental Management processes are certified in accordance with OHSAS 18001:2007 and ISO 14001:2015 and were integrated into a uniform management system in 2017, which was complemented with the information security management system pursuant to ISO 27001:2013 in 2018. In practice, they function in a comprehensive manner under identical procedures for documentation and risk management, communication, preventive and corrective measures, management reviews and other measures and activities that enable the execution of measures for improvement of operations. All documentation related to the certified Management and Environmental Management Systems is published

on the company website and available to all employees. The umbrella document defining the management system, the processes and procedures, is referred to as »Poslovník vodenja« (Rules of Management) of the company Elektro Celje, d.d.. The main tools used in company management are internal audits, management reviews and external control and certification audits. Internal audits are governed by an organisation regulation that also directs the execution of internal audits for a system for the protection of employee health, the environment and information security management. With regular implementation of internal audits, the following is provided:

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

With the management review, we determine the efficiency and suitability of the management system. As a rule, a comprehensive management review is conducted annually in the second quarter of the financial year; alternately, partial management reviews can be carried out constantly, depending on the nature of business events and the needs of managing and coordinating business processes. Preventive and corrective measures are also important management tools. Their implementation depends on the management review. Examiners from the Bureau Veritas Slovenia review the functioning of the management system on an annual basis.

The company has an established system of managing Occupational Health

and Safety, which is a part of the management system and is used for the development and execution of the Occupational Health and Safety Policy and for managing recognised Occupational Health and Safety risks.

The Environmental Management System is in accordance with the requirements of the ISO 14001:2015 Standard and includes all the activities, processes and locations in the company.

The information security management was brought into line with the requirements of the ISO 2701:2013 information security management standard in 2018, with a certification audit implemented at the end of 2018.

Business Excellence

In 2018, Elektro Celje, d.d. carried out a self-appraisal following the EFQM excellence model in the most demanding manner, with the simulation of cooperation within the scope of the Business Excellence Prize of the Republic of Slovenia (PRSPÖ). For this purpose, a managerial document with a comprehensive presentation of the activities and results of the company was prepared. It is the basis for a possible external appraisal within the scope of PRSPÖ. Progress has been observed compared to previous self-appraisals, with a set of measures for improvement prepared.

Occupational Health and Safety System

Due to the company's activities, our employees are exposed to a higher risk of injuries at work and occupational diseases, which is why we give special attention to the protection of our employees' health and industrial safety. We have also committed ourselves to this area by systematically preventing occupational accidents, injuries and disorders, defining safety measures to tackle the source of dangers, defining and demanding the use of personal safety equipment, and conveying relevant information and instructions for occupational safety and encouraging a culture where each individual watches out for themselves and others so as to prevent the risk of accidents and negative health impacts. As employees, we have committed our-

selves to respecting the occupational health and safety policy, bringing it to the attention of all working under the supervision of the company, and constantly improving the safety of the working environment. The company has a certified system for occupational health and safety in accordance with the OHSAS 18001:2007 standard in place.

In 2018, we registered 11 accidents at work, and documented and investigated 18 dangerous events, 8 of which were connected to the use of or work at electricity installations and risk of exposure to electric currents and electric shock. On the basis of legislative regulations and the approved Statement on Safety and 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 prescribed measures related to the inspections of means and equipment for ensuring fire safety were implemented.

We conduct the protection of our workers in accordance with the occupational health requirements defined in the Statement on Safety and Risk Assessment and in cooperation with contractual occupational health providers. Newly employed workers were referred to preliminary medical examinations. Periodic health checks were carried out on all technical operations workers, while workers with limitations had to undergo the prescribed control checks. Workers in exposed positions were administered a second dose of vaccinations against tick-borne encephalitis and the company organised a vaccination against influenza.

On 31 December 2018, Elektro Celje employed 53 disabled persons.

In 2018, we implemented theoretical and practical training with a test knowledge of OHS, FS and EMS for all employees, trainees and apprentices. We increased the number of skilled workers for the provision of first aid in the workplace. We commenced the training of workers for safe work at heights, with an emphasis on practical work in the polygon.

Elektro Celje was included in the programme of comprehensive support for companies to manage psychosocial risks – NAPREJ project (AHEAD).

OHS and FS staff attended expert seminars. As part of the responsibilities of working groups, we conducted a promotion of health and measures for the protection of employee's health in the company. Elektro Celje was included in the programme of comprehensive support for companies to manage psychosocial risks – NAPREJ project (AHEAD). It is a pilot project implemented in a three-year period (until 2021), co-funded by the Republic of Slovenia and the EU from the

European Social Fund. The programme provides consultation, education and information on how to prevent or recognise 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 a personal meeting or use e-counselling via a web portal. All counselling for employees is confidential and can also be used by their close family members.

11.2 Risk Management at the Company Elektro Celje

Risk at Elektro Celje is defined as the impact of uncertainty to the achievement of goals

Comprehensive risk management increases the company's adaptability – its ability to anticipate changes and respond to them in time. A process compliant with the ISO 31000 Risk Management standard is established in Elektro Celje for managing risks.

Risk at Elektro Celje is defined as the impact of uncertainty to the achievement of goals. It represents the likelihood of an event of internal or external origin occurring that can result in the (non) achievement of company's goals; this could be a threat (negative impact) or an opportunity (positive impact). Risks are evaluated using a 5 x 5 matrix showing their effects on profit or loss, health of employees, quality of services for customers and impact on the environment. The probability of occurrence is calculated so that the year in which the event occurred is assessed and monitored for a period of up to 20 years. The probability of occurrence is expressed as a percentage for one year.

ministrators which mainly own the processes are, in their respective fields, responsible for identifying, assessing and addressing risks and taking measures to reduce them.

We also improve the function of internal controls by conducting internal audits in risk areas, which is further proof of our care for managing risks. The risk management, information on which is given in semi-annual reports, is also monitored by the Audit Committee of the Supervisory Board and the Supervisory Board, which give additional recommendations and assess the risk management in the company.

The company Elektro Celje managed the exposure of its operations to risks well in 2018, and limited these risks mostly by adopting measures for their reduction in a timely manner. At the end of 2018, the company did not record high risks, with only five medium risks recorded: regulatory risk, risk of data protection non-compliance, information security risk, information business support risk and the risk of extreme weather events and all other risks are assessed as low or very low. Additional measures were adopted for all risks exceeding the acceptable risk level (these are very low and low risks related to the costs of further risk reduction exceeding the benefits), with the exception being regulatory risk, which is beyond the company's control and thus, the company adapts to it.

The Risk Management Committee consisting of risk administrators, an internal auditor and risk coordinator operates as a separate independent body that reports directly to the Management Board.

The coordinator responsible for risk management is responsible for improvement of the methodology of assessment and treatment of risk and management of the risk register. The Risk Management Committee consisting of risk administrators, an internal auditor and risk coordinator operates as a separate independent body that reports directly to the Management Board. It is responsible for the planning, functioning and control of the risk management process. Risk ad-

11.2.1 Overview of Basic Risks at the Company Elektro Celje

11.2.1.1 Strategic Risks

Strategy and regulations

Due to the regulated activities of Elektro Celje, d.d., external stakeholders, which the company must adapt to and can affect the business strategy and plans, have the main influence on the company's operations. For this reason, the company cannot manage such risks fully. These are:

- SSH, as the representative of the majority shareholder,
- SODO, as the holder of the concession (an amendment to the Agreement on the Lease of Electricity Distribution Infrastructure No. 5 valid in 2018 was signed in April 2017),
- The Energy Agency, which determines the price for using the network on the basis of the Act Determining the Methodology for Setting the Network Charge and the Criteria for Establishing Eligible Costs for Electricity Networks.

The new Network Charge Act was adopted in 2018 which the company observes in preparing the Business Plan for the Period 2019–2021. Regulatory risk is beyond the company's control and therefore the company must adapt to it. Based on the new Act, revenue of Elektro Celje from the item of the return on regulatory asset base in the planned three-year period will be reduced compared to the return pursuant to the Network Charge Act currently in force.

The company put great effort in the reduction of risk related to data protection compliance in 2018. The General Data Protection Regulation (EU 2016/679) entered into force in May 2018. Numerous activities were implemented at the company to adapt to this Regulation which foresees high penalties in the event of non-compliance. A data protection compliance officer was appointed, with acts relating to data protection recast, roles and authorisations of responsible persons regarding personal data protection or processing defined, incident management processes arranged (identification by employees, reporting and handling)

and security incidents defined. Notifications on data protection were reviewed and recast (in information solutions, online), with separate keeping of human resource and financial records as well as data processing for different purposes arranged.

Development risk

The company is involved in a large number of development projects. The two most important projects that should be noted in 2018 are Flex4grid, a pilot project dealing with the critical peak tariff, and NEDO, which is carried out jointly by Slovenia and Japan. The above-mentioned projects are aimed at seeking solutions to lower peak loads and the imbalance between consumption and distributed energy production, and test more advanced technologies for the distribution and management of electricity.

Human resources risk

This risk refers to the risk of employee selection, evaluation of their competences, appropriate motivation and development of employees, knowledge transfer, and replacement of key employees. Elektro Celje successfully reduces this risk by conducting annual employee plans, creating a Catalogue of Descriptions of Desired Approaches, Methods and Conduct at Work, identifying prospective human resources, measuring the work environment of the organisation, the Code of Ethics, annual discussions and SiOK analysis.

Key advantages of the company in the field of organisational climate are reflected primarily in relation to quality, motivation, commitment, loyalty, innovation and initiative. Key challenges primarily regard the area of internal communication, remuneration and career development.

Risk to reputation

It refers to possible events that have an (un)favourable impact on the company's external and internal image. The Code of Ethics represents our basic guideline for understanding and respecting our opera-

tions and is binding upon all employees, together with applicable legislation, internal acts, regulations and standards, to mutual respect as well as ethical and economic conduct in performing our day-to-day tasks. Our reputation is strengthened through responsible conduct towards consumers, investors, the financial public as well as the social and natural environments.

Corporate integrity risk

The purpose of managing these risks

is to reduce the number of violations of corporate integrity and achieve compliant operations, with consideration of good business practices, ethical norms and with socially responsible relations with the social community and natural environment. There were no reports of non-compliance or other irregularities in 2018. Risks related to corporate integrity are included in the Risk Register and assessed as very low with zero tolerance for them.

11.2.1.2 Operational Risks

These are risks deriving from the performance of activities by processes. They are classified into three groups depending on the source of the risk.

Risks related to employee behaviour

Risks in the field of maintenance and investments (consents, easement contracts, project planning, management and monitoring, etc.) and in the field of procurement (planning procurement and setting procurement conditions, concluding contracts for performing works, assessing suppliers and contractors, procedures in public procurement and inventory management) were recognised in the area of risks related to employee behaviour.

This group also includes risks related to organisational changes, delimitation of powers and responsibilities as well as flow of information. Particular attention was paid to risks related to the management of information projects in 2018. On 1 January 2018, Elektro Celje began using two new information systems: ERP (Microsoft Dynamics AX) and EAM (IBM Maximo). After introducing the new systems, the management and all employees began intensively rectifying errors usually appearing in the introduction of such extensive changes, together with external contractors. By doing so, they tried to identify the reasons for errors and introduce changes that would prevent such errors and optimise work in the future.

In the previous year, the company adapted its business processes, with control assessments of the following management systems modernised and conducted: the Quality Management System ISO

9001, Environmental Management System ISO 14001 and Occupational Health and Safety system OHSAS 18001 standards due to the introduction of new information systems. All risks are registered according to processes to meet the requirements of the ISO 9001 standard. At the company Elektro Celje, we take great care in managing occupational health and safety as well as fire safety risks. Since 2012, the company has been certified according to the OHSAS 18001 standard. We minimise risks through internal and external audits, control of dangerous events and accidents at work, regular checks of work equipment and operational resources, working environment research, preventive medical examinations of employees, and regular employee training.

A study into accidents at work was conducted due to the increased number of serious accidents in 2018 which included an accident that had tragic consequences for an employee, with additional preventive measures for reducing occupational health and safety risks adopted consequently. In 2018, environmental aspects were assessed in detail at eighteen company locations in accordance with the requirements of the ISO 14001 standard, with environmental risk assessment also carried out for important aspects ascertained. Framework implementation targets for the occupational health and safety as well as environmental management systems for 2019 were set up based on important environmental aspects ascertained and the situation in the field of occupational health and safety.

Systems operation risk

The systems operation risk refers to

electricity and information systems. Failures in the distribution network cause interruption of the electricity supply to customers, thus reducing the quality of electricity. This risk is also connected with proving force majeure and third-party causes for interrupted supply by EAgem, which also affects the amount of eligible assets from the regulatory framework. Elektro Celje monitors the continuity of supply and commercial quality indicators and acts accordingly whenever necessary. We undertook an increase in cabling to reduce the number of electricity supply interruptions, with measures for identifying and replacing critical lines as well as measures in the field of work organisation adopted.

Information risk is related to the functioning of the computerised information system at the company and comprises data loss risk, information business support risk, information security risk and risk related to information systems failure. A detailed assessment of information risk was carried out within the scope of preparations for the first certification audit pursuant to the ISO 27001 standard. The assessment was based on identified IT resources at the company, vulnerability and threats which were reduced with adopted measures.

11.2.1.3 Financial Risks

Credit risk is the risk of non-payment of debtors' contractual obligations as a consequence of their insolvency. 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 internal company regulations. Short-term receivables are only partially secured with debt collection instruments, as security for non-matured trade receivables for network charges cannot be requested because this is not foreseen by the SPDOEE. We manage the risk with measures that are prescribed in recovery processes.

Credit risk is presented in more detail in Section 15.9.1.

The market risk is associated with an increase in financing costs due to varying interest rates, most notably the EU-

The company has signed a contract on provision of key information services with the company Informatika. The risks related to data loss and information systems failure was reduced by the company in 2018 with the renewal of information systems and introduction of a secondary data centre in Dravograd. Back-up copies of the services underway at the primary location is made at the secondary location (according to the schedule prepared based on the business impact analysis – BIA). A penetration test was performed together with our subcontractors in December 2018. The management of security incidents has been established with the security policy modernised.

External events

Among external events, bad weather, risk of attacks against infrastructure, agreements with customers on planned supply interruptions and the risk of earthquakes have significant impact on the company's operations. The risk of extreme weather events which was realised again in October 2018 to a smaller extent, represents the greatest of such risks. The risk of extreme weather events is therefore partially transferred to insurance companies and at the same time minimised through cabling.

RIBOR reference interest rate. The company does not deal with currency risks due to the limited area of its activities.

Market risk is presented in more detail in Section 15.9.2.

The liquidity risk is a risk of inconsistent liquidity, or the maturity of assets and liabilities of the company, which could cause insolvency. The basic frameworks of the financial policy are determined every year in a three-year Business Plan of the company, defining the planned extent of revenue and expenses of each activity, assets and resources, size of investments, sources of financing the investments, cash flow statement as well as the management of the risk related to liquidity.

Liquidity risk is presented in more detail in Section 15.9.3.

The risk related to equity adequacy arises if a company does not possess

an adequate amount of equity in regard to the size and type of business that it conducts, and the risks to which it is exposed during its conduct. The management monitors and verifies the company's achievement of equity adequacy regularly. The owners, who decide on sharing or distributing the profit, also have a great influence on the equity risk.

The opinion of the majority shareholder is of particular importance because he or she indirectly defines the regulatory environment and can affect the company's financial results and fulfilment of financial commitments greatly.

Equity risk is presented in more detail in Section 15.9.4.

11.2.2 Risk Management and Types of Risks in the Elektro Celje Group

Risks of the Elektro Celje Group are divided into: strategic risk, financial risk and reputation risk. These risks are reduced through measures/control activities which Elektro Celje as the co-owner implements (may carry out) in accordance with applicable legislation to ensure that the operations of its subsidiaries are as successful as possible and that the financial impact on the company Elektro Celje and the entire group would be as low as possible.

Strategic risks:

Subsidiary management risk

Elektro Celje, as the majority owner of ECE d.o.o. and 100% owner of Elektro Celje OVI, d.o.o. directs and monitors the operations of both companies. The company directors give their owners at the latter's oral or written request, explanations regarding operations and provide them with requested documentation. The owners of the subsidiaries may at any time request an audit of the companies' operations.

Two "supervisory colleges" were established to monitor the operations of the subsidiaries. The supervisory college at ECE comprises the Chairmen of the Management Boards of Elektro Celje, d.d. and Elektro Gorenjska, d.d., Director of the Joint Services Sector of Elektro Celje, d.d. and the controller of Elektro Gorenjska, d.d. The supervisory college at Elektro Celje OVI comprises the Chairman of the Management Board of Elektro Celje, d.d., Director of the Development and Operations Sector and Director of the Joint Services Sector, both from Elektro Celje, d.d.

The supervisory colleges meet as necessary, with the aim of resolving outstanding issues.

A suitably conceived management system for the subsidiaries may, with the preparation and implementation of strategies and business plans, provide an opportunity for long-term stable operation thereof.

Risks of strategic orientation of the owner/state

The owner may direct the subsidiary more or less only in the medium term. Expectations of SDH, d.d. from the company Elektro Celje, which are set in the Annual Management Plan of Equity Investments for 2017 for the Group, are that the company Elektro Celje strategically connect/sell the companies involved in the sale and production of electricity with energy pillars owned by the government.

Financial risks:

Risk of poor operations of ECE d.o.o. (especially due to price or credit risk) and Elektro Celje OVI, d.o.o., would result in lower financial revenue for the company Elektro Celje and lower profits, which would affect the performance indicators (ROA, ROE) and potential failure to comply with the expectations of SDH, d.d. In the long run, poor performance could have an impact on the value of the investments of Elektro Celje. The risk is managed through supervision of the subsidiaries.

Risks that would arise in the event of trading the majority shareholding of Elektro Celje in ECE for the minority shareholding in another company,

would arise in the event of trading the investment in ECE, including liquidity risk, as capital gain from trading would not lead to cash flow, which would result in additional borrowing by Elektro Celje for the payment of dividends and taxes.

Credit risk would arise in the case of lending assets to the subsidiaries and if the subsidiaries would not be able to repay the loans. On 31 December 2018 Elektro Celje did not finance its subsidiaries.

Risk to reputation:

The weakened reputation of the companies in the group could due to various reasons, result in the poorer reputation of the parent company and the entire group.

11.3 Internal Audit

Eight regular and one extraordinary internal audits were carried out in 2018.

The aim of an internal audit is to strengthen and protect the value of the company by providing objective guarantees based on risk assessment, consulting and acquisition of a deeper understanding of the company's operation.

The aim of internal auditing is to contribute to increasing benefits and enhancing the operations of the company by encouraging a systematic and disciplined approach to the evaluation and improvement of risk management processes and management thereof.

International Standards for the Professional Practice of Internal Auditing, the Code of Professional Conduct of Internal Auditor and the Code of Internal Auditing Principles formed expert bases for conducting internal audits. External assessment of the operation of the internal audit function at Elektro Celje implemented in the second half of 2018 confirmed the compliance of the operation of the internal audit activity with the standards and codes referred to. The role, competences, organisation, responsibilities and tasks were defined by the internal audit function in the Fundamental Charter of the Internal Audit Activity of Elektro Celje.

The company has an established internal audit activity with the head of internal audit employed which, in view of administration, acts under the authority of the Chairman of the Management Board, and, as regards function, the Supervisory Board Audit Committee (SB AC) and Supervisory Board (SB).

Internal audit carries out its mission in accordance with the medium-term and annual work plans. The annual internal audit plan for 2018 was adopted by the Management Board, with the Supervisory Board giving its consent to it upon the proposal of the Supervisory Board Audit Committee. Priorities of the Internal Audit in accordance with the Strategic

Business Plan 2017–2020 and the company's Business Plan for 2018 were set out in the annual plan of the internal audit activity for 2018.

The head of the Internal Audit enabled adequate performance of planned activities in 2018, with active participation of the Management Board and the Supervisory Board Audit Committee and the involvement of an external expert with specific knowledge in the performance of the two internal audits.

Eight regular and one extraordinary internal audits were carried out in 2018. The introduction, adequacy and operation of internal controls in individual processes were controlled and assessed within the framework of individual internal audit transactions and tasks. To assess the adequacy and operation of internal controls, the COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology was used, a professionally recognized method for comprehensive monitoring of risk management.

Regular internal audits were performed in the field of maintenance of transformer substations, implementation of planned investments, risk management system, personal data security management, personnel service and procurement planning.

Internal audits of implemented AX and MX software and information security were performed in co-sourcing. An extraordinary internal audit of the Takeover of the Subject of Public Procurements (pursuant to the decision of the Supervisory Board) was carried out.

The company Elektro Celje manages risks successfully in order to achieve its important business goals. Internal audits are still being installed in the recently implemented information system, with manual controls defined in inter-

nal organisational regulations adjusted depending on the information support introduced. The internal control system has to be upgraded or improved in the audited units. Individual deficiencies were identified within the scope of performing auditing transactions, with the internal audit pointing them out and giving recommendations to tackle them. The implementation of the recommendations adopted by the Management Board is controlled regularly and realised within the set deadlines.

Within the framework of the internal audit operations, attention was given to the possibility of fraud. A system of preventive internal controls for preventing larger frauds in areas that were audited

by the internal audit has been established and is functioning successfully. The inspections did not identify any risks of increasing levels of fraud.

The internal audit reports its work and findings to the Management Board which ensures adequate conditions for quality and independent work. In 2018, quarterly reports on the function of internal audit activities which were reviewed by the Supervisory Board Audit Committee and the Supervisory Board were prepared in accordance with the Companies Act (ZGD-1), along with an annual report.

The necessary knowledge, skills and other competences required for carrying out each task in the internal audit are provided.

11.4 Corporate Integrity and the Code of Ethics

At the company Elektro Celje, a system of corporate integrity has been established with elements defined by the Slovenian Guidelines of Corporate Integrity.

Ethical rules, which we as employees must follow in certain circumstances, are laid down in the Elektro Celje Group Code of Ethics. The Code, which is made available publicly on the company's website, is a guide of fundamental regulations, standards of conduct and decision-making that must be followed by all Group companies. We use it in everyday activities and its set out values and principles help us in situations when we are uncertain about how to act correctly.

Corporate integrity is acknowledged and defined as one of the strategic goals and included into the strategic guidelines of the Elektro Celje Group. In this way, we wish to facilitate the attainment of set goals, promote the proactive management, enhance the identification of opportunities and threats, act in compliance with the applicable Regulations and Standards, and increase operational efficiency and performance.

Corporate integrity and the related risks are integrated into the company's existing risk management system. Risks related to corporate integrity are included in the Risk Register, where they are identified, assessed and managed through

proposed measures.

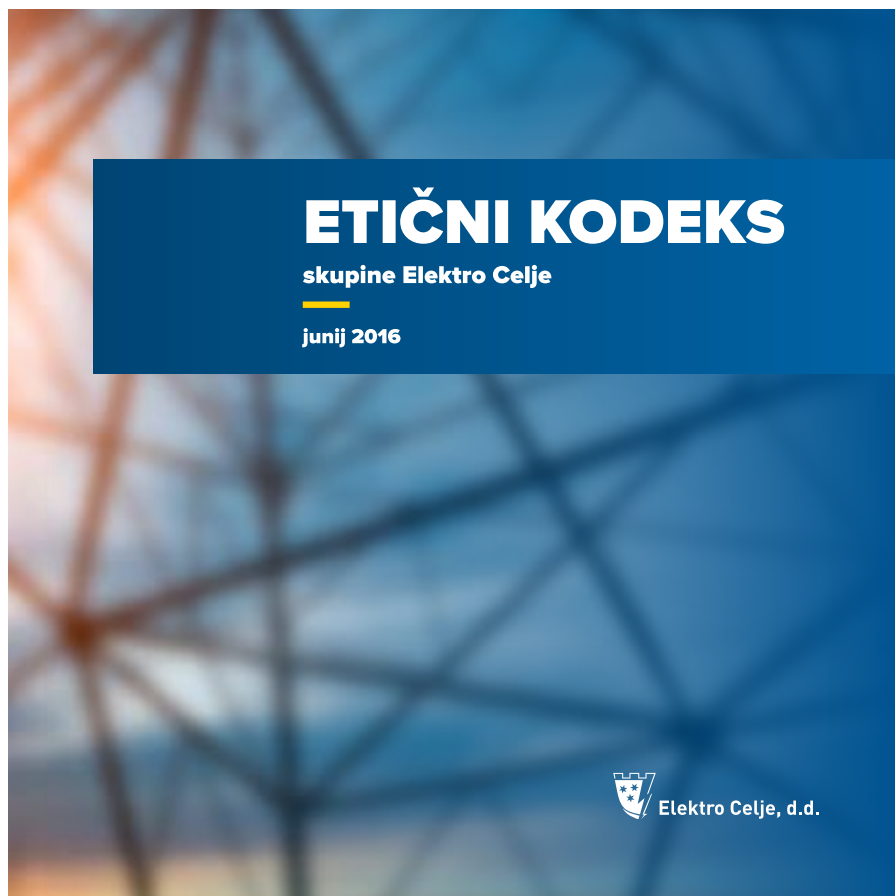
Through a Corporate Integrity Officer, a mechanism was established for regular and comprehensive identification of corporate integrity risks, their assessment, and a systematic and independent control of risk management efficiency. The Management Board provided an additional communication channel that enables anonymous reports of potential irregularities or violations of the compliance with the company's operations. On the company website, anyone can access the tab "Compliance of Operations – Corporate Integrity", which enables him or her to create an anonymous mailbox at the end of the online application form with the help of an external administrator. As correspondence, the reporter can either send personal data or create an anonymous mailbox, through which he or she can communicate with the Compliance Officer. This way, the reporter remains anonymous and no one can come in contact with him or her. The reporter also has the opportunity to report and view the mailbox he or she created, where he or she can check whether the Compliance Officer sent additional questions to clear the matter and monitor the progress of settling the case. In this manner, we widen the communication channels further to ensure that the Codes of Ethics and Corporate Integrity are adhered to.

Corporate integrity is acknowledged and defined as one of the strategic goals and included into the strategic guidelines of the Elektro Celje Group.

With the support of competent services, the Compliance Officer for Corporate Integrity prepared a Training and Communication Programme in the field of Corporate Integrity. Its basic purpose is to familiarise all employees with the Code of Ethics through the Annual Training Programme, so that they will know the basic ethical values of the company and the group, which enables the company to form clear expectations from the em-

ployees, heads and managers, and that each value in the Code of Ethics is presented systematically and, in view of its content, to employees depending on concrete cases. Individual workshops and materials are set up accordingly. With these methods, we strive to encourage fair and ethical conduct on all levels – in relation to our environment, employees and, most of all, ourselves.

On the company website, anyone can access the tab "Compliance of Operations – Corporate Integrity", which enables him or her to create an anonymous mailbox at the end of the online application form with the help of an external administrator.





GDPR
ISO27001

Building trust with careful data protection

We manage a multitude of data every day, including confidential business information as well as personal data.

Their security comes first. We obtained the ISO 27001 information security standard in 2018 as a proof of trust. Business processes are managed in accordance with the certificate according to the principles of confidentiality, integrity and availability. All our data processing procedures are also compliant with the new European GDPR.



12

Sustainable Development

The company's sustainable development forms a constituent part of the business processes at Elektro Celje. The integration of sustainable development and social responsibility principles into business processes contributes to the creation of value added, ensuring compliance of 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 own potentials and abilities, with organisational culture focused on enhancing the awareness of employees of the importance of customer satisfaction at all levels enabling company's growth and development in the future.

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 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 significantly reduce their carbon print 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.

12.1 Research and Development Investments

The company Elektro Celje will continue to invest in research and development in the following fields:

- Smart grids,
- active customer,
- connection of distributed energy resources,
- impact of e-mobility on the electricity network,
- Network control and operation,

- maintenance of electricity infrastructure and
- telecommunications.

The company will apply for public procurement projects within the scope of the Republic of Slovenia or the European Union to draw on the funds. Certain research will be conducted within the framework of the Economic Interest Association.



12.1.1 Pilot Project Dealing with the Critical Peak Tariff (Flex4Grid)

The Energy Agency recognised the European project Flex4Grid as a pilot project in the field of smart grids and ranked it in the scheme of implementation of incen-

tives in the field of promotion of investments in smart grids in the regulatory period 2016–2018 based on the methodology pursuant to the network Charges

Act. The implementation incentives, with the use of dynamic tariffing or the pilot critical tariff, were focused on testing the efficiency of active inclusion of consumers into consumption adjustment programmes in the applicable regulatory period.

The Flex4Grid project with around 800 household electricity consumers participating, was concluded successfully within the framework of the European Commission on 31 March 2018. However, Elektro Celje moved ahead with the project of dynamic tariffing at the national level until the end of 2018 owing to statutory requirements.

The project arose from the upcoming conditions of transition to a low carbon society which will change the operation of the distribution network significantly. The emergence of electric vehicles, heat pumps, storage facilities, and promotion of self-supply or renewable energy sources will have a great impact on network operation, reliability and quality. Increasing numbers of users and consumers will put increased pressure on the distribution network. The required power of the distribution network is projected to double by 2030, and even triple by 2040. As investments in the network will increase considerably, the company is also turning towards "alternative" solu-

tions to adapt to consumption.

The project focused on the development of an open technological system for data management and the provision of services enabling the management of flexibility of distribution network users for both the consumption and generation of electricity. User flexibility means that the user is able to adapt consumption or generation to the needs of other participants of the system, for which the user should be rewarded. A "smart package" and a mobile application were prepared for users to adapt their consumption which helped consumers react to critical events. They also had the possibility of giving the electricity distributor competence for the management of household appliances. The company was one the first in Europe to use the legal possibility of implementing the pilot critical peak tariff within the scope of the Network Charges Act and implement the testing of dynamic tariffing within the framework of the infrastructure of the Flex4Grid project for the financial implementation initiative.

The share of active consumers in an individual critical event amounted to between 50 and 70%. Their average flexibility amounted to 100 W per consumption point, so that household consumption was 10% lower.

12.1.2 Slovenian and Japanese demonstration project (NEDO)

At the end of 2016, the company ELES from Slovenia and NEDO from Japan (New Energy and Industrial Development Organization) signed an agreement on cooperation in the field of Smart Grids and Smart Communities. In accordance with the agreement, the company Elektro Celje will be conducting a demonstration project in the period from 2016 to 2019, which will, in addition to its Japanese partners, include 5 Slovenian partners. The Japanese partner, HITACHI, will develop an advanced integrated system for managing distribution networks. The integrated system functions will cover the field of Voltage Regulation, a system for automatic detection and locating outages, and a system service for ELES, which shall conduct a conservative voltage reduction. Within the scope of the

demonstration project, the Slovenian partners will develop complementary functionalities for voltage regulation in LV networks and loop operation in MV networks, establish the necessary communication infrastructure as well as a platform and programme solutions for integrating all the technologies mentioned above.

The demonstration project will be established in a realistic environment of the company Elektro Celje in the area of DTS Slovenj Gradec. The role of Elektro Celje, d.d., is to ensure a realistic testing ground, integrate equipment, and use and evaluate the above-mentioned technologies. With the establishment of this demonstration project, we expect to achieve better adaptability of the distri-

The role of Elektro Celje, d.d. is to ensure a realistic testing ground, integrate equipment, and use and evaluate the technologies referred to.

bution network to including distributed energy sources, to manage voltage profiles better, reduce losses during elec-

tricity transfer, and improve the reliability of electricity supply directly.

12.1.3 Future Participation of the Company Elektro Celje in Development and Research Projects

The company Elektro Celje will continue to participate in development and research projects. Thus, it will gain the necessary experience by integrating the latest technology into the distribution network and investigate the boundaries between stable network operation and its commercial use.

Elektro Celje joined several international consortia preparing projects such as BE-BIG, iSN, XFLEX and Battery4All, reporting them to the European Commission.

The company will also report the project "Use Smartly" based on dynamic tariffing through the distribution network operator SODO. The thematic priority of the proposed project is related to the "specific new implementation practice connected directly to the distribution sys-

tem operation". The Network Charges Act enables this priority to be addressed by promoting adapted consumption and electricity consumption management with network charge mechanisms. The negative and positive critical peak tariff as well as self-supply of consumers in the community will be used in the project. The secondary priority is the "specific new placement or application of existing equipment for the transfer or distribution of electricity". The project will adapt and use existing equipment used within the scope of the Flex4Grid project – the system for using user flexibility in the critical peak tariff and expand it by using the system for recording electricity generation and electricity meters, enabling the user access to information on their use in real time.

12.2 Financial aspect – investments

The total amount of the investments of the company Elektro Celje for the period of 2019–2028 that was planned is defined in the 10-year plan for developing the electricity distribution network and amounts to EUR 226.2 million.

Investments planned for 2019 in the area of the Elektro Celje, d.d. electricity distribution system amount to EUR 23.0 million (SODO is expected to provide EUR

0.9 million of earmarked resources in previous years to finance investments into greater transmission capacity and development of the power distribution network required by the customers' higher connected load.

The planned distribution network development is presented in more detail in Section 7.5.

12.3 Societal and Social Aspects

12.3.1 Responsibility towards Employees

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.

Human resource planning is a part of the strategic and annual plan of the company.

The energy of employees is crucial for company's success and results. Employees ensure that the activities in individual business processes are running as required, so it is necessary to give meaning to their work and clearly outline the objectives. The role of managers is crucial here. Managers at all levels encourage employees, connect them, coordinate with them and, retain and develop their skills.

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 business, but also act in accordance with the highest ethical and moral values and take into account professional standards of operation. In managing employees, we take measures that facilitate the reconciliation of work and family life. In 2018, particular gratitude was expressed to us for spreading the culture of a family-friendly company since we have been involved in the certification process for over six years and have passed the final audit by the audit council successfully.

Human resource planning is a part of the strategic and annual plan of the company. The strategy of treatment of people

at work of Elektro Celje arises from the key strategic starting points for the period 2017–2020 and includes a comprehensive view of the renewal of the process of treatment of people at work and subprocesses addressing the realisation of the defined strategy in view of the defined key fields and the needs of the organisation.

Social partners are informed of all relevant activities in the field of employee management, with cooperation also carried out with them. By investing in the development of our employees, we care for their personal and professional development, and thus realise our vision to be recognised further in society as the carrier of an increased quality of life with responsibility towards the environment and our employees.

Supplementary Pension Insurance

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 805,326 in 2018) in a contractually defined share of the maximum premium amount. Employees have the option of making additional payments to their share of the premium.

12.3.1.1 Number and Structure of Employees

In 2018, employee fluctuation in the Elektro Celje Group was 4.7%, arising primarily due to the retirement of employees and temporary employment. In the parent company, 17 male employees retired due to age and 1 employee due to disability. In the past year, a somewhat increasing trend of retirement has been observed, with a trend where older employees opt not to retire immediately after meeting the first condition usually observed. This is due mainly to stimulative legislation, which financially rewards continuation of work, and the fact that pensions are lower than wages.

Employment vacancy notices are pub-

licly available on the websites of the parent company and the subsidiaries, and at the Employment Service of Slovenia. When selecting our employees, we pay attention not only to expertise, but also to commitment, target-orientation and the ethics of the candidates. In planning for new employment, we follow the policy of recruiting highly qualified, ambitious and competent staff. Through this endeavour, we strive for the future, which even in traditional industries such as ours, brings significant changes to technological development. Only in this way can we continue to ensure competitiveness, follow the requirements and development of the electricity profes-

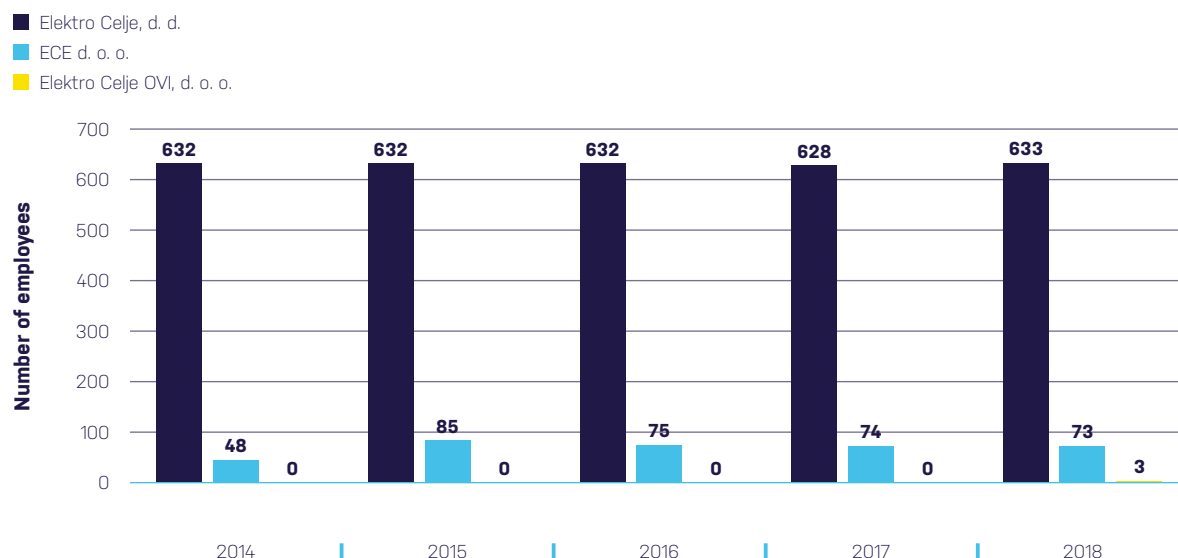
On 31 December 2018, the Elektro Celje Group employed 709 people, with the average number of employees in the parent company amounting to 643 and in the subsidiary ECE 73.

sion and operate in accordance with the mission and values of the company.

On 31 December 2018, the Elektro Celje Group employed 709 people, with the average number of employees in the

parent company amounting to 643 and in the subsidiary ECE 73. In 2018, there were 3 newly recruited employees in the company Elektro Celje OVI, which previously had not had any employees.

Number of employees in the Elektro Celje Group



The majority of employees are employed full-time, with only 2% of employees possessing a part-time contract of employment. These are employees with disability status.

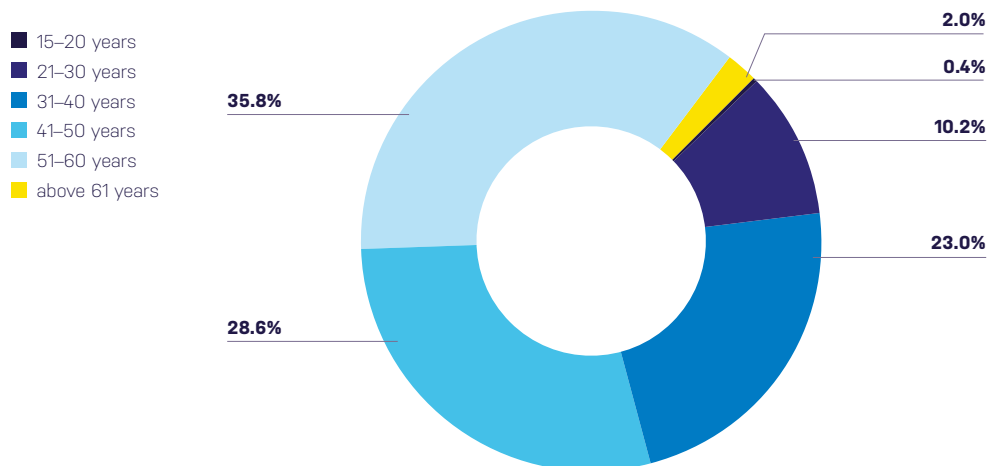
The table shows the number of employees in the Elektro Celje Group with regard to employment status as at 31 December 2018:

| | Elektro Celje, d. d. | ECE d. o. o. | Elektro Celje OVI, d. o. o. | Elektro Celje Group |
|--|----------------------|--------------|-----------------------------|---------------------|
| Number of permanently employed workers | 595 | 69 | 1 | 665 |
| Number of temporarily employed workers | 38 | 4 | 2 | 44 |
| Total number of employees as at 31 Dec 2018 | 633 | 73 | 3 | 709 |

The age structure of employees remains similar to that of previous years. Although in recent years a trend of rising average age by a half year has been visible at Elektro Celje, in 2018 the average age no longer increased. The average age of employees in the company Elektro Celje has remained the same as in 2017, 45 years of age. The average age of employees in the subsidiary ECE was 43 years (the same as in the previous year).

The gender composition in the parent company consists of 86% male and 14% female employees, with the situation at the subsidiary reversed: 29% male and 71% female employees. The proportion of female employees in the subsidiary decreased by 6%, while the ratio of employees by gender in Elektro Celje has not changed.

Composition of employees by age



Elektro Celje company exceeds the share of employees with the status of disabled person, as regulated by the Decree Establishing an Employment Quota for Persons with Disabilities in the field of Electricity Supply. In the past year, we have increased the number of disabled employees, resulting in a 8 percent share of employees with disability status, which is 2% higher than stipulated by the aforementioned Decree. As of the end of 2018, the company Elektro Celje employed 53 disabled persons, with the company ECE employing 1 disabled person. We ensure our disabled employees and those with various health limitations continuation of work even after disabili-

ty occurs, by adapting the work process or post 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.

Absenteeism due to illness is monitored and health promotion activities implemented at Elektro Celje. In 2018, sick leave amounted to 5.6% (proportion of hours in relation to hours worked in 2018, which includes refundable and non-refundable hours), showing an incline over 2017 (4.9%).

12.3.1.2 Employee Education and Training

The employee development programme is based on balancing their talents, skills and ambitions and the 's objectives and requirements.

Knowledge and competencies that support the vision and strategic goals of the company Elektro Celje and the Elektro Celje Group are developed systematically. The employee development programme is based on balancing their talents, skills and ambitions and the 's objectives and requirements. In 2018, we devoted an average of 20 hours per employee to education and training.

Employees with a secondary professional education and qualified employees make up for 62% of all employees, with the majority of the employees with education in the field of Electrical and Power Engineering.

| Education | Average number of employees in the Elektro Celje Group |
|-------------------|--|
| PhD | 1 |
| Master of science | 20 |
| University | 138 |
| Post-secondary | 77 |
| Secondary | 262 |
| Vocational | 7 |
| Highly qualified | 7 |
| Qualified | 187 |
| Semi-qualified | 14 |
| Unqualified | 7 |
| Total | 720 |

Special emphasis is given to the continued knowledge updating, acquisition of special skills, and special knowledge.

Special emphasis is given to the continued knowledge updating, acquisition of special skills, and special knowledge. Annual employee training and regular professional education maintain and upgrade our level of professionalism. Employees keep up with innovations in the energy sector, and act as motors of technical development, so their exchange of knowledge with other colleagues is of particular importance. We also promote employee education for obtaining higher levels of education. Employees involved in ongoing training are granted paid leave for studying, with the possibility of co-funding their expenses also available. Periodic training for operators of energy installations for the following works and tasks represented a large subject area: Energy dispatcher, Head of Operation of the power facility and the Technical Manager of the power facility. Their knowledge must be renewed on a five-year basis. After completing theoretical training and at the end of the preparation period for the exam, the candidates took the exam.

Periodic training in the field of Occupational Health and Safety and Fire Safety for technical and operational workers are renewed on a two-year basis and on a four-year basis for administrative workers. In 2018, all employees took part in it. Numerous other trainings were carried out by the Occupational Health and Safety Department in the first half of the

year; safe work at heights, provision of first aid in the workplace, safe chainsaw handling and occupational safety and health of operators of hydraulic car lifts.

At Elektro Celje, we are aware of the importance of strengthening the health and welfare of employees, so we conducted a survey within the scope of the project "Ahead" for ascertaining sick leave, mental health and management of psychosocial risk factors. The survey involved 117 employees.

Employees took part in various seminars, workshops and conferences, as well as functional education, which is essential for the work process. In addition, our employees also attend free trainings provided by our contractors. E-training enabling maximum flexibility in organising time intended for training was also introduced for enhancing managerial skills. Internal trainings are carried out as a way of transferring knowledge among employees and optimising financial resources. In 2018 internal trainings covered various areas of occupational health and safety, the use of the IT system, typification, implementation of annual development interviews and meter measurements. 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 trainings.

The foundations of leadership and key personnel development strategies were laid in 2018.

12.3.1.3 Concern for Employee Development

The development of intellectual capital and education of the company's own staff in view of the specific nature of the branch, are of key importance for successful operations and the development and growth of the company. Timely recruitment of new employees, which germinate in our midst, while contributing to the progress of operations with their fresh knowledge and passion, is important. A specific programme for inducing newly recruited employees was introduced in 2018.

Our mission in treating people is to ensure and retain competent personnel with systematic, professional and comprehensive approaches as well as encourage changes for building upon their enthusiasm and business excellence. We are a company with a long tradition and rich human capital, so, due to the specifics of the industry, it is important that we manage the expertise that builds up over the years. There is a lot of practical knowledge generated in the field, for we have groups of employees who are rather dislocated. Group leaders, who are for the most part co-workers in the older age group, play an important role in identifying needs and transferring knowledge.

We develop professionalism, knowledge, entrepreneurship, partnership, respect and responsibility carefully. We provide new employment and career development to employees under equal conditions, without discrimination. We do not tolerate any form of violence or mobbing among our employees. Every employee has the right to protection of privacy in the workplace and a safe and healthy working environment. In forming teams or work groups, we take into account that different individuals with different knowledge, experience and ways of thinking in the process of cooperation achieve better objectives.

Change of the management culture and development of leadership skills represent key challenges in the field of human resource management and are given priority. Through comprehensive human resource management, we pay particular attention to identifying talent and the area of management and development

of key personnel, which is of strategic importance for our organisation. In the context of succession, the key objectives are to identify and train key personnel. The Human Resource Department, in cooperation with the Management Board and heads of individual organisational units, devotes a considerable amount of time to the identification and development of promising personnel. In this way, the company ensures succession and fills new key positions.

The foundations of leadership and key personnel development strategies were laid in 2018. The main purpose of this strategy is to ensure efficient personnel structure of managers and constant development of leadership competences pursuant to the strategic goals set. The strategy was used to define key leadership expectations and standards and to design the process, tools, methods and approaches to the development of leadership competences and development of key personnel.

We consider a number of aspects in organising work processes and placing employees. Employees that leave who are in more demanding management or professional positions are replaced mostly through internal redistribution. We thus cultivate knowledge transfer among employees and enable career advancement for employed staff. Recognizing that already during the stage of schooling, it is important to gain practical knowledge and learn about careers in the real environment (at the same time, a great opportunity for the company to get to know the candidates for the job), students and pupils are included in the work process while obtaining practical training. In 2018, 34 pupils were included in practical training, including international Erasmus exchange pupils for the first time. At the beginning of their career path, new employees are employed as trainees.

Annual development interviews are an important instrument for the targeted management of human resources in modern organisations striving for excellence. A cycle of annual development interviews (ADI) has been conducted at Elektro Celje since 2014, and also suc-

successfully carried out in 2018. The annual development interview is approached systematically – with the implementation of workshops for managers. 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. Feedback on work performance has a significant impact on productivity.

12.3.1.4 Communication with employees

Open and regular communication between personnel and management, as well as among the employees, is of key importance. Through promotion of responsible and ethical communication at all levels, we create a productive work atmosphere, increase loyalty and build a culture of mutual trust and respect.

Internal communication most commonly takes the form of meetings, face-to-face and telephone conversations, our website, electronic mail and the Intranet.

One of the forms of employee informing is the **GEC internal newsletter**, a joint newsletter of the Elektro Celje Group, comprising three issues per year.



We continued with our regular monthly **Open Door Days at the office of the Chairman of the Management Board**, introduced in 2010, the practice of which has proven to be effective and well received.

Among the purposes pursued by the company in the field of internal communication is the adoption and implementation of the **Code of Ethics** which defines the principles of ethics and ethical rules of conduct and behaviour of the company management and all employees. The company informs employees about the purpose and content of the Code, the system for disclosing information related to violations of the Code, and sanctions in case of such violations on a regular basis. For this purpose, we have organ-

ised several trainings and workshops for all employees. The Code of Ethics of the company is permanently available on the company's website.

Through our **Intranet site**, we regularly notified all employees of events and activities at the company in a transparent manner. A total of 184 press releases were published. Immediate superiors play a major role in internal communication, therefore we strive to ensure that information from superiors is forwarded to all employees.

Communication with social partners

The Worker Council represents a link between employees and managers. Members represent all organisational units of

the company. Employees can take this opportunity to ask questions and put forward proposals.

Employees also participate in the com-

pany's management with two representatives of employees in the company's Supervisory Board and Human Resources Committee pursuant to the Worker Participation in Management Act (ZSDU).

12.3.2 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 relates mainly to business performance and the 's future strategy. Public information (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 issued by OECD in the procedure of the accession of the Republic

of Slovenia that put emphasis on three main principles of corporate governance significant for an active shareholder concept: transparency, efficiency and responsibility.

The **Annual Report** is one of the most important sources of communication with shareholders and the financial public, with transparency, timeliness and precision of notification about operations and business plans compliant with the provisions of the applicable regulations presenting the main mission.

12.3.3 Responsibility towards Customers and the Influential Public

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

Communication with customers

Two call centres are available to Elektro Celje customers. **Call Centre** of Elektro Celje d.d., which operates within the Network Charge Department and the call centre of the subsidiary ECE. Call Centre operators receive and handle complaints, consumer notifications regarding meter faults, meter 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 and handle communications involving other services within the company.



Flex4Grid project



At Elektro Celje, we are aware that efficient energy use in the long term for customers means providing more reliable supply and lower electricity costs. Customers themselves can affect costs through active involvement. In 2018, a great deal of communication activities was focused on the conclusion of the Flex4Grid project, the purpose of which

was to help customers by using the modified price list for the network charge, influence the reduction of consumption and consequently lower the cost of electricity in households. In July 2018, a prize competition was organised for all project participants, with three winners of electric motor bikes and two winners of electric bicycles chosen by lot.



The website of Elektro Celje is used as a tool for communicating with the public.

The website contains all information required by SDH, d.d. and the Public Information Act regarding company.



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, meaning that 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 website, and announced via radio and local TV stations.

Communication with the local community

Our guideline regarding **media relations** is based on transparent and updated communication. Media communication predominantly regards the company's operations, new services and sponsorship agreements, network developments and completion of major electricity distribution infrastructure. We are regular contributors to the Slovenia power industry newsletter, **Naš stik (Our Contact)**, publishing news and contributions and informing the wider professional community of the activities implemented at the company Elektro Celje.

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 (EAgem, SDH, d.d. etc.) about topics related to the regulation and legislation.

Participation in the Economic Interest Association of Electricity Distribution Companies

The cooperation of Elektro Celje with other electricity distribution companies in Slovenia, joined within the scope of the Economic Interest Association for Electricity Distribution (GIZ DEE), is satisfactory. The basic goals of the Economic Interest Association for Electricity Distribution are to facilitate, coordinate and step up the activity of the services of general economic interest DNSO and the supply of electricity to tariff consumers, to improve the results in the activity as well as facilitate and coordinate other activities or interests. Harmonised operation of the companies within the framework of the Economic Interest Association enables the achievement of more favourable results for the companies as well as consumers.

A strategic conference, where the current state of development and challenges we face are presented, is organised by electricity distribution companies every year to present trends and opportunities that need to be considered in developing, planning and constructing the electricity distribution system to the professional and general public.





12.3.4 Social Responsibility

Every company is interdependent on its local environment – it takes from the environment and returns to it. The objective of the company Elektro Celje is to maintain a good relationship with the community enabling long-term survival.

Quality Standards at the company Elektro Celje (ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007)

At Elektro Celje, we strive towards quality and transparent operations, as the fundamental mission of the company is a reliable and quality electricity supply to consumers and the provision of related services..

of view, suggestions, and also problems, are important. With common efforts to implement an employee-friendly organisational policy, we ensure conditions to facilitate harmonisation of family and business obligations. At the end of November 2018 after passing the audit, particular gratitude was expressed to us for spreading the culture of a family-friendly company in Slovenia, since we have been involved in the certification process for over six years.

Our Sports Society promotes physical activities among the employees. Employees and retired workers are offered the company's holiday facilities, where they can spend quality free time.

Sponsorships and donations

The company Elektro Celje allocates a part of available funds for sponsorships and donations based on a system ensuring transparent, economical and competitive-driven operations of the company with regard to signing deals related to the company's expenditure including sponsorship and donation funds. In 2018, we supported sports, cultural, educational and other events. In the New Year's holiday period, we funded various humanitarian activities in the local communities where Elektro Celje is active. When providing sponsorships, we observed the principle of balance, economic benefit and diversification, while, in providing donations, the principle of social responsibility was applied.



Family friendly enterprise

For many years, the company has been encouraging the values of mutual respect and meeting ethical and legal standards. Since 2011, special attention has been devoted to harmonisation of professional and private lives. We adopted measures to facilitate harmonisation of professional and private lives, but it is thereby important that these measures are maintained and a part of our everyday work and mindset.

The acquisition of the full "Family Friendly Enterprise" certificate in 2015 presents, for our company, a reward for the work performed so far, as well as a commitment to keep following these principles and reinforce them. As a socially responsible company, we are aware that employees are the most important part of an organisation and that their opinions, points

12.4 Environmental Aspect

We prepare and use our own technical guidelines for the installation of electrical equipment and materials. Elektro Celje follows good practices of environmental protection and complies sensibly with the guidelines of local communities and population in siting electricity installations and their operation.

The electricity network is systematically equipped with transformers that use environmentally acceptable oils. Where sensible and permissible, chestnut wood or coniferous tree wood impregnated with environmentally acceptable and

permissible impregnation is used for the construction of overhead power lines.

Elektro Celje d.d. has been reducing its energy consumption for many years. Low energy refurbishment was carried out in many installations through the installation of heat pumps and devices for co-generation of heat and electrical power, insulation and high-quality joinery.

We take care of rational drinking water consumption through improvement of the control of the water supply system and reducing technical losses in the wa-

ter supply network and use of rainwater for domestic and process water.

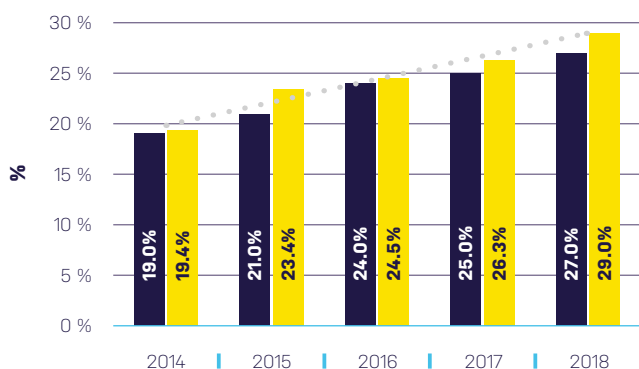
Rolling stock is modernised compliant with the criteria of so-called green public procurement with environmentally friendly transport vehicles.

We care for the natural environment through prudent and environmentally sound siting of power facilities in space, respect for legislation regarding electro-

magnetic radiation of electricity installations, noise and light pollution, and strive to minimize the impact of electricity installations on the environment and people. Waste is collected separately, with contractual partners responsible for its removal; useful waste is recycled or submitted for continued use.

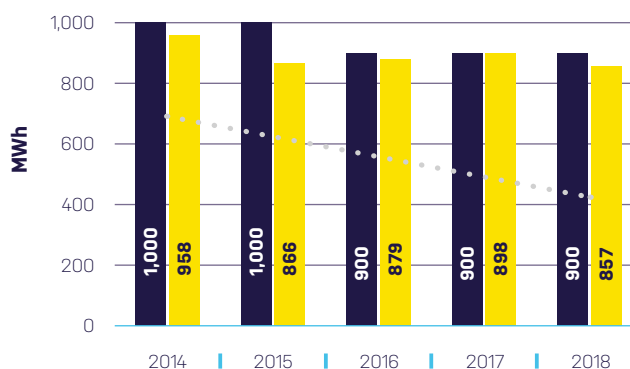
Share of transformers with environmentally sound oil (in %)

■ ELEKTRO CELJE – planned
■ ELEKTRO CELJE – achieved
● Linear (ELEKTRO CELJE – achieved)



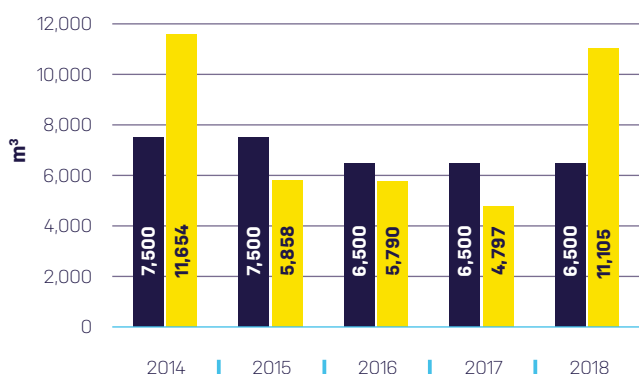
Electricity consumption (in MWh)

■ ELEKTRO CELJE – planned
■ ELEKTRO CELJE – achieved
● Linear (ELEKTRO CELJE – achieved)



Water consumption (in m³)

■ ELEKTRO CELJE – planned
■ ELEKTRO CELJE – achieved



Consumption of fuel for transport means (in l)

■ ELEKTRO CELJE – fuel consumption
● Linear (ELEKTRO CELJE – fuel consumption)



12.5 Objectives of Sustainable Development – Non-Financial Indicators

Elektro Celje reports on its sustainable operation for ensuring sufficient information on the company's socially responsible behaviour. The reporting and planning have not yet been structured under the GRI Guidelines for drawing up a sustainable report. However, the Business Plan and the Business Report show the implementation of socially responsible activities and submission of information on economic, environmental, social and management effects and results of the organisation's operation. 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 de-

velopment of the society at large were introduced for measuring orientation towards sustainable development.

The company monitors the achievement of the goals of non-financial indicators in the Performance Indicators System. Some of them are already presented in other content of the Annual Report (Section 12.4 Environmental Aspect, Section 10.1.4 Performance Indicators of the Company – SAIDI, SAIFI, MAIFI, Share of distributed electricity loss, Section 9.1.1.2 Complaints about power quality, Section 9.2.1 Number of interruptions and the time required to remedy them, Section 9.1.1.1 Land Development Documents).

The following non-financial indicators are also monitored in the company:

| Non-financial indicators | Goal | Achieved |
|--|------|----------|
| Average time required to issue a connection approval (<i>in days</i>) | 20 | 17,56 |
| Average time required to issue an agreement on connection to the LV network (<i>in days</i>) | 20 | 6,94 |
| Average time required to respond to a complaint regarding voltage quality (<i>in days</i>) | 30 | 18,6337 |
| Average time required to tackle voltage deviations (<i>in months</i>) | 6 | 1,656 |
| Average time required to repair a meter fault (<i>in days</i>) | 3 | 4,195 |
| Average time required to eliminate defects in the TC network (<i>in hours</i>) | 1 | 0,2 |
| Implementation of occasional monitoring of voltage quality (<i>number of measurements</i>) | 200 | 180 |
| Handling complaints regarding voltage quality and interrupted supply (<i>number of complaints</i>) | 130 | 100 |
| Handling complaints regarding service quality – commercial quality (<i>number of complaints</i>) | 10 | 7 |
| Number of hours of training and education per employee (<i>in hours</i>) | 19 | 20 |
| Assessment of efficiency of employee training and education (<i>1–5</i>) | 4,5 | 4,3 |



FINANCIAL
REPORT



| | |
|---|--|
| M | |
| | |
| | |





Developing partnership relationships with stakeholders

We are connected with the society and the environment. We are committed to the values of partnership and responsible cooperation with all stakeholders – with the Economic Interest Association of Electricity Distribution Companies as well as the network system operator, ministries, the SSH and the Energy Agency. **We contribute to the creation of conditions and an environment oriented towards cooperation and the development of the sector. Because only united, can we face future challenges.**



13

Independent Auditor's Reports



Tel: +386 1 51 00 920
Fax: +386 1 51 00 921
info@bdo.si
www.bdo.si

Cesta v Mestni log 1
SI-1000 Ljubljana
Slovenija

POROČILO NEODVISNEGA REVIZORJA

Delničarjem družbe
ELEKTRO CELJE, d.d.
Vruncova ulica 2a
3000 Celje

Mnenje

Revidirali smo računovodske izkaze gospodarske družbe Elektro Celje, d.d. (družba), ki vključujejo bilanco stanja na dan 31. decembra 2018 ter izkaz poslovnega izida, izkaz vseobsegajočega donosa, izkaz gibanja kapitala in izkaz denarnih tokov za tedaj končano leto ter povzetek bistvenih računovodskih usmeritev in druge pojasnjevalne informacije.

Po našem mnenju priloženi računovodski izkazi v vseh pomembnih pogledih pošteno predstavljajo finančni položaj družbe Elektro Celje, d.d. na dan 31. decembra 2018 ter njen poslovni izid, vseobsegajoči donos in denarne tokove za tedaj končano leto v skladu s Slovenskimi računovodskimi standardi.

Podlage za mnenje

Revizijo smo opravili v skladu z Mednarodnimi standardi revidiranja (MSR). Naše revizijske postopke smo pravilno opisane v tem poročilu v odstavku Revidirane odgovornosti revidiranja. V skladu s Kodeksom etike za računovodske strokovnjake, ki ga je izdal Inštitut za računovodstvo in revizijo (IER) ter etičnim načelom, ki ga je izdal Inštitut za računovodstvo in revizijo (IER), smo izpolnili vse druge etične zahteve v skladu s temi zahtevami in Kodeksom etike za računovodske strokovnjake. Naše pridobljeni revizijski dokazi zadostijo in ustrezajo kot osnova za naše mnenje.

Druge informacije

Za druge informacije smo prebrali poslovno knjigo, Druge informacije obsegajo uvodni del in poslovno poročilo, ki sta sestavni deli letnega poročila družbe Elektro Celje, d.d., vendar ne vključujejo računovodskih izkazov in ne predstavljajo osnove za naše mnenje. Druge informacije smo pridobili pred datumom revizorjevega poročila. Naše mnenje o računovodskih izkazih se ne razteka na druge informacije in o njih ne izražamo nobene oblike zagotovila.

Če smo opravljeno revizijo računovodskih izkazov je naša odgovornost prebrati druge informacije in pri njihovi oceni ali so druge informacije pomembno neskladne z računovodskimi izkazi, zakonskimi zahtevami ali našim poznavanjem, pridobljenim pri revidiranju, ali se kako drugače kažejo kot pomembno napačne. Če na podlagi opravljenega dela zaključimo, da obstaja pomembno napačna navedba drugih informacij, moramo o takih okoliščinah poročati. V zvezi s tem na podlagi opisanih postopkov poročamo, da:

- so druge informacije v vseh pomembnih pogledih usklajene z revidiranimi računovodskimi izkazi;
- so druge informacije pripravljene v skladu z veljavnimi zakoni in predpisi; ter
- na podlagi poznavanja in razumevanja družbe in njenega okolja, ki smo ga pridobili med revizijo, v zvezi z drugimi informacijami nismo ugotovili bistveno napačnih navedb.

Odgovornost posloводства in nadzornega sveta za računovodske izkaze

Posloводство je odgovorno za pripravo in pošteno predstavitev teh računovodskih izkazov v skladu s Slovenskimi računovodskimi standardi in za tako notranje kontroliranje, kot je v skladu z odločitvijo posloводства potrebno, da omogoči pripravo računovodskih izkazov, ki ne vsebujejo pomembno napačne navedbe zaradi prevare ali napake.

Posloводство je pri pripravi računovodskih izkazov družbe odgovorno za oceno njene sposobnosti, da nadaljuje kot delujoče podjetje, razkritje zadev, povezanih z delujočim podjetjem in uporabo predpostavke delujočega podjetja kot podlage za računovodenje, razen če namerava posloводство podjetje likvidirati ali zaustaviti poslovanje, ali če nima druge možnosti, kot da napravi eno ali drugo.

Nadzorni svet je odgovoren za nadzor nad pripravo računovodskih izkazov in za potrditve revidiranega letnega poročila.

angleško poročilo



Revizorjeva odgovornost za revizijo računovodskih izkazov

Naši cilji so pridobiti sprejemljivo zagotovilo o tem ali so računovodski izkazi kot celota brez pomembno napačne navedbe zaradi prevare ali napake, in izdati revizorjevo poročilo, ki vključuje naše mnenje. Sprejemljivo zagotovilo je visoka stopnja zagotovila, vendar ni jamstvo, da bo revizija, opravljena v skladu z MSR, vedno odkrila pomembno napačno navedbo, če ta obstaja. Napačne navedbe, lahko izhajajo iz prevare ali napake, ter se smatrajo za pomembne, če je upravičeno pričakovati, da posamič ali skupaj, vplivajo na gospodarske odločitve uporabnikov, sprejete na podlagi teh računovodskih izkazov.

Med izvajanjem revidiranja v skladu s pravili revidiranja uporabljamo strokovno presojo in ohranjamo poklicno nezaupljivost. Prav tako:

- prepoznamo in ocenimo tveganja pomembno napačne navedbe v računovodskih izkazih, bodisi zaradi napake ali prevare, oblikujemo in izvajamo revizijske postopke kot odzive na ocenjena tveganja ter pridobivamo zadostne in ustrezne revizijske dokaze, ki zagotavljajo podlago za naše mnenje. Tveganje, da ne bomo odkrili napačne navedbe, ki izvira iz prevare, je višje od tistega, povezanega z napako, saj prevara lahko vključuje skrivne dogovore, ponarejanje, namerno opustitev, napačno razlago ali izogibanje notranjih kontrol;
- opravimo postopke preverjanja in razumevanja notranjih kontrol, pomembnih za revizijo z namenom oblikovanja revizijskih postopkov, ki so okolščinam primerni, vendar ne z namenom izraziti mnenja o učinkovitosti notranjih kontrol družbe;
- presodimo ustreznost uporabljenih računovodskih usmeritev in sprejemljivost računovodskih ocen tveganj povezanih razkritij posloводства;
- na podlagi pridobljenih revizijskih dokazov o obstoju pomembne negotovosti glede okolščin, ki zbuja dvom v sposobnost organizacije, da nadaljuje kot delujoča organizacija, sklep o ustreznosti poslovodske uporabe predpostavke delujočega podjetja za revizorjevo računovodenje. Če sprejmemo sklep o obstoju pomembne negotovosti, revizorjem poročilo opozoriti na ustrezna razkritja v računovodskih izkazih, če pa sklep ni neustrezen, prilagoditi mnenje. Revizorjevi sklepi temeljijo na našem pregledu do datuma izdaje revizorjevega poročila. Vendar kasnejši dogodki, ki se pojavijo po datumu izdaje poročila, povzročijo prenehanje organizacije kot delujočega podjetja;
- ovrednotimo splošno predstavitev računovodskih izkazov vključno z razkritji, in ali računovodski izkazi predstavlja pravi prikaz položaja podjetja na način, da je dosežena poštena predstavitev.

Revizorsko komisijo, ki je izdala to poročilo, hkrati obveščamo o načrtovanem obsegu in času revidiranja in pomembnosti, vključno s pomanjkljivostmi notranjih kontrol, ki smo jih zaznali med našim pregledom.

Revizorski svet nadzornemu svetu smo predložili našo izjavo, da smo izpolnili vse etične zahteve v zvezi s revizorjem ter jih obvestili o vseh razmerjih in drugih zadevah, za katere bi se lahko upravičeno menilo, da vplivajo na našo neodvisnost, in jih seznanili s tem povezanimi nadzornimi ukrepi.

Ljubljana, 26. aprila 2019



BDO Revizija d.o.o.
Cesta V. Meštri log 1, Ljubljana

Maruša Hauptman, pooblaščenka revizorka,
prokuristka



Tel: +386 1 53 00 920
 Fax: +386 1 53 00 921
 info@bdo.si
 www.bdo.si

Cesta v Mestni log 1
 SI-1000 Ljubljana
 Slovenija

POROČILO NEODVISNEGA REVIZORJA

Delničarjem
 ELEKTRO CELJE, d.d.
 Vrunčeva ulica 2a
 3000 Celje

Mnenje

Revidirali smo računovodske izkaze Skupine Elektro Celje (Skupina), ki vključujejo konsolidiran izkaz finančnega položaja na dan 31. decembra 2018 ter konsolidiran izkaz poslovnega izida, konsolidiran izkaz vseobsegajočega donosa, konsolidiran izkaz gibanja kapitala in konsolidiran izkaz denarnih tokov za tedaj končano leto ter povzetek bistvenih računovodskih usmeritev in druge pojasnjevalne informacije.

Po našem mnenju priloženi računovodski izkazi v vseh pomembnih pogledih pošteno predstavljajo položaj Skupine Elektro Celje, d.d. na dan 31. decembra 2018 ter njen poslovni izid, vseobsegajoči donos, denarne tokove za tedaj končano leto v skladu z Mednarodnimi standardi računovodskega poročanja sprejela EU.

Podlaga za mnenje

Revizijo smo opravili v skladu z Mednarodnimi standardi računovodskega poročanja in odgovornosti na podlagi teh pravil so opisane v tem poročilu v odstavku 2. Naše mnenje o konsolidiranih računovodskih izkazih, v skladu s Kodeksom etike za računovodsko strokovnjake (Kodeksom etike), ki ga je sprejel Odbor za mednarodne standarde etike za računovodske strokovnjake (Kodeksom etike), ki se nanašajo na revizijo računovodskih izkazov v Sloveniji, potrjuje, da smo izpolnili vse druge etične zahteve in, da smo izpolnili vse druge etične zahteve v skladu s temi zahtevami, ki smo jih pridobili pri reviziji računovodskih izkazov, kot osnova za naše mnenje, da so pridobljeni revizijski dokazi zadostni in ustrezni.

Druge informacije

Skupina Elektro Celje je odgovorno poslovanje. Druge informacije obsegajo uvodni del in poslovno poročilo, ki vsebuje glavna dela letnega poročila skupine Elektro Celje, vendar ne vključujejo računovodskih izkazov in poročila revizorjevega poročila o njih. Druge informacije smo pridobili pred datumom revizorjevega poročila, razen poročila nadzornega sveta, ki bo na voljo pozneje. Naše mnenje o konsolidiranih računovodskih izkazih se ne nanaša na druge informacije in o njih ne izražamo nobene oblike zagotovila.

V povezavi z opravljenimi revizijami konsolidiranih računovodskih izkazov je naša odgovornost prebrati druge informacije in pri tem presoditi ali so druge informacije pomembno neskladne s konsolidiranimi računovodskimi izkazi, zakonskimi zahtevami ali našim poznavanjem, pridobljenim pri revidiranju, ali se kako drugače kažejo kot pomembno napačne. Če na podlagi opravljenega dela zaključimo, da obstaja pomembno napačna navedba drugih informacij, moramo o takih okoliščinah poročati. V zvezi s tem na podlagi opisanih postopkov poročamo, da:

- so druge informacije v vseh pomembnih pogledih usklajene z revidiranimi konsolidiranimi računovodskimi izkazi;
- so druge informacije pripravljene v skladu z veljavnimi zakoni in predpisi; ter
- na podlagi poznavanja in razumevanja skupine in njenega okolja, ki smo ga pridobili med revizijo, v zvezi z drugimi informacijami nismo ugotovili bistveno napačnih navedb.

Odgovornost poslovanja in nadzornega sveta za konsolidirane računovodske izkaze

Poslovanje je odgovorno za pripravo in pošteno predstavitev teh konsolidiranih računovodskih izkazov v skladu z Mednarodnimi standardi računovodskega poročanja, kot jih je sprejela EU in za tako notranje kontroliranje, kot je v skladu z odločitvijo poslovanja potrebno, da omogoči pripravo konsolidiranih računovodskih izkazov, ki ne vsebujejo pomembno napačne navedbe zaradi prevare ali napake.

Poslovanje je pri pripravi konsolidiranih računovodskih izkazov družbe odgovorno za oceno njene sposobnosti, da nadaljuje kot delujoče podjetje, razkritje zadev, povezanih z delujočim podjetjem in uporabo predpostavke delujočega podjetja kot podlago za računovodenje, razen če namerava poslovanje podjetje likvidirati ali zaustaviti poslovanje, ali če nima druge možnosti, kot da napravi eno ali drugo. Nadzorni svet je odgovoren za nadzor nad pripravo konsolidiranih računovodskih izkazov in za potrditev revidiranega konsolidiranega letnega poročila.

BDO Revidirajo d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.

Gledno leto: 2018, v Ljubljani, v št. 1/2482/18, izdani kapital: 9.734,46 EUR, matična št.: 5913891, ID št. za DDV: SI44637026.

angleško poročilo



Revizorjeva odgovornost za revizijo konsolidiranih računovodskih izkazov

Naši cilji so pridobiti sprejemljivo zagotovilo o tem ali so konsolidirani računovodski izkazi kot celota brez pomembno napačne navedbe zaradi prevare ali napake, in izdati revizorjevo poročilo, ki vključuje naše mnenje. Sprejemljivo zagotovilo je visoka stopnja zagotovila, vendar ni jamstvo, da bo revizija, opravljena v skladu z IISIR, vedno odkrila pomembno napačno navedbo, če ta obstaja. Napačne navedbe, lahko izhajajo iz prevare ali napake, ter se smatrajo za pomembne, če je upravičeno pričakovati, da posamič ali skupaj, vplivajo na gospodarske odločitve uporabnikov, sprejete na podlagi teh računovodskih izkazov.

Med izvajanjem revidiranja v skladu s pravili revidiranja uporabljamo strokovno presojo in ohranjamo poklicno nezaupljivost. Prav tako:

- prepoznamo in ocenimo tveganja pomembno napačne navedbe v konsolidiranih računovodskih izkazih, bodisi zaradi napake ali prevare, oblikujemo in izvajamo revizijske postopke kot odzive na ocenjena tveganja ter pridobimo zadostne in ustrezne revizijske dokaze, ki zagotavljajo podlago za naše mnenje. Tveganje, da ne bomo odkrili napačne navedbe, ki izvirajo iz prevare, je višje od tistega, povezanega z napako, saj prevara lahko vključuje skrivne dogovore, ponarejanje, namerno opustitev, napačno razlago ali izogibanje notranjih kontrol;
- opravimo postopke preverjanja in razumevanja notranjih kontrol, pomembnih za revizijo z namenom oblikovanja revizijskih postopkov, ki so okolščinam primerni, vendar ne z namenom izpolnitve učinkovitosti notranjih kontrol družbe;
- presodimo ustreznost uporabljenih računovodskih usmeritev in sprejemljivost njihovih izidov, vključno s tistimi povezanimi razkritji poslovanja;
- na podlagi pridobljenih revizijskih dokazov o obstoju pomembnih tveganj zaradi prevare ali napake ali okolščin, ki zbuja dvom v sposobnost organizacije, da izpolni svoje obveznosti, sprejmemo sklep o ustreznosti poslovodske uporabe notranjih kontrol podjetja, kot podlage računovodenja. Če sprejmemo sklep o obsevnih pomanjkljivostih, smo dolžni v revizorjevem poročilu opozoriti na ustrezna razkritja ali, če so taka razkritja neustrezna, prilagoditi mnenje. Revizorjevo poročilo vključuje revizijske dokaze pridobljenih do datuma izdaje revizorjevega poročila, ki so bili na dan izdaje poročila ali okolščine lahko povzročijo prenehanje organizacije kot ravnateljstva ali druge osebe, ki jih lahko povzročijo prenehanje organizacije kot ravnateljstva, vsebinsko računovodskih izkazov vključno z razkritji, in ali računovodski izkazi zagotavljajo zadostne in ustrezne revizijske dokaze na način, da je dosežena polna in prava predstavitev dejavnosti v skupini, da izrazimo mnenje o konsolidiranih računovodskih izkazih. Obenem smo za ustrezno usmerjanje, nadzor in izvedbo revizije skupine. Obenem smo izključno mi odgovorni za naše revizijsko mnenje.

Revizorjeva komisija in nadzorni svet med drugim obveščamo o načrtovanem obsegu in času revidiranja in pomembnih revizijskih ugotovitvah vključno s pomanjkljivostmi notranjih kontrol, ki smo jih zaznali med našo revizijo.

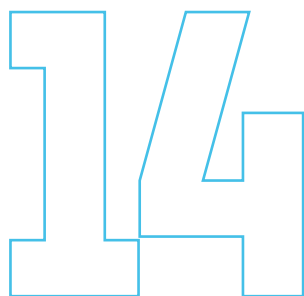
Revizorjski komisiji in nadzornemu svetu smo predložili našo izjavo, da smo izpolnili vse etične zahteve v zvezi z neodvisnostjo ter jih obvestili o vseh razmerjih in drugih zadevah, za katere bi se lahko upravičeno menilo, da vplivajo na našo neodvisnost, in jih seznanili s tem povezanimi nadzornimi ukrepi.

Ljubljana, 26. april 2019



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

[Signature]
Maruša Hauptman, pooblaščenka revizorka,
prokuristka



Financial Statements

of Elektro Celje

14.1 Balance Sheet

| ITEM (in EUR) | Note | Amount | |
|---|----------|-------------------|-------------------|
| | | As of 31 Dec 2018 | As of 31 Dec 2017 |
| ASSETS | | | |
| A. Long-term assets (I. + II. + III. + IV. + V. + VI.) | | 268,879,026 | 264,121,289 |
| I. Intangible assets and long-term accrued revenue and deferred expenses (1 to 6) | 15.4.1 | 3,083,401 | 3,644,997 |
| 1. Long-term property rights | | 3,065,917 | 3,644,940 |
| 4. Intangible assets in development | | 4,900 | 0 |
| 6. Other long-term accrued revenue and deferred expenses | | 12,584 | 57 |
| II. Property, plant and equipment (1 to 4) | 15.4.2 | 254,312,030 | 247,578,613 |
| 1. Land and buildings (a + b) | | 183,789,118 | 179,068,772 |
| a) Land | | 5,980,401 | 5,945,419 |
| b) Buildings | | 177,808,717 | 173,123,353 |
| 2. Production equipment and machinery | | 60,548,447 | 60,718,155 |
| 3. Other machinery and equipment | | 75,687 | 90,785 |
| 4. Tangible fixed assets in the course of acquisition (a + b) | | 9,898,778 | 7,700,901 |
| a) Property, plant and equipment under construction | | 9,898,778 | 7,680,901 |
| b) Advance payments for the acquisition of tangible fixed assets | | 0 | 20,000 |
| IV. Long-term financial investments (1 to 2) | 15.4.3 | 7,658,081 | 7,653,937 |
| 1. Long-term financial investments excluding loans (a + b + c + d) | | 7,658,081 | 7,653,937 |
| a) Shares and shareholdings in Group companies | | 7,246,975 | 7,246,975 |
| b) Shares and shareholdings in associates | | 206,987 | 206,987 |
| c) Other shares and shareholdings | | 204,119 | 199,975 |
| V. Long-term operating receivables (1 to 3) | 15.4.6.1 | 2,213,183 | 3,552,634 |
| 2. Long-term operating trade receivables | | 2,206,058 | 3,544,119 |
| 3. Long-term operating receivables due from others | | 7,125 | 8,515 |
| VI. Deferred tax assets | 15.4.4 | 1,612,331 | 1,691,108 |
| B. Current assets (I. + II. + III. + IV. + V.) | | 12,516,763 | 11,750,281 |
| II. Inventories (1 to 4) | 15.4.5 | 1,700,625 | 1,111,563 |
| 1. Material | | 1,700,625 | 1,111,563 |
| IV. Short-term operating receivables (1 to 3) | 15.4.6.2 | 10,306,106 | 10,467,657 |
| 1. Short-term operating receivables from Group companies | | 51,155 | 17,275 |
| 2. Short-term trade receivables | | 10,062,638 | 10,101,826 |
| 3. Short-term operating receivables due from others | | 192,313 | 348,556 |
| V. Cash | 15.4.7 | 510,032 | 171,061 |
| C. Short-term accrued revenue and deferred expenses | 15.4.8 | 2,684,853 | 3,826,125 |
| TOTAL ASSETS (A + B + C) | | 284,080,642 | 279,697,695 |

| ITEM (in EUR) | | Note | Amount | |
|---------------------------------------|---|---------|-------------------|-------------------|
| | | | As of 31 Dec 2018 | As of 31 Dec 2017 |
| LIABILITIES | | | | |
| A. | Equity (I. + II. + III. + IV. + V. + VI. + VII.) | 15.4.9 | 214,215,726 | 207,146,133 |
| I. | Called-up capital (1 to 2) | 15.4.9 | 100,953,201 | 100,953,201 |
| | 1. Share capital | | 100,953,201 | 100,953,201 |
| II. | Share premium | | 62,260,317 | 62,260,317 |
| III. | Revenue reserve (1 to 5) | 15.4.9 | 48,173,508 | 41,242,219 |
| | 1. Legal reserves | | 4,008,638 | 3,488,499 |
| | 2. Reserves for own shares and interests | | 886,371 | 635,799 |
| | 3. Own shares and interests | | -886,371 | -635,799 |
| | 5. Other revenue reserves | | 44,164,870 | 37,753,720 |
| V. | Reserves resulting from valuation at fair value | 15.4.9 | -392,208 | -454,619 |
| VI. | Retained earnings | 15.4.9 | 0 | 152,105 |
| | 1. Retained earnings from previous years | | 0 | 152,105 |
| VII. | Net income/profit for the year | 15.4.9 | 3,220,908 | 2,992,910 |
| | 1. Undistributed net income/profit for the year | | 3,220,908 | 2,992,910 |
| B. | Provisions and long-term accrued expenses and deferred revenue (1 to 3) | 15.4.10 | 18,783,995 | 19,740,802 |
| | 1. Retirement benefits and similar employee benefits | | 5,999,591 | 5,915,537 |
| | 2. Other provisions | | 264,405 | 826,783 |
| | 3. Long-term accrued expenses and deferred revenue | | 12,519,999 | 12,998,482 |
| C. | Long-term liabilities (I.+ II.+ III.) | 15.4.11 | 26,834,819 | 28,630,688 |
| I. | Long-term financial liabilities (1 to 4) | 15.4.11 | 26,461,253 | 28,489,156 |
| | 2. Long-term financial liabilities to banks | | 26,353,527 | 27,702,950 |
| | 4. Other long-term financial liabilities | | 107,726 | 786,206 |
| II. | Long-term operating liabilities (1 to 5) | 15.4.11 | 361,386 | 130,139 |
| | 2. Long-term trade payables | | 361,386 | 130,139 |
| III. | Deferred tax liabilities | 15.4.12 | 12,180 | 11,393 |
| Č. | Short-term liabilities (I.+ II.+ III.) | 15.4.13 | 23,622,058 | 23,452,968 |
| II. | Short-term financial liabilities (1 to 4) | 15.4.13 | 11,215,660 | 11,241,600 |
| | 2. Short-term financial liabilities to banks | | 11,149,424 | 11,237,733 |
| | 4. Other short-term financial liabilities | | 66,236 | 3,867 |
| III. | Short-term operating liabilities (1 to 8) | 15.4.13 | 12,406,398 | 12,211,368 |
| | 1. Short-time operating liabilities to Group companies | | 49,130 | 48,675 |
| | 2. Short-time trade payables | | 3,669,684 | 4,547,882 |
| | 4. Short-time operating liabilities from operations for third-party account | | 3,864,248 | 3,655,124 |
| | 5. Short-time liabilities to employees | | 3,143,468 | 3,120,054 |
| | 6. Short-time liabilities to state and other institutions | | 972,907 | 200,971 |
| | 7. Short-time operating liabilities based on advances | | 100,190 | 94,289 |
| | 8. Other short-time operating liabilities | | 606,771 | 544,373 |
| D. | Short-term accrued expenses and deferred revenue | 15.4.14 | 624,044 | 727,104 |
| TOTAL LIABILITIES (A + B + C + D + E) | | | 284,080,642 | 279,697,695 |

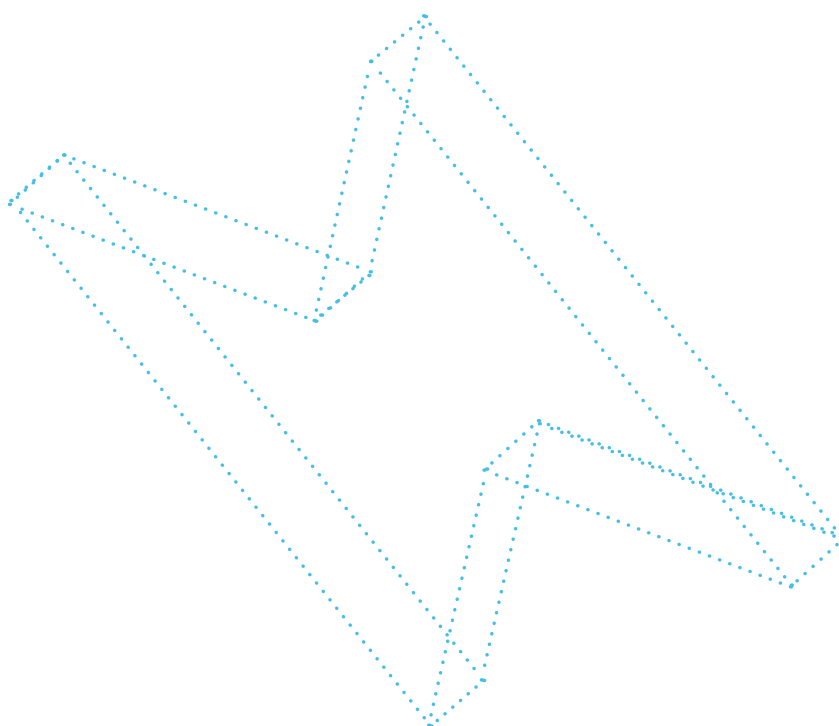
14.2 Income Statement

| ITEM (in EUR) | Note | Amount | |
|---|----------------|-------------------|-------------------|
| | | Current year | Previous year |
| 1. Net sales revenue (a + b) | 15.6.1 | 50,512,707 | 49,823,026 |
| a. In the domestic market | | 50,512,707 | 49,823,026 |
| 3. Capitalised own products and services | 15.6.2 | 15,193,945 | 14,011,503 |
| 4. Other operating revenue (including revaluation surplus) | 15.6.3 | 2,120,225 | 1,801,851 |
| 5. Costs of goods, materials and services (a + b) | 15.6.4 | 15,759,029 | 16,361,091 |
| a. Cost of goods and material | | 9,709,206 | 10,189,292 |
| b. Cost of services | | 6,049,823 | 6,171,799 |
| 6. Labour costs (a + b + c + d) | 15.6.5 | 22,748,559 | 21,976,626 |
| a. Cost of salaries | | 16,224,669 | 15,760,859 |
| b. Pension insurance costs | | 2,280,376 | 2,201,338 |
| c. Other social security costs | | 1,209,644 | 1,170,305 |
| d. Other labour costs | | 3,033,870 | 2,844,124 |
| 7. Write-downs and write-offs (a + b + c) | 15.6.6 | 17,489,803 | 18,293,089 |
| a. Amortisation and depreciation | | 17,353,162 | 17,478,892 |
| b. Operating expenses from revaluation of intangible and tangible fixed assets | | 120,991 | 798,324 |
| c. Operating expenses from revaluation of current assets | | 15,650 | 15,873 |
| 8. Other operating expenses | 15.6.7 | 324,987 | 316,640 |
| 9. Financial revenue from shares (a + b + c) | 15.6.8 | 1,007,400 | 1,532,400 |
| a. Financial revenue from shares in Group companies | | 1,000,000 | 1,525,000 |
| b. Financial revenue from shares in other companies | | 7,400 | 7,400 |
| 10. Financial revenue from loans granted (a + b) | 15.6.9 | 68 | 186 |
| b. Financial revenue from loans to others | | 68 | 186 |
| 11. Financial revenue from operating receivables (a + b) | 15.6.10 | 91,583 | 273,412 |
| b. Financial revenue from operating receivables due from third parties | | 91,583 | 273,412 |
| 13. Financial expenses from financial liabilities (a + b + c + d) | 15.6.11 | 344,388 | 383,449 |
| b. Financial expenses related to loans from banks | | 344,388 | 383,449 |
| 14. Financial expenses from operating liabilities (a + b + c) | 15.6.12 | 73,034 | 72,321 |
| b. Financial expenses from trade payables and bills payable | | 0 | 1,110 |
| c. Financial expenses from other operating liabilities | | 73,034 | 71,211 |
| 15. Other revenue | 15.6.13 | 10,531 | 10,652 |
| 16. Other expenses | 15.6.14 | 295,008 | 53,348 |
| 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) | 15.6.15 | 11,901,651 | 9,996,466 |
| 18. Income tax | 15.6.17 | 1,400,295 | 842,941 |
| 19. Deferred taxes | 15.6.17 | 72,578 | 90,766 |
| 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) | 15.6.15 | 10,428,778 | 9,062,759 |

14.3 Statement Of Comprehensive Income

| ITEM (in EUR) | Current year | Previous year |
|---|-------------------|------------------|
| 1. Net profit or loss for the financial period | 10,428,778 | 9,062,759 |
| 3. Changes in reserves resulting from valuation at fair value | 3,357 | 13,666 |
| a. Revaluation of financial investments measured at fair value through equity | 4,144 | 16,872 |
| b. Adjustment to reserves resulting from valuation at fair value for deferred tax liabilities | -787 | -3,206 |
| 5. Other components of comprehensive income | 33,045 | -129,575 |
| a. Actuarial gains/losses in provisions for severance pays | 39,244 | -141,288 |
| c. Impact of deferred tax on actuarial gains/losses in provisions for severance pays | -6,199 | 11,713 |
| 6. Total comprehensive income for the financial period (1 + 2 + 3 + 4 + 5) | 10,465,180 | 8,946,850 |

Notes to the statement of comprehensive income are shown in Section 15.6.16.



14.4 Statement of Cash Flows

| ITEM (in EUR) | Note | Current year | Previous year |
|--|---------------|--------------------|--------------------|
| 1 | 2 | 3 | 4 |
| A. Cash flows from operating activities | | | |
| a) Inflows from operating activities | 15.7.1 | 106,354,993 | 104,882,469 |
| Inflows from sale of goods and services | | 104,683,658 | 103,718,034 |
| Other inflows from operating activities | | 1,671,335 | 1,164,435 |
| b) Outflows from operating activities | 15.7.2 | -92,412,971 | -91,316,751 |
| Purchase of material and services | | -61,994,150 | -62,161,162 |
| Salaries and employees' share in the profit | | -22,231,636 | -20,438,975 |
| Charges (contributions and other taxes) | | -7,089,199 | -7,599,328 |
| Other outflows from operating activities | | -1,097,986 | -1,117,286 |
| c) Positive or negative net cash flow from operating activities (a + b) | | 13,942,022 | 13,565,718 |
| B. Cash flow from investing activities | | | |
| a) Inflows from investing activities | 15.7.3 | 1,604,996 | 2,356,891 |
| Inflows from interests and dividends received relating to investing activities | | 1,007,468 | 1,532,586 |
| Inflows from disposal of property, plant and equipment | | 597,528 | 824,305 |
| b) Outflows from investing activities | 15.7.4 | -10,025,318 | -6,769,087 |
| Cash payments for the acquisition of intangible assets | | -2,184,607 | -1,965,850 |
| Purchase of property, plant and equipment | | -7,840,711 | -4,745,400 |
| Purchase of financial investments | | 0 | -57,837 |
| c) Positive or negative net cash flow from investing activities (a + b) | | -8,420,322 | -4,412,196 |
| C. Cash flows from financing activities | | | |
| a) Inflows from financing activities | 15.7.5 | 29,195,000 | 13,750,000 |
| Inflows from the increase in financial liabilities | | 29,195,000 | 13,750,000 |
| b) Outflows from financing activities | 15.7.6 | -34,377,729 | -22,913,150 |
| Interest paid on financing activities | | -349,412 | -380,706 |
| Cash payments for equity redemption | | -250,572 | -93,966 |
| Repayment of financial liabilities | | -30,632,732 | -19,802,048 |
| Dividends and other profit shares paid | | -3,145,013 | -2,636,430 |
| c) Positive or negative net cash flow from financing activities (a + b) | | -5,182,729 | -9,163,150 |
| D. Closing balance | 15.7 | 510,032 | 171,061 |
| Net cash flow for the period (sum of net cash flows Ac, Bc and Cc) | 15.7 | 338,971 | -9,628 |
| Opening balance | 15.7 | 171,061 | 180,689 |

14.5 Statement of Changes In Equity

| STATEMENT OF CHANGES IN EQUITY from 1 January 2018 to 31 December 2018 (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 year | |
| | Share capital | Legal reserves | | Reserves for own shares and interests | Own shares and interests | Other revenue reserves | | Retained net profit | Retained net loss | | |
| | | | | | | | | | | Total | |
| A.1. Balance at the end of the previous reporting period | 100,953,201 | 62,260,317 | 3,488,499 | 635,799 | -635,799 | 37,753,720 | -454,619 | 152,105 | 0 | 2,992,910 | 207,146,133 |
| A.2. Balance at the beginning of the reporting period | 100,953,201 | 62,260,317 | 3,488,499 | 635,799 | -635,799 | 37,753,720 | -454,619 | 152,105 | 0 | 2,992,910 | 207,146,133 |
| B.1. Changes in equity – transactions with shareholders | 0 | 0 | 0 | 0 | -250,572 | 0 | 0 | -3,145,015 | 0 | 0 | -3,395,587 |
| a) Purchase of own shares and interests | 0 | 0 | 0 | 0 | -250,572 | 0 | 0 | 0 | 0 | 0 | -250,572 |
| b) Payment of dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3,145,015 | 0 | 0 | -3,145,015 |
| B.2. Total comprehensive income in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 36,402 | 0 | 0 | 10,428,778 | 10,465,180 |
| a) Input of net profit/loss from the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,428,778 | 10,428,778 |
| b) Changes in reserves resulting from valuation of financial investments at fair value | 0 | 0 | 0 | 0 | 0 | 0 | 3,357 | 0 | 0 | 0 | 3,357 |
| c) Other components of comprehensive income in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 33,045 | 0 | 0 | 0 | 33,045 |
| B.3. Changes in equity | 0 | 0 | 520,139 | 250,572 | 0 | 6,411,150 | 26,009 | 2,992,910 | 0 | -10,200,780 | 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 | 2,992,910 | 0 | -2,992,910 | 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 | 520,139 | 250,572 | 0 | 6,411,150 | 0 | 0 | 26,009 | -7,207,870 | 0 |
| d) Other changes in equity | 0 | 0 | 0 | 0 | 0 | 0 | 26,009 | 0 | -26,009 | 0 | 0 |
| C.1. Balance at the end 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 |
| DISTRIBUTABLE PROFIT | | | | | | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,220,908 | 3,220,908 |

Notes to the statement of changes in equity are shown in Section 15.8.

| STATEMENT OF CHANGES IN EQUITY from 1 January 2017 to 31 December 2017 | | | | | | | | | | | | |
|---|--|----------------|---------------|---------------------------------------|--------------------------|------------------------|---|-----------------------------|-------------------|---------------------------------|------------|-------------|
| | 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 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 | | | |
| A.1. | Balance at the end of the previous reporting period | 100,953,201 | 62,260,317 | 3,035,361 | 541,833 | -541,833 | 32,230,975 | -356,704 | 0 | 0 | 2,806,223 | 200,929,373 |
| A.2. | Balance at the beginning of the reporting period | 100,953,201 | 62,260,317 | 3,035,361 | 541,833 | -541,833 | 32,230,975 | -356,704 | 0 | 0 | 2,806,223 | 200,929,373 |
| B.1. | Changes in equity – transactions with shareholders | 0 | 0 | 0 | 0 | -93,966 | 0 | 0 | -2,636,124 | 0 | 0 | -2,730,090 |
| a) | Purchase of own shares and interests | 0 | 0 | 0 | 0 | -93,966 | 0 | 0 | 0 | 0 | 0 | -93,966 |
| b) | Payment of dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2,636,124 | 0 | 0 | -2,636,124 |
| B.2. | Total comprehensive income in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | -115,909 | 0 | 0 | 9,062,759 | 8,946,850 |
| a) | Input of net profit/loss from the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,062,759 | 9,062,759 |
| b) | Changes in reserves resulting from valuation of financial investments at fair value | 0 | 0 | 0 | 0 | 0 | 0 | 13,666 | 0 | 0 | 0 | 13,666 |
| c) | Other components of comprehensive income in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | -129,575 | 0 | 0 | 0 | -129,575 |
| B.3. | Changes in equity | 0 | 0 | 453,138 | 93,966 | 0 | 5,522,745 | 17,994 | 2,788,229 | 0 | -8,876,072 | 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 | 2,806,223 | 0 | -2,806,223 | 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 | 453,138 | 93,966 | 0 | 5,522,745 | 0 | 0 | 0 | -6,069,849 | 0 |
| d) | Other changes in equity | 0 | 0 | 0 | 0 | 0 | 0 | 17,994 | -17,994 | 0 | 0 | 0 |
| C.1. | Balance at the end of the reporting period | 100,953,201 | 62,260,317 | 3,488,499 | 635,799 | -635,799 | 37,753,720 | -454,619 | 152,105 | 0 | 2,992,910 | 207,146,133 |
| DISTRIBUTABLE PROFIT | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 152,105 | 0 | 2,992,910 | 3,145,015 |

Notes to the statement of changes in equity are shown in Section 15.8.

15

Explanatory Notes to the Financial Statements

15.1 Reporting 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, its development, construction, management, operation and maintenance in the distribution zone of Elektro Celje, it ensures the long-term performance of the network, as well reliable, safe and efficient electricity supply to customers.

The financial statements of the company have been prepared for the financial year which coincides with the calendar year from 1 January to 31 December 2018. In accordance with Article 56 of the Companies Act (ZGD-1), a company based in Slovenia which is the parent company of one or more companies must also prepare a consolidated annual report.

15.2 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 relevant positions and interpretations as adopted by the Professional Council of the Slovenian Institute of Auditors, provisions of the Companies Act (hereinafter: ZGD-1), rules on accounting, the Energy Act (EZ-1) and other regulations governing the accounting, financial and tax fields. The Management Board of the company approved the financial statements on 29 March 2019.

b) Reporting by business and geographical segments

In accordance with Article 109 of EZ-1, the company ensures separate accounting for monitoring activities pursuant to the contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator and for 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, statement of cash flows 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 15.11.

c) Basis of measurement

The financial statements reflect a true and fair presentation of the company's financial position, its economic outturn 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.

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 reliably measured and are therefore measured and accounted for at fair value.

d) Functional and presentation currency

The financial statements are presented in euros (EUR), which is the functional currency of the company. All financial data presented in euros 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 residual value 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 management's best knowledge of current and future events and activities, and are regularly reviewed, with adjustments recognised in the period of the change, valid for all future periods which the changes affect. Information regarding significant estimated uncertainty and critical assessments are described in the following notes:

- Note 15.4.1 and Accounting Policy 15.3(b) - Determining the useful lives of intangible and tangible fixed assets,
- Note 15.4.4 and Accounting Policy 15.3(d) - Deferred taxes,
- Note 15.4.10 and Accounting Policy 15.3(i) - Long-term accruals and deferred income, measurement of provisions for severance pay and long-service bonuses and lawsuits,
- Note 15.4.3 and Accounting Policy 15.3(c) - Valuation of investments,
- Note 15.4.6 and Accounting Policy 15.3(f) - Impairment of receivables.

Regulatory framework for the period 2016–2018

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 SODO activities. On 7 August 2015 the Council of the Energy Agency adopted the Legal act on the methodology determining the regulatory framework and network charge for the electricity distribution system (Official Gazette of RS, no. 66/2015, hereinafter: Network Charges Act) which defines

the methodology for determining the regulatory framework and calculation of the network charge. On 15 December 2015, the Energy Agency defined the regulatory framework for the period 2016–2018 with Decision no. 211-58/2015-122/452. In determining eligible costs of operation and maintenance, the Energy Agency took into account Article 13 of the Network Charges Act, which states that all elements of the regulatory framework for individual regions of the distribution system are defined for the electricity operator and distribution companies if the distribution operator is not the owner of all or a significant part of the distribution system and if distribution companies perform the tasks of the distribution operator. Eligible costs of the distribution network system operator (i.e. SODO) no longer intervene in the part of eligible costs determined for the distribution companies, as was prescribed in previous years. Significant changes which also had a significant impact on the amount of revenue in the regulatory period 2016–2018 comprised the changed conditions of recognition of the controlled eligible operation and maintenance costs (determined based on average realised eligible costs in the period 2011–2013), including the cost of insurance premiums. These are thus no longer recognised in the actual amount incurred in the year they originate, which has increased considerably due to extensive loss events in recent years compared to the average costs in the regulatory period 2011–2013. Only 10% of the cost of loss events could be recognised as eligible expenses, at the same time lowering the regulated return on assets before tax for the new electricity infrastructure (EI) from 7.8% to 7.14%.

Assuring the reliability and quality of the electricity supply and its efficient use requires constant investment in research and development (smart grids, advanced metering infrastructure, effective information - communications technology support), however, the Network Charges Act fails to provide financial incentives for pilot projects. Costs and expenses of transfer of the 110 kV network to the system operator were also exempted from the operation and maintenance costs as "one-time business events".

Purchase of electricity for losses of electricity in the distribution network in

the distribution area of Elektro Celje is being performed by SODO from 1 January 2016 onwards, in accordance with the Network Charges Act. As a result, the company no longer has revenue and expenses under this heading, with the contractual clause between the company and SODO d.o.o. regulating stimulation or penalisation under the heading of managing quantities of electricity losses in the network valid. Revenue under this heading for 2018 amounted to EUR 1,024,902 (EUR 1,031,034 in 2017).

Operations with SODO

From 2007 onwards the company SODO d.o.o. has been operating as holder of the concession for the implementation of the service of general economic interest of the electricity distribution network system operator in the territory of the Republic of Slovenia. The company, which owns the electricity distribution infrastructure, concluded the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services with SODO on 21 February 2012, and in accordance with the provisions of the Agreement, the contracting parties conclude annexes, defining the amount of the lease fee and scope of services implemented in the distribution network for each regulatory year. Mutual relations for the regulatory period 2016–2018 were governed by the Amendment No. 5, which was signed at the beginning of 2017.

In March 2019, the company received a preliminary reconciliation of the regulatory year 2018 from SODO in accordance with the contract and the annexes thereto, which was carried out on the basis of 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 2018 was EUR 2,579,246 less than the value determined on the basis of the provisions of the Network Charges Act. The company issued an invoice in the calculated amount of the deficit in March with payment due in April 2019 and in the amount of established difference, recognised additional revenue to SODO for 2018. The final calculation for the regulatory year 2018 will be based on audited figures from both contracting parties and the decision issued by the Energy Agency.

In 2018, the company received calculations from the distribution network system operator of the final deviations for the regulatory year 2014 (in the amount of EUR -8,640), 2016 (in the amount of EUR -179,869) and 2017 (in the amount of EUR -335,278 EUR), which, together with the calculation of the final deviation of the regulatory year 2015 received in 2017 (EUR 80,205) and the deficit from the preliminary reconciliation 2015 with relevant contractual interest (in the amount of EUR 3,631,975) were included in the regulatory period 2019–2021, when the Energy Agency of the Republic of Slovenia calculates them into tariff rates for network charges payable by customers. In 2019, the remainder of the deficit of the preliminary reconciliation for 2014 (EUR 107,254), a third of the deficit of the preliminary reconciliation for 2015 and relevant contractual interest (EUR 1,115,486) and a third of the final reconciliations for the period 2014–2017 (EUR -147,861) will fall due for payment.

f) Amendments in accounting policies

The company did not amend its accounting policies in 2018.

15.3 Significant Accounting Policies

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 which do not comply with individual accounting standards of SAS 2016.

Items for which SAS 2016 offer the company the choice between different valuation methods, are identified with the ac-

counting 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 information, which form the basis for the preparation of the balance sheet and the individual 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 preparation of the income statement, those that exceed 10% of total revenue or expenses of the company 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 fixed asset. The company discloses long-term property rights (mainly investment in software), such assets under 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 elimination of recognition of intangible assets

An intangible asset is recognised when it is probable that future economic benefits associated with it will flow to the company and its cost can be measured reliably. An intangible asset is derecog-

nised 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 valued at cost upon initial recognition, which also includes import and non-refundable purchase duties, after deducting discounts and any directly attributable costs of preparing the asset for its intended use. Acquisition costs are subsequently reduced by the amount of accumulated depreciation.

Depreciation and useful life

All intangible assets are depreciable assets with finite useful lives. The straight-line depreciation method is used, with the depreciation basis equal to the acquisition value of intangible assets. Amortization 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 as soon as their book value exceeds their recoverable value.

| Significant groups of depreciable assets | Estimated useful life in years | Depreciation rate in % |
|--|--------------------------------|------------------------|
| Computer software | 3 | 33.33 |
| Real rights in 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.

b) Tangible fixed assets

A tangible fixed asset is an asset owned or financially 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 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

Tangible fixed assets are recognised when it is probable that the economic benefits associated with them will flow to the company, and their cost can be measured reliably. A tangible fixed asset is valued at cost upon initial recognition. This consists of the acquisition cost, 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 acquisition cost also comprises the costs of loans 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 up to commissioning of the fixed asset for use is longer than one year, namely for the period from the payment deadline of the individual invoice until the date of commissioning of the fixed asset for use, whereby for each individual investment, the capitalisation rate is calculated, taking into account the average weighted interest rate deducted from 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 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 acquisition cost, which includes costs of real estate turnover taxes and land registry fee. The acquisition cost of buildings comprises expenditures to cover the purchase, construction or upgrading of facilities, project and other documentation on the basis of which the acquisition was made, construction or upgrades 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 for other needs regarding their use are not included in the acquisition cost. The acquisition 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 acquisition cost of tangible fixed assets constructed or produced in the company consists of costs originating from their construction or manufacture and indirect costs of construction or manufacture that can be attributed to the asset. It does not comprise costs not related to their construction or manufacture, and costs which the market does not recognise. The cost of such fixed assets cannot be higher than 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 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 may be expected from its use or disposal. Derecognition and disposal of tangible fixed assets arise from new investments, investments in reconstruction and restoration, technical, economic or physical obsolescence of fixed assets, disposal and loss events, and primarily due to extreme weather events. Gains and losses upon disposal or elimination, which is determined by comparing sales revenue to the book value, are included in the income statement by the company.

Measurement after 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 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

The company revalues tangible fixed assets due to impairment as a rule, immediately once their carrying amount exceeds the recoverable amount. The recoverable amount is fair value less costs of sale, or value in use, whichever is higher. 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 a significant asset as an asset whose

acquisition cost is 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 residual value of an asset that no longer possesses any usefulness; if this asset is sold and the net realizable value is greater than the carrying amount, the difference is treated as a 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 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 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 aging and expected legal 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 fully replaces 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.

c) Financial investments

Financial investments are financial assets held by the investing company, so that 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 financial investments. Long-term financial investments that mature within one year after the balance sheet date are reclassified to short-term financial investments in the balance sheet. Short-term financial investments can, due to justified grounds on the basis of contracts, be changed into long-term investments.

Exposure to various types of risks, especially the risk of reduction in the value of financial 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 financial investments in the capital of subsidiaries and other shares and stakes. Long-term financial investments in the capital of other companies are allocated among other long-term investments, allocated and measured at cost, or other financial investments. Allocation and measurement is 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 financial investments

Financial investments are recognised when it is probable that future economic benefits associated with them will flow to the company and its cost can be reliably measured. When acquiring or selling financial investments, the company recognises them on the day of trading or settlement. The company performs recognition 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 ownership of the financial risk is transferred to a third party.

Initial accounting measurement and measurement upon initial recognition

Upon initial recognition, a financial 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 financial investments upon initial recognition as financial assets, measured at fair value through profit or loss, financial 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. Financial 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 reliably measured, 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 carrying value of long-term financial 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 carrying value, the company appreciates the fi-

nancial investments (the carrying value is increased to the fair value). Fair value is established, if it can be reliably measured and is determined in accordance with SAS 16. Proven profits or losses arising from the change in fair value of a financial asset are recognised directly in equity as an increase (gain) or a reduction (loss) in reserves resulting from valuation at fair value.

A financial investment/group of financial investments carried at cost by the company is impaired (long-term) which causes losses if objective evidence of impairment for a financial investment/group of financial investments exists and their recorded book value is higher than the proven realizable value due to an event/ events after initial recognition of the investment. On the balance sheet date, the company carries out a test to assess the impairment of financial investments in equity instruments, if the carrying amount of the investments at the balance sheet date is more than 20% greater than the proportional part of the carrying amount 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 carrying amount of the financial 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 revaluation financial expense. Such impairment losses may not be reversed.

d) 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 carrying 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 operating result, 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 which arise 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 carrying amount 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.

e) Inventory

Inventory comprises a part of current assets in tangible form, which will be used to create products or provide services. The company shows material and small tools with a useful life of up to one year which have the characteristics of inventory among stocks of materials, but may also include those with useful lives exceeding one year, if their individual acquisition value 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 elimination of recognition of inventory

Stocks of materials in the accounting records 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 reliably measured. Recognition of inventory is eliminated when the material has been consumed, sold, or otherwise ceases to exist, as confirmed by relevant documents.

Initial measurement and valuation of inventory after recognition

A unit of stock of materials is valued at cost, which comprises the acquisition cost, 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 inventory

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

f) 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 and depending on their maturities, are allocated to short-term receivables due within one year, while the other are long-term. 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, from the state, from suppliers for advance payments etc.

Recognition and elimination of receivables

Receivables in the accounting records and balance sheet are recognised if it is probable that future economic benefits associated with them exist and their historical cost can be reliably measured. 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 recognition

Upon initial recognition, receivables of all types are recognised 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

They mainly appear as a revaluation of receivables due to their impairment or reversal of impairment, i.e. reduction or subsequent increase in their value to their liquid 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 which are the subject of litigation, and for receivables whose due date has exceeded 90 days on the balance sheet date. For receivables in compulsory settlement proceedings, the company carries out a revaluation adjustment depending on the decisions of compulsory settlements or in the amount of 80% if compulsory settlement has not yet been confirmed. Valuation adjustments are reduced by payments and write-offs of receivables on the basis of supporting documents: court decision, decision on compulsory composition, decision on bankruptcy proceedings and other relevant documents.

Long-term receivables relating to trade receivables, which are undergoing compulsory settlement are remunerated in accordance with the decisions on compulsory settlements. The decisions usually denote the scope, dynamics of repayment and interest rate at which receivables are remunerated (if at all). Long-term operating receivables from SODO are remunerated in accordance with the Network Charges Act; by 2015 in accordance with Article 84 and section 5.3 (*Official Gazette of RS*, no. 81, dated 29 October 2012) and from 2016 onwards in accordance with Article 85 and the third section of Annex 1 (*Official Gazette of RS*, no. 66, dated 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 long-term loans.

g) Cash

Cash of the company includes scriptural money (i.e. money in the transactions accounts listed in Section 15.4.7) and deposits at commercial banks. It is recognised in the amounts derived from the relevant documents after verification that they have such a nature. Cash also includes cash equivalents, 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).

h) 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 with amounts invested by the owners and the amounts generated in the operations which 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 earnings 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. The shares are issued in dematerialized 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 during the financial year, did not conditionally increase its share capital.

The company's capital reserves consist of amounts of reversals of the general

capital revaluation 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 earnings and from other profit reserves, which exceed the amount of any losses brought forward, which could not be offset against net profit for the year. Other profit reserves are established 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 share capital; other profit reserves form 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 retained loss, if it cannot be covered by net profit for the year or from other profit reserves.

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

i) 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 which 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 elimination of the recognition of provisions

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.

Initial accounting measurement of provisions

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

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 were created for the long-term benefit 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 in the income statement recognises 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 in the income statement recognises, 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 is 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 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 and relate to the dedicated payment of connections to the network or increase in coupling strength (financing investments in network expansion). Their purpose is to cover 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%.

Revaluation and measuring changes in provisions and long-term accrued expenses and deferred revenue

Provisions and long-term accrued expenses and deferred revenue 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.

j) 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 as long-term or short-term. Short-term liabilities mature into payment within a period shorter than one year.

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 reliably measured. Derecognition is performed when the obligation specified in a contract or other legal instrument is discharged, cancelled or expires.

Initial accounting measurement of liabilities

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.

Measurement after initial recognition

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 carrying 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 form of settlement. The carrying value of long-term liabilities equals their historical cost decreased by repayment of the principal and transfers under short-term debts. 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, recognised complaints, etc.), reduce the relevant costs or operating or financial expenses. Short-term debts 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.

k) Short-term accruals and deferrals

Short-term deferred costs and accrued revenue include short-term deferred costs/expenses, which are expected to be realised in the coming year and whose appearance is probable and whose size can be reliably estimated and which do not yet affect profit or loss, 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 received and overpayments of network charges.

Short-term deferred costs and accrued revenue include accrued costs or expenses arising on the basis of 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 and costs/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.

l) 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.

m) Revenue

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

Operating revenue comprises net sales revenue, capitalised own products and services and other operating revenue associated with business effects.

Net sales revenue includes revenue of SODO from the lease of 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 SODO d.o.o. are not shown under revenue, but among operating liabilities towards SODO. VAT and excise duty are not counted as sales revenue, but as withdrawal liabilities.

Capitalised own services are services rendered for the company's own needs and capitalised among tangible fixed assets or intangible non-current 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, grants, etc.), and operating revenue from revaluation, arising from the disposal of fixed assets as surpluses of their sales value over their carrying amounts, sale of dismantled material, write-offs of liabilities and the elimination of revaluation adjustments.

Financial revenue arises in connection to financial investments (mainly income from dividend payments and participation in profits of subsidiaries), receivables (mainly interest on late payments of the network charge and services), interest received from deposits, cash in accounts and granted loans, positive exchange rate differences and revaluation financial revenue. Revenue from interest is recognised on the date of its occurrence using the effective interest rate, 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.

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

Recognition of revenue

Revenue is recognised if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and if those increases can be measured reliably. Recognition criteria are usually applied separately to each transaction. Net sales revenue is recognised upon the sale of products or services if it is reasonable to expect that sales will lead to receipts if they are not realised at the time of occurrence. Recognition of revenue from services rendered is performed using the method of work completion rate on the balance sheet date.

Initial accounting measurement of revenue

Revenue is measured at the selling prices stated in invoices and other documents, reduced by any returns and rebates approved upon sale or subsequently for early payment.

n) 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, compensation, annuities, etc.).

Recognition of expenses

Costs and expenses are recognised if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities and if these decreases can be reliably measured. Operating expenses from revaluation are recognised when the adequate revaluation is performed. Financial expenses are recognised at settlement irrespective of the payments associated with them. Borrowing costs are recognised 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.

Initial accounting measurement of expenses

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 the five distribution companies with respect to the useful life of fixed assets. Operating expenses from revaluation arise in connection to long-term intangible and tangible fixed assets and current assets due to their revaluation to a lower value, and in relation to the sale or other disposal of fixed assets and their derecognition.

o) Statement of comprehensive income

The statement of comprehensive income is a financial statement which 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 total equity.

The company uses Version I of the profit or loss statement in accordance with SAS 21.8. Total comprehensive income with items from 19 to 24 of SAS 21.8 and items from 25 to 29 of SAS 21.10 is given in an additional statement.

p) Statement of cash flows

The statement of cash flows faithfully and fairly presents the changes in inflows and outflows in operating, investing and financing activities and explains the changes in the cash balance for the financial year. Cash and cash equivalents in the statement of cash flows include cash in current accounts, cash items in the process of collection, and deposits

redeemable at notice. The statement of cash flows is compiled using the direct method (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 statement of cash flows are derived from analytical records, current account summaries, and offsets.

q) Statement of changes in equity

The statement of changes in equity faithfully and fairly presents changes 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 income for the fiscal year.

15.4 Disclosure of Items in the Balance Sheet

The balance sheet is a fundamental financial statement which shows the fair balance of assets and liabilities as at 31 December 2018. It is compiled in a sequential order as defined in SAS 20.4 and the Companies Act. Balance sheet

items are recorded at their carrying values as the difference between total value and revaluation adjustment. The principle of individual valuation of assets and liabilities is observed.

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

| Intangible fixed assets (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|---|--------------------|--------------------|
| Long-term property rights | 3,065,917 | 3,644,940 |
| Intangible fixed assets in development | 4,900 | 0 |
| Other long-term accrued revenue and deferred expenses | 12,584 | 57 |
| Total | 3,083,401 | 3,644,997 |

Property rights predominantly represent investments in software in the amount of EUR 3,623,130 (EUR 3,623,130 in 2017). The value of new acquisitions in 2018 amounted to EUR 509,050 (EUR 2,823,949 in 2017), while activation amounted to EUR 504,150 (EUR 3,145,300 in 2017). The majority of resources were earmarked by the company for the IBM Maximo software (EUR 75,965). The company concluded a finan-

cial lease contract for the investment in the MS Dynamics AX system, the cost of which amounted to EUR 1,573,303, with the present value amounting to EUR 1,258,642 and the revaluation adjustment to EUR 314,661 on 31 December 2018. The company disclosed financial liabilities in the amount of EUR 170,093 (of which long-term financial liabilities consisted of EUR 107,726) for the accrued portion of the total value of the contract.

| Changes intangible fixed assets (in EUR) | Long-term property rights | Intangible assets in development | Long-term accrued revenue and deferred expenses | Total |
|--|---------------------------|----------------------------------|---|-------------------|
| Cost | | | | |
| As of 1 January 2017 | 8,066,063 | 321,351 | 279 | 8,387,693 |
| Increase | 0 | 2,823,949 | 57 | 2,824,006 |
| Carry-over from ongoing investments | 3,145,300 | -3,145,300 | 0 | 0 |
| Decrease | -59,625 | 0 | -279 | -59,904 |
| As of 31 December 2017 | 11,151,738 | 0 | 57 | 11,151,795 |
| As of 1 January 2018 | 11,151,738 | 0 | 57 | 11,151,795 |
| Increase | | 509,050 | 12,584 | 521,634 |
| Carry-over from ongoing investments | 504,150 | -504,150 | 0 | 0 |
| Decrease | -1,445 | 0 | -57 | -1,502 |
| As of 31 December 2018 | 11,654,443 | 4,900 | 12,584 | 11,671,927 |
| Revaluation adjustment | | | | |
| As of 1 January 2017 | 6,843,662 | 0 | 0 | 6,843,662 |
| Amortisation and depreciation | 719,406 | 0 | 0 | 719,406 |
| Rentals from holiday facilities | 3,355 | 0 | 0 | 3,355 |
| Decrease | -59,625 | 0 | 0 | -59,625 |
| As of 31 December 2017 | 7,506,798 | 0 | 0 | 7,506,798 |
| As of 1 January 2018 | 7,506,798 | 0 | 0 | 7,506,798 |
| Amortisation and depreciation | 1,079,817 | 0 | 0 | 1,079,817 |
| Rentals from holiday facilities | 3,356 | 0 | 0 | 3,356 |
| Decrease | -1,445 | 0 | 0 | -1,445 |
| As of 31 December 2018 | 8,588,526 | 0 | 0 | 8,588,526 |
| Carrying amount | | | | |
| As of 1 January 2017 | 1,222,401 | 321,351 | 279 | 1,544,031 |
| As of 31 December 2017 | 3,644,940 | 0 | 57 | 3,644,997 |
| As of 1 January 2018 | 3,644,940 | 0 | 57 | 3,644,997 |
| As of 31 December 2018 | 3,065,917 | 4,900 | 12,584 | 3,083,401 |

The acquisition cost of property rights, which pursuant to SAS 2.39 are managed as intangible assets in the accounting records and shown in the item land and buildings in the balance sheet, amounted to EUR 53,663 as at 31 December 2018 (EUR 46,487 on 31 December 2017), while the revaluation adjustment of those rights amounted to EUR 2,605 (EUR 2,104 on 31 December 2017). Rights in rem on immovable property un-

der acquisition amounted to EUR 82 as at 31 December 2018.

Trade payables for the acquisition of intangible assets amounted to EUR 675,995 as at 31 December 2018 (EUR 1,658,005 on 31 December 2017) and the company did not have any intangible assets pledged as security for the repayment of debts.

15.4.2 Tangible Fixed Assets

| Property, plant and equipment (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--|--------------------|--------------------|
| Land | 5,980,401 | 5,945,419 |
| Buildings | 177,808,717 | 173,123,353 |
| Equipment | 60,624,134 | 60,808,940 |
| Property, plant and equipment in the course of acquisition | 9,898,778 | 7,680,901 |
| Advance payments for tangible fixed assets | 0 | 20,000 |
| Total | 254,312,030 | 247,578,613 |

Significant activation of the energy infrastructure in 2018 according to its value relate to the construction of the following 20 kV underground cables: K8 DTS Ravne – Mežica 2 to TS Koratur – čistilna (EUR 309,671), K8 DTS Ravne – Mežica 1 to TS Koratur – čistilna (EUR 308,645), TS Kunšperk 2 nadomestna – OPL 20 kV Orešje (EUR 219,123) and OPL 20 kV DTS Brestanica – DS Planina (EUR 207,328), with the garage Selce (201.665 EUR) renovated and a goods vehicle with a measurement laboratory purchased (EUR 248,686). In 2018, 13,497 electricity meters were replaced and newly installed in the amount of EUR 1,315,062.

The rate of depreciation of buildings amounted to 69.4% (69.7% in 2017) and equipment 63.7% (62.8% in 2017). Borrowing costs, which in 2018 were attributed to newly activated engineering structures amounted to EUR 6,979 (EUR 4,330 in 2017) and new equipment to EUR 839. Investments in progress include interest in the amount of EUR 129 (EUR 2,792 in 2017).

Electricity infrastructure is defined in the Decree on the energy infrastructure (Official Gazette of RS, no. 22/16) and also includes a portion of land in addition to buildings and equipment. The carrying value of long-term intangible and tangible fixed assets leased to SODO d.o.o. based on the Contract on leasing of the electricity distribution infrastructure and provision of services for the system operator and associated annexes on 31 December 2018 amounted to EUR 223,316,327 (EUR 219,030,331 in 2017) with other assets amounting to EUR 22,868,205 (EUR 23,269,750 in 2017); out of this amount, intangible fixed assets amounted to EUR 3,048,968 (EUR 3,625,948 in 2017) and tangible fixed assets EUR 243,135,564 (EUR 238,674,133 in 2017). The calculated value of revenue from leases to SODO for the financial year 2018 in the preliminary reconciliation of the regulatory year 2018 amounted to EUR 25,830,457 (EUR 26,024,332 in 2017).

| Changes in property, plant and equipment (in EUR) | Land | Buildings | Equipment | Ongoing investments | Advance payments for PP&E | Total |
|---|------------------|--------------------|--------------------|---------------------|---------------------------|--------------------|
| Cost | | | | | | |
| As of 1 January 2017 | 5,886,232 | 566,273,044 | 161,911,082 | 5,831,962 | 0 | 739,902,320 |
| transfer from account 021 to 040 | 0 | -28,273 | 28,273 | 0 | 0 | 0 |
| Increase | 0 | 0 | 0 | 19,681,203 | 20,000 | 19,701,203 |
| Carry-over from ongoing investments | 65,100 | 12,514,108 | 5,253,056 | -17,832,264 | 0 | 0 |
| Decrease | -3,808 | -7,574,221 | -3,860,757 | 0 | 0 | -11,438,786 |
| As of 31 December 2017 | 5,947,524 | 571,184,658 | 163,331,654 | 7,680,901 | 20,000 | 748,164,737 |
| As of 1 January 2018 | 5,947,524 | 571,184,658 | 163,331,654 | 7,680,901 | 20,000 | 748,164,737 |
| Increase | 0 | 0 | 0 | 23,408,910 | 37,997 | 23,446,907 |
| Carry-over from ongoing investments | 42,619 | 14,831,756 | 6,316,658 | -21,191,033 | -57,997 | -57,997 |
| Decrease | -7,137 | -4,897,633 | -2,874,243 | 0 | 0 | -7,779,013 |
| As of 31 December 2018 | 5,983,006 | 581,118,781 | 166,774,069 | 9,898,778 | 0 | 763,774,634 |
| Revaluation adjustment | | | | | | |
| As of 1 January 2017 | 1,655 | 394,025,997 | 99,838,131 | 0 | 0 | 493,865,783 |
| transfer from account 021 to 040 | 0 | -11,388 | 11,388 | 0 | 0 | 0 |
| Amortisation and depreciation | 450 | 10,490,082 | 6,268,954 | 0 | 0 | 16,759,486 |
| Decrease | 0 | -6,443,386 | -3,595,759 | 0 | 0 | -10,039,145 |
| As of 31 December 2017 | 2,105 | 398,061,305 | 102,522,714 | 0 | 0 | 500,586,124 |
| As of 1 January 2018 | 2,105 | 398,061,305 | 102,522,714 | 0 | 0 | 500,586,124 |
| Amortisation and depreciation | 500 | 10,080,478 | 6,192,367 | 0 | 0 | 16,273,345 |
| Decrease | 0 | -4,831,719 | -2,565,146 | 0 | 0 | -7,396,865 |
| As of 31 December 2018 | 2,605 | 403,310,064 | 106,149,935 | 0 | 0 | 509,462,604 |
| Carrying value | | | | | | |
| As of 1 January 2017 | 5,884,577 | 172,247,047 | 62,072,951 | 5,831,962 | 0 | 246,036,537 |
| As of 31 December 2017 | 5,945,419 | 173,123,353 | 60,808,940 | 7,680,901 | 20,000 | 247,578,613 |
| As of 1 January 2018 | 5,945,419 | 173,123,353 | 60,808,940 | 7,680,901 | 20,000 | 247,578,613 |
| As of 31 December 2018 | 5,980,401 | 177,808,717 | 60,624,134 | 9,898,778 | 0 | 254,312,030 |

The cost of the construction and manufacture of tangible fixed assets for the company's own account in 2018 amounted to EUR 15,193,945 (EUR 14,011,503 in 2017), purchases from suppliers EUR 8,030,349 (EUR 5,305,451 in 2017), and acquisitions free of charge EUR 248,412 (EUR 364,248 in 2017). The company

disclosed liabilities in the amount of EUR 1,715,864 (EUR 1,111,346 in 2017) for the acquisition of tangible fixed assets on 31 December 2018 and did not have any tangible fixed assets acquired through financial leasing or any tangible fixed assets pledged as security for liabilities.

15.4.3 Long-term Financial Investments

| Changes in long-term financial investments (in EUR) | Investments in Group companies | Investments in the associate | Other investments | Total |
|---|--------------------------------|------------------------------|-------------------|------------------|
| Carrying value as of 1 January 2017 | 7,246,975 | 206,987 | 125,266 | 7,579,228 |
| Increase | 0 | 0 | 57,837 | 57,837 |
| Changes in other comprehensive income | 0 | 0 | 16,872 | 16,872 |
| Carrying value as of 31 December 2017 | 7,246,975 | 206,987 | 199,975 | 7,653,937 |
| Carrying value as of 1 January 2018 | 7,246,975 | 206,987 | 199,975 | 7,653,937 |
| Changes in other comprehensive income | 0 | 0 | 4,144 | 4,144 |
| Carrying value as of 31 December 2018 | 7,246,975 | 206,987 | 204,119 | 7,658,081 |

Long-term financial investments in **companies in the Group** in accordance with SAS 3.20 are carried at cost:

- ECE d.o.o., Vrunčeva 2a, in the amount of EUR 5,501,023 (contribution in kind). The basic contribution of shareholder Elektro Celje d.d. was EUR 2,554,399, comprising 74.3256% of its share capital. Total equity of the company as at 31 December 2018 amounted to EUR 19,694,179. In 2018, the company operated with a net profit of EUR 2,859,689.
- ELEKTRO CELJE OVI, d.o.o., Vrunčeva 2a, in the amount of EUR 1,745,952; this amount comprised a cash injection in the amount of EUR 12,519 and

in-kind contribution in the amount of EUR 1,733,433. The company is 100 percent owned by the parent company. Total equity of the company as at 31 December 2018 amounted to EUR 2,429,678 with net profit for 2018 amounting to EUR 29,234.

The parent company Elektro Celje possesses 2,479 INFG shares issued by the company Informatika d.d. It was recognised as an **associate** as the parent company has a significant impact on adopting decisions regarding financial and business orientations of the company informatika, d.d.

| Shares in the associate (in EUR) | 31 Dec 2018 | Number of shares or shareholdings | 31 Dec 2017 | Number of shares or shareholdings |
|----------------------------------|----------------|-----------------------------------|----------------|-----------------------------------|
| Informatika d. d. | 206,987 | 2,479 | 206,987 | 2,479 |
| Total | 206,987 | | 206,987 | |

Financial investments in **shares and stakes of other companies** are stated at cost, except for investments in shares of Zavarovalnica Triglav d.d., which are recorded as other long-term financial investments, classified and measured at fair value through equity. Reserves arising from the valuation at fair value through equity, which as at 31 December

2017 amounted to EUR 59,962, increased by EUR 4,144 due to revaluation of the shares of Zavarovalnica Triglav, d.d. and as at 31 December 2018 amounted to EUR 64,106. For investments carried at cost and whose price is not quoted on an active market, the company has estimated that in 2018 there was no need for their revaluation.

| Other shares and shareholdings (in EUR): | 31 Dec 2018 | Number of shares or shareholdings | 31 Dec 2017 | Number of shares or shareholdings |
|--|----------------|-----------------------------------|----------------|-----------------------------------|
| Zavarovalnica Triglav, d. d. | 89,688 | 2,960 | 85,544 | 2,960 |
| Stelkom, d. o. o. | 114,431 | 12.64 % | 114,431 | 12.64 % |
| Total | 204,119 | | 199,975 | |

The company has in recent years carried out financial investment impairment for its investment in the company Informatika d.d. and on 31 December 2015, made a revaluation adjustment in the amount of EUR 103,508. The investment in the equity of the company Stelkom was also impaired by EUR 1,243 in 2004.

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

15.4.4 Deferred Tax Assets

| Deferred tax assets (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--|------------------|------------------|
| Short-term receivables | 140,369 | 151,939 |
| Long-term receivables | 15,060 | 15,154 |
| Provisions for long-term benefits | 555,504 | 550,146 |
| Financial assets measured at cost | 19,667 | 19,667 |
| Long-term accrued expenses and deferred revenue for fixed assets acquired free of charge | 881,731 | 952,237 |
| Depreciation and amortisation calculated above tax deductible one | 0 | 1,965 |
| Total | 1,612,331 | 1,691,108 |

| Changes in deferred tax assets (in EUR) | Short-term receivables | Long-term receivables | Provisions for long-term benefits | Financial investments | Long-term accrued expenses and deferred revenue for fixed assets acquired free of charge | Depreciation and amortisation calculated above tax deductible one | Total |
|--|------------------------|-----------------------|-----------------------------------|-----------------------|--|---|------------------|
| As of 1 January 2017 | 177,336 | 14,561 | 535,854 | 19,667 | 1,022,743 | 0 | 1,770,161 |
| Recognised in the Income Statement | -25,397 | 593 | 2,579 | 0 | -70,506 | 1,965 | -90,766 |
| Recognised in the Comprehensive Income Statement | 0 | 0 | 11,713 | 0 | 0 | 0 | 11,713 |
| As of 31 December 2017 | 151,939 | 15,154 | 550,146 | 19,667 | 952,237 | 1,965 | 1,691,108 |
| As of 1 January 2018 | 151,939 | 15,154 | 550,146 | 19,667 | 952,237 | 1,965 | 1,691,108 |
| Recognised in the Income Statement | -11,570 | -94 | 11,557 | 0 | -70,506 | -1,965 | -72,578 |
| Recognised in the Comprehensive Income Statement | 0 | 0 | -6,199 | 0 | 0 | 0 | -6,199 |
| As of 31 December 2018 | 140,369 | 15,060 | 555,504 | 19,667 | 881,731 | 0 | 1,612,331 |

The tax rate of 19% was used for the calculation of deferred tax assets in 2018, with the same rate expected to be used in the coming years (the same tax rate was used in 2017).

As at 31 December 2018, 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.

15.4.5 Inventory

| Inventory (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--------------------|------------------|------------------|
| Material | 1,570,385 | 1,019,117 |
| Small tools | 130,240 | 92,446 |
| Total | 1,700,625 | 1,111,563 |

During the regular annual inventory, which was carried out according to the state on 30 November 2018, the company established a EUR -650 deficit (EUR -1,574 in 2017) and a EUR 251 surplus (EUR 1,214 in 2017), which was calculated within the scope of expenditures and

revenue of the company. Due to obsolescence or changes in the quality of materials, EUR 3,680 worth of inventories were written off in 2018 (EUR 9,604 in 2017). The company had no inventories pledged as security for its obligations.

15.4.6 Receivables

Total receivables of the company as at 31 December 2018 amounted to EUR 12,519,289, of which EUR 10,306,106 comprised short-term operating receivables. The revaluation adjustment of receivables on 31 December 2018 amount-

ed to EUR 738,960, while expenses and revenue from a reversal of adjustments to receivables amounted to EUR 10,912. Security for receivables and maturity analysis are presented in Section 15.9.1 – Credit risk.

| Changes in revaluation adjustments to short-term receivables for 2018 (in EUR) | As of 1 January 2018 | Write-downs and write-offs | Reconciliation | | As of 31 December 2018 |
|--|----------------------|----------------------------|----------------|---------------|------------------------|
| | | | Increase | Reversal | |
| Adjustments to receivables – network charge | 620,052 | –48,891 | 8,787 | 0 | 579,948 |
| Adjustments to receivables – services for SODO | 16,477 | –2,278 | 4,591 | 0 | 18,790 |
| Adjustments to receivables – services | 89,201 | –867 | 0 | –7,814 | 80,520 |
| Adjustments to receivables – other | 16,267 | –11,130 | 2,521 | 0 | 7,658 |
| A Total adjustments to trade receivables | 741,997 | –63,166 | 15,899 | –7,814 | 686,916 |
| Adjustments to late charge – network charge | 39,230 | –5,174 | 1,088 | 0 | 35,144 |
| Adjustments to late charge – services | 4,133 | –1,623 | 433 | 0 | 2,943 |
| Adjustments to late charge – other | 3,512 | –258 | 0 | –51 | 3,203 |
| B Total adjustments to late charge | 46,875 | –7,055 | 1,521 | –51 | 41,290 |
| Adjustments to misc. short-term receivables | 10,981 | –936 | 709 | 0 | 10,754 |
| C Total adjustments to misc. short-term receivables | 10,981 | –936 | 709 | 0 | 10,754 |
| TOTAL (A + B + C) | 799,853 | –71,157 | 18,129 | –7,865 | 738,960 |

| Changes in revaluation adjustments to short-term receivables for 2017 (in EUR) | As of 1 January 2017 | Write-downs and write-offs | Reconciliation | | As of 31 December 2017 |
|--|----------------------|----------------------------|----------------|----------------|------------------------|
| | | | Increase | Reversal | |
| Adjustments to receivables – network charge | 720,909 | –82,073 | 0 | –18,784 | 620,052 |
| Adjustments to receivables – services | 116,676 | –19,506 | 8,508 | 0 | 105,678 |
| Adjustments to receivables – other | 14,940 | 0 | 1,327 | 0 | 16,267 |
| A Total adjustments to trade receivables | 852,525 | –101,579 | 9,835 | –18,784 | 741,997 |
| Adjustments to late charge – network charge | 61,381 | –22,937 | 786 | 0 | 39,230 |
| Adjustments to late charge – services | 6,689 | –2,880 | 324 | 0 | 4,133 |
| Adjustments to late charge – other | 3,612 | –100 | 0 | 0 | 3,512 |
| B Total adjustments to late charge | 71,682 | –25,917 | 1,110 | 0 | 46,875 |
| Adjustments to misc. short-term receivables | 9,315 | –618 | 2,284 | 0 | 10,981 |
| C Total adjustments to misc. short-term receivables | 9,315 | –618 | 2,284 | 0 | 10,981 |
| TOTAL (A + B + C) | 933,522 | –128,114 | 13,229 | –18,784 | 799,853 |

15.4.6.1 Long-term Operating Receivables

Total long-term operating receivables of the company as at 31 December 2018 in the amount of EUR 2,213,183 included:

- Long-term trade receivables, which are in compulsory composition in the amount of EUR 7,515,
- Long-term operating receivables from others in the amount of EUR 7,125,

- Long-term receivables from SODO in the amount of EUR 2,198,543: EUR 2,379,433 from two thirds of the preliminary reconciliation of the RF 2015, EUR -22,225 from two thirds of discounting these receivables and relevant contractual interest charged to SODO and two thirds of final reconciliations of the RF for the period 2014–2017 in the total amount of EUR -158,665.

| Long-term operating receivables (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--|------------------|------------------|
| Trade receivables | 2,307,546 | 3,716,990 |
| - revaluation adjustment to trade receivables | -79,263 | -172,871 |
| - discounted receivables from SODO | -22,225 | 0 |
| Long-term trade receivables | 2,206,058 | 3,544,119 |
| Long-term operating receivables from others | 7,125 | 8,515 |
| Total | 2,213,183 | 3,552,634 |

A revaluation adjustment of long-term receivables was carried out on 31 December 2018 in the amount of EUR -101,488 (with discounted receivables towards SODO comprising EUR -22,225 of the amount). Receivables towards SODO from the preliminary reconciliation of the regulatory year 2015, which following inclusion in the regulatory framework no longer bear interest, were recorded at their discounted values in line with SAS 5.36, with the method of remuneration

of deficits and surpluses from Article 85 of the Network Charges Act (*Official Gazette of RS*, no. 66/2015 dated 14 September 2015) and an interest rate in the amount of 0.889% equal to the average weighted interest rate on long-term loans on 31 December 2018 taken into account.

Long-term receivables of the company were not insured or pledged as security for liabilities of the company.

15.4.6.2 Short-term Operating Receivables

| Short-term operating receivables (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--|-------------------|-------------------|
| Short-term operating receivables from Group companies | 51,155 | 17,275 |
| Short-term receivables from foreign customers | 1,050 | 0 |
| Short-term receivables from domestic customers | 10,733,729 | 10,808,855 |
| - revaluation adjustment to trade receivables | -686,916 | -741,997 |
| - discounted trade receivables from SODO | -26,052 | -5,803 |
| Late charge receivables | 46,617 | 52,960 |
| - revaluation adjustment to late charge receivables | -41,290 | -46,875 |
| Advance payments made | 35,500 | 34,686 |
| Short-term trade receivables | 10,062,638 | 10,101,826 |
| Short-term operating receivables due from others | 203,067 | 359,537 |
| (of which short-term portion of long-term operating receivables) | 1,709 | 1,837 |
| - revaluation adjustment to short-term receivables from others | -10,754 | -10,981 |
| Short-term operating receivables due from others | 192,313 | 348,556 |
| Total | 10,306,106 | 10,467,657 |

On 31 December 2018 the company disclosed short-term operating receivables in the amount of EUR 10,306,106; these comprise receivables from Group companies representing 0.5% (receivables from network charges, leases and services to its subsidiaries), trade receivables representing 97.6% and receivables from others representing 1.9%.

Short-term receivables from domestic

customers on 31 December 2018 in the amount of EUR 10,020,761 comprised:

- Receivables for maintenance and lease of the electricity infrastructure and provision of services for SODO d.o.o. in the amount of EUR 6,017,526, all fully non-matured;
- Trade receivables for network charges in the amount of EUR 3,709,250;
- Trade receivables for services in the amount of EUR 191,587;

- Trade receivables for leases, average connection costs, sold fixed assets and waste material in the amount of EUR 128,450;
- Discounted value of receivables from SODO from the preliminary reconciliations of the regulatory years 2014 and 2015 in the amount of EUR -26,052;

Short-term interest receivables, less revaluation of interest receivables in the amount of EUR 5,327 regarded receivables for default interest for network charges in the amount of EUR 5,151 and receivables for default interest for services in the amount of EUR 176.

Receivables from others in the total amount of EUR 192,313 included receivables for input VAT (EUR 117,525), receivables from state institutions (EUR 59,639) and other short-term operating receivables from others (EUR 15,149).

No short-term receivables 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.

15.4.7 Cash

| Cash (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--------------------------|----------------|----------------|
| Cash in current accounts | 19,819 | 16,267 |
| Overnight deposits | 490,213 | 154,794 |
| Total | 510,032 | 171,061 |

The company had concluded a short-term contract with a commercial bank for an overdraft on its transaction account in the amount of EUR 400,000, valid un-

til 31 December 2018 (EUR 400,000 in 2017), meaning the transaction accounts did not show a negative balance at the end of the year.

15.4.8 Accrued Revenue and Deferred Expenses

| Short-term accrued revenue and deferred expenses (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|---|------------------|------------------|
| Short-term deferred expenses | 49,208 | 62,360 |
| Short-term accrued revenue | 133,352 | 670,457 |
| Short-term accrued revenue – SODO | 2,499,913 | 3,091,158 |
| VAT from advance payments received | 2,347 | 2,099 |
| VAT from overpayment of network charge | 33 | 51 |
| Total | 2,684,853 | 3,826,125 |

Short-term accrued revenue as of 31 December 2018 included accrued projects in 2018 in the amount of EUR 133,352, the preliminary reconciliation for 2018 in the amount of EUR 2,579,246, and the

short-term portion of deviations of final reconciliations for the period 2014–2017 in the amount of EUR -79,333. Balance sheet items are real and do not contain hidden reserves.

15.4.9 Equity

Total equity of the company as at 31 December 2018 amounted to EUR 214,215,726 and was 3.4% higher com-

pared to the state of equity on 31 December 2017. The book value per share as at 31 December 2018 amounted to

EUR 8.86 (EUR 8.56 on 31 December 2017), with earnings per share amounting to EUR 0.43 (EUR 0.37 on 31 December 2017). The state of individual items of equity from 1 January 2018 and 31 December 2018 and changes in individual components of equity in 2018 are shown in Table 14.5.

Called-up capital of the company is share capital divided into 24,192,425 freely transferable ordinary shares in the amount of EUR 100,953,201 (described in Section 15.3.h). The ownership structure is presented in Section 6.1.4.

Share premium includes a general equity revaluation adjustment in the amount of EUR 62,260,317. Profit reserves in the amount of EUR 48,173,508 include: legal reserves in the amount of EUR 4,008,638 (5% of net profit for the years 2003–2017, with EUR 520,139 of profit reserves formed in 2018), reserve for acquired treasury shares and other profit reserves amounted to EUR 44,164,870 (EUR 6,411,150 formed in 2018).

In 2018, the company acquired 73,697 treasury shares in the amount of EUR 250,572. In total, on the balance sheet date the company held 333,849 treasury shares, representing 1.3799% of all company shares at a cost of EUR 886,371 (EUR 2.655 per share). Acquired treasury shares are an integral part of total equity and are deducted from it. The purpose and reason for acquisition of treasury shares was determined by the decision

of the 21st General Assembly of Elektro Celje d.d. of 31 August 2016, namely to increase the value of the company's assets and maximize value for shareholders. The acquisition of treasury shares was implemented in accordance with the Programme for Acquisition of Treasury Shares of Elektro Celje published. In acquiring treasury shares, the company in accordance with the Articles of Association and paragraph 5 of Article 64 of the Companies Act (ZGD-1), formed reserves for treasury shares from net profit for the financial year in the balance sheet, which as at 31 December 2018 amounted to EUR 886,371 (EUR 250,572 formed in 2018).

Reserves arising from revaluation at fair value as at 31 December 2018 amounted to EUR -392,208. In 2018 they increased by EUR 69,397 (EUR 39,244 from actuarial gains identified in forming provisions for retirement benefits, EUR 4,144 from revaluation of shares of Zavarovalnica Triglav, d.d. and EUR 26,009 from the transfer of a proportionate part of actuarial losses recorded while forming provisions for retirement benefits to retained earnings and decreased by EUR 6,986 (EUR 787 due to value adjustments of surpluses from revaluation of financial investments for deferred tax and EUR 6,199 due to deferred tax arising from actuarial losses).

Remaining net profit for the financial year amounted to EUR 3,220,908

15.4.10 Provisions and Long-term Accrued Expenses and Deferred Revenue

| Provisions and long-term accrued expenses and deferred revenue (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|---|-------------------|-------------------|
| Long-term provisions for severance pays and long-service awards | 5,999,591 | 5,915,537 |
| Provisions for lawsuits | 264,405 | 43,850 |
| Provisions for deviations in the final AP 2014 | 0 | 782,933 |
| Long-term accrued expenses and deferred revenue | | |
| - from received government grants (state aid) | 757,548 | 860,108 |
| - from fixed assets acquired free of charge | 9,520,114 | 9,788,045 |
| - from connection fees | 2,242,337 | 2,350,329 |
| Total | 18,783,995 | 19,740,802 |

Provisions for long-term service, retirement benefits and death allowance to employees in the amount of EUR 5,999,591 were formed in the amount of estimated future payments, discounted on 31 December 2018.

The actuarial calculation on 31 December 2018 took into account the following assumptions: the statistical probability of death and disability, retirement in accordance with the law and staff turnover (4% until the age of 40 and 1%

probability between the ages of 41 to 50, 0% for those over 51 years old), 1.57% discount rate, salary growth in the electricity sector (2.5%), salary growth in the company (2.5%) and in the Republic of Slovenia (3%), valid employer contribution rate (16.1%) and growth (0.25%) in the amounts provided for in Decree on the tax treatment of reimbursement of costs and other income from employment (*Official Gazette of the Republic of Slovenia*, nos. 140/2006, 76/2008).

| Liabilities related to long-term employment benefits (in EUR) | Long-service awards | Severance pays | Death allowance | Total |
|---|---------------------|------------------|-----------------|------------------|
| As of 1 January 2017 | 1,618,609 | 3,983,797 | 141,394 | 5,743,800 |
| Current service costs | 113,783 | 201,158 | 9,557 | 324,498 |
| Interest expense | 18,754 | 50,018 | 1,747 | 70,519 |
| Payments of benefits | -186,997 | -165,657 | -8,014 | -360,668 |
| Actuarial surplus | -5,878 | 141,288 | 1,978 | 137,388 |
| As of 31 December 2017 | 1,558,271 | 4,210,604 | 146,662 | 5,915,537 |
| As of 1 January 2018 | 1,558,271 | 4,210,604 | 146,662 | 5,915,537 |
| Current service costs | 153,841 | 208,211 | 10,563 | 372,615 |
| Interest expense | 18,163 | 52,579 | 1,643 | 72,385 |
| Payments of benefits | -171,797 | -196,965 | -21,250 | -390,012 |
| Actuarial surplus | 53,747 | -39,244 | 14,563 | 29,066 |
| As of 31 December 2018 | 1,612,225 | 4,235,185 | 152,181 | 5,999,591 |

The expected present value of liabilities also includes actuarial gains/ losses due to changes in financial and demographic assumptions and adjustments for experience. During 2018, EUR 390,012 worth

of provisions were used based on actual costs incurred for long-term employee benefits with EUR 474,066 of additional provisions formed.

| 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) | -267,356 | 289,689 | 295,976 | -276,137 | -527,683 | 193,363 | 6,797 | -7,445 |

Long-term accrued expenses and deferred revenue regarding fixed assets acquired free of charge were formed in the amount of EUR 248,412, with subsidies of the Pension and Disability Insurance Institute of the Republic of Slovenia (PDII) amounting to EUR 3,102. EUR 624,335 in long-term deferrals and

accruals were reversed for fixed assets acquired free of charge and average connection fees, EUR 8,299 for the use of assigned contributions under the Vocational Rehabilitation and Employment of Disabled Persons Act and EUR 97,363 for use of government subsidies for the purchase of fixed assets.

| 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 2017 | 5,743,800 | 31,850 | 13,356,857 | 19,132,507 |
| Utilisation | -360,668 | 0 | 0 | -360,668 |
| Recognition | 532,405 | 794,933 | 364,247 | 1,691,585 |
| Reversal | 0 | 0 | -722,622 | -722,622 |
| As of 31 December 2017 | 5,915,537 | 826,783 | 12,998,482 | 19,740,802 |
| As of 1 January 2018 | 5,915,537 | 826,783 | 12,998,482 | 19,740,802 |
| Utilisation | -390,012 | 0 | 0 | -390,012 |
| Recognition | 474,066 | 220,555 | 251,514 | 946,135 |
| Reversal | 0 | -782,933 | -729,997 | -1,512,930 |
| As of 31 December 2018 | 5,999,591 | 264,405 | 12,519,999 | 18,783,995 |

Other provisions in the amount of EUR 264,405 included provisions formed and debited to operating expenses for law-suits; 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 220,555 (EUR 55,727 due to redeeming a bank guarantee, EUR 18,000 due to damage caused during route cleaning, EUR 81,828 due to

economic damage caused by power failure, EUR 53,000 for legal action due to electrical breakdown, which supposedly caused the fire in the sample house, and EUR 12,000 for a legal action due to TS land ownership). In 2018, an elimination of provisions in the amount of EUR 782,933 was performed due to the termination of the procedure of the Energy Agency regarding the ascertainment of deviations of the final reconciliation of the regulatory year 2014.

15.4.11 Long-term Financial and Operating Liabilities

| Long-term financial and operating liabilities (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--|-------------------|-------------------|
| Long-term financial liabilities to banks | 26,353,527 | 27,702,950 |
| Long-term financial lease liabilities | 107,726 | 786,206 |
| Long-term trade payables | 361,386 | 130,139 |
| Total | 26,822,639 | 28,619,295 |

In 2018, the company repaid EUR 11,187,732 of the principal of investment loans, with the interest paid disclosed among financial expenses amounting to EUR 349,278. Loans were secured by bills of exchange. The average weighted interest rate on loans on 31 December 2018 amounted to 0.889% (0.907% on 31 December 2017). The company does not secure fluctuations in EURIBOR interest rates by financial instruments. The value of the principal due for payment five years after the balance sheet date amounted to EUR 7,073,617 (EUR 6,129,095 as at 31 December 2017).

To finance investments, the 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.). Withdrawals from the last instalment in the amount of EUR 6,000,000 were made in 2018, with withdrawals in the amount of EUR 4,000,000 from an investment loan with a commercial bank, with a repayment period of five years and a moratorium of one year. The company took advantage of the revolving credit amounting to up to EUR 3,145,000 under the contract concluded in 2015 to finance the occasional deficit in liquid assets, with a maturity of three years.

With the acquisition of long-term loans, the company committed to the achievement of indicators during the financing period, namely by 2030 for the company Elektro Celje: financial debt/equity (lower than 0.40) and net financial debt to EBITDA (lower than 2.70) and for the Elektro Celje Group: financial debt/EBITDA (less than 2.5), financial debt/equity (less 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 at the balance sheet date. The carrying value of long-term debt as at 31 December 2018 was equal to its amortised cost. Long-term debt is not subject to specific currency and credit risks. Exposure to interest rate risk only regards the (un)favourable trend of 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.

Long-term finance lease liabilities relate to the part not yet billed under the contract on the lease of the ERP Microsoft Dynamics AX system in the amount of EUR 107,726, for which the company Informatika d.d. will issue invoices to the company until June 2021 (EUR 68,037 in 2020 and EUR 39,689 in 2021).

Debts for the purchase of software licenses and services performed (ERP – MS Dynamics AX system) in the amount of EUR 361,386 (with the amount of EUR 225,675 falling due in 2020, and the remainder in 2021) are shown among long-term operating liabilities. The company as at 31 December 2018 did not have any long-term debts to members of the Management Board, Supervisory Board or internal owners.

15.4.12 Deferred Tax Liabilities

| Deferred tax liabilities (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|---|---------------|---------------|
| Financial assets measured at fair value | 12,180 | 11,393 |
| Total | 12,180 | 11,393 |

A tax rate of 19% was used for the calculation of deferred tax liabilities in 2018,

which is expected to also be used in future years (the same as in 2017).

| Changes in deferred tax liabilities (in EUR) | Financial investments |
|--|-----------------------|
| As of 1 January 2017 | 8,187 |
| Recognised in the Comprehensive Income Statement | 3,206 |
| As of 31 December 2017 | 11,393 |
| As of 1 January 2018 | 11,393 |
| Recognised in the Comprehensive Income Statement | 787 |
| As of 31 December 2018 | 12,180 |

15.4.13 Short-term Financial and Operating Liabilities

| Short-term financial and operating liabilities (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--|-------------------|-------------------|
| Current financial liabilities to banks | 11,149,424 | 11,237,733 |
| Other short-term financial liabilities | 66,236 | 3,867 |
| Short-term financial liabilities | 11,215,660 | 11,241,600 |
| Short-term liabilities to Group companies | 49,130 | 48,675 |
| Short-time trade payables | 3,669,684 | 4,547,882 |
| Short-time operating liabilities from operations for third-party account | 3,864,248 | 3,655,124 |
| Short-time liabilities to employees | 3,143,468 | 3,120,054 |
| Short-time liabilities to state and other institutions | 972,907 | 200,971 |
| Short-term liabilities based on advance payments | 100,190 | 94,289 |
| Other short-time operating liabilities | 606,771 | 544,373 |
| Short-term operating liabilities | 12,406,398 | 12,211,368 |
| Total | 23,622,058 | 23,452,968 |

Short-term financial and operating liabilities of the company as at 31 December 2018 in the amount of EUR 11,215,660 referred to short-term portions of long-term bank loans in the amount of EUR 11,149,424, short-term liabilities from financial lease amounting to EUR 62,367 (the part not yet billed under the contract on the lease of the ERP Microsoft Dynamics AX system) and liabilities for the payment of dividends in the amount of EUR 3,867.

Short-term operating liabilities to group companies in the amount of EUR 49,130 regarded liabilities to the subsidiaries ECE d.o.o. in the amount of EUR 17,584 (EUR 11,442 for supplied electricity, EUR 5,740 for gas, EUR 105 for incorrect remittances and EUR 297 for other liabilities) and Elektro Celje OVI in the amount of EUR 31,546 (EUR 25,238 for supplied thermal energy, EUR 5,240 for electricity and EUR 1,068 for the lease of charging stations).

Short-term operating liabilities also include trade payables (EUR 2,030,284 for the purchase of fixed assets, EUR 1,583,409 for the acquisition of current assets, EUR 39,867 for the acquisition of current assets abroad, with EUR 16,124 for non-invoiced material and services), payables to the company SODO (EUR 3,864,248 for use of the network

in accordance with the contract), payables to employees (EUR 3,143,468 for accrued and unpaid wages, compensation for long-service awards in December, together with the liabilities for their contributions), payables to the state and other institutions (liability for VAT charged in the amount of EUR 333,163, corporate income tax in the amount of EUR 627,600, taxes from meeting fees, contracts on labour and mandatory practical training and other liabilities to government institutions in the amount of EUR 12,144), short-term operating liabilities arising from advances (EUR 100,190) and other short-term operating liabilities (mainly from deposits given by providers from public tenders in the amount of EUR 306,747 and liabilities for voluntary supplementary pension insurance in the amount of EUR 114,633).

According to the balance sheet as at 31 December 2018, the company had settled all outstanding trade payables 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 2018. 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.

15.4.14 Short-term Accrued Expenses and Deferred Revenue

| Short-term accrued expenses and deferred revenue (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|---|----------------|----------------|
| Short-term accrued costs and expenses | 611,144 | 714,003 |
| Short-term deferred revenue | 9,967 | 9,967 |
| VAT from advance payments made | 2,933 | 3,134 |
| Total | 624,044 | 727,104 |

Short-term accrued expenses relate primarily to accrued labour costs for unused annual leave of employees for 2018 in the amount of EUR 598,704 (EUR 608,586 in 2017) and accrued interest expenses of banks in the amount of EUR 12,440 (EUR 9,012 in 2017), with short-term deferred revenue relating

to invoiced costs incurred due to cancellations of contractual orders in the amount of EUR 9,967 (the same as in 2017). Accrued cost in 2017 included cost of salaries from yet unpaid bonuses for successful operations of the company under the corporate collective agreement in the amount of EUR 96,263.

15.4.15 Contingent Liabilities

| Contingent liabilities (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|---------------------------------|------------------|------------------|
| Ongoing litigation procedures | 1,460,498 | 1,734,304 |
| Bank guarantees given | 19,539 | 52,086 |
| Total | 1,480,037 | 1,786,390 |

Contingent liabilities which on 31 December 2018 did not meet the conditions for recognition in the balance sheet items are included in off-balance sheet records. The value of bank performance guarantees has decreased by EUR 32,547, representing the bank guarantee amount, given for the good performance of undertaken commitments from the Slovenian-Japanese demonstration project. The amount of contingent liabilities arising from outstanding civil cases where Elektro Celje is the defendant decreased by EUR 273,806; proceedings for the payment of compensation in the amount of EUR 223,747 were concluded by the court (81.8% of which concluded in favour of the company), while litigation procedures initiated amounted to EUR 3,168 of contingent liabilities. In the case of a lawsuit in the amount of EUR 2,500, a

claim for damages was not brought and provisions in the amount of EUR 50,727 were made.

The minority shareholder Adriatic Slovenica, d.d. challenged the resolutions adopted at the 22nd Annual General Meeting of Elektro Celje with a lawsuit, whereby the shareholders decided that a portion of the distributable profit for 2016, amounting to EUR 2,636,124.04 would be used for the payment of dividends and the remainder of profit amounting to EUR 170,098.92 would remain undistributed. The plaintiff is requesting that an additional EUR 1,402,004 be allocated for the pay-out of dividends; the company has identified the claim for this amount as a contingent liability, which in the event of the plaintiff's successful lawsuit, would not affect the current profit,

but the equity of the company. The court of first instance ruled in favour of the

company Elektro Celje in the lawsuit.

15.4.16 Potential Receivables and other Off-balance Sheet Items

| Contingent assets and other off-balance-sheet records (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--|------------------|------------------|
| Contingent assets: | | |
| Bank guarantees received | 2,552,878 | 2,100,723 |
| Damage claims | 50,479 | 2,220,306 |
| Receivables from partners in companies deleted from the register | 283,626 | 285,912 |
| Allowance for employing disabled persons | 113,033 | 108,886 |
| | 3,000,016 | 4,715,827 |
| Other off-balance-sheet records: | | |
| Infrastructure owned by SODO d. o. o. | 3,275,596 | 3,418,282 |

Assets that were included in off-balance sheet records after the balance sheet of 31 December 2018 do not qualify for recognition among the balance sheet items. Claims to insurance companies in the amount of EUR 50,479, which by 31 December 2018 had not been paid are shown as an off-balance sheet item prior to liquidation of the claim by the insurance company (at that time receivables amounting to the value of recognised compensation are transferred to

the balance sheet total). The share of damages paid from claims for damages disclosed as off-balance-sheet items in 2017 amounted to 32.9%.

The carrying value of fixed assets transferred to SODO d.o.o. on the basis of a mutual agreement on the transfer and acquisition of fixed assets financed from funds from average connection fee costs and sales contracts amounted to EUR 3,275,596.

15.5 Significant Events After the Balance Sheet Date

There were no events following the balance sheet date and up to the date of the auditor's report which would materially affect the assets and liabilities of the

company and thus impair the ability of the balance sheet users to perform a relevant evaluation and reach an informed decision.

15.6 Disclosure of Items in the Income Statement

The income statement is a fundamental financial statement that provides a faithful and fair account of the income for the fiscal year 2018. The statement

is prepared according to Version I of SAS 21.6, and as such it reports the costs separately by functional groups in accordance with SAS 21.20:

| Type of expenses (in EUR) | Direct costs | | Overhead costs | | Total | |
|-------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Cost of material | 9,604,429 | 10,081,546 | 104,777 | 107,746 | 9,709,206 | 10,189,292 |
| Cost of services | 4,710,770 | 4,985,416 | 1,339,053 | 1,186,383 | 6,049,823 | 6,171,799 |
| Labour costs | 19,176,061 | 18,601,891 | 3,572,498 | 3,374,735 | 22,748,559 | 21,976,626 |
| Amortisation and depreciation | 16,982,829 | 17,112,686 | 370,333 | 366,206 | 17,353,162 | 17,478,892 |
| Revaluation expenses | 127,486 | 798,134 | 9,155 | 16,063 | 136,641 | 814,197 |
| Other expenses | 246,671 | 221,325 | 78,316 | 95,315 | 324,987 | 316,640 |
| Total | 50,848,246 | 51,800,998 | 5,474,132 | 5,146,448 | 56,322,378 | 56,947,446 |

Operating costs and expenses from re-valuation may be direct, meaning they

can be directly linked to arising business impacts (direct costs), or general.

15.6.1 Net Sales Revenue

The company generated net sales revenue in the amount of EUR 50,512,707 in the domestic market and no revenue in international markets. Sales revenue mainly included revenue from regulated activities according to the contract and pertaining annexes with SODO d.o.o. for 2018 in the amount of EUR 48,358,000; EUR 25,830,457 for lease and maintenance of the electricity infrastructure and EUR 22,527,543 for implementation of the services for SODO, with EUR

2,579,246 comprising a deviation in 2018, identified through the preliminary reconciliation. Revenue for SODO also include deviations from past regulatory years, received in 2018 in the amount of EUR -338,218: EUR 840 from the final reconciliation of the regulatory year 2014, EUR -335,965 from the preliminary and final reconciliations for the regulatory year 2017 and EUR -3,093 for the final reconciliation of the regulatory year 2016.

| Net sales revenue (in EUR) | 2018 | 2017 |
|--|-------------------|-------------------|
| Revenue from lease of infrastructure to SODO | 48,019,782 | 47,533,168 |
| Revenue from provision of services for customers | 1,960,079 | 1,778,196 |
| Revenue from lease | 532,846 | 511,662 |
| Total | 50,512,707 | 49,823,026 |

15.6.2 Capitalised Own Services

The company generated 22% of its revenue in the amount of EUR 15,193,945 (EUR 14,011,503 in 2017) through the

construction of own fixed assets. The company does not disclose profit in this regard.

15.6.3 Other operating revenue

| Other operating revenue (in EUR) | 2018 | 2017 |
|--|------------------|------------------|
| Revenue from elimination of provisions | 782,933 | 0 |
| Revenue from reversal of long-term accrued expenses and deferred revenue | 624,335 | 617,044 |
| – of which acquisition of fixed assets free of charge | 516,343 | 509,052 |
| – of which average connection fees | 107,992 | 107,992 |
| Other revenue associated with business effects | 242,048 | 232,178 |
| Compensation received from insurance companies and others | 138,956 | 784,909 |
| Operating revenue from revaluation | 331,953 | 167,720 |
| Total | 2,120,225 | 1,801,851 |

Other revenue associated with products and services in the amount of EUR 242,048 include incentives for employment of people with disabilities and awards for the employment of disabled persons above the statutory quota in the amount of EUR 103,060 (EUR 103,464 in 2017) and subsidies for staff from EU

funds, drawing on government subsidies for fixed assets and employment incentives totalling EUR 138,988 (EUR 128,714 in 2017). Operating revenue from revaluation relate mainly to revenue from the sale of fixed assets and dismantled material in the amount of EUR 324,074 (EUR 145,587 in 2017).

15.6.4 Costs of Materials and Services

| Cost of material (in EUR) | 2018 | 2017 |
|---|------------------|-------------------|
| Cost of material for investments carried out in-house | 7,577,772 | 7,831,140 |
| Cost of material used in provision of services to customers | 615,765 | 746,230 |
| Cost of fuel and energy | 726,105 | 713,986 |
| Cost of material used in maintenance | 469,196 | 452,254 |
| Cost of material for damage repair | 125,054 | 270,626 |
| Write-offs of small tools | 168,043 | 142,986 |
| Other cost of material | 27,271 | 32,070 |
| Total | 9,709,206 | 10,189,292 |

| Cost of services (in EUR) | 2018 | 2017 |
|---|------------------|------------------|
| Maintenance service costs | 2,099,076 | 1,935,898 |
| Cost of payments, bank services and insurance premiums | 1,121,753 | 1,275,068 |
| Cost of business data processing | 1,123,980 | 1,075,465 |
| Cost of intellectual and personal services | 337,618 | 535,051 |
| Cost associated with provision of services to customers | 191,933 | 282,069 |
| Cost of transport services | 243,236 | 269,265 |
| Cost of labour contracts | 183,157 | 179,697 |
| Cost of membership fees | 78,582 | 72,918 |
| Cost of services of damage repair | 74,146 | 130,293 |
| Cost of studies | 46,715 | 41,895 |
| Cost of rent | 40,798 | 40,897 |
| Other cost of services | 508,829 | 333,283 |
| Total | 6,049,823 | 6,171,799 |

In accordance with Article 57 of the Companies Act (ZGD-1), the company is subject to mandatory audit. BDO Revizija, d.o.o., was appointed as the company auditor for the annual report of the fiscal year 2018. An auditing contract

for the consolidated annual report in the amount of EUR 10,480 (excluding VAT) was signed with said auditing firm for 2018. Cost of other services comprising guarantees in 2018 amounted to EUR 960.

15.6.5 Labour Costs

As at the balance sheet date, the company recognised EUR 598,704 in labour costs from unused annual leave in 2018

together with associated duties (EUR 608,586 in 2017).

| Labour costs (in EUR) | 2018 | 2017 |
|---|-------------------|-------------------|
| Cost of salaries | 16,224,669 | 15,760,859 |
| Cost of supplementary employee retirement insurance | 805,326 | 772,758 |
| Cost of employer contributions and other levies on salaries | 2,684,694 | 2,598,885 |
| Other labour costs | 2,592,945 | 2,523,526 |
| Provisions for long-service awards and severance pays | 440,925 | 320,598 |
| Total | 22,748,559 | 21,976,626 |

Other labour costs in the amount of EUR 2,592,945 included EUR 782,897 for meal allowance for employees, EUR 662,766 for travel to and from work, EUR 1,112,695 for annual leave, EUR 24,936 for death allow-

ance and EUR 9,651 for other remuneration.

Education of employees in Elektro Celje in the financial year 2018:

| Education | No. of employees on 1 January 2018 | Share in % | Number of employees on 31 December 2018 | Share in % |
|-------------------|------------------------------------|---------------|---|---------------|
| PhD | 1 | 0.2% | 1 | 0.2% |
| Master of science | 13 | 2.1% | 12 | 1.9% |
| University | 102 | 16.2% | 107 | 16.9% |
| Post-secondary | 70 | 11.1% | 68 | 10.7% |
| Secondary | 229 | 36.5% | 239 | 37.8% |
| Vocational | 7 | 1.1% | 4 | 0.6% |
| Highly qualified | 7 | 1.1% | 6 | 0.9% |
| Qualified | 178 | 28.3% | 175 | 27.6% |
| Semi-qualified | 15 | 2.4% | 15 | 2.4% |
| Unqualified | 6 | 1.0% | 6 | 0.9% |
| Total | 628 | 100.0% | 633 | 100.0% |

15.6.6 Write-downs and Write-offs

| Write-downs and write-offs (in EUR) | 2018 | 2017 |
|---|-------------------|-------------------|
| Amortisation and depreciation | 17,353,162 | 17,478,892 |
| Operating expenses from revaluation of tangible and intangible fixed assets | 120,991 | 798,324 |
| Operating expenses from revaluation of current assets | 15,650 | 15,873 |
| Total | 17,489,803 | 18,293,089 |

Amortisation comprised EUR 17,353,162 and represents 30.4% of the total costs

and expenses of the company.

| Depreciation according to groups of assets (in EUR) | Intangible fixed assets | Rights in immovable property | Buildings | Equipment | Total |
|---|-------------------------|------------------------------|------------|-----------|-------------------|
| Amortisation and depreciation for 2018 | 1,079,817 | 500 | 10,080,478 | 6,192,367 | 17,353,162 |
| Amortisation and depreciation for 2017 | 719,406 | 450 | 10,490,082 | 6,268,954 | 17,478,892 |

Operating expenses from revaluation of fixed assets in the amount of EUR 120,991 related to losses upon the elimination of fixed assets, with **operating expenses from revaluation of current assets** in the amount of EUR 15,650 including revaluation adjustments to stocks of materials in the amount of EUR

3,680 (EUR 9,604 in 2017), short-term receivables in the amount of EUR 10,264 (EUR 0 in 2017), long-term receivables in the amount of EUR 650 (EUR 3,143 in 2017) and write-off of short-term trade receivables in the amount of EUR 1,056 (EUR 3,126 in 2017).

15.6.7 Other Operating Expenses

Other operating expenses in the amount of EUR 324,987 (EUR 316,640 in 2017) comprised charges for use of construction land in the amount of EUR 170,004

(EUR 168,218 in 2017), court fees in the amount of EUR 37,352 (EUR 18,192 in 2017) and other operating expenses.

15.6.8 Financial Revenue from Shares

| Financial revenue from shares (in EUR) | 2018 | 2017 |
|--|------------------|------------------|
| Financial revenue from shares in Group companies | 1,000,000 | 1,525,000 |
| Financial revenue from shares in other companies | 7,400 | 7,400 |
| Total | 1,007,400 | 1,532,400 |

Financial revenue from shares for 2018 amounted to EUR 1,007,400, of which EUR 1,000,000 regarded the payment for participation in the profit of the sub-

sidary ECE, with financial revenue from shares in other companies mainly regarding dividends paid out by Zavarovalnica Triglav d.d. in the amount of EUR 7,400.

15.6.9 Financial Revenue from Granted Loans

Interest received from a positive credit balance on transaction accounts and

overnight deposits in 2018 amounted to EUR 68 (EUR 186 in 2017).

15.6.10 Financial Revenue from Operating Receivables

Financial revenue from operating receivables in the amount of EUR 91,583 (EUR 273,412 in 2017) consisted of financial revenue from the discounting of receivables from SODO in the amount of EUR 50,469 (EUR 32,820 in 2017) and financial revenue from default interest

arising from operating receivables in the amount of EUR 41,114; for network charge EUR 29,611 (EUR 29,240 in 2017), for services EUR 2,120 (EUR 4,136 in 2017) and for other operating receivables EUR 9,383 (EUR 36 in 2017).

15.6.11 Financial Expenses from Financial Liabilities

Financial expenses from financial liabilities include bank interest on loans in the

amount of EUR 344,388 (EUR 383,449 in 2017).

15.6.12 Financial Expenses from Operating Liabilities

Financial expenses from operating liabilities amounted to EUR 73,034 (EUR 72,321 in 2017) and primarily include expenditures for net interest in the amount of EUR 72,385 calculated according to

the actuarial estimation as at 31 December 2018 and regard the expected present value of liabilities for long-service awards, severance pays and solidarity aid (EUR 70,519 in 2017).

15.6.13 Other Revenue

| Other revenue (in EUR) | 2018 | 2017 |
|--|---------------|---------------|
| Collected receivables from earlier periods, previously written off | 791 | 1,879 |
| Received payments of court fees, and compensations | 8,180 | 7,825 |
| Other revenue | 1,560 | 948 |
| Total | 10,531 | 10,652 |

15.6.14 Other Expenses

| Other expenses (in EUR) | 2018 | 2017 |
|--|----------------|---------------|
| Compensations | 271,870 | 27,604 |
| Donations | 8,858 | 9,650 |
| Annuities, reimbursement claims | 11,512 | 15,082 |
| Compensations due to violation of supply quality standards | 2,709 | 0 |
| Fines | 0 | 800 |
| Other expenses | 59 | 212 |
| Total | 295,008 | 53,348 |

15.6.15 Profit or Loss

Operating profit amounted to EUR 11,504,499 (EUR 8,688,934 in 2017). Taking into account financial revenue and expenses, net operating profit from ordinary operation amounted to EUR 12,186,128 (EUR 10,039,162 in 2017). Together with other revenue and expens-

es from extraordinary operation, and corporate income tax, which amounted to EUR 1,400,295 and deferred taxes in the amount of EUR 72,578, net profit for 2018 amounted to EUR 10,428,778 (EUR 9,062,759 in 2017).

15.6.16 Statement of Comprehensive Income

Total comprehensive income for the accounting period amounted to EUR 10,465,180 and due to changes in reserves resulting from valuation at fair value (EUR 3,357) and changes in other

components of comprehensive income (EUR 33,045), total comprehensive income was EUR 36,402 higher than the net profit for the accounting period (EUR 10,428,778).

15.6.17 Income Tax

The company was liable for payment of corporate tax in the amount of EUR 1,400,295 (EUR 842,941 in 2017), recognised on the basis of the tax return. The corporate tax rate in Slovenia com-

prised 19% in 2018 (the same as in 2017) in accordance with the Act Amending the Corporate Income Tax Act (*Official Gazette of the Republic of Slovenia*, no. 68/2016).

15.7 Disclosure of Items in the Cash Flow Statement

Net cash flow for the period January–December 2018 amounted to EUR 338,971. The opening cash balance as at 1 Jan-

uary 2018 was EUR 171,061 while the closing cash balance as at 31 December 2018 was EUR 510,032.

15.7.1 Inflows from Operating Activities

In the accounting period, inflows from operating activities amounted to EUR 106,354,993, with 98.4% of the amount representing inflows from the sale of products and services. The company achieved the majority of inflows from operating activities from receivables for lease and services pursuant to the agreement with SODO d.o.o., which amounted to EUR 61,323,601, representing 57.7% of total inflows from operating activities (EUR 58,404,860 in 2017) and

network charges. Inflows from services provided to customers were realised in the amount of EUR 1,865,851 (EUR 1,460,356 in 2017), with inflows from sales of fixed assets and scrap material amounting to EUR 597,528 (EUR 824,305 in 2017), inflows from receivables from leases in the amount of EUR 479,683 (EUR 596,353 in 2017) and services to customers on behalf and for the account of SODO d.o.o. in the amount of EUR 337,792 (EUR 324,487 in 2017).

15.7.2 Outflows from Operating Activities

Outflows from operating activities in the amount of EUR 92,412,971 primarily comprise expenditures for the purchase of materials and services in the amount of EUR 61,994,150 (EUR 62,161,162 in 2017), salaries together with expenditures for contributions and taxes in the amount of EUR 22,231,636 (EUR 20,438,975 in 2017), value added tax in the amount of EUR 5,287,686 (EUR 6,124,126 in 2017), corporate income tax in the amount of EUR 889,251 (EUR 1,142,894 in 2017) and other expenditures.

Other expenditures amounted to 1,097,986 EUR (1,117,286 EUR in 2017); the largest part (73.2%) represented expenditures for voluntary supplementary pension insurance (EUR 803,728 EUR). The company used the operating surplus of EUR 13,942,021 in 2018 to settle obligations related to repayment of principal and interest from long-term investment loans (11,537,010 EUR).

15.7.3 Inflows from Investing Activities

Inflows from investing activities amounted to EUR 1,604,996 and included inflows from received interest and shares of profit of other companies in the amount of EUR 1,007,468 (payment for participation in the profits of the subsidiary ECE in the amount of EUR 1,000,000, divi-

dends received from Zavarovalnica Triglav in the amount of EUR 7,400, inflows from received interest on deposits in the amount of EUR 68) and inflows from the disposal of tangible fixed assets in the amount of EUR 597,528.

15.7.4 Outflows from Investing Activities

Outflows from investing activities in the amount of EUR 10,025,318 comprised expenditures for the acquisition of in-

tangible and tangible fixed assets (EUR 6,769,087 in 2017).

15.7.5 Inflows from Financing Activities

Inflows from financing activities in the amount of EUR 29,195,000 included the use of the long-term loans from EIB for financing investments in the amount of EUR 6,000,000 and from a commercial

bank in the amount of EUR 4,000,000 as well as receipts from multiple drawing of the long-term revolving credit facility in the amount of EUR 19,195,000.

15.7.6 Outflows from Financing Activities

Outflows from financing activities in the amount of EUR 34,377,728 refer to outflows for interest paid in the amount of EUR 349,412 (interest on loans and overdraft), the purchase of the company's treasury shares in the amount of EUR

250,572, for repayment of investment loans in the amount of EUR 11,187,732, for repayment of the leased revolving credit facility in the amount of EUR 19,445,000 and for dividend pay-outs in the amount of EUR 3,145,013.

15.8 Disclosure of Items in the Statement of Changes in Equity

Share premium in the amount of EUR 62,260,317 was reported on the basis of a reversal of the general capital revaluation adjustment carried out on equity. Profit reserves in the amount of EUR 48,137,508 included legal reserves in the amount of EUR 4,008,638 (in 2018 in the amount of EUR 520,139), reserves for treasury shares in the amount of EUR 886,371 (in 2018 in the amount of EUR 250,572), deduction item for treasury shares in the amount of EUR -886,371 and other profit reserves in the amount of EUR 44,164,870.

Elektro Celje must comply with the rules of the profession to provide 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 trans-

mission 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. The need to ensure resources for the realisation of the planned volume of investments, among which other profit reserves are 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 6,411,150 were formed in 2018.

Reserves arising from valuation at fair value as at the balance sheet date 31 December 2018 amounted to EUR -392,208, increasing by EUR 62,411 in 2018 (the change is clarified in Section 15.4.9).

| Distributable profit and proposed allocation (in EUR) | | 2018 | 2017 |
|---|--|------------------|------------------|
| a | Net income/profit for the year | 10,428,778 | 9,062,759 |
| b | Retained net profit/retained net loss (deductible item) | -26,009 | 152,105 |
| 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) | 770,711 | 547,104 |
| č | Increase in revenue reserves pursuant to decisions by the management and supervisory bodies (other revenue reserves) | 6,411,150 | 5,522,745 |
| DISTRIBUTABLE PROFIT (a + b - c - d) | | 3,220,908 | 3,145,015 |

The Management Board of Elektro Celje proposes that the distributable profit for 2018 amounting to EUR 3,220,908 be al-

located in its entirety for the payment of dividends.

15.9 Financial Risk Management

The stability of long-term operations is ensured through active risk management. Risk identification is based on the company's strategic and annual goals. Financial risk management regards management of credit, market, equity, and liquidity risk. Exposure to individual types of risks and risk management measures are assessed and implemented on the basis of their effects on cash flows and

financial expenses. Financial risks, in accordance with the adopted risk management policy are regularly assessed along with the suitability of the measures implemented to manage them. The method and methodology of financial risk management are presented in more detail in the Business Report under Risk Management Section 11.2, and Financial Risks in Section 11.2.1.3.

15.9.1 Credit Risk

Maximum exposure to credit risk arises from financial assets, with the most important regarding non-fulfilment by debtors due to non-payment or untimely settlement of liabilities by electricity consumers and customers for services rendered being trade receivables.

Management of receivables and debt recovery is implemented in accordance with the provisions of the Energy Act (EZ-1), Decree on General Conditions for the Supply and Consumption of Electricity (SPDOEE) and the provisions of the

Rules on the financial operations of the company. Risk management activities are focused on continuous monitoring and accounts receivables security and active collection of overdue and unpaid receivables and the charging of default interest in case of delayed payment. 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.

| Operating receivables (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|----------------------------------|-------------------|-------------------|
| Long-term operating receivables | 2,213,183 | 3,552,634 |
| Short-term operating receivables | 10,306,106 | 10,467,657 |
| Total | 12,519,289 | 14,020,291 |

The volume of operating receivables as at the balance sheet date 31 December 2018 compared to the end of 2017 decreased by 10.7%, mainly due to the payment of a third of the receivables from the preliminary reconciliation of the regulatory year 2014, and final reconciliations and corresponding interest

from the years 2012–2014 totalling EUR 1,303,943. A part of long-term receivables from SODO, which matures in 2019 (in the amount of EUR 1,074,879) was included under short-term operating receivables, comprising 82.3% of the company's short-term assets.

The policy for insuring receivables in

2018 remained unchanged compared to 2017. Trade receivables for the network charge are not insured as it is not envisioned by SPDOEE. In line with the company's risk management system, insurance of receivables is required from riskier business partners. According to the balance sheet as at 31 December 2018, EUR 434,933 (EUR 335,632 of receivables in 2017) of total receivables were insured based on debt collection instruments.

Exposure to credit risk

As at 31 December 2018 the company had EUR 706,778 (EUR 734,174 in 2017) of receivables for network charges, services, lease, average connection fees and late charges with maturities longer than 365 days (bankruptcies, compulsory compositions, lawsuits and property manager debt under the Housing Act and revaluation adjustment for the aforementioned) and EUR 9,654,402 (EUR 9,567,425 in 2017) of non-matured receivables. The percentage of unrecovered receivables from 2017 which remain unsettled one year after their due date is 0.04%. Following control, the risk of exposure from customer non-payment is **low**.

The maturity structure of receivables takes into account short-term operating receivables due from group companies, from customers and interest receivables, without revaluation adjustments to the aforementioned. In accordance with SAS, the company recognises a revaluation for receivables in bankruptcy proceedings and compulsory composition proceedings, receivables which are the subject of litigation, and receivables overdue by more than 90 days as at the balance sheet date. In 2018, a revaluation adjustment of short-term receivables in the amount of EUR 18,129 was performed, with a reversal of revaluation of EUR 7,865 implemented on short-term receivables, (in 2017 revaluation adjustments of short-term receivables in the amount of EUR 13,229 and reversal of revaluation of short-term receivables in the amount of EUR 18,784 were made). Receivables in the amount of EUR 71,157 were written off in 2017 (EUR 128,114 of receivables in 2017). Revaluation adjustments and write-off of receivables are explained in Section 15.3 (f).

| Maturity analysis of short-term trade receivables (in EUR) | 31 Dec 2018 | Share in % | 31 Dec 2017 | Share in % |
|--|-------------------|--------------|-------------------|--------------|
| Receivables not yet due | 9,654,402 | 89.1 | 9,567,425 | 87.9 |
| Receivables overdue less than 30 days | 411,208 | 3.8 | 460,453 | 4.2 |
| Receivables overdue by 31–60 days | 31,711 | 0.3 | 44,305 | 0.4 |
| Receivables overdue by 61–90 days | 2,502 | 0.0 | 10,611 | 0.1 |
| Receivables overdue by 91–180 days | 8,289 | 0.1 | 6,962 | 0.1 |
| Receivables overdue by 181–365 days | 17,661 | 0.2 | 55,160 | 0.5 |
| Receivables overdue by over 365 days | 706,778 | 6.5 | 734,174 | 6.7 |
| Total | 10,832,551 | 100.0 | 10,879,090 | 100.0 |

In 2018, EUR 14,321 in invoices for unjustified consumption of electricity was charged (EUR 71,197 in 2017), with received payments under this heading amounting to EUR 24,029 (EUR 68,288 in 2017).

The company is also exposed to credit risk from financial 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 reliably measured, are measured at fair value (i.e. 2,960 shares of Zavarovalnica Triglav d.d. in the amount of EUR 89,688), while others are valued at cost. On the balance sheet date, the company's management assesses whether there are objective grounds for impairment of financial investments into an equity instrument. The value that represents the maximum exposure to such risk is the total value of the investment. Exposure to risk of a reduction in the value of long-term investments below their cost cannot be hedged by financial instruments (described in Section 15.3 (c).

15.9.2 Market Risk

When financing current operations and in the case of investment activities in the context of market risk the company is exposed to, risks of changes in interest rates on acquired loans is of utmost importance. Risk arising from fluctuations in interest rates and the resulting impact on interest sensitive financing liabilities may lead to an increase or decrease in costs in this regard.

Exposure to interest rate risk

Exposure to interest rate risk represents (un) favourable movement of the EURIBOR reference interest rate and has been assessed as **very low**, as only 6.4% of assets were financed with bank loans according to the balance sheet, with the interest rate based on EURIBOR. According to the balance sheet as at 31 December 2018, 48.6% of financial liabilities were tied to an interest rate tied to the 1-, 3- or 6- month EURIBOR (56.7% on 31 December 2017). The company does not secure fluctuations in EURIBOR interest rates by financial instruments.

As a precaution, the company rejects all provisions of contracts that would allow the lender to subsequently change interest rates (increased costs clauses) due to changed conditions in the money and capital markets, changes in regulations and instructions of any governmental, fiscal or monetary authorities, changes in the borrower's credit ranking etc. 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 commencement of any and each borrowing procedure and for signing of contracts with banks.

The company cannot fully manage this risk, as the management costs (interest rate hedging) or taking out all loans at a higher fixed interest rate not based on the EURIBOR would outweigh the benefits. The company again in 2018 does not expect a major increase in the EURIBOR, which is projected to remain negative. The average weighted interest rate on loans as at 31 December 2018 comprised 0.889% (0.907% in 2017). The reduction in the average weighted interest rate is the result of an additional debt in 2018 at an interest rate lower than the average weighted interest rate achieved in 2017.

Cash flow sensitivity analysis

Sensitivity to changes in interest rates is assessed using the sensitivity analysis method. Given the volume of acquired loans as at 31 December 2018, an interest rate change (EURIBOR) of 0.1% (10 basis points) would result in a EUR 1,530 change in cash flow, an interest rate change (EURIBOR) of 0.2% (20 basis points) would result in a EUR 3,022 change in cash flow, and an interest rate change of 0.3% (30 basis points) would result in an increase of EUR 7,009 in expenses for interest paid. The probability of larger change in the EURIBOR is estimated as low. Low sensitivity to changes in interest rates is mainly related to the negative value of the EURIBOR and 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 51.4% of total loans as at 31 December 2018 (43% of total loans as at 31 December 2017). This analysis assumes that all other variables remain unchanged.

15.9.3 Liquidity Risk

The company Elektro Celje is exposed to liquidity risk in its operations, namely that at any given time it will not be able to meet its obligations. Exposure is measured based on the balance of inflows and outflows.

Exposure to liquidity risk

An important aspect of managing liquid-

ity risk (including short-term risk), which is rated as low, is planning cash flows performed on a daily, weekly, monthly and annual basis by the company.

The dynamics of investment and volume of collected network charges for the distribution network impact cash flow risk, as due to a deficit in network charges

in 2015, the preliminary reconciliation for contractual obligations to SODO will not be settled until the regulatory period 2019–2021, when the Energy Agency calculates the tariff items for the network charges which will then be charged to customers. In addition, the preliminary reconciliation included in the regulatory period 2015–2018 due to a deficit in network charges in 2014 has not been fully settled yet (EUR 107,254 will be settled in 2019). These claims are stated in the company's financial position statement at discounted values, which were 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 preliminary reconciliation for 2018 which was sent on 15 March 2019 will be settled within the due date of April 2019 for the volume of collected network charges from users in 2018 is sufficient to cover the eligible costs of the system operator. The payment of contractual interests charged to SODO from the preliminary reconciliation of the regulatory year 2015 in the amount of EUR 205,584 and final reconciliations for the period 2014–2017 in the amount of EUR -443,582 was included in the regulatory period 2019–2021.

| Preliminary and final reconciliations received | | Carrying value as of 31 December 2017 | Carrying value as of 31 December 2018 | Payment in the regulatory year 2019 | Payment in the regulatory year 2020 | Payment in the regulatory year 2021 | Payment in the regulatory year 2022 |
|--|--|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 1 | | 2 | 3 = 4 + 5 + 6 + 7 | 4 | 5 | 6 | 7 |
| 1 | SODO – preliminary reconciliation of the regulatory year 2014 | 1,394,170 | 107,254 | 107,254 | 0 | 0 | 0 |
| 2 | SODO – preliminary reconciliation of the regulatory year 2015 | 3,426,391 | 3,426,391 | 1,046,958 | 1,142,130 | 1,142,130 | 95,173 |
| 3 | SODO – preliminary reconciliation of the regulatory year 2017 | 3,074,131 | 0 | 0 | 0 | 0 | 0 |
| 4 | SODO – preliminary reconciliation of the regulatory year 2017 (II. Clearing) | -687 | 0 | 0 | 0 | 0 | 0 |
| 5 | SODO – preliminary reconciliation of the regulatory year 2018 | 0 | 2,579,246 | 2,579,246 | 0 | 0 | 0 |
| 6 | SODO – contractual interest for PRO 2014 | 25,736 | 0 | 0 | 0 | 0 | 0 |
| 7 | SODO – contractual interest for PRO 2015 | 205,584 | 205,584 | 68,528 | 68,528 | 68,528 | 0 |
| 8 | Final reconciliation of the regulatory year 2014 | -8,709 | -8,640 | -2,880 | -2,880 | -2,880 | 0 |
| 9 | Final reconciliation of the regulatory year 2015 | 80,205 | 80,205 | 26,735 | 26,735 | 26,735 | 0 |
| 10 | Final reconciliation of the regulatory year 2016 | -176,776 | -179,869 | -59,957 | -59,956 | -59,956 | 0 |
| 11 | Final reconciliation of the regulatory year 2017 | 0 | -335,278 | -111,759 | -111,759 | -111,760 | 0 |
| 12 | Total deviations from the regulatory framework | 8,020,045 | 5,874,893 | 3,654,125 | 1,062,798 | 1,062,797 | 95,173 |

The risk of long-term insolvency represents the lost lawsuit against the minority shareholders for distribution of profits in the amount of 4% of the share capital, resulting in an increase of expenditure for payment of dividends by EUR 1.4 million, which are earmarked for financing investments.

Since December 2015, the company can draw from the long-term revolving loan in the amount of EUR 3,145,000 to ensure daily liquidity and in the event of

increased liquidity needs. In 2015 the company signed a contract with the EIB for EUR 28 million to finance investments in the period 2015–2017 and a credit agreement with a commercial bank for EUR 10 million in 2018. By providing appropriate financing sources and favourable values of financial indicators, the company manages the risk of failure to implement financial commitments, so that risk is assessed as **very low**. Hedging of loans and financial commitments to banks is explained in Section 15.4.11.

| Maturity of financial liabilities to banks as of 31 December 2018 (in EUR) | Carrying value as of 31 December 2018 | Maturity | | |
|---|--|-------------------|-------------------|------------------|
| | | Up to 1 year | 1 to 5 years | above 5 years |
| 1. Investment financing loans | 37,502,951 | 11,149,424 | 19,279,910 | 7,073,617 |
| Total financial liabilities to banks | 37,502,951 | 11,149,424 | 19,279,910 | 7,073,617 |

| Maturity of financial liabilities to banks as of 31 December 2017 (in EUR) | Carrying value as of 31 December 2017 | Maturity | | |
|---|--|-------------------|-------------------|------------------|
| | | Up to 1 year | 1 to 5 years | above 5 years |
| 1. Investment financing loans | 38,690,683 | 10,987,733 | 21,573,855 | 6,129,095 |
| 2. Other loans granted | 250,000 | 250,000 | 0 | 0 |
| Total financial liabilities to banks | 38,940,683 | 11,237,733 | 21,573,855 | 6,129,095 |

15.9.4 Equity Risk

The purpose of equity management is to ensure a high credit rating, long-term solvency, capital adequacy and favourable financing indicators, and to maximise the value of shares and dividends to shareholders. The equity to total liabilities rate in 2018 was 75.4%, and 74.1% in 2017.

Changes in equity are monitored 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 regard-

ing equity management, the company also observes all the remaining financial commitments pursuant to credit agreements, which are described in Section 15.4.11. 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, which is a good starting point for obtaining a good credit rating, thereby lowering costs of borrowing. The ratio was 6% lower compared to the balance sheet state in 2017. Equity risk over a longer period is estimated as **very low**.

| Financial leverage indicator (in EUR) | 31 Dec 2018 | 31 Dec 2017 |
|--|--------------|--------------|
| 1. Loans granted and other financial liabilities | 37,676,913 | 39,730,755 |
| 2. Minus cash and cash equivalents | 510,032 | 171,061 |
| 3. Net financial liabilities | 37,166,881 | 39,559,694 |
| 4. Equity | 214,215,725 | 207,146,133 |
| 5. Net debt to equity ratio | 17.5% | 19.2% |

15.10 Transactions with Associated Parties

15.10.1 Transactions with Group Companies

| Item/year (in EUR) | 2018 | | 2017 | |
|---------------------------------------|------------------|-----------------------------|------------------|-----------------------------|
| | 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 | 10,400 | 40,755 | 10,357 | 6,918 |
| Accrued revenue and deferred expenses | 728 | 82 | 0 | 0 |
| Total assets | 11,128 | 40,837 | 10,357 | 6,918 |
| Liabilities: | | | | |
| Short-term trade payables | 17,479 | 31,546 | 16,914 | 31,761 |
| Other operating liabilities | 105 | 0 | 0 | 0 |
| Total liabilities | 17,584 | 31,546 | 16,914 | 31,761 |
| Revenue: | | | | |
| Net sales revenue | 103,692 | 81,268 | 93,193 | 30,046 |
| Financial revenue | 1,000,000 | 0 | 1,525,000 | 0 |
| Revaluation revenue | 0 | 1,034 | 0 | 0 |
| Total revenue | 1,103,692 | 82,302 | 1,618,193 | 30,046 |
| Costs and expenses: | | | | |
| Cost of material | 116,831 | 142,011 | 91,716 | 129,544 |
| Cost of services | 6,131 | 876 | 0 | 876 |
| Total costs and expenses | 122,962 | 142,887 | 91,716 | 130,420 |

15.10.2 Data on Groups of Persons

| Gross receipts of groups of persons (in EUR) | 2018 | 2017 |
|---|----------------|----------------|
| Member of the Management Board | 113,131 | 103,552 |
| Members of the Supervisory Board and Supervisory Board Audit and Human Resources Committees | 131,142 | 128,560 |
| Other employees on individual contracts | 440,526 | 415,264 |
| Total | 684,799 | 647,376 |

Remuneration of the Management Board of the Company

| Name and surname | Position | Receipts (in EUR) | Salary |
|------------------|---|-------------------|---------|
| Boris Kupec, MSc | Chairman of the Management Board of Elektro Celje, d.d. | Gross receipts | 113,131 |
| | | Net receipts | 53,461 |

Cost of benefits and reimbursement of travel expenses for the Chairman of the Management Board arising from the

contract of employment and the cost of professional education in 2018 are as follows:

| Name and surname | Receipts (in EUR) | Reimbursement of labour costs | Insurance premiums | Use of company vehicle | Professional education | Holiday pay |
|------------------|-------------------|-------------------------------|--------------------|------------------------|------------------------|-------------|
| Boris Kupec, MSc | 16,600 | 1,784 | 99 | 7,872 | 5,116 | 1,729 |

The employment contract provides for the Chairman of the Management Board in the case of early recall at no fault compensation amounting to six months' salary on the condition that his/her employment relationship is terminated. Cost of benefits and reimbursement of travel expenses of the Chairman of the Management Board arises from the contract of employment and is accounted for in accordance with the contract of employment or collective agreement at the company level and includes daily and meal allowances and travel expenses for business trips. The cost of insurance premiums and the use of company vehicles represents the creditworthiness of the Management Board. The Chairman of the Management Board was appointed member of the Supervisory Board of the company STELKOM – telekomunikacije in storitve d.o.o.

Remuneration of members of the company's Supervisory Board and Supervisory Board Audit Committee

The Supervisory Board has six members, four of whom are shareholder representatives and two who are employee representatives. All company's Supervisory Board members possess equal rights and duties. The Supervisory Board members 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 Supervisory Board held 10 sessions in 2018, 2 of which were correspondence meetings.

| Name and surname | Position | Attendance at meeting | | | | Receipts in EUR (net) | Receipts in EUR (gross) | Meeting fees and basic remuneration in EUR | Travel expenses in EUR |
|---|--|-----------------------|-----------------------|----------------|---------------|-----------------------|-------------------------|--|------------------------|
| | | SB meeting | Meeting of SB by cor. | SB HRC meeting | SB AC meeting | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 = 9 + 10 | 9 | 10 |
| 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 | 8 | 2 | 2 | 0 | 15,603 | 21,490 | 20,911 | 579 |
| Miha Kerin, MSc | Member of the SB since 1 September 2016 and Chairman of the SB AC since 3 October 2017 | 8 | 2 | 0 | 6 | 16,507 | 22,733 | 21,835 | 898 |
| 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 | 8 | 2 | 0 | 0 | 12,956 | 17,850 | 16,940 | 910 |
| Rosana Dražnik, MSc | Member of the SB from 27 August 2017 to 6 September 2017, Chairwoman of the SB since 7 September 2017 and member of the Human Resources Committee since 14 December 2017 | 8 | 2 | 2 | 0 | 19,549 | 26,915 | 25,786 | 1,129 |
| REPRESENTATIVES OF EMPLOYEES: | | | | | | | | | |
| Tomislav Pajić, BSc in energy technology | Member of the SB from 1 September 2014 to 1 September 2018 | 5 | 2 | 0 | 0 | 9,494 | 13,089 | 13,089 | 0 |
| Boris Počivavšek, electronics engineer | Member of the SB from 1 September 2014 to 1 September 2018 | 5 | 2 | 0 | 0 | 7,623 | 10,518 | 10,518 | 0 |
| Miran Ajdnik, Diploma in Electrical Engineering, member | Member of the SB since 1 October 2018 | 3 | 0 | 0 | 0 | 2,964 | 4,075 | 4,075 | 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 | 3 | 0 | 0 | 0 | 3,266 | 4,490 | 4,490 | 0 |
| INDEPENDENT THIRD-PARTY EXPERTS, MEMBERS OF THE SB AC: | | | | | | | | | |
| Ignac Dolenšek, MSc | Member of the SB AC since 19 October 2017 | 0 | 0 | 0 | 6 | 3,675 | 5,053 | 4,570 | 483 |
| Darinka Virant, BA in Economics | Independent third-party expert, member of the SB AC since 9 December 2013 | 0 | 0 | 0 | 5 | 3,585 | 4,929 | 4,570 | 359 |
| TOTAL | | | | | | 95,222 | 131,142 | 126,784 | 4,358 |

Basic annual remuneration of members of the SB and the SB AC for the performance of functions:

| Basic annual remuneration (in EUR): | Decision of the 21 st Shareholders Assembly (valid since 1 September 2016) |
|--|--|
| Chairman of the Supervisory Board | 19,500 |
| Deputy Chairman of the Supervisory Board | 14,300 |
| Member of the Supervisory Board | 13,000 |
| Chairman of the Committee | 4,875 |
| Member of the Committee | 3,250 |

The cost of liability insurance in accordance with the resolution of the Supervisory Board of Elektro Celje d.d. presented in the credit rating of members of the Supervisory Board represents the cost of other benefits for members of the Supervisory Board in 2018. Members of the Supervisory Board and Supervisory Board Audit Committee in accordance

with the resolution of the 21st Shareholder's Assembly of 31 August 2016 are entitled to reimbursement 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.

| Costs of other benefits | Liability insurance (in EUR) | Professional education (in EUR) |
|---|---------------------------------|------------------------------------|
| REPRESENTATIVES OF SHAREHOLDERS: | | |
| Drago Štefe, MSc | 97 | 331 |
| Miha Kerin, MSc | 97 | 0 |
| Mirjan Trampuž, MSM and MSc Energetics | 97 | 390 |
| Rosana Dražnik, MSc | 97 | 331 |
| REPRESENTATIVES OF EMPLOYEES: | | |
| Tomislav Pajić, BSc in energy technology | 97 | 0 |
| Boris Počivavšek, electronics engineer | 97 | 0 |
| Miran Ajdnik, Diploma in Electrical Engineering, member | 0 | 0 |
| Janko Čas, Electronics Engineer and energetics expert | 0 | 0 |
| INDEPENDENT THIRD-PARTY EXPERTS, MEMBERS OF THE SB AC: | | |
| Ignac Dolenšek, MSc | 0 | 373 |
| Darinka Virant, BA in Economics | 0 | 1,013 |
| TOTAL | 582 | 2,438 |

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 | Managing director of the company Finera svetovanje d.o.o. sole trader, Rosana Dražnik s.p., Intax |
| Miran Ajdnik | / |
| Janko Čas | / |
| Boris Počivavšek | / |
| Tomislav Pajić | / |

The Management Board and Supervisory Board did not receive any remuneration in connection with tasks in subsidiaries. Elektro Celje also did not approve any advances, loans or guarantees to members of the Supervisory Board, the Supervisory Board Audit Committee or the Management Board and as at 31 December 2018, does not show any receivables from these addresses from them.

Employee remuneration on the basis of contracts which are not subject to the tariff part of the collective agreement

Remuneration to employees on the basis of contracts which are not subject to the tariff part of the collective agreement in 2018 amounted to EUR 440,526 gross or EUR 235,769 net (EUR 415,264 gross or EUR 227,448 net in 2017).

15.11 Disclosures Pursuant to the Energy Act

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 SODO d.o.o., as well as marketing activities.

15.11.1 Balance Sheet Broken Down by Activities

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 the SAS 20.4.

In accordance with the Rules on the criteria for separate accounting recording and reporting by business activities of Elektro Celje, assets and liabilities are classified according to their purpose and use according to relevant activities of the company. The entire distribution network including the control centres activity 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.

The activity of provision of power infrastructure and services is directly allocated into short-term and long-term finan-

cial 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 directly allocated into long-term investments in the subsidiary for distribution power generation, and into 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.

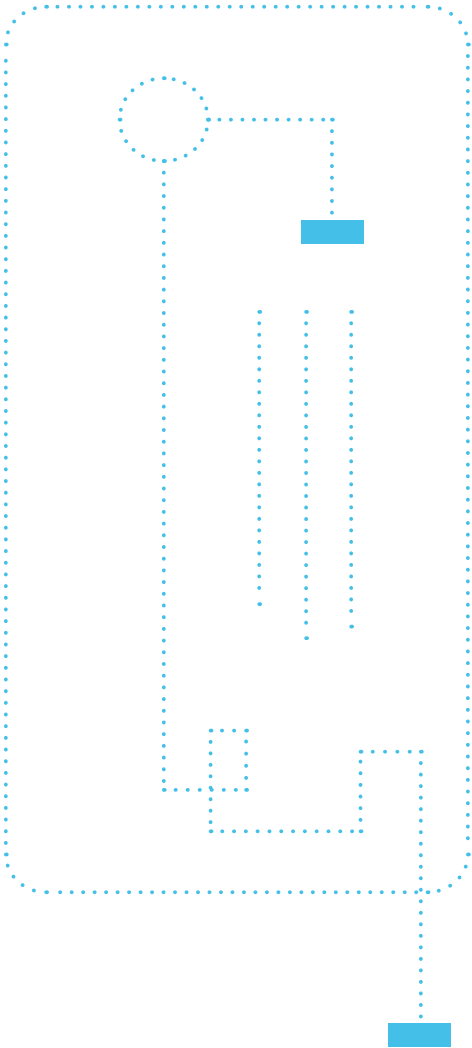
With regard to assets and liabilities of shared functions, classification by activity follows these criteria:

| 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, 004, 008, 010, 015, 020, 021, 027, 035, 040, 041, 045, 047, 048, 050, 051, 055, 058, 089, 130, 131, 968 | 2 |
| 120, 129, 1321, 133, 150, 151, 155, 159, 160, 161, 164, 165, 169, 190, 191, 192, 195, 260, 290, 291, 295 | 3 |
| 30, 31, 1320 | 4 |
| 2201, 230, 221, 224, 2651 - 6 and 2660 - 2 | 5 |
| 11, 18, 90 - 93, 963 | Calculation |

- **Criterion 1 – Share of hours worked for a particular activity in the accounting period** is used to allocate long-term financial investments not assigned to a particular activity, long-term loans granted, long-term 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.
- **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 as at 31 December 2018

| ITEM (in EUR) | SODO activity | Market activities | Total |
|--|--------------------|-------------------|--------------------|
| 1 | 2 | 3 | 4 |
| A. Long-term assets (I. + II. + III. + IV. + V. + VI.) | 259,962,843 | 8,916,183 | 268,879,026 |
| I. Intangible assets and long-term accrued revenue and deferred expenses (1 to 6) | 3,062,745 | 20,656 | 3,083,401 |
| 1. Long-term property rights | 3,048,969 | 16,948 | 3,065,917 |
| 4. Intangible assets in development | 4,875 | 25 | 4,900 |
| 6. Other long-term accrued revenue and deferred expenses | 8,901 | 3,683 | 12,584 |
| II. Property, plant and equipment (1 to 4) | 252,998,800 | 1,313,230 | 254,312,030 |
| 1. Land and buildings (a + b) | 183,239,705 | 549,413 | 183,789,118 |
| a) Land | 5,946,145 | 34,256 | 5,980,401 |
| b) Buildings | 177,293,560 | 515,157 | 177,808,717 |
| 2. Production equipment and machinery | 59,862,848 | 685,599 | 60,548,447 |
| 3. Other plant and equipment | 33,011 | 42,676 | 75,687 |
| 4. Tangible fixed assets in the course of acquisition (a + b) | 9,863,236 | 35,542 | 9,898,778 |
| a) Property, plant and equipment under construction | 9,863,236 | 35,542 | 9,898,778 |
| IV. Long-term financial investments (1 to 2) | 227,339 | 7,430,742 | 7,658,081 |
| 1. Long-term financial investments excluding loans (a + b + c + d) | 227,339 | 7,430,742 | 7,658,081 |
| a) Shares and shareholdings in Group companies | 0 | 7,246,975 | 7,246,975 |
| b) Shares and shareholdings in associates | 146,402 | 60,585 | 206,987 |
| c) Other shares and shareholdings | 80,937 | 123,182 | 204,119 |
| V. Long-term operating receivables (1 to 3) | 2,211,628 | 1,555 | 2,213,183 |
| 2. Long-term trade receivables | 2,206,058 | 0 | 2,206,058 |
| 3. Long-term operating receivables due from others | 5,570 | 1,555 | 7,125 |
| VI. Deferred tax assets | 1,462,331 | 150,000 | 1,612,331 |
| B. Current assets (I. + II. + III. + IV. + V.) | 10,157,329 | 2,359,434 | 12,516,763 |
| II. Inventory (1 to 4) | 262,976 | 1,437,649 | 1,700,625 |
| 1. Material | 262,976 | 1,437,649 | 1,700,625 |
| IV. Short-term operating receivables (1 to 3) | 9,893,352 | 412,754 | 10,306,106 |
| 1. Short-term operating receivables from Group companies | 45,017 | 6,138 | 51,155 |
| 2. Short-term trade receivables | 9,684,155 | 378,483 | 10,062,638 |
| 3. Current operating receivables due from others | 164,180 | 28,133 | 192,313 |
| V. Cash | 1,001 | 509,031 | 510,032 |
| C. Short-term accrued revenue and deferred expenses | 2,544,271 | 140,582 | 2,684,853 |
| TOTAL ASSETS (A + B + C) | 272,664,443 | 11,416,199 | 284,080,642 |

| ITEM (in EUR) | SODO activity | Market activities | Total |
|---|--------------------|-------------------|--------------------|
| 1 | 2 | 3 | 4 |
| A. Equity | 206,250,648 | 7,965,078 | 214,215,726 |
| I. Called-up capital | 98,665,077 | 2,288,124 | 100,953,201 |
| 1. Share capital | 98,665,077 | 2,288,124 | 100,953,201 |
| II. Share premium | 60,849,175 | 1,411,142 | 62,260,317 |
| III. Revenue reserve | 44,848,396 | 3,325,112 | 48,173,508 |
| 1. Legal reserves | 3,742,672 | 265,966 | 4,008,638 |
| 2. Reserves for own shares and interests | 866,281 | 20,090 | 886,371 |
| 3. Own shares and interests | -866,281 | -20,090 | -886,371 |
| 5. Other revenue reserves | 41,105,724 | 3,059,146 | 44,164,870 |
| IV. Reserves resulting from valuation at fair value | -322,751 | -69,457 | -392,208 |
| VII. Net income/profit for the year | 2,210,751 | 1,010,157 | 3,220,908 |
| 1. Undistributed net income/profit for the year | 2,210,751 | 1,010,157 | 3,220,908 |
| B. Provisions and long-term accrued expenses and deferred revenue (1 to 3) | 17,122,063 | 1,661,932 | 18,783,995 |
| 1. Retirement benefits and similar employee benefits | 4,391,229 | 1,608,362 | 5,999,591 |
| 2. Other provisions | 264,405 | 0 | 264,405 |
| 3. Long-term accrued expenses and deferred revenue | 12,466,429 | 53,570 | 12,519,999 |
| C. Long-term liabilities (I.+ II.+ III.) | 26,693,944 | 140,875 | 26,834,819 |
| I. Long-term financial liabilities (1 to 4) | 26,429,721 | 31,532 | 26,461,253 |
| 2. Long-term financial liabilities to banks | 26,353,527 | 0 | 26,353,527 |
| 4. Other long-term financial liabilities | 76,194 | 31,532 | 107,726 |
| II. Long-term operating liabilities (1 to 5) | 255,608 | 105,778 | 361,386 |
| 2. Long-term trade payables | 255,608 | 105,778 | 361,386 |
| III. Deferred tax liabilities | 8,615 | 3,565 | 12,180 |
| Č. Short-term liabilities (I.+ II.+ III.) | 22,144,708 | 1,477,350 | 23,622,058 |
| II. Short-term financial liabilities (1 to 4) | 11,196,273 | 19,387 | 11,215,660 |
| 2. Short-term financial liabilities to banks | 11,149,424 | 0 | 11,149,424 |
| 4. Other short-term financial liabilities | 46,849 | 19,387 | 66,236 |
| III. Short-term operating liabilities (1 to 8) | 10,948,435 | 1,457,963 | 12,406,398 |
| 1. Short-time operating liabilities to Group companies | 45,405 | 3,725 | 49,130 |
| 2. Short-time trade payables | 3,621,814 | 47,870 | 3,669,684 |
| 4. Short-time operating liabilities from operations for third-party account | 3,864,248 | 0 | 3,864,248 |
| 5. Short-time liabilities to employees | 2,286,250 | 857,218 | 3,143,468 |
| 6. Short-time liabilities to state and other institutions | 694,789 | 278,118 | 972,907 |
| 7. Short-time operating liabilities based on advances | 185 | 100,005 | 100,190 |
| 8. Other short-time operating liabilities | 435,744 | 171,027 | 606,771 |
| D. Short-term accrued expenses and deferred revenue | 453,080 | 170,964 | 624,044 |
| TOTAL LIABILITIES (A to D) | 272,664,443 | 11,416,199 | 284,080,642 |

BALANCE SHEET BY ACTIVITY as at 31 December 2017

| ITEM (in EUR) | SODO activity | Market activities | Total |
|--|--------------------|-------------------|--------------------|
| 1 | 2 | 3 | 4 |
| A. Long-term assets (I. + II. + III. + IV. + V. + VI.) | 255,355,031 | 8,766,258 | 264,121,289 |
| I. Intangible assets and long-term accrued revenue and deferred expenses (1 to 6) | 3,625,991 | 19,006 | 3,644,997 |
| 1. Long-term property rights | 3,625,948 | 18,992 | 3,644,940 |
| 6. Other long-term accrued revenue and deferred expenses | 43 | 14 | 57 |
| II. Property, plant and equipment (1 to 4) | 246,392,753 | 1,185,860 | 247,578,613 |
| 1. Land and buildings (a + b) | 178,540,160 | 528,612 | 179,068,772 |
| a) Land | 5,940,692 | 4,727 | 5,945,419 |
| b) Buildings | 172,599,468 | 523,885 | 173,123,353 |
| 2. Production equipment and machinery | 60,127,409 | 590,746 | 60,718,155 |
| 3. Other plant and equipment | 46,234 | 44,551 | 90,785 |
| 4. Tangible fixed assets in the course of acquisition (a + b) | 7,678,950 | 21,951 | 7,700,901 |
| a) Property, plant and equipment under construction | 7,659,046 | 21,855 | 7,680,901 |
| b) Advance payments for the acquisition of tangible fixed assets | 19,904 | 96 | 20,000 |
| IV. Long-term financial investments (1 to 2) | 243,699 | 7,410,238 | 7,653,937 |
| 1. Long-term financial investments excluding loans (a + b + c + d) | 243,699 | 7,410,238 | 7,653,937 |
| a) Shares and shareholdings in Group companies | 0 | 7,246,975 | 7,246,975 |
| b) Shares and shareholdings in associates | 146,402 | 60,585 | 206,987 |
| c) Other shares and shareholdings | 97,297 | 102,678 | 199,975 |
| V. Long-term operating receivables (1 to 3) | 3,551,480 | 1,154 | 3,552,634 |
| 2. Long-term trade receivables | 3,544,119 | 0 | 3,544,119 |
| 3. Long-term operating receivables due from others | 7,361 | 1,154 | 8,515 |
| VI. Deferred tax assets | 1,541,108 | 150,000 | 1,691,108 |
| B. Current assets (I. + II. + III. + IV. + V.) | 8,981,034 | 2,769,247 | 11,750,281 |
| II. Inventory (1 to 4) | 258,433 | 853,130 | 1,111,563 |
| 1. Material | 258,433 | 853,130 | 1,111,563 |
| IV. Short-term operating receivables (1 to 3) | 10,203,751 | 263,906 | 10,467,657 |
| 1. Short-term operating receivables from Group companies | 13,799 | 3,476 | 17,275 |
| 2. Short-term trade receivables | 9,927,135 | 174,691 | 10,101,826 |
| 3. Short-term operating receivables due from others | 262,817 | 85,739 | 348,556 |
| V. Cash | -1,481,150 | 1,652,211 | 171,061 |
| C. Short-term accrued revenue and deferred expenses | 3,675,999 | 150,126 | 3,826,125 |
| TOTAL ASSETS (A + B + C) | 268,012,064 | 11,685,631 | 279,697,695 |

| ITEM (in EUR) | SODO activity | Market activities | Total |
|---|--------------------|-------------------|--------------------|
| 1 | 2 | 3 | 4 |
| A. Equity | 198,845,300 | 8,300,833 | 207,146,133 |
| I. Called-up capital | 98,665,077 | 2,288,124 | 100,953,201 |
| 1. Share capital | 98,665,077 | 2,288,124 | 100,953,201 |
| II. Share premium | 60,849,175 | 1,411,142 | 62,260,317 |
| III. Revenue reserve | 38,074,207 | 3,168,012 | 41,242,219 |
| 1. Legal reserves | 3,234,323 | 254,176 | 3,488,499 |
| 2. Reserves for own shares and interests | 621,388 | 14,411 | 635,799 |
| 3. Own shares and interests | -621,388 | -14,411 | -635,799 |
| 5. Other revenue reserves | 34,839,884 | 2,913,836 | 37,753,720 |
| IV. Reserves resulting from valuation at fair value | -390,156 | -64,463 | -454,619 |
| VI. Retained earnings | 119,012 | 33,093 | 152,105 |
| 1. Retained earnings from previous years | 119,012 | 33,093 | 152,105 |
| VII. Net income/profit for the year | 1,527,985 | 1,464,925 | 2,992,910 |
| 1. Undistributed net income/profit for the year | 1,527,985 | 1,464,925 | 2,992,910 |
| B. Provisions and long-term accrued expenses and deferred revenue (1 to 3) | 18,252,693 | 1,488,109 | 19,740,802 |
| 1. Retirement benefits and similar employee benefits | 4,485,161 | 1,430,376 | 5,915,537 |
| 2. Other provisions | 826,783 | 0 | 826,783 |
| 3. Long-term accrued expenses and deferred revenue | 12,940,749 | 57,733 | 12,998,482 |
| C. Long-term liabilities (I.+ II.+ III.) | 28,397,723 | 232,965 | 28,630,688 |
| I. Long-term financial liabilities (1 to 4) | 28,299,051 | 190,105 | 28,489,156 |
| 2. Long-term financial liabilities to banks | 27,702,950 | 0 | 27,702,950 |
| 4. Other long-term financial liabilities | 596,101 | 190,105 | 786,206 |
| II. Long-term operating liabilities (1 to 5) | 98,672 | 31,467 | 130,139 |
| 2. Long-term trade payables | 98,672 | 31,467 | 130,139 |
| III. Deferred tax liabilities | 0 | 11,393 | 11,393 |
| Č. Short-term liabilities (I.+ II.+ III.) | 21,963,187 | 1,489,781 | 23,452,968 |
| II. Short-term financial liabilities (1 to 4) | 11,237,733 | 3,867 | 11,241,600 |
| 2. Short-term financial liabilities to banks | 11,237,733 | 0 | 11,237,733 |
| 4. Other short-term financial liabilities | 0 | 3,867 | 3,867 |
| III. Short-term operating liabilities (1 to 8) | 10,725,454 | 1,485,914 | 12,211,368 |
| 1. Short-time operating liabilities to Group companies | 36,905 | 11,770 | 48,675 |
| 2. Short-time trade payables | 4,068,013 | 479,869 | 4,547,882 |
| 4. Short-time operating liabilities from operations for third-party account | 3,655,124 | 0 | 3,655,124 |
| 5. Short-time liabilities to employees | 2,398,427 | 721,627 | 3,120,054 |
| 6. Short-time liabilities to state and other institutions | 147,420 | 53,551 | 200,971 |
| 7. Short-time operating liabilities based on advances | 355 | 93,934 | 94,289 |
| 8. Other short-time operating liabilities | 419,210 | 125,163 | 544,373 |
| D. Short-term accrued expenses and deferred revenue | 553,161 | 173,943 | 727,104 |
| TOTAL LIABILITIES (A to D) | 268,012,064 | 11,685,631 | 279,697,695 |

15.11.2 Income Statement Broken down by Activities

The income statement broken down by activities – business segments – is drawn up pursuant to Version I of SAS 21.6. All revenue, expenses and net income are broken down into the part related to activities providing power distribution infrastructure and rendering services for 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 directly attributed to a particular activity based on the type of work are classified in the appropriate category based on the number of hours spent by the sector working on each activity. In allocating the revenue, costs and expenses of the shared functions and organisational units within the shared functions, which cannot be directly attributed to a particular activity, the classification under the appropriate category is carried out according to the following criteria:

| Account | Criterion |
|---|--|
| part of 760, 765, 766, 768, 769, 774, 775, 777, 78, 720, 721, 722, 723, 740, 743, 745, 746, 749 | Shared functions |
| 40, 41, 43, 47, 48, 75 | Individual organisational unit within shared functions |

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 Informatika d.d.),
- **Transport costs** (the criterion is calculated based on the value of transport by activity in the accounting period).

INCOME STATEMENT BY ACTIVITY for 2018

| ITEM (in EUR) | Amount | | |
|---|-------------------|-------------------|-------------------|
| | SODO activity | Market activities | Total |
| 1 | 2 | 3 | 4 |
| 1. Net sales revenue | 48,468,649 | 2,044,058 | 50,512,707 |
| a. In the domestic market | 48,468,649 | 2,044,058 | 50,512,707 |
| 3. Capitalised own products and services | 0 | 15,193,945 | 15,193,945 |
| 4. Other operating revenue (including revaluation surplus) | 1,976,098 | 144,127 | 2,120,225 |
| 5. Costs of goods, materials and services (a + b) | 6,339,419 | 9,419,610 | 15,759,029 |
| a. Cost of goods and material | 1,231,845 | 8,477,361 | 9,709,206 |
| b. Cost of services | 5,107,574 | 942,249 | 6,049,823 |
| 6. Labour costs (a + b + c + d) | 15,633,136 | 7,115,423 | 22,748,559 |
| a. Cost of salaries | 11,151,069 | 5,073,600 | 16,224,669 |
| b. Pension insurance costs | 1,588,554 | 691,822 | 2,280,376 |
| c. Other social security costs | 831,557 | 378,087 | 1,209,644 |
| d) Other labour costs | 2,061,956 | 971,914 | 3,033,870 |
| 7. Write-downs and write-offs (a + b + c) | 16,979,297 | 510,506 | 17,489,803 |
| a. Amortisation and depreciation | 16,845,019 | 508,143 | 17,353,162 |
| b. b. Operating expenses from revaluation of intangible and tangible fixed assets | 118,169 | 2,822 | 120,991 |
| c. Operating expenses from revaluation of current assets | 16,109 | -459 | 15,650 |
| 8. Other operating expenses | 284,163 | 40,824 | 324,987 |
| 9. Financial revenue from shares (a + b) | 0 | 1,007,400 | 1,007,400 |
| a. Financial revenue from shares in Group companies | 0 | 1,000,000 | 1,000,000 |
| b. Financial revenue from shares in other companies | 0 | 7,400 | 7,400 |
| 10. Financial revenue from loans granted (a + b) | 47 | 21 | 68 |
| b. Financial revenue from loans to others | 47 | 21 | 68 |
| 11. Financial revenue from operating receivables | 90,667 | 916 | 91,583 |
| b. Financial revenue from operating receivables due from third parties | 90,667 | 916 | 91,583 |
| 13. Financial expenses from financial liabilities (a + b) | 344,388 | 0 | 344,388 |
| b. Financial expenses related to loans from banks | 344,388 | 0 | 344,388 |
| 14. Financial expenses from operating liabilities | 53,114 | 19,920 | 73,034 |
| c. Financial expenses from other operating liabilities | 53,114 | 19,920 | 73,034 |
| 15. Other revenue | 9,440 | 1,091 | 10,531 |
| 16. Other expenses | 292,971 | 2,037 | 295,008 |
| 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) | 10,618,413 | 1,283,238 | 11,901,651 |
| 18. Income tax | 1,368,242 | 32,053 | 1,400,295 |
| 19. Deferred taxes | 0 | 72,578 | 72,578 |
| 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) | 9,250,171 | 1,178,607 | 10,428,778 |

| Net sales revenue by activities (in EUR) | SODO activity | | Market activities | | Total | |
|---|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| From lease and maintenance of infrastructure and provision of services for SODO | 48,019,782 | 47,533,168 | 0 | 0 | 48,019,782 | 47,533,168 |
| From the sale of services | 448,867 | 458,935 | 2,044,058 | 1,830,923 | 2,492,925 | 2,289,858 |
| Total | 48,468,649 | 47,992,103 | 2,044,058 | 1,830,923 | 50,512,707 | 49,823,026 |

INCOME STATEMENT BY ACTIVITY for 2017

| ITEM (in EUR) | Amount | | |
|---|-------------------|-------------------|-------------------|
| | SODO activity | Market activities | Total |
| 1 | 2 | 3 | 4 |
| 1. Net sales revenue | 47,992,103 | 1,830,923 | 49,823,026 |
| a. In the domestic market | 47,992,103 | 1,830,923 | 49,823,026 |
| 3. Capitalised own products and services | 0 | 14,011,503 | 14,011,503 |
| 4. Other operating revenue (including revaluation surplus) | 1,684,553 | 117,298 | 1,801,851 |
| 5. Costs of goods, materials and services (a + b) | 6,703,350 | 9,657,741 | 16,361,091 |
| a. Cost of goods and material | 1,352,629 | 8,836,663 | 10,189,292 |
| b. Cost of services | 5,350,721 | 821,078 | 6,171,799 |
| 6. Labour costs (a + b + c + d) | 16,297,584 | 5,679,042 | 21,976,626 |
| a. Cost of salaries | 11,624,558 | 4,136,301 | 15,760,859 |
| b. Pension insurance costs | 1,637,757 | 563,581 | 2,201,338 |
| c. Other social security costs | 864,581 | 305,724 | 1,170,305 |
| d) Other labour costs | 2,170,688 | 673,436 | 2,844,124 |
| 7. Write-downs and write-offs (a + b + c) | 17,882,452 | 410,637 | 18,293,089 |
| a. Amortisation and depreciation | 17,076,149 | 402,743 | 17,478,892 |
| b. Operating expenses from revaluation of intangible and tangible fixed assets | 793,336 | 4,988 | 798,324 |
| c. Operating expenses from revaluation of current assets | 12,967 | 2,906 | 15,873 |
| 8. Other operating expenses | 285,622 | 31,018 | 316,640 |
| 9. Financial revenue from shares (a + b) | 0 | 1,532,400 | 1,532,400 |
| a. Financial revenue from shares in Group companies | 0 | 1,525,000 | 1,525,000 |
| b. Financial revenue from shares in other companies | 0 | 7,400 | 7,400 |
| 10. Financial revenue from loans granted (a + b) | 134 | 52 | 186 |
| b. Financial revenue from loans to others | 134 | 52 | 186 |
| 11. Financial revenue from operating receivables | 272,341 | 1,071 | 273,412 |
| b. Financial revenue from operating receivables due from third parties | 272,341 | 1,071 | 273,412 |
| 13. Financial expenses from financial liabilities (a + b) | 380,645 | 2,804 | 383,449 |
| b. Financial expenses related to loans from banks | 380,645 | 2,804 | 383,449 |
| 14. Financial expenses from operating liabilities | 54,722 | 17,599 | 72,321 |
| b. Financial expenses from trade payables and bills payable | 799 | 311 | 1,110 |
| c. Financial expenses from other operating liabilities | 53,923 | 17,288 | 71,211 |
| 15. Other revenue | 8,880 | 1,772 | 10,652 |
| 16. Other expenses | 47,061 | 6,287 | 53,348 |
| 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) | 8,306,575 | 1,689,891 | 9,996,466 |
| 18. Income tax | 830,435 | 12,506 | 842,941 |
| 19. Deferred taxes | -89,414 | -1,352 | -90,766 |
| 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) | 7,386,726 | 1,676,033 | 9,062,759 |

15.11.3 Statement of Cash Flows Broken down by Activities

The statement of cash flows broken down by activities is a financial statement of the company that faithfully and fairly presents changes in cash by activity. It refers to the financial year for which it was compiled. It discloses cash flows generated from operating activities, investing activities and financing activities. It is compiled using the direct method, Version I (26.5 SAS) and in the line-by-line form.

The basis for compiling the statement of cash flows 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 and which cannot be directly attributed to one particular activity are classified under the appropriate category based on the number of hours spent by the sector working on each activity. The allocation of revenue and expenses of shared functions to the appropriate activity follows the criteria defined in the Rules and regulations on the criteria for separate accounting recording and reporting by the business activities of Elektro Celje:

| Account | Criterion |
|---|--------------------|
| 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, 004, 008, 010, 015, 020, 021, 027, 035, 040, 041, 045, 047, 048, 050, 051, 055, 058, 089, 130, 131, 968 | 2 |
| 120, 129, 1321, 133, 150, 151, 155, 159, 160, 161, 164, 165, 169, 190, 191, 192, 195, 260, 290, 291, 295 | 3 |
| 30, 31, 1320 | 4 |
| 2201, 230, 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 which cannot be directly attributed 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 regularly. The allocation of revenue, costs and expenses of shared functions and organisational units within shared functions, which cannot be directly attributed to a particular activity, follows the criteria specified in Articles 14 and 15 of the said Rules:

| Account | Criterion |
|--|--|
| 7772, 7773, 7860, 7861, 7460/1, 2 | Shared functions |
| 4162, 4121, 4820, 4890, 7540, 7580, 7591, 7880, 7890 | Individual organisational unit within shared functions |

The surplus of inflows from operating activities over the outflows from the activity of providing 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.

STATEMENT OF CASH FLOWS BY ACTIVITY for 2018

| ITEM (in EUR) | SODO activity | Market activities | Total |
|--|--------------------|--------------------|--------------------|
| 1 | 2 | 3 | 4 |
| A. Cash flows from operating activities | | | |
| a) Inflows from operating activities | 103,976,116 | 19,500,227 | 123,476,343 |
| Inflows from sale of goods and services | 102,575,601 | 19,229,407 | 121,805,008 |
| Other operating inflows | 1,400,515 | 270,820 | 1,671,335 |
| b) Outflows from operating activities | -71,585,432 | -20,827,539 | -92,412,971 |
| Purchase of material and services | -49,543,914 | -12,450,236 | -61,994,150 |
| Salaries and employees' share in the profit | -16,111,774 | -6,119,862 | -22,231,636 |
| Charges (contributions and other taxes) | -5,142,596 | -1,946,603 | -7,089,199 |
| Other outflows from operating activities | -787,149 | -310,837 | -1,097,986 |
| c) Positive or negative net cash flow from operating activities (a + b) | 32,390,684 | -1,327,312 | 31,063,372 |
| B. Cash flow from investing activities | | | |
| a) Inflows from investing activities | 440,015 | 1,164,981 | 1,604,996 |
| Inflows from interests and dividends received relating to investing activities | 49 | 1,007,419 | 1,007,468 |
| Receipts from the disposal of tangible fixed assets | 439,966 | 157,562 | 597,528 |
| b) Outflows from investing activities | -27,092,044 | -54,623 | -27,146,668 |
| Purchase of intangible assets | -2,173,326 | -11,281 | -11,281 |
| Purchase of property, plant and equipment | -24,918,718 | -43,342 | -43,342 |
| c) Positive or negative net cash flow from financing activities (a + b) | -26,652,029 | 1,110,357 | -25,541,672 |
| C. Cash flows from financing activities | | | |
| a) Inflows from financing activities | 29,195,000 | 0 | 29,195,000 |
| Inflows from the increase in financial liabilities | 29,195,000 | 0 | 29,195,000 |
| b) Outflows from financing activities | -33,451,504 | -926,225 | -34,377,729 |
| Interest paid on financing activities | -349,412 | 0 | -349,412 |
| Cash payments for equity redemption | -244,893 | -5,679 | -250,572 |
| Repayment of financial liabilities | -30,632,732 | 0 | -30,632,732 |
| Paid out dividends and other profit shares | -2,224,467 | -920,546 | -3,145,013 |
| c) Positive or negative net cash flow from financing activities (a + b) | -4,256,504 | -926,225 | -5,182,729 |
| D. Closing balance | 1,001 | 509,031 | 510,032 |
| Net cash flow for the period (sum of net cash flows Ac, Bc and Cc) | 1,482,151 | -1,143,180 | 338,971 |
| Opening balance | -1,481,150 | 1,652,211 | 171,061 |

Denarni tok po dejavnostih za leto 2017

| ITEM (in EUR) | SODO activity | Market activities | Total |
|--|--------------------|--------------------|--------------------|
| 1 | 2 | 3 | 4 |
| A. Cash flows from operating activities | | | |
| a) Inflows from operating activities | 102,720,873 | 18,110,136 | 120,831,009 |
| Inflows from sale of goods and services | 101,798,094 | 17,868,480 | 119,666,574 |
| Other operating inflows | 922,779 | 241,656 | 1,164,435 |
| b) Outflows from operating activities | -73,829,274 | -17,487,477 | -91,316,751 |
| Purchase of material and services | -51,723,466 | -10,437,696 | -62,161,162 |
| Salaries and employees' share in the profit | -15,748,228 | -4,690,747 | -20,438,975 |
| Charges (contributions and other taxes) | -5,500,585 | -2,098,743 | -7,599,328 |
| Other outflows from operating activities | -856,995 | -260,291 | -1,117,286 |
| c) Positive or negative net cash flow from operating activities (a + b) | 28,891,599 | 622,659 | 29,514,258 |
| B. Cash flow from investing activities | | | |
| a) Inflows from investing activities | 796,713 | 1,560,178 | 2,356,891 |
| Inflows from interests and dividends received relating to investing activities | 138 | 1,532,448 | 1,532,586 |
| Receipts from the disposal of tangible fixed assets | 796,575 | 27,730 | 824,305 |
| b) Outflows from investing activities | -22,670,669 | -46,958 | -22,717,627 |
| Cash payments for the acquisition of intangible assets | -1,955,607 | -10,243 | -1,965,850 |
| Purchase of property, plant and equipment | -20,671,210 | -22,730 | -20,693,940 |
| Purchase of financial investments | -43,852 | -13,985 | -57,837 |
| c) Positive or negative net cash flow from financing activities (a + b) | -21,873,956 | 1,513,220 | -20,360,736 |
| C. Cash flows from financing activities | | | |
| a) Inflows from financing activities | 13,750,000 | 0 | 13,750,000 |
| Inflows from the increase in financial liabilities | 13,750,000 | 0 | 13,750,000 |
| b) Outflows from financing activities | -22,273,531 | -639,619 | -22,913,150 |
| Interest paid on financing activities | -380,706 | 0 | -380,706 |
| Cash payments for equity redemption | -91,836 | -2,130 | -93,966 |
| Repayment of financial liabilities | -19,802,048 | 0 | -19,802,048 |
| Paid out dividends and other profit shares | -1,998,941 | -637,489 | -2,636,430 |
| c) Positive or negative net cash flow from financing activities (a + b) | -8,523,531 | -639,619 | -9,163,150 |
| D. Closing balance | -1,481,150 | 1,652,211 | 171,061 |
| Net cash flow for the period (sum of net cash flows Ac, Bc and Cc) | -1,505,888 | 1,496,260 | -9,628 |
| Opening balance | 24,738 | 155,951 | 180,689 |



PSDT



Offering stability and security to our employees

We respect the prescribed conditions and requirements for occupational safety in our concern for the protection of the health of our employees and for ensuring occupational safety. We also take preventive measures by making our employees aware of occupational health. In 2018, we joined the programme for managing and preventing psychosocial risks [the PSDT programme]. This made our concern for employees including their occupational mental health even greater.



16

Consolidated Financial Statements of

Elektro Celje Group

16.1 Consolidated Statement of Financial Position

| ITEM (in EUR) | Note | Amount | |
|-------------------------------|--|-------------------|-------------------|
| | | As of 31 Dec 2018 | As of 31 Dec 2017 |
| ASSETS | | | |
| A | Long-term assets (1 + 2 + 3 + 4 + 5 + 6) | 265,911,720 | 261,536,356 |
| | 1. Intangible assets | 17.6 | 3,202,288 |
| | 2. Property, plant and equipment | 17.7 | 256,998,186 |
| | a. Land | | 6,002,831 |
| | b. Buildings | | 178,756,949 |
| | c. Production equipment, machinery and other equipment | | 62,127,438 |
| | d. Property, plant and equipment under construction | | 10,110,968 |
| | 3. Investment property | 17.8 | 217,391 |
| | 4. Financial investments | 17.9.2 | 548,480 |
| | 5. Investments in associates | 17.9.1 | 206,987 |
| | 6. Operating receivables | 17.11.1 | 2,315,085 |
| | 7. Deferred tax assets | 17.33.1 | 2,423,303 |
| B | Current assets (1 + 2 + 3 + 4 + 5 + 6 + 7) | 57,724,876 | 56,586,554 |
| | 1. Inventory | 17.10 | 1,710,833 |
| | 2. Trade receivables | 17.11.2 | 47,931,200 |
| | 3. Assets from contracts with customers | 17.11.3 | 133,784 |
| | 4. Income tax receivables | 17.33.1 | 0 |
| | 5. Other operating receivables and other assets | 17.11.4 | 2,364,952 |
| | 6. Cash and cash equivalents | 17.12 | 5,584,107 |
| TOTAL ASSETS (A + B) | | 323,636,596 | 318,122,910 |
| LIABILITIES | | | |
| A | Equity (1 + 2 + 3 + 4 + 5) | 17.13 | 228,621,568 |
| | 1. Share capital | | 100,953,201 |
| | 2. Share premium | | 62,260,317 |
| | 3. Revenue reserve | | 52,751,585 |
| | a. Legal reserves | | 4,009,890 |
| | b. Reserves for own shares and interests | | 886,371 |
| | c. Own shares and interests | | -886,371 |
| | d. Other revenue reserves | | 48,741,695 |
| | 4. Fair value reserves | | -344,565 |
| | 5. Net income/profit | | 7,765,656 |
| | a. Retained net income/profit from previous years | | 3,217,290 |
| | b. Net income/profit for the year | | 4,548,366 |
| | Equity share of non-controlling interests | | 5,235,374 |
| | Equity share of controlling interest | | 223,386,194 |
| B | Long-term liabilities (1 + 2 + 3 + 4 + 5) | | 46,389,441 |
| | 1. Provisions | 17.14 | 6,960,898 |
| | 2. Long-term deferred revenue | 17.15 | 12,535,219 |
| | 3. Financial liabilities | 17.16 | 26,510,207 |
| | 4. Operating payables | 17.17 | 361,386 |
| | 5. Deferred tax liabilities | 17.33.2 | 21,731 |
| C | Short-term liabilities (1 + 2 + 3 + 4 + 5) | | 48,625,587 |
| | 1. Financial liabilities | 17.16 | 11,248,276 |
| | 2. Trade payables | 17.18.1 | 17,043,086 |
| | 3. Liabilities from contracts with customers | 17.18.2 | 971,234 |
| | 4. Liabilities from operations for third-party account | 17.18.1 | 11,167,104 |
| | 5. Other operating liabilities | 17.18.1 | 7,357,477 |
| | 6. Income tax liabilities | 17.33 | 838,410 |
| TOTAL LIABILITIES (A + B + C) | | | 323,636,596 |

16.2 Consolidated Income Statement

| ITEM (in EUR) | Note | Amount | |
|---|-------|-------------------|-------------------|
| | | Current year | Previous year |
| 1. Net sales revenue | 17.24 | 180,987,203 | 178,141,232 |
| 2. Capitalised own products | 17.25 | 15,193,945 | 14,011,503 |
| 3. Other operating revenue | 17.26 | 3,751,527 | 2,632,533 |
| 4. Cost of material | 17.27 | -130,253,857 | -129,973,703 |
| 5. Cost of services | 17.27 | -9,339,230 | -9,106,864 |
| 6. Labour Costs | 17.28 | -25,765,989 | -24,715,149 |
| 7. Amortisation and depreciation | 17.29 | -17,783,615 | -17,974,202 |
| 8. Operating expenses from revaluation | 17.30 | -431,015 | -928,844 |
| 9. Other operating expenses | 17.31 | -1,450,763 | -732,769 |
| OPERATING PROFIT OR LOSS | | 14,908,206 | 11,353,737 |
| 10. Financial revenue | 17.32 | 296,857 | 540,960 |
| 11. Financial expenses | 17.32 | -432,834 | -464,216 |
| PROFIT OR LOSS BEFORE TAXES | | 14,772,229 | 11,430,481 |
| 12. Income tax | 17.33 | -2,095,718 | -1,328,377 |
| 13. Deferred taxes | 17.33 | -126,396 | -258,560 |
| NET PROFIT/LOSS | | 12,550,115 | 9,843,544 |
| 14. Net profit share of controlling interests | | 11,756,236 | 9,261,462 |
| 15. Net profit share of non-controlling interests | | 793,879 | 582,082 |

16.3 Consolidated Comprehensive Income Statement

| ITEM (in EUR) | Current year | Previous year |
|---|-------------------|------------------|
| 1. Net profit or loss for the financial period | 12,550,115 | 9,843,544 |
| 2. Items which will later not be reclassified into profit or loss | 38,962 | -144,102 |
| a. Actuarial gains/losses in provisions for severance pays | 45,161 | -157,789 |
| b. Impact of deferred tax on actuarial gains/losses in provisions for severance pays | -6,199 | 13,687 |
| 3. Items which can later be reclassified into profit or loss | 3,357 | 13,023 |
| a. Revaluation of financial investments measured at fair value through equity | 4,144 | 16,872 |
| b. Adjustment to reserves resulting from valuation at fair value for deferred tax liabilities | -787 | -3,849 |
| 4. Other total comprehensive income in the financial year | 42,319 | -131,079 |
| 5. Total comprehensive income for the financial period (1 + 4) | 12,592,434 | 9,712,465 |
| of which: | | |
| – equity holders of the controlling company | 11,797,036 | 9,134,278 |
| – non-controlling interests | 795,398 | 578,187 |

16.4 Consolidated Statement of Cash Flows

| ITEM (in EUR) | Note | Current year | Previous year |
|--|---------|---------------------|---------------------|
| A. Cash flows from operating activities | | | |
| a) Inflows from operating activities | 17.35.1 | 351,508,345 | 350,385,076 |
| Inflows from sale of goods and services | | 349,676,953 | 349,042,371 |
| Other inflows from operating activities | | 1,831,392 | 1,342,705 |
| b) Outflows from operating activities | 17.35.2 | -334,341,372 | -333,245,881 |
| Purchase of material and services | | -289,142,161 | -290,253,098 |
| Salaries and employees' share in the profit | | -25,085,639 | -23,075,585 |
| Charges (contributions and other taxes) | | -18,885,302 | -18,641,498 |
| Other outflows from operating activities | | -1,228,270 | -1,275,700 |
| c) Positive or negative net cash flow from operating activities (a + b) | | 17,166,973 | 17,139,195 |
| B. Cash flow from investing activities | | | |
| a) Inflows from investing activities | 17.35.3 | 596,381 | 877,984 |
| Inflows from interest relating to investing activities | | 0 | 421 |
| Inflows from participation in others' profits relating to investing activities | | 18,433 | 45,063 |
| Inflows from the disposal of tangible fixed assets | | 577,948 | 832,500 |
| b) Outflows from investing activities | 17.35.4 | -10,502,795 | -7,066,181 |
| Purchase of long-term intangible assets | | -2,222,066 | -1,965,850 |
| Purchase of property, plant and equipment | | -8,280,729 | -5,100,331 |
| c) Positive or negative net cash flow from investing activities (a + b) | | -9,906,414 | -6,188,197 |
| C. Cash flows from financing activities | | | |
| a) Inflows from financing activities | 17.35.5 | 29,290,160 | 13,750,000 |
| Inflows from the increase in financial liabilities | | 29,290,160 | 13,750,000 |
| b) Outflows from financing activities | 17.35.6 | -34,772,634 | -23,475,983 |
| Interest paid on financing activities | | -350,690 | -382,150 |
| Cash payments for equity redemption | | -250,572 | -93,966 |
| Repayment of financial liabilities | | -30,680,928 | -19,836,654 |
| Paid out dividends and other profit shares | | -3,490,444 | -3,163,213 |
| c) Positive or negative net cash flow from financing activities (a + b) | | -5,482,474 | -9,725,983 |
| D. Closing balance | 17.35 | 5,584,107 | 3,806,022 |
| Net cash flow for the period (sum of net cash flows Ac, Bc and Cc) | 17.35 | 1,778,085 | 1,225,015 |
| Opening balance | 17.35 | 3,806,022 | 2,581,007 |

16.5 Consolidated Statement of Changes in Equity

| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY from 1 January 2018 to 31 December 2018 (in EUR) | Called-up capital | | Share premium | | Revenue reserve | | | Reserves resulting from valuation at fair value | | Retained net profit or loss | | Net income/profit for the year | | Total 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 | | share of non-controlling interests | | |
| A.1. Balance at the end of the previous reporting period | 100,953,201 | | 62,260,317 | | 3,489,751 | 635,799 | -635,799 | 42,330,545 | -411,374 | 3,170,692 | 0 | 3,191,613 | 214,984,745 | 4,785,409 | | 219,770,154 |
| A.2. Balance at the beginning of the reporting period | 100,953,201 | | 62,260,317 | | 3,489,751 | 635,799 | -635,799 | 42,330,545 | -411,374 | 3,170,692 | 0 | 3,191,613 | 214,984,745 | 4,785,409 | | 219,770,154 |
| B.1. Changes in equity – transactions with shareholders | 0 | 0 | 0 | 0 | 0 | 0 | -250,572 | 0 | 0 | -3,145,015 | 0 | 0 | -3,395,587 | -345,433 | | -3,741,020 |
| a) Purchase of own shares and interests | 0 | 0 | 0 | 0 | 0 | 0 | -250,572 | 0 | 0 | 0 | 0 | 0 | -250,572 | 0 | | -250,572 |
| b) Payment of dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3,145,015 | 0 | 0 | -3,145,015 | -345,433 | | -3,490,448 |
| B.2. Total comprehensive income in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40,800 | 0 | 0 | 11,756,236 | 11,797,036 | 795,398 | | 12,592,434 |
| a) Input of net profit/loss from the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,756,236 | 11,756,236 | 793,879 | | 12,550,115 |
| b) Changes in reserves resulting from valuation of financial investments at fair value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,357 | 0 | 0 | 0 | 3,357 | 0 | | 3,357 |
| c) Other components of comprehensive income in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,443 | 0 | 0 | 0 | 37,443 | 1519 | | 38,962 |
| B.3. Changes in equity | 0 | 0 | 0 | 520,139 | 250,572 | 0 | 6,411,150 | 26,009 | 3,191,613 | 0 | -10,399,483 | 0 | 0 | 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 | 0 | 0 | 0 | 3,191,613 | 0 | -3,191,613 | 0 | 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 | 520,139 | 250,572 | 0 | 6,411,150 | 26,009 | -7207,870 | 0 | 26,009 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Allocation of a part of net profit into building up additional reserves pursuant to the decision by the Shareholders Assembly | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Creation of reserves for own shares and interests from other equity components | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Other changes in equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26,009 | 0 | -26,009 | 0 | 0 | 0 | 0 | 0 |
| C. Balance at the end 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 | 4,548,366 | 223,386,194 | 5,235,374 | | 228,621,568 |

Explanatory notes to the consolidated statement of changes in equity are provided in Section 17.13.

| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY from 1 January 2017 to 31 December 2017 (in EUR) | | Called-up capital | | Share premium | | | Revenue reserve | | | Reserves resulting from valuation at fair value | | Retained net profit or loss | | Net income/ profit for the year | | Equity share of non-controlling interests | | Total equity | |
|--|--|-------------------|------------|---------------|---------|----------|-----------------|------------------------------|-----------------|---|-----------|-----------------------------|--|---------------------------------|--|---|--|--------------|--|
| | | Share capital | | | | | Legal reserves | Reserves for treasury shares | Treasury shares | Other revenue reserves | | Retained net profit | | Net profit for the year | | | | | |
| A.1. | Balance at the end of the previous reporting period | 100,953,201 | 62,260,317 | 3,036,613 | 541,833 | -541,833 | 32,230,975 | -302,184 | 6,690,619 | 3,711,016 | 4,734,005 | 213,314,562 | | | | | | | |
| A.2. | Balance at the beginning of the reporting period | 100,953,201 | 62,260,317 | 3,036,613 | 541,833 | -541,833 | 32,230,975 | -302,184 | 6,690,619 | 3,711,016 | 4,734,005 | 213,314,562 | | | | | | | |
| B.1. | Changes in equity – transactions with shareholders | 0 | 0 | 0 | 0 | -93,966 | 0 | -2,636,124 | 0 | 0 | -526,783 | -3,266,873 | | | | | | | |
| a) | Purchase of own shares and interests | 0 | 0 | 0 | 0 | -93,966 | 0 | 0 | 0 | 0 | 0 | -93,966 | | | | | | | |
| b) | Payment of dividends | 0 | 0 | 0 | 0 | 0 | 0 | -2,636,124 | 0 | 0 | -526,783 | -3,162,907 | | | | | | | |
| B.2. | Total comprehensive income in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | -127,184 | 0 | 9,261,462 | 578,187 | 9,712,465 | | | | | | | |
| a) | Input of net profit/loss from the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,261,462 | 582,082 | 9,843,544 | | | | | | | |
| b) | Changes in reserves resulting from valuation of financial investments at fair value | 0 | 0 | 0 | 0 | 0 | 0 | 13,188 | 0 | 0 | -165 | 13,023 | | | | | | | |
| c) | Other components of comprehensive income in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | -140,372 | 0 | 0 | -3,730 | -144,102 | | | | | | | |
| B.3. | Changes in equity | 0 | 0 | 453,138 | 93,966 | 0 | 10,099,570 | 17,994 | -865,809 | -9,780,865 | 0 | 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 | 3,711,016 | -3,711,016 | 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 | 453,138 | 0 | 0 | 5,522,745 | 0 | 0 | -5,975,883 | 0 | 0 | | | | | | | |
| c) | Allocation of a part of net profit into building up additional reserves pursuant to the decision by the Shareholders Assembly | 0 | 0 | 0 | 0 | 0 | 4,576,825 | 0 | -4,576,825 | 0 | 0 | 0 | | | | | | | |
| d) | Creation of reserves for own shares and interests from other equity components | 0 | 0 | 0 | 93,966 | 0 | 0 | 0 | 0 | -93,966 | 0 | 0 | | | | | | | |
| e) | Other changes in equity | 0 | 0 | 0 | 0 | 0 | 0 | 17,994 | -17,994 | 0 | 0 | 0 | | | | | | | |
| C. | Balance at the end of the reporting period | 100,953,201 | 62,260,317 | 3,489,751 | 635,799 | -635,799 | 42,330,545 | -411,374 | 3,188,686 | 3,191,613 | 4,785,409 | 219,770,154 | | | | | | | |

Explanatory notes to the consolidated statement of changes in equity are provided in Section 17.13.



Explanatory Notes to the Consolidated Financial Statements

17.1 Reporting Company

The Elektro Celje Group, (hereinafter Group), consists of the parent company Elektro Celje (hereinafter: Parent Company), as well as its subsidiaries ECE, energetska družba, d.o.o., podjetje za prodajo električne energije in drugih energentov, svetovanje in storitve (hereinafter: the company ECE), and Elektro Celje OVI, obnovljivi viri in inženiring, d.o.o., (hereinafter: the company Elektro Celje OVI) and the associate company Informatika, informacijske storitve in inženiring d.d.

The Group companies were founded and operate in Slovenia.

The key tasks of the Group are to deliver a reliable, safe and efficient electricity supply to its customers in the distribution area of 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.

17.2 Bases for the Preparation of Consolidated Financial Statements

a) Declaration of Conformity

The consolidated financial statements were approved by the Management Board on 25 April 2019.

The consolidated financial statements of the Elektro Celje Group have been prepared in compliance with International Financial Reporting Standards (hereinafter IFRS) as adopted by the European Union, and explanatory notes, adopted by the International Financial Reporting Interpretations Committee (IFRIC) as well as the European Union, and in accordance with the provisions of the Companies Act (ZGD-1). The Group does not disclose information for which it may reasonably estimate that such disclosure could cause significant damage.

At the balance sheet date there are no differences in the Group's accounting policies between the IFRS used and those adopted by the European Union.

b) Basis of measurement

The consolidated financial statements present an understandable and appropriate account of the financial position, financial performance and cash flows of the Group. They are prepared by observing the assumptions of accruals and the going concern basis, with the information presented ensuring reliability, and are complete in terms of significance and costs. The fiscal year is the calendar year from 1 January to 31 December 2018.

| Significant assets and liabilities of the Group | Measurement method |
|--|--|
| Long-term assets | |
| Intangible assets | At cost |
| Tangible fixed assets | At cost |
| Investment property | At cost |
| Financial investments: | |
| – of which investments measured at cost | At cost |
| – of which investments measured at fair value through equity | At fair value |
| Deferred tax assets | At undiscounted amount measured by tax rates |
| Short-term assets | |
| Inventory | At lower value, whether at cost or net realisable value |
| Operating and other receivables | At amortised cost |
| Cash and cash equivalents | At amortised cost |
| Long-term liabilities | |
| Provisions | |
| – of which provisions for post-employment and other benefits | At present value of evaluated future payments based on actuarial calculation |
| – of which provisions for lawsuits | At present value of evaluated future settlements |
| Long-term deferred revenue | At cost |
| Financial liabilities | At amortised cost |
| Operating liabilities | At amortised cost |
| Deferred tax liabilities | At undiscounted amount measured by tax rates |
| Short-term liabilities | |
| Financial liabilities | At amortised cost |
| Operating and other obligations | At amortised cost |

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. Due to rounding off, differences between financial statements and amounts in explanatory notes may occur.

d) Use of estimates and assumptions and material uncertainty in operations

Due to 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 instead estimated. Thus, assessment based on the best knowledge of current and future events, experience, information, as well as taking potential changes in business environment into consideration, 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 residual value of reported 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. Estimates and assumptions are present in the following assessments:

- Explanatory note 17.3 (c), 17.3 (d) and Accounting Policy 17.6, 17.7 - Determining the Useful Lives of Depreciable Assets;
- Explanatory note 17.3 (r) and Accounting Policy 17.32.1, 17.32.2 - Deferred Taxes;
- Explanatory note 17.3 (m), 17.3 (l) and Accounting Policy 17.14, 17.15) - Measurement and estimated value of long-term deferred revenue, provisions for post-employment benefits of employees and lawsuits;
- Explanatory note 17.3 (g), 17.3 (h) and Accounting Policy 17.9 - Valuation of Investments;
- Explanatory note 17.3 (g), 17.3 (h) and Accounting Policy 17.11 in 17.35.1 - Revaluation Adjustments to Doubtful Receivables;
- Explanatory note 17.3. (k) and Accounting Policy 17.10 - Revaluation adjustments to inventory.

e) Amendments to accounting policies

The Group did not amend its accounting

policies in 2018 and used accounting policies as defined by IFRS 15 – Revenue from contracts with customers and IFRS 9 – Financial instruments for the first time pursuant to transitional provisions, with the standards entering into force on 1 January 2018.

Transition to IFRS 9 – Financial Instruments

The IFRS 9 standard adopted by the European Union on 22 November 2016 replaced IAS 39 and is effective for annual accounting periods beginning on 1 January 2018, or later. The Group began using it on 1 January 2018 pursuant to the provision of said standard on the recognition of each difference between the previous carrying amount of an asset and the carrying amount of an asset at the beginning of the annual reporting period including the date of the beginning of its utilisation in the retained net profit or loss (or other component of ownership equity if applicable) in the annual reporting period, including the date of the beginning of its utilisation. Conversion of earlier periods was thus not necessary.

IFRS 9 includes requirements regarding the recognition, measurement, impairment and derecognition of financial instruments and general hedge accounting relating to financial instruments. Investments in the associate are accounted for pursuant to IFRS 28 – Financial investments in the associate com-

pany and joint ventures and thus, these investments are not treated in accordance with IFRS 9.

Classification and measurement of financial assets and financial liabilities

– IFRS 9 abolishes the previous classification of financial assets defined in IAS 39 was also applied in the Group's statement of financial position (loans and receivables, financial assets available for sale) on 31 December 2017 and introduces a new classification (financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss). There are no significant changes compared to IAS 39 in view of classification and measurement of financial liabilities in accordance with IFRS 9.

The effect of the transition to IFRS 9 as of 1 January 2018

– Financial assets are classified in accordance with IFRS 9 in groups based on the business model for managing financial assets and the characteristics of cash flows of financial assets. The Group prepared a conversion of impairment of financial assets measured at amortised cost in accordance with the transition to IFRS 9 and ascertained that the transition to the new standard does not show any significant impact that should be recognised in the retained profit or loss as of 1 January 2018.

| Classification of financial assets and financial liabilities on 1 January 2018 | Classification in accordance with IAS 39 | New classification in accordance with IFRS 9 | Book value in accordance with IAS 39 | Book value in accordance with IFRS 9 |
|--|--|--|--------------------------------------|--------------------------------------|
| Investments in shares and interests (except investments in the associate) | Available-for-sale financial assets | Financial assets measured at fair value through other comprehensive income | 544,336 | 544,336 |
| Long-term operating receivables | Loans and receivables | Financial assets measured at amortised cost | 4,042,348 | 4,042,348 |
| Short-term operating receivables | Loans and receivables | Financial assets measured at amortised cost | 51,631,842 | 51,631,842 |
| Cash and cash equivalents | Loans and receivables | Financial assets measured at amortised cost | 3,806,022 | 3,806,022 |

Transition to IFRS 15 – Revenue from Contracts with Customers

The IFRS 15 standard superseded IAS 11 – Construction contracts and IAS 18 – Revenue as well as the explanatory notes related to them applicable for all revenue from contracts with customers with the exceptions referred to. The Group decided to apply the customised approach with the beginning of its utilisation on 1 January 2018, thus compar-

able data are not converted.

The standard requires that the company recognise revenue in the amount reflecting the compensation reasonably expected by the company in exchange for the performed service. The Group utilised the provisions of the standard for the account of contracts which were not yet concluded on the date of the start of utilisation.

The effect of the transition to IFRS 15 as of 1 January 2018 – The Group changed the method of recognition of short-term accrued revenue from un-completed projects in accordance with IFRS 15 and reclassified it in its statement of financial position under assets from contracts with customers (before –

a portion of other operating receivables), and short-term liabilities for advances received from customers under liabilities from contracts with customers (before – other operating liabilities).

| Impact of IFRS 15 on the Group's Statement of Financial Position | As of 1 January 2018 | Amendments to IFRS 15 | As of 1 January 2017 |
|--|----------------------|-----------------------|----------------------|
| ASSETS | | | |
| Current assets | 48,600,134 | 0 | 48,600,134 |
| 1. Trade receivables | 48,466,782 | –133,352 | 48,600,134 |
| 2. Assets from contracts with customers | 133,352 | 133,352 | 0 |
| TOTAL ASSETS | 48,600,134 | 0 | 48,600,134 |
| LIABILITIES | | | |
| Short-term liabilities | 7,619,197 | 0 | 7,619,197 |
| 1. Liabilities from contracts with customers | 972,483 | 972,483 | 0 |
| 2. Other operating liabilities | 6,646,714 | –972,483 | 7,619,197 |
| TOTAL LIABILITIES | 7,619,197 | 0 | 7,619,197 |

Receivables from SODO from preliminary reconciliations for 2017 and 2018 were reclassified by the Group from other operating receivables and other assets under trade receivables as the conditions for the recognition of receivables

were met in accordance with IFRS 15; the Group performed its services in their entirety and acquired the right to payment with the receipt of the preliminary reconciliation.

17.3 Significant Accounting Policies

The Elektro Celje Group uses the same accounting policies for all periods presented in the enclosed consolidated financial statements. The financial statements of Group companies are prepared for the same reporting period as the financial statements of the Parent Company, using the same accounting policies. All significant items are disclosed, with the significance of disclosure defined by internal rules of the Parent Company. The accounting policies and the calculation methods used are the same as for the last annual reporting, except for the newly adopted standards and explanatory notes.

A. Newly adopted standards and explanatory notes which came into effect on 1 January 2018

The following amendments to existing standards and new explanatory notes were issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the EU, which came into force in the current accounting period:

IFRS 9: Financial Instruments

The Standard adopted by the European Union on 22 November 2016 is effective for annual accounting periods beginning on 1 January 2018. IFRS 9 supersedes the IAS 39 standard and includes new requirements regarding the classification and measurement of financial assets and liabilities, recognition of their impairment and hedge accounting.

IFRS 15: Revenue from Contracts with Customers and Amendments to IFRS 15

The European Union adopted the standard and amendment to IFRS 15 on 22 September 2016, and the amendments to IFRS 15 - Explanatory notes to the IFRS 15 on 31 October 2017, with both effective for annual accounting periods beginning on 1 January 2018, or later. IFRS 15 defines the method and time of recognition of revenue of the Reporting Company requesting from it to provide useful information to users of the financial statements regarding the type, amount, time aspect and uncertainty of revenue and cash flows arising from

contracts with customers. In accordance with the provisions of IFRS 15, the company recognises revenue in the amount reflecting the amount of the purchase price which the company believes it is entitled to from the transfer of goods and provision of services to customers. The new standard also brings improved disclosure of revenue, instructions for transactions that were so far not dealt with completely and improved guidelines for recognising agreements comprising several elements.

The impacts of the start of the utilisation of the new IFRS 9 and IFRS 15 standards on 1 January 2018 are explained in Section 17.2.e.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The European Union adopted the amendment on 26 February 2018, which applies to annual accounting periods, beginning on 1 January 2018. The amendment defines share-based payment transactions more precisely in the following areas: effects of mandatory and non-mandatory conditions on the measurement of a cash-settled share-based payment transaction, share-based payments with a settlement option in case of the obligations of tax withheld at the source, changes in conditions of share-based payments relating to the classification of payments settled in cash into payments settled with equity. *Amendments to the standard did not affect the Group.*

Amendments to IFRS 4: Insurance Contracts

The amendments were adopted by the European Union on 3 November 2017 and are effective for periods beginning on or after 1 January 2018 and upon initial application of IFRS 9. *The Group does not operate as an insurance company, thus the changes of the standard do not affect it.*

Amendments to IAS 40: Investment Property

The European Union adopted the amendment on 14 March 2018, which applies to annual accounting periods, beginning on 1 January 2018. The amendments strengthen the principle set out in IAS 40 Transfers of Investment Property, concerning transfers to or from investment property, so that they now define

that such transfers are only carried out if there is a change in the use of the property – i.e. the asset starts or ceases to meet the definition of an investment property, and there is evidence of a change of use thereof. *The amendments to the standard did not have any significant impact on the Group as the Group transfers property under the item investment property or from it only when actual change in the use of the property occurs.*

Amendments to IFRS 1 and IAS 28: Improvements to IFRS (2014–2016)

Amendments arising from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording were adopted by the European Union on 7 February 2018 (amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on 1 January 2018). *Amendments to the standards did not have any significant impact on the Group.*

IFRIC 22 Transactions in Foreign Currencies and Advances

The Explanatory note was adopted by the European Union on 28 March 2018 and is effective for annual accounting periods beginning on 1 January 2018, or later. The Explanatory Note clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to be applied upon initial recognition of the related asset, expense or income (or a part thereof) on derecognition of non-monetary assets or non-monetary liabilities in relation to given or received advances in a foreign currency. In this case, the transaction date is the date on which the company first recognises a non-cash asset or a non-monetary liability in relation to a given or received advance. *Amendments to the standards did not have any significant impact on the Group*

B. Newly adopted standards and explanatory notes which are not yet in effect for annual periods beginning on 1 January 2018

IFRS: 16 Leases

The Standard adopted by the European Union on 31 October 2017 is effective for annual accounting periods beginning on 1 January 2019, or later. Earlier application is allowed if a group also uses IFRS

15. IFRS 16 supersedes IAS 17 – Leases and the related explanatory notes. The Standard eliminates the existing model of dual accounting for leases and, instead demands that the group presents most of the leases in the statement of financial position with a single model, without distinguishing between business and financial leasing. According to IFRS 16, the contract of lease is considered to be a contract which grants the right to use certain assets in return for payment for a specified period. A new model for such agreements provides that the tenant shall recognise the right to use the assets and liabilities from the lease. The right to use the asset is depreciated, with interest credited to the liabilities. The costs for the majority will thus be incurred at the beginning although the tenant will pay equal annual rents. The new standard allows the exceptions referred to for tenants, including leases for the period of 12 months or less without purchase option and leases where the

value of the asset which is the subject of the lease is low.

The Group reviewed and analysed the contracts concluded on leases with a period of duration exceeding one year on 31 December 2018. In accordance with IFRS 16, the Group assessed the value of rights of use and lease liabilities which will be recorded in the statement of financial position and impacts on the income statement based on the value of leases and the period of duration of lease contracts. The value of rights of use and lease liabilities is assessed based on discounting future cash flows for the period of the duration of the lease or the period of prepared financial plans. Cash flows are discounted at interest rates which were or could be realised by Group companies when financing long-term loans. Amortisation and depreciation costs are calculated by using amortisation rates assessed based on the remaining lease period.

Assessment of the impact of IFRS 16 on the statement of financial position of the

Elektro Celje Group on 1 January 2019

| (v EUR) | MSRP 16 | MSRP 17 |
|----------------------------------|---------|---------|
| Assets: Rights of use | 580,179 | 0 |
| Liabilities: Leasing liabilities | 580,179 | 0 |

Assessment of the impact of IFRS 16 on the statement of financial position of the

Elektro Celje Group on 1 January 2019

| (in EUR) | MSRP 16 |
|--|---------------|
| Amortisation and depreciation of rights of use | 134,958 |
| Lease cost | -141,270 |
| Operating profit or loss | -6,312 |
| Financing expenses | 7,912 |
| Profit or loss before taxes | 1,600 |

The Group intends to use a practical approach to IFRS 16 for the purpose of transition, recognising the right of use of leased assets and lease liabilities on 1 January 2019 and not converting comparable data. IFRS 16 will not apply to short-term leases and/or leases where the value of the asset which is the subject of lease is low.

Amendments to IFRS 9: Elements of early payment with negative compensation

Elements of early payment with negative compensation adopted by the European Union on 22 March 2018, which apply to annual periods, beginning on 1 January 2019. The Group does not foresee any significant changes due to the introduction of the explanatory note.

IFRIC 23: Uncertainty over Income Tax Payments

The standard adopted by the European Union on 23 October 2018 is effective for annual periods beginning on 1 January 2019. *The Group does not expect the changed standards to affect the Group.*

C Standards and explanatory notes not yet approved by the European Union on 31 December 2018**IFRS 14 – Regulatory Deferral Accounts**

The standard was published by IASB on 30 January 2014. The standard is aimed at enabling companies using IFRS for the first time and currently recognising regulatory deferral accounts in accordance with previous GAAP to continue with such recognition upon transition to IFRS. It is effective for annual periods beginning on and after 1 January 2016. The European Union has adopted a decision not to start the validation process for this interim standard, and will wait for the publication of its final version.

IFRS 17 – Insurance Contracts

Effective for annual periods beginning on and after 1 January 2021.

Amendments to IFRS 3 – Business combinations

The definition of a business entity (applicable for business combinations with the date of acquisition equal to the date of the beginning of the first annual reporting period beginning on 1 January 2020 and the acquisition of assets at the beginning of this period or after it).

Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures

The effective date is postponed for an indefinite period until the conclusion of the research project regarding the equity method. It refers to the sale or contribution of assets between the investor and its associated company or joint venture and subsequent changes.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The definition of the term "significant" effective for annual periods beginning on 1 January 2020.

Amendments to IAS 19 – Employee Benefits

They include planning changes, limitations and settlements and are effective for annual periods beginning on 1 January 2019.

Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures

The amendments treat the question of whether the measurement of long-term investments (particularly in terms of the requirements for impairment of long-term investments in associates and joint ventures, which are by content a part of "net investment" in the associated company or joint venture) falls within the scope of IFRS 9, IAS 28 or a combination of both. The amendments clarify that the company when recognising long-term investments that are not measured using the equity method must apply IFRS 9 Financial Instruments before commencing application of IAS 28; in the application of IFRS 9, the company does not take into account any adjustment to the carrying value of long-term investments that arise from IAS 28. The amendments apply from 1 January 2019 onwards, with early application permitted.

Amendments to various standards – Improvements to IFRS (period 2015–2017)

The amendments originate from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily with a view to removing inconsistencies and clarifying wording (they are effective for annual periods beginning on 1 January 2019).

Amendments to references to the conceptual framework in IFRS

Effective for annual periods beginning on 1 January 2020.

The Group does not expect the introduction of the new standards and amendments to the existing standards to have a significant impact on the financial statements in the period of their initial use.

a) Basis of consolidation**Basis of consolidation**

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as

at 31 December 2018, which are combined into the consolidated financial statements based on the full consolidation method, by adding related items of assets, liabilities, equity, revenue and expenses, taking into account consolidation adjustments.

Transactions eliminated from consolidation

In preparing the consolidated financial statements, financial investments of the Parent Company into the equity of the subsidiaries and associated shares of the Parent Company in the equity of subsidiaries have been eliminated, as well as all balances, profits and losses or revenue and expenses arising from intra-group transactions.

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 a company in the group 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 associates and jointly controlled companies

Associated companies are companies, over which the Group has a significant impact but does not control their financial and operating policies, with jointly controlled companies referring to companies, the economic performance of which is under joint control of the Group based on a contractual agreement requiring unanimous financial and business decisions. The Parent Company takes into account the significance of the impact in the inclusion in consolidated financial statements.

b) 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 profit and loss statement.

c) Intangible assets

Intangible assets are non-monetary assets without physical existence and are recognised by companies in the group when it is probable that the economic benefits associated with such assets will flow into the group. An intangible asset is derecognised upon disposal or when no more economic benefits are expected from its use and subsequent disposal.

Intangible assets are, upon initial recognition, valued at cost, which also includes import and non-refundable purchase duties, after deducting all discounts, and directly attributable expenditure from the preparation of the asset for its intended use. Acquisition costs are subsequently reduced by the amount of accumulated depreciation. As a rule, the Group revalues intangible fixed assets immediately, when their book value exceeds the recoverable value.

Intangible fixed assets of the Group relate to property rights (mainly investment into software), such assets in development, and other long-term accrued revenue and deferred expenses.

Subsequent costs

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 and loss statement as costs as soon as they are generated.

Depreciation and useful life

All intangible assets are depreciable assets with finite useful lives. The straight-line depreciation method is used, with the depreciation basis equal to the acquisition value of intangible assets.

Depreciation, charged for each accounting period, shall be recognised as a cost or an operating expense of the period and declared in the profit and loss 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 |
| Real rights in immovable property | 100 | 1.00 | 1.00 |
| Right to use facilities | 30 | 3.33 | 3.33 |

d) Tangible fixed assets

Tangible fixed assets, which are owned by the companies in the group, are recognised when it is probable that the economic benefits associated with them will flow into the group, and their cost can be measured reliably. Groups of tangible fixed assets are 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. 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. 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 for the period for which interest is calculated.

Land is valued at acquisition cost, which includes costs of real estate turnover taxes and land registry fee. The acquisition cost of buildings comprises expenditures to cover the purchase, construction or upgrading of facilities, project and other documentation on the basis of which the acquisition was made, construction or upgrades 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. Expendi-

tures for the acquisition of land on which buildings are situated and expenditures for the acquisition of land intended for access to buildings or for other needs regarding their use are not included in the acquisition cost. The acquisition 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 acquisition cost of tangible fixed assets constructed or produced in the company consists of costs originating from their construction or manufacture and indirect costs of construction or manufacture that can be attributed to the asset. 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 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 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.

Measurement after recognition and subsequent costs

In evaluating tangible fixed assets, the Group 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

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 may be 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 profit and loss statement of the Group.

Depreciation and useful life

The Group uses the straight-line amortisation method, taking into account the useful life of each individual (constituent) part of the tangible fixed assets, which depends on the expected physical wear,

technical and economic ageing, and expected legal and other restrictions of use, considering the shortest one. 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. Depreciation is calculated individually, until the amount fully replaces 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.

| 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 SHPs, SPSS and CHPPs | 4–30 | 3.33 | 25.00 |

The Group checks the useful life of fixed assets in accordance with IAS 36, with the depreciation rate converted accordingly, if expectations differ significantly from the estimates. 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 17.3 (i).

e) Investment property

Investment property is real-estate owned by the Group with the purpose of bringing in rent. Investment property is defined as a commercial building, provided for single or multiple instances of operating lease, or an empty commercial building, available for rent.

Investment property of the Group is measured at cost upon initial recognition, which includes the purchase price

and the costs that are attributable to it. Upon initial recognition, it is valued at cost less depreciation amount, identified in the final annual statement of depreciation. The Group uses the straight-line depreciation method, taking into account an expected useful life of 50 years. Impairment of assets is described in Section 17.3 (i).

f) Assets under financial lease

A lease is a contractual relationship in which the landlord, in return for a payment or series of payments, transfers the right to use an asset for an agreed time to the lessee. In a *Finance Lease*, all relevant forms of risks and rewards associated with ownership are transferred onto the lessee, with all other leases treated as *Operating Leases*. In accordance with the criteria defined in the Accounting Standards, the Group assesses whether there is an Operating or

a Finance Lease.

The Group recognises lease costs (excluding the cost of services such as insurance, maintenance etc.) on a straight-line basis in the profit and loss statement under the item cost of services.

Assets provided by the Group into an Operating Lease, are demonstrated among its tangible assets; rental income is recognised on a straight-line basis in the profit or loss statement under the operating revenue item in the rental period.

g) Financial instruments

Financial instruments relate to investments into equity, operating and other receivables, cash and cash equivalents, loans received and given, as well as operating and other liabilities. 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 has been obtained.

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. The fair value is measured according to the closing stock exchange price. Gains or losses from the revaluation are shown directly in equity (i.e. in the reserve for fair value), in an amount that has already been reduced by deferred taxes, and are recognised in the statement of other comprehensive income. Reversal of investment also means reversal of loss or profit, previously recognised in the fair value reserve and recognised in the profit or loss 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 which are not dealt in on a stock exchange cannot be determined reliably, therefore it is 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 financial 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 and receivables are, depending on their maturity, classified as current financial assets (maturity of up to 12 months after the date of the statement of financial position) or long-term financial assets (maturity over 12 months after the date of the statement of 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 Article 84 Item 5.3 of the Network Charges Act (*Official Gazette of the Republic of Slovenia*, no. 81, of 29 October 2012) until 2015, and pursuant to Article 85 Item 3 of Annex 1 (*Official Gazette of the Republic of Slovenia*, no. 81, of 14 September 2015) from 2016 onwards, as

well as non-interest-bearing receivables of significant amount 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 statement of cash flows.

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.

Financial liabilities are recognised initially with the amounts from the relevant documents on their creation, plus costs directly attributable to the transaction. Received loans are measured at amortised cost. At least once a year, prior to drawing up financial statements, the Group estimates the fair value of short-term liabilities based on contracts, and, if the book value is lower than the established fair values, it performs 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 financial position), or long-term (maturity over 12 months after the date of the statement of financial position).

As at the balance sheet date 31 December 2018, the Group had forward contracts concluded for the purchase of electricity for 2019 and 2020. 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 on the basis of IAS 39.5 and not as derivatives (considering the purpose of purchase and manner of managing operations involving electricity, physical delivery is not present etc.).

Among other financial liabilities, the Group also shows the liabilities relating to the distribution of income (dividends). Dividends are recognised as a liability in the period and at the level approved by the Assembly.

h) Impairment of financial assets

A Financial Asset is deemed to be impaired if there is objective evidence which shows that, due to one or multiple events, a reduction in the expected future cash flows from this asset has occurred, and can be measured reliably.

Objective evidence of an impairment of financial assets can be as follows: receivables which are the subject of litigation, receivables more than 90 days past maturity on the balance sheet date, indications that the debtor will initiate compulsory composition or bankruptcy, disappearance of an active market for this kind of instrument etc. The Group also checks whether the market for an individual financial investment works, or whether sufficient transactions have been concluded to reflect its fair value. In the case of investments that are not quoted in an active market, such checks are performed also if there are objective reasons for tests assessing impairment of such investments, if any of the investments is losing value significantly or permanently, or if there is objective evidence that indicates permanent impairment of investments.

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. 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 is recognised directly in equity as a reduction in reserves (loss) resulting from fair-value based valuation. Financial investments which 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 balance sheet date, the Group assesses whether there is objective evidence of the impairment of a financial investment.

The amount of loss is measured as the difference between the book value of the investments on balance sheet date and the present value of expected future cash flows of the investment, 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 revaluation adjustment for total receivables in bankruptcy proceedings, for receivables which are the subject of litigation, and for receivables more than 90 days past maturity on the balance sheet date. For receivables in compulsory composition procedures, a revaluation adjustment is carried out in accordance with the decisions on such settlements, 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 on the basis of supporting documents: court decision, decision on compulsory composition, decision on bankruptcy proceedings and other relevant documents.

Losses due to adjustments or impairment of receivables are recognised in profit or loss statements among expenses. When, due to later events, the amount of impairment loss is decreased, the decrease in impairment loss is reversed through profit and loss.

The Group prepared a conversion of impairment of financial assets measured at amortised cost in accordance with the transition to IFRS 9 and ascertained that the transition to the new standard does not show any significant impact that should be recognised in the retained profit or loss as of 1 January 2018.

i) Impairment of non-financial assets

The Group verifies the book value of significant non-financial assets in order to

determine whether there are indications of impairment. If such indications exist, the recoverable amount of the asset is estimated. The recoverable amount is the fair value less costs of sale or value in use, whichever is greater. As a rule, the Group revalues non-financial assets immediately, when their book value exceeds the recoverable value due to impairment. Impairment is shown in the profit and loss 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 less 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 acquisition 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. Based on the fair value of investment property resulting from the official assessment of GURS, the Group identifies potential impairment indications.

j) 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 and fair value reserves.

Called-up or share capital

Called-up capital of the Group refers to the share capital of the Parent Company, divided into 24,192,425 ordinary freely transferable shares. Called-up capital is defined as the share capital in the Parent Company's Articles of Association, registered in court and paid by its owners. Ordinary shares provide holders with the right to participate in the management of the Parent Company, to a share of profit and a proportional share of the assets remaining after liquidation

or bankruptcy of the Parent Company. Dividends on ordinary shares are recognised as a liability in the period in which they were approved at the Assembly.

Share premium

Share premium of the Group consists of amounts of reversals of the general capital revaluation adjustment and are formed in accordance with the purpose of use pursuant to Article 64 of the Companies Act (ZGD-1).

Profit reserves

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 the Articles of Association of the Parent Company, from net profit amounts of the financial year and retained profit.

Other profit reserves may be used for any purpose in accordance with the Companies Act, except in the case of the fifth paragraph of Article 64 of the Companies Act or if the company's Articles of Association provide otherwise. 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 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.

• Legal reserves

Legal reserves are the amounts which are retained from profits from previous years purposefully, in particular for the settlement of potential future losses.

• Reserves for treasury shares

If the companies in the Group buy back their treasury shares, in the statement of financial position, in accordance with the Articles of Association and the Companies Act (ZGD-1) the reserves for treasury shares are formed from the net profit of the business year. Acquired treasury shares are a constituent part of total equity and are deducted from it.

Reserves for treasury shares may be released only if treasury shares have been alienated or withdrawn.

• Other revenue reserves

Other revenue reserves are formed from the profits in the amount and under the conditions defined by the law and the Articles of Association of Group companies.

Reserves for fair value

Reserves for fair value contain the effects of the valuation of the financial assets at fair value through other comprehensive income, as well as actuarial gains and losses related to the provisions for post-employment and other long-term employee benefits.

k) Inventory

The Group's inventory includes the material, small tools with useful lives of up to a year, which have the characteristics of inventory, but also with the useful life of more than one year if its individual cost does not exceed EUR 500, and merchandise. Small tools of the Group include protective equipment and tools.

An inventory unit is recognised at cost consisting of the purchase price, less 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, unloading, handling 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 recorded at cost or net realisable value, the lesser of the two, in the statement of financial position. 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-offs of damaged and obsolete inventories are carried out regularly during the year and during inventory-taking by the Group.

l) 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 commitment, 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 settlement of usually long-term commitments existing on the date of the statement of financial position and is equal to the value of the expenditures expected to be required to settle the obligation. If the effect of the time value of money is material, the expected expenditures must be appropriately discounted to their present value. Provisions are not revalued. At the end of the accounting period, they are adjusted in such a way that their value is equal to the present value of the expenditure expected to be required to settle the obligation.

Provisions for post-employment and other long-term benefits of employees

Long-term provisions of the Group are formed for long-service awards 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 and long-service awards discounted at the end of the reporting period. The calculation is made for each employee in a way which takes the costs of the severance pay on retirement and the cost of all expected long-service awards to retirement into account. 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 awards reduce the provisions formed. In the profit and loss 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 expenditure in connection with the adjustment of the provision for long-service awards

and allowance payments in the case of death of an employee (service costs, interest costs, actuarial gains/ losses) are recognised in the profit and loss statement. Other liabilities arising from post-employment benefits of employees do not exist.

Provisions for lawsuits

The Group discloses lawsuit provisions 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.

m) Long-term deferred revenue

Long-term deferred revenue for fixed assets acquired free of charge

The Group recognises long-term deferred revenue for fixed assets acquired free of charge, classified in categories according to the rate of depreciation of the acquired assets. Deferred revenue is reallocated to revenue in proportion to the depreciation rate of those depreciable assets. Acquisition of fixed assets free of charge relates mainly 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 (General conditions for connection to the distribution electric system, Official Gazette of RS, no. 126/07).

Long-term deferred revenue for average connection costs charged

The Group recognises long-term deferred revenue for average connection costs charged 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 the period up to 30 June 2007, relating to the dedicated payment of connections to the network or increase in coupling strength (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 electricity infrastructure in the amount of 3%.

Long-term deferred revenue for government support

Government grants, received to cover expenses, are recognised as income over the periods in which the expenses in question which should be replaced by these supports are produced.

n) Operating and other liabilities

The Group discloses financial and operating liabilities depending on the maturity of the payment, as long-term or short-term. Short-term liabilities mature into payment within a period shorter than one year. Liabilities, upon initial recognition, are shown at cost, whereas after recognition, they are measured at amortised cost. Impairment of short-term liabilities is not identified or disclosed by the Group. Short-term liabilities denominated in foreign currencies at the balance sheet date are converted into national currency according to the reference rate of the European Central Bank.

o) Short-term accrued and deferred revenue and expenses **Short-term deferred costs (expenses)**

are those expected to be realised in the following year, and the formation of which is likely, with the size being estimated reliably, and which do not yet affect the profit or loss, while **accrued revenue** includes revenue, for which payment has not been received and was not possible to charge yet.

Accrued costs (expenses) are formed on the basis of the steady burden of Profit and Loss with expected costs (expenses) which have not yet appeared. **Short-term deferred revenue** is generated in the case of not yet carried out, but already charged or even paid service, but that does not create normal liabilities to customers, which would be considered as advances obtained.

p) Revenue

Net revenue from sales includes revenue from the sale of electricity, charged rent and maintenance of the infrastructure, and the provision of services for SODO, revenue from the sale of other energy products (sale of wood pellets, natural gas), and other net income from services rendered (revenue from services rendered to customers, rent). They are measured on the basis of sales prices stated in the invoices and other documents, reduced by refunds and rebates

granted at the time of sale, or later as a result of the earlier payments, excluding value added tax. Net sales revenue is recognised upon the sale of products or services if it is reasonable to expect that sales will lead to receipts if they are not realised at the time of occurrence. Revenue from services rendered is recognised based on the stage of completion of the transaction at the reporting date.

Sales of services to SODO

The Parent Company, as the owner of the electricity distribution infrastructure, signed the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator SODO d.o.o., which is the exclusive holder of the concession for performing the compulsory public service of Distribution Network System Operator in the Republic of Slovenia. Pursuant to the provisions of said Agreement, the parties sign an amendment to the Agreement for each regulatory period, which defines the amount of lease payments and the volume of services to be rendered by the Parent Company for SODO d.o.o. in the power distribution area of the company Elektro Celje. The Energy Agency, which is, on the basis of the Energy Act (EZ-1), competent for determining a methodology for charging the network charge and the eligible costs of DNSO operators, defined, with its decision the regulatory framework for the period 2016–2018. The Parent Company's revenue from leasing the electricity distribution infrastructure and provision of services for SODO is recognised on a monthly basis of issued advance invoices, while the basis for the recognition of total and actual revenue from the lease of electricity infrastructure and services rendered during the period is a deviations settlement, performed following the conclusion of the regulatory year. The preliminary reconciliation is prepared by SODO based on data from not-yet completed financial statements for the regulatory year and then forwarded to the Parent Company by 15 March, following conclusion of the accounting period with the final reconciliation based on revised data for the regulatory year, only forwarded until the preliminary reconciliation of the next year is issued.

Sale of services

Revenue from sales of services is recognised in the accounting period in which

they are carried out if it is reasonably expected that the sale will lead to income, if said income is not yet realised upon creation. In the case of long-term projects, the Group recognises revenue from services rendered by using the method of completion level of works at the balance sheet date of the Group company.sti del na bilančni dan družbe v skupini.

Capitalised own services

Capitalised own services are services rendered for the company's own needs and capitalised among tangible fixed assets or intangible non-current assets. The Group recognises revenue in the amount of expenses, required for the construction or production of an asset which, however, shall not exceed the cost of similar assets that the Group may buy on the market.

Revenue from the sale of electricity and energy products

Operating revenue is recognised at the time of the sale of electricity and energy products if it is reasonably expected that the sale will lead to receipts, if they are not implemented upon the sale itself. Electricity billing is carried out in three ways, namely:

- According to actual consumption on a monthly basis for the calendar month – larger customers are based on consumption in the previous month provided with partial invoices for electricity consumed during a month, which are taken into account in the final monthly invoice;
- According to actual consumption on a monthly basis, where the invoices are issued from the 1st up to 8th business day of each month for the preceding calendar month, with the amount of consumption taken monthly;
- Annual invoicing when informative calculations are issued during the year based on average daily consumption of the previous accounting period, while, once annually, meters are recorded and an invoice is created – household and certain small business customers who do not have remote-control meters yet.

VAT and excise duty, and the network charge on shared invoices shall not be considered as revenue from sale, but rather as withdrawal liabilities.

Other operating revenue

This includes revenue from reversal of provisions (mostly for fixed assets acquired free of charge), the revenue related to business effects (received compensation, subsidies, grants etc.), operating revenue achieved from the sale of fixed assets and uninstalled material, the revenue from write-off of liabilities and the reversal of adjustments to receivables, and unusual items, for which it is not expected that they will occur regularly or frequently (recovered written off receivables from previous years, received reimbursement of court costs and damages,...).

q) Financial revenue and financial expenses

Financial revenue includes revenue from dividend payments, revenue from disposals of financial assets, interest received from deposits, assets of the accounts and loans granted, exchange gains, income, 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 profit and loss 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 are recognised by the Group 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.

r) Income tax

Income taxes from the business year include current and deferred tax and are shown in the profit and loss statement,

except for the part that is associated with the items disclosed directly in the comprehensive income.

Current tax 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 fiscal years. Taxable profit differs from the net profit reported in the profit and loss 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 nor deductible.

Deferred tax is reported using the method of the liabilities under the statement of financial position, taking into account the 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 (and laws), 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.

s) 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 thereby excluded.

t) Cash flow statement

The cash flow statement of the Group is prepared according to the direct method and shows truly and fairly revenue and expenses from operating, investing and financing activities explaining changes in the movement of cash.

17.4 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 knowledgeable, willing parties in an arm's length transaction. 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 financial assets that are listed on a stock exchange is determined on the basis of the final share price on the reporting date.

Financial investments which 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 is described in Section 17.3(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 SODO receivables, which due to outstanding preliminary reconciliations are only subject to interest until their inclusion in the regulatory framework. These are receivables of significant value, thus they are 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, amortised cost is a good approximation of fair value.

17.5 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. The company's shareholders are Elektro Celje, d.d. and Elektro Gorenjska, d.d., with the shareholder Elektro Gorenjska, d.d. entering the company in the process of an acquisition of its subsidiary company Elektro Gorenjska Prodaja by the company Elektro Celje Energija.
- **Elektro Celje OVI, d. o. o.**, subsidiary, head office: Rimska cesta 108, Šempeter v Savinjski dolini, whose activity comprises production of electrical and thermal energy in SHPs, SPSs and CHPPs and engineering of mainly electricity installations.
- **Informatika d. d.**, associate company, head office: Vetrinjska ulica 2, Maribor, whose activities comprise information services and engineering.

The company Elektro Celje is the Parent Company of **ECE**, based on the rights stemming from the Shareholders Agreement. The company ECE operates as a part of the Elektro Celje Group. Thereby, the risks, stemming from the operations of the subsidiary, are managed in a unified manner. The company Elektro Celje d.d., as a majority shareholder in accordance with paragraph 2 of Article 25 of the Shareholders Agreement, nominates and dismisses the managing director of the subsidiary. The shareholder, as a body, influences the operations of the company, as ZGD-1 does not demand the independence of 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 in 2018 amounted to EUR 345,431.

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. Thereby, the risks, stemming from the operations of the subsidiary, are managed in a unified manner. The company Elektro Celje d.d., as sole shareholder in accordance with paragraph 2 of Article 12 of the Articles of Association, nominates and dismisses the managing director of the subsidiary. The sole shareholder as a body influences the operations of the subsidiary, as all 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 managing director of the subsidiary also has a limit regarding the conclusion of legal transactions in excess of EUR 50,000 and regarding the conclusion of real estate transactions, for which in accordance with paragraph 2 of Article 14 of the Articles of Association, the managing 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 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.

| Item in EUR | Subsidiaries | | | |
|-------------------------------------|------------------|------------------|-----------------------------|------------------|
| | ECE d. o. o. | | Elektro Celje OVI, d. o. o. | |
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Equity interest (in %) | 74,3256 % | 74,3256 % | 100 % | 100 % |
| Book value of equity | 19,694,179 | 18,174,005 | 2,429,678 | 2,400,445 |
| Profit or loss | 2,859,689 | 2,034,753 | 29,234 | 44,827 |
| Value of assets/liabilities | 44,801,821 | 44,073,765 | 2,627,752 | 2,501,296 |
| Cash flow from operating activities | 3,027,999 | 3,368,638 | 198,158 | 205,500 |
| Cash flow from investing activities | -121,423 | -26,707 | -365,875 | -224,953 |
| Cash flow from financing activities | -1,345,431 | -2,051,783 | 45,686 | -35,050 |

The Parent Company possesses 2,479 INFG shares issued by the company Informatika d.d. 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. However, the Parent Compa-

ny takes into account the insignificance of the impact pursuant to Article 56 of ZGD-1 in the inclusion in consolidated financial statements, meaning that the financial statements of the associate are not included in the consolidated financial statements of the Elektro Celje Group.

17.6 Intangible Assets

| Intangible fixed assets (in EUR) | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Property rights | 3,159,722 | 3,898,799 |
| Intangible assets in development | 29,982 | 876 |
| Other long-term accrued revenue and deferred expenses | 12,584 | 57 |
| Total | 3,202,288 | 3,899,732 |

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. For the acquisition of intangible assets, the Group, as at 31 December 2018 reported operating liabilities in the amount of EUR 675,995 (EUR 1,658,005 on 31 December 2017) and had no intangible assets pledged as security for the repayment of debts.

The majority of resources were earmarked by the Group for the IBM Maximo

software (EUR 75,965). The information system for which as at 31 December 2018 the Group disclosed financial liabilities from financial leases in the amount of EUR 170,093, will following the fulfilment of contractual obligations become the permanent property of the Group.

A total of 53.1% of intangible assets in use as at 31 December 2018, have been fully depreciated (51.1% in 2017). The share is calculated according to their cost.

| Changes in intangible fixed assets (in EUR) | Property rights | Intangible assets in development | Other long-term accrued revenue and deferred expenses | Total |
|--|-------------------|-------------------------------------|--|-------------------|
| Cost | | | | |
| As of 1 January 2017 | 9,176,136 | 321,351 | 279 | 9,497,766 |
| Increase | 0 | 2,827,137 | 57 | 2,827,194 |
| Carry-over from ongoing investments | 3,147,612 | -3,147,612 | 0 | 0 |
| Decrease | -65,379 | 0 | -279 | -65,658 |
| As of 31 December 2017 | 12,258,369 | 876 | 57 | 12,259,302 |
| As of 1 January 2018 | 12,258,369 | 876 | 57 | 12,259,302 |
| Increase | 5,704 | 540,432 | 12,584 | 558,720 |
| Carry-over from ongoing investments | 511,326 | -511,326 | 0 | 0 |
| Decrease | -1,445 | 0 | -57 | -1,502 |
| As of 31 December 2018 | 12,773,954 | 29,982 | 12,584 | 12,816,520 |
| Revaluation adjustment | | | | |
| As of 1 January 2017 | 7,462,508 | 0 | 0 | 7,462,508 |
| Amortisation and depreciation | 959,084 | 0 | 0 | 959,084 |
| Rentals from holiday facilities | 3,355 | 0 | 0 | 3,355 |
| Decrease | -65,378 | 0 | 0 | -65,378 |
| As of 31 December 2017 | 8,359,569 | 0 | 0 | 8,359,569 |
| As of 1 January 2018 | 8,359,569 | 0 | 0 | 8,359,569 |
| Amortisation and depreciation | 1,252,751 | 0 | 0 | 1,252,751 |
| Rentals from holiday facilities | 3,356 | 0 | 0 | 3,356 |
| Decrease | -1,445 | 0 | 0 | -1,445 |
| As of 31 December 2018 | 9,614,231 | 0 | 0 | 9,614,231 |
| Carrying value | | | | |
| As of 1 January 2017 | 1,713,627 | 321,351 | 279 | 2,035,257 |
| As of 31 December 2017 | 3,898,799 | 876 | 57 | 3,899,732 |
| As of 1 January 2018 | 3,898,799 | 876 | 57 | 3,899,732 |
| As of 31 December 2018 | 3,159,722 | 29,982 | 12,584 | 3,202,288 |

17.7 Tangible Fixed Assets

| Property, plant and equipment (in EUR) | 31 December 2018 | 31 December 2017 |
|--|--------------------|--------------------|
| Land | 6,002,831 | 5,974,525 |
| Buildings | 178,756,949 | 174,103,508 |
| Equipment | 62,127,438 | 62,101,217 |
| Property, plant and equipment in the course of acquisition | 10,110,968 | 7,783,902 |
| Advance payments for tangible fixed assets | 0 | 91,370 |
| Total | 256,998,186 | 250,054,522 |

Significant activation of the energy infrastructure in 2018 according to its value relate to the construction of the following 20 kV underground cables: K8 DTS Ravne – Mežica 2 to TS Koratur – čistilna (EUR 309,671), K8 DTS Ravne – Mežica 1 to TS Koratur – čistilna (EUR 308,645), TS Kunšperk 2 nadomestna – OPL 20 kV Orešje (EUR 219,123) and OPL 20 kV DTS Brestanica – DS Plani-

na (EUR 207,328), with the garage Selce renovated (201,665 EUR), a goods vehicle with a measurement laboratory purchased (EUR 248,686) and SHP Rastke (EUR 260,757) and SHP Majcen Mislinja (EUR 129,153) reconstructed. In 2018, 13,497 electricity meters were replaced and newly installed in the amount of EUR 1,315,062.

| Changes in property, plant and equipment (in EUR) | Land | Buildings | Equipment | Ongoing investments | Advance payments for PP&E | Total |
|---|------------------|--------------------|--------------------|---------------------|---------------------------|--------------------|
| Cost | | | | | | |
| As of 1 January 2017 | 5,908,405 | 567,834,954 | 164,531,825 | 5,837,695 | 0 | 744,112,879 |
| Transfers to assets | 7,139 | 131,867 | 28,273 | 0 | 0 | 167,279 |
| Increase | 0 | 0 | 0 | 19,946,917 | 91,370 | 20,038,287 |
| Carry-over from ongoing investments | 62,788 | 12,514,107 | 5,423,815 | -18,000,710 | 0 | 0 |
| Decrease | -3,807 | -7,574,221 | -3,978,897 | 0 | 0 | -11,556,925 |
| As of 31 December 2017 | 5,974,525 | 572,906,707 | 166,005,016 | 7,783,902 | 91,370 | 752,761,520 |
| As of 1 January 2018 | 5,974,525 | 572,906,707 | 166,005,016 | 7,783,902 | 91,370 | 752,761,520 |
| Transfers to assets | 0 | 0 | 0 | 168,921 | 0 | 168,921 |
| Increase | 0 | 0 | 8,235 | 23,812,674 | 37,997 | 23,858,906 |
| Carry-over from ongoing investments | 35,443 | 14,845,364 | 6,723,092 | -21,603,899 | -57,997 | -57,997 |
| Decrease | -7,137 | -4,897,633 | -2,950,201 | -50,630 | -71,370 | -7,976,971 |
| As of 31 December 2018 | 6,002,831 | 582,854,438 | 169,786,143 | 10,110,968 | 0 | 768,754,380 |
| Revaluation adjustment | | | | | | |
| As of 1 January 2017 | 0 | 394,610,503 | 101,085,092 | 0 | 0 | 495,695,595 |
| Transfers to assets | 0 | 102,992 | 11,388 | 0 | 0 | 114,380 |
| Amortisation and depreciation | 0 | 10,533,090 | 6,464,485 | 0 | 0 | 16,997,575 |
| Decrease | 0 | -6,443,386 | -3,657,166 | 0 | 0 | -10,100,552 |
| As of 31 December 2017 | 0 | 398,803,199 | 103,903,799 | 0 | 0 | 502,706,998 |
| As of 1 January 2018 | 0 | 398,803,199 | 103,903,799 | 0 | 0 | 502,706,998 |
| Transfers to assets | 0 | 5,052 | 82,685 | 0 | 0 | 87,737 |
| Amortisation and depreciation | 0 | 10,120,957 | 6,313,324 | 0 | 0 | 16,434,281 |
| Decrease | 0 | -4,831,719 | -2,641,103 | 0 | 0 | -7,472,822 |
| As of 31 December 2018 | 0 | 404,097,489 | 107,658,705 | 0 | 0 | 511,756,194 |
| Carrying value | | | | | | |
| As of 1 January 2017 | 5,908,405 | 173,224,451 | 63,446,733 | 5,837,695 | 0 | 248,417,284 |
| As of 31 December 2017 | 5,974,525 | 174,103,508 | 62,101,217 | 7,783,902 | 91,370 | 250,054,522 |
| As of 1 January 2018 | 5,974,525 | 174,103,508 | 62,101,217 | 7,783,902 | 91,370 | 250,054,522 |
| As of 31 December 2018 | 6,002,831 | 178,756,949 | 62,127,438 | 10,110,968 | 0 | 256,998,186 |

The carrying value of long-term intangible and tangible fixed assets which the Group, based on the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator, and associated annexes, leased to the company SODO d.o.o. as at 31 December 2018, amounted to EUR 246,184,532 (EUR 242,300,081 in 2017).

The cost of in-house construction and manufacture of tangible fixed assets amounted to EUR 15,193,945 in 2018 (EUR 14,011,503 in 2017). Borrowing costs, which in 2018 were attributed by the Group to newly activated engineering structures amounted to EUR 6,979 (EUR 4,330 in 2017) and new equipment to EUR 839. Investments in progress include interest in the amount of EUR 129 (EUR 2,792 in 2017).

The Group as at 31 December 2018 recorded liabilities for the acquisition of tangible fixed assets totalling EUR 1,716,723 (EUR 1,111,346 on 31 December 2017). The Group, according to the situation as of 31 December 2018, did not disclose any tangible fixed assets with limited right to property, nor were any of them pledged as security for liabilities. The Group also did not have any contracts on the purchase of fixed assets, whereby liabilities have not been recognised yet, concluded as of 31 December 2018.

All tangible fixed assets owned by the Group as at 31 December 2018 were in use, with 27.6% of all buildings and equipment fully depreciated as at 31 December 2018 (30.7% in 2017). The share is calculated based on the cost of buildings and equipment.

17.8 Investment Property

Investment property relates to a commercial building leased to individuals or other companies by the Group. According to official evaluations of GURS, the market value of the property amounts to EUR 489,909 which, according to our estimates, is a good approximation of the fair value, while the Group itself did not obtain an evaluation of investment

property from an authorised assessor of property. Revenue from leases in 2018 amounted to EUR 9,496 (EUR 10,763 in 2017), with related costs amounting to EUR 18,897 (EUR 5,824 in 2017) related to the current maintenance of property. The expected useful life of the investment property is 50 years.

| Changes in investment property (in EUR) | Amount |
|---|----------------|
| Cost | |
| As of 1 January 2017 | 958,071 |
| Transfer to tangible fixed assets | -167,279 |
| As of 31 December 2017 | 790,792 |
| As of 1 January 2018 | 790,792 |
| As of 31 December 2018 | 790,792 |
| Revaluation adjustment | |
| As of 1 January 2017 | 655,096 |
| Amortisation and depreciation | 17,543 |
| Decrease | -114,380 |
| As of 31 December 2017 | 558,259 |
| As of 1 January 2018 | 558,259 |
| Amortisation and depreciation | 15,141 |
| As of 31 December 2018 | 573,400 |
| Carrying value | |
| As of 1 January 2017 | 302,975 |
| As of 31 December 2017 | 232,533 |
| As of 1 January 2018 | 232,533 |
| As of 31 December 2018 | 217,392 |

17.9 Financial investments

| Changes in financial investments (in EUR) | Investments in associates | Other financial investments | Total |
|--|---------------------------|-----------------------------|----------------|
| Carrying value as of 1 January 2017 | 206,987 | 527,465 | 734,452 |
| Adjustment to fair value | 0 | 16,871 | 16,871 |
| Carrying value as of 31 December 2017 | 206,987 | 544,336 | 751,323 |
| Carrying value as of 1 January 2018 | 206,987 | 544,336 | 751,323 |
| Adjustment to fair value | 0 | 4,144 | 4,144 |
| Carrying value as of 31 December 2018 | 206,987 | 548,480 | 755,467 |

Financial investments do not serve as security for liabilities and are burden free.

17.9.1 Investments in Associates

| Investments in associates (in EUR) | 31 December 2018 | Number of shares or shareholdings | 31 December 2017 | Number of shares or shareholdings |
|------------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
| Informatika, d. d. | 206,987 | 2,479 | 206,987 | 2,479 |
| Total | 206,987 | | 206,987 | |

The Group has in recent years carried out financial investment impairment for its investment in the company Informati-

ka d.d. and on 31 December 2015, made a revaluation adjustment in the amount of EUR 103,508.

17.9.2 Other financial investments

All investments in stocks and shares are classified as investments at fair value through other comprehensive income under IFRS 9, and amounted to EUR 548,480, with EUR 151,492 of the amount comprising investments in listed securi-

ties (EUR 147,348 on 31 December 2017). The fair value of shares of Zavarovalnica Triglav, d.d. as at 31 December 2018 compared to 31 December 2017, increased by EUR 4,144 due to revaluation.

| Financial investments (in EUR) | 31 December 2018 | Number of shares or shareholdings | 31 December 2017 | Number of shares or shareholdings |
|--------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|
| Gorenjska banka, d. d. | 288,766 | 2,350 | 288,766 | 2,350 |
| Zavarovalnica Triglav, d. d. | 151,492 | 5,624 | 147,348 | 5,624 |
| Stelkom, d. o. o. | 108,222 | 12.64% | 108,222 | 12.64% |
| Total | 548,480 | | 544,336 | |

Other investments 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 in 2018. Shares of Gorenjska Banka are valued at a price

of EUR 122.88 per share, representing 41.2% of the purchase price per share officially offered by the bank's acquirer. The impairment carried out by the Group in previous years comprised the impairment of the investment in the equity of the company Stelkom in the amount of EUR 1,243 in 2004.

17.10 Inventory

| Inventory (in EUR) | 31 December 2018 | 31 December 2017 |
|--------------------|------------------|------------------|
| Material | 1,570,385 | 1,019,117 |
| Small tools | 130,240 | 92,446 |
| Merchandise | 10,208 | 13,048 |
| Total | 1,710,833 | 1,124,611 |

In 2018, the Group identified a deficit of EUR -650 (EUR -1,574 in 2017) and a surplus of EUR 251 (EUR 1,214 in 2017) in the materials inventory, which was calculated in the context of expenditure or revenue of the company. Due to ob-

solescence or changes in the quality of materials, EUR 3,680 worth of inventories were written off in 2018 (EUR 9,604 in 2017). The Group had no inventories pledged as security for its liabilities.

17.11 Operating Receivables

17.11.1 Long-term Operating Receivables

Long-term operating receivables from SODO as at 31 December 2018 amounted to EUR 2,198,543 and included the long-term portion of receivables from the preliminary reconciliation for 2015 in the

amount of EUR 2,379,433 and their discounting in the amount of EUR -22,225, and the long-term portion of accrued interest from outstanding deficits from the preliminary reconciliation for 2015

and surpluses and deficits from network charges from the final reconciliations of the regulatory framework for the period 2014–2017, in the total amount of EUR -158,665. Receivables from SODO from the preliminary reconciliation of the regulatory year 2015, which following inclu-

sion in the regulatory framework will no longer bear 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 interest rate of 0.889% taken into account.

| Long-term operating receivables (in EUR) | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Trade receivables | 2,703,708 | 4,294,294 |
| – revaluation adjustment to trade receivables | –375,268 | –168,960 |
| – discounted receivables | –22,225 | –93,113 |
| Long-term trade receivables | 2,306,215 | 4,032,221 |
| Long-term operating receivables from others | 8,870 | 10,127 |
| Total | 2,315,085 | 4,042,348 |

Long-term operating receivables include receivables from customers' mobile phones in the amount of EUR 73,755 (EUR 431,297 on 31 December 2017), with a portion related to receivables

from companies undergoing compulsory composition and long-term operating receivables from others. Long-term receivables are not collateralised nor pledged as collateral for liabilities of the Group.

17.11.2 Short-term Trade Receivables

The majority of trade receivables, in a share of 73.4%, are shown by the subsidiary ECE (mainly for the sale of electricity to business and household customers), with the Parent Company disclosing 26.4% (of this amount, trade receivables for the network charge amounted to EUR 3,709,250, with receivables for

maintenance and lease of the electricity infrastructure and provision of services for SODO d.o.o. amounting to EUR 6,017,526), with the share of the subsidiary Elektro Celje OVI comprising 0.2%. The maturity profile of trade receivables and their insurance are presented in Section 17.35.1 (Credit Risk Exposure).

| Short-term operating receivables (in EUR) | 31 December 2018 | 31 December 2017 |
|---|-------------------|-------------------|
| Operating receivables from foreign customers | 1,050 | 0 |
| Operating receivables from domestic customers | 52,038,374 | 52,906,077 |
| – revaluation adjustment to trade receivables | –4,166,515 | –4,396,918 |
| – discounted receivables | –26,052 | –5,803 |
| Late charge receivables | 208,700 | 234,738 |
| – revaluation adjustment to late charge receivables | –162,160 | –181,981 |
| Advance payments made | 37,803 | 44,021 |
| Short-term trade receivables | 47,931,200 | 48,600,134 |

17.11.3 Assets from Contracts with Customers

Assets from contracts with customers in the amount of EUR 133,784 as of 31 December 2018 represented the value

of accrued projects from services performed to customers.

17.11.4 Other Operating Receivables and Other Assets

| Other operating receivables and other assets (in EUR) | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Other operating receivables and other assets | 2,473,072 | 3,580,336 |
| - revaluation adjustment to short-term receivables from others | -108,120 | -548,628 |
| Total | 2,364,952 | 3,031,708 |

Other operating receivables and other assets mainly related to deferred costs of sponsorships in the amount of EUR 94,783 (EUR 105,362 in 2017), the short-term portion of deviations of the final reconciliations for the period 2014–2017 in the

amount of EUR -79,333 and accrued positive deviations in the purchase or sale of electricity and natural gas in the amount of EUR 419,439. Items in the statement of financial position are realistic and do not contain any hidden reserves.

17.12 Cash and cash equivalents

| Cash and cash equivalents (in EUR) | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Cash in current accounts | 5,092,657 | 3,649,429 |
| Cash items in the process of collection | 1,237 | 1,799 |
| Overnight deposits | 490,213 | 154,794 |
| Total | 5,584,107 | 3,806,022 |

Cash and cash equivalents on accounts with commercial banks are subject to interest rates for positive balances of up to 0.01%. The Group signed contracts with commercial banks on the use of a negative balance on transaction ac-

counts in the amount of EUR 900,000 in 2018 (the same as in 2017), with EUR 400,000 possessing a validity period of 31 December 2018. As at 31 December 2018, there were no negative balances on transaction accounts.

17.13 Equity and Reserves

The state of individual components of the Group's equity structure as at 1 January 2018 and 31 December 2018, and

change in individual equity components in 2018 are shown in Table 16.5 and explained in Section 17.3 (j).

| Equity (in EUR) | 31 December 2018 | 31 December 2017 |
|--|--------------------|--------------------|
| Equity share of controlling interest | 223,386,194 | 214,984,745 |
| Share capital | 100,953,201 | 100,953,201 |
| Share premium | 62,260,317 | 62,260,317 |
| Revenue reserve | 52,751,585 | 45,820,296 |
| Legal reserves | 4,009,890 | 3,489,751 |
| Reserves for treasury shares | 886,371 | 635,799 |
| Treasury shares | -886,371 | -635,799 |
| Other revenue reserves | 48,741,695 | 42,330,545 |
| Fair value reserves | -344,565 | -411,374 |
| Reserves for fair value of financial instruments | 82,191 | 78,834 |
| Reserves for actuarial deficits and surpluses | -426,756 | -490,208 |
| Net income/profit | 7,765,656 | 6,362,305 |
| Retained net income/profit from previous years | 3,217,290 | 3,170,692 |
| Net income/profit for the year | 4,548,366 | 3,191,613 |
| Minority interest | 5,235,374 | 4,785,409 |
| Total | 228,621,568 | 219,770,154 |

Share capital

The Group's share capital, amounting to EUR 100,953,201, is divided into 24,192,425 no-par value ordinary freely transferrable shares. Each share has the same share and corresponding amount

in the share capital. All shares are shares of the same class and fully paid up. In 2018, there were no changes regarding the number of shares issued (described in Section 17.3.j).

| Ownership Structure | 31 December 2018 | | 31 December 2017 | |
|---|-------------------|----------------|-------------------|----------------|
| | 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 | 192,442 | 0.80% | 192,442 | 0.80% |
| Financial corporations, insurance companies and funds | 1,252,968 | 5.18% | 1,286,108 | 5.32% |
| Slovene legal persons | 983,349 | 4.06% | 975,335 | 4.03% |
| Foreign legal persons | 1,445,388 | 5.97% | 1,460,735 | 6.04% |
| Natural persons | 751,451 | 3.11% | 784,675 | 3.24% |
| Treasury shares | 333,849 | 1.38% | 260,152 | 1.08% |
| Total | 24,192,425 | 100.00% | 24,192,425 | 100.00% |

Treasury shares

The shareholders of the Parent Company authorised the Management Board, at the 21st Shareholders Assembly, to acquire treasury shares in the company in accordance with the Articles of Association of the Parent Company and Article 247 of the Companies Act (ZGD-1). The overall share of treasury shares acquired may not exceed 10% of the share capital of the Parent Company, i.e. 2,419,242 shares, while the purchase price must not be lower than EUR 2.38 or higher than EUR 3.43 per share. As at 31 December 2018, the Parent Company had 333,849 treasury shares in the value of EUR 886,371 (EUR 2.655 per share), of which 73,697 treasury shares were purchased for a purchase price of EUR 250,572 in 2018. The Parent Company may, in accordance with the Articles of Association and prior consent of the Supervisory Board, withdraw treasury shares acquired pursuant to this authorisation without any further decision on reduction of share capital or exchange them for shares or stakes in other companies or offer them for sale to a potential strategic investor.

Reserves

The Group's reserves are comprised of share premium, profit reserves and reserves for fair value. Profit reserves include legal reserves, reserves for treasury shares, acquired treasury shares, and other profit reserves. Creation, purpose of creation, and utilisation of individual reserves are described in Section 17.3.j.

Share premium of the Group includes a general equity revaluation adjustment in the amount of EUR 62,260,317, and are not intended for division, but may be used under the conditions and for the purposes specified by law.

Legal reserves are formed from the net profit of the financial year and as at 31 December 2018 and amounted to EUR 4,009,890, showing a EUR 520,139 increase over 31 December 2017. They can be used under the conditions and for the purposes provided by law.

Reserves for treasury shares were formed from the net profit for the financial year 2018 in the amount of the purchase of treasury shares, and as at 31 December 2018, amounted to EUR 886,371.

Other profit reserves as at 31 December 2018, amounted to EUR 48,741,695, showing an increase of EUR 6,411,150 over 31 December 2017, and were formed from the profits in the amount and under the conditions defined by the law and the Articles of Association of the Group companies.

Fair value reserves for financial instruments in 2018 increased by EUR 3,357 in comparison with the previous year, and as at 31 December 2018, amounted to EUR 82,191. The change is due to the EUR 4,144 increase in the fair value of financial assets measured at fair value through other comprehensive income and the EUR -787 reduction due to the

deferred tax effect in connection with the change in value of these investments.

Reserves for actuarial deficits and surpluses as at 31 December 2018, amounted to EUR -426,756, and include a change in the present value of post-employment benefits in the amount of EUR 63,452, which comprises an increase of EUR 69,651 due to the converted post-employment benefits, and a EUR -6,199 reduction due to the impact of deferred taxes due to the restatement of post-employment benefits.

Retained net profit or loss and dividend per share

Retained net profit or loss in the amount of EUR 7,765,656 includes retained profit of previous years (EUR 3,217,290) and net profit of the current year (EUR 4,548,366).

On 28 June 2018, shareholders of the Parent Company adopted a decision regarding the allocation of the total distributable profit in the amount of EUR 3,145,015 on 31 December 2017 for the payment of dividends to the company's shareholders, namely EUR 0.13 per share (in 2017 dividends were paid for 2016 in the amount of EUR 2,636,124 at EUR 0.11 per share). The proposed payment of dividends for 2018 amounts to EUR 3,220,908, representing EUR 0.135 per share.

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 with acquisition of its subsidiary Elektro Gorenjska prodaja as the company acquired by the company Elektro Celje Energija 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 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Elektro Gorenjska, d.d., a minority shareholder of the subsidiary ECE d.o.o. | 25.6744% | 25.6744% | 5,235,374 | 4,785,409 | 793,879 | 582,082 |

17.14 Provisions

| Provisions (in EUR) | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Liabilities related to post-employment benefits of employees | 6,639,043 | 6,509,452 |
| Provisions for lawsuits | 321,855 | 1,330,533 |
| Total | 6,960,898 | 7,839,985 |

| Changes in provisions (in EUR) | Liabilities for post-employment and other long-term benefits | Other provisions | Total |
|--------------------------------|--|------------------|------------------|
| As of 1 January 2017 | 6,282,476 | 535,599 | 6,818,075 |
| Utilisation | -373,182 | 0 | -373,182 |
| Recognition | 609,031 | 794,934 | 1,403,965 |
| Reversal | -8,873 | 0 | -8,873 |
| As of 31 December 2017 | 6,509,452 | 1,330,533 | 7,839,985 |
| As of 1 January 2018 | 6,509,452 | 1,330,533 | 7,839,985 |
| Utilisation | -403,044 | 0 | -403,044 |
| Recognition | 538,552 | 260,661 | 799,213 |
| Reversal | -5,917 | -1,269,339 | -1,275,256 |
| As of 31 December 2018 | 6,639,043 | 321,855 | 6,960,898 |

Provisions for lawsuits

Other provisions as of 31 December 2018 in the amount of EUR 321,855 also included the formation of provisions for lawsuits in the amount of EUR 310,704 (debited to operating expenses) mainly by the Parent Company comprising the formation of new provisions in the amount of EUR 220,555 in 2018 (EUR 55,727 due to redeeming a bank guarantee, EUR 18,000 due to damage caused during route cleaning, EUR 81,828 due

to economic damage caused by power failure, EUR 53,000 for legal action due to electrical breakdown, which supposedly caused the fire in the sample house, and EUR 12,000 for a legal action due to TS land ownership). In 2018, an elimination of provisions in the amount of EUR 782,933 was performed due to the termination of the procedure of the Energy Agency regarding the ascertainment of deviations of the final reconciliation of the regulatory year 2014.

Provisions for post-employment and other long-term benefits of employees

| Liabilities related to long-term employment benefits (in EUR) | Long-service awards | Severance pays | Death allowance | Total |
|---|---------------------|------------------|-----------------|------------------|
| As of 1 January 2017 | 1,793,462 | 4,335,283 | 153,731 | 6,282,476 |
| Current service costs | 132,914 | 234,982 | 10,864 | 378,760 |
| Interest expense | 20,902 | 54,622 | 1,887 | 77,411 |
| Payments of benefits | -197,898 | -165,657 | -9,627 | -373,182 |
| Actuarial surplus/deficit | -14,751 | 155,815 | 2,923 | 143,987 |
| As of 31 December 2017 | 1,734,629 | 4,615,045 | 159,778 | 6,509,452 |
| As of 1 January 2018 | 1,734,629 | 4,615,045 | 159,778 | 6,509,452 |
| Current service costs | 172,607 | 241,230 | 11,819 | 425,656 |
| Interest expense | 20,329 | 57,837 | 1,770 | 79,936 |
| Payments of benefits | -181,512 | -196,965 | -24,566 | -403,043 |
| Actuarial surplus/deficit | 54,918 | -45,161 | 17,285 | 27,042 |
| As of 31 December 2018 | 1,800,971 | 4,671,986 | 166,086 | 6,639,043 |

The actuarial calculation on 31 December 2018 took into account the following assumptions: the actual considered % of mortality and disability until retirement, retirement in accordance with the law and staff turnover (4% probability until the age of 40, 1% probability between the ages of 41 and 50, 0% for those over 51 years of age), a 1.57% discount rate, 3% salary growth in the Republic of Slovenia and 2.5% growth in the electricity sector and the company, a valid employ-

er 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.

Benefit payments amounted to EUR 403,044, additional recognition of provisions EUR 538,552, reversals EUR -5,917, and the actuarial surplus of the Group EUR 27,042.

| 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) | -299,927 | 325,317 | 332,257 | -309,671 | -591,702 | 219,259 | 7,195 | -7,874 |

17.15 Long-term Deferred Revenue

| Long-term deferred revenue (in EUR) | 31 December 2018 | 31 December 2017 |
|--|-------------------|-------------------|
| For government support received | 772,768 | 860,108 |
| For fixed assets acquired free of charge | 9,520,114 | 9,788,045 |
| For assets received from connection fees | 2,242,337 | 2,350,329 |
| Total | 12,535,219 | 12,998,482 |

| Changes in long-term deferred revenue (in EUR) | Amount |
|--|-------------------|
| As of 1 January 2017 | 13,356,857 |
| Recognition | 364,247 |
| Reversal | -722,622 |
| As of 31 December 2017 | 12,998,482 |
| As of 1 January 2018 | 12,998,482 |
| Recognition | 266,734 |
| Reversal | -729,997 |
| As of 31 December 2018 | 12,535,219 |

In 2018, the Group generated long-term deferred revenue from fixed assets acquired free of charge in the amount of EUR 248,412 (EUR 364,247 in 2017), with reversal of long-term deferred revenue from fixed assets acquired free of charge and average connection costs

amounting to EUR 624,335 (EUR 617,044 in 2017). Reversal of long-term deferred costs from drawing on government subsidies for purchasing fixed assets amounted to EUR 97,363 (EUR 97,280 in 2017).

17.16 Loans Received and Other Financial Liabilities

| Loans received (in EUR) | 31 December 2018 | 31 December 2017 |
|--|-------------------|-------------------|
| Long-term loans received | | |
| Loans received from banks | 26,402,481 | 27,702,950 |
| Total long-term portion | 26,402,481 | 27,702,950 |
| Short-term loans received | | |
| Short-term portion of long-term loans from banks | 11,182,040 | 11,272,417 |
| Total short-term portion | 11,182,040 | 11,272,417 |
| Total | 37,584,521 | 38,975,367 |

Loans received by the Group on 31 December 2018 include financial liabilities to banks for investment loans in the amount of EUR 37,584,521, which also comprise a loan to the subsidiary Elektro Celje OVI in 2018 in the amount of EUR 81,570 for the reconstruction of SHP

Rastke (a six-month EURIBOR interest rate plus an annual premium of 1.9% with maturity in 2021). The average weighted interest rate on loans of the Parent Company on 31 December 2018 amounted to 0.889% (0.907% on 31 December 2017).

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.). Withdrawals from the last instalment in the amount of EUR 6,000,000 were made in 2018, with withdrawals in the amount of EUR 4,000,000 implemented from an investment loan with a commercial bank, with a repayment period of five years and a moratorium of one year. In order to finance occasional deficit in liquid assets, the Parent Company used a long-term revolving loan in an amount of up to EUR 3,145,000 in 2018 with a repayment period of 31 January 2019, which was not utilised as at 31 December 2018.

In 2018, the Group repaid EUR 11,235,928 of the principal of investment loans, with the amount of interest paid disclosed among financial expenses amounting to EUR 350,556.

Maturing instalments of principal and interest are settled within the time limits. All loans within the Group are secured by bills of exchange. The value of the principal due for payment five years after the balance sheet date amounted to EUR 7,073,617.

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). At balance sheet date the Group meets all contractual financial commitments.

Exposure to interest rate risk is presented in the explanatory note Market Risk, Section 17.35.2., The maturities of financial liabilities are presented in the explanatory note, Section 17.35.3.

Other financial liabilities

| Other financial liabilities (in EUR) | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Financial lease liabilities | 170,093 | 786,206 |
| Short-term payables for dividends paid out | 3,869 | 3,867 |
| Skupaj | 173,962 | 790,073 |

Finance lease liabilities relate to the part not yet billed under the contract on the lease of the ERP Microsoft Dynamics AX system in the amount of EUR 170,093, for which the company Informatika d.d.

will issue invoices to the Parent Company until June 2021 (EUR 62,367 in 2019, EUR 68,037 in 2020 and EUR 39,689 in 2021).

17.17 Long-term Operating Liabilities

| Long-term operating liabilities (in EUR) | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Operating liabilities for purchasing software | 361,386 | 130,139 |
| Total | 361,386 | 130,139 |

Debts for the purchase of software licenses and the performance of services (ERP – MS Dynamics AX system) in the amount of EUR 361,386 (with the

amount of EUR 225,675 falling due in 2020, and the remainder in 2021), are shown by the Group among long-term operating liabilities.

17.18 Short-term Operating Liabilities and Liabilities from Contracts with Customers

17.18.1 Short-term Operating Liabilities

Short-term operating liabilities are comprised mainly of liabilities for the purchase of electricity, liabilities from operations for third-party account (liabilities to SODO d.o.o. for using the network in

accordance with the Agreement), trade payables for purchase of fixed assets, materials and services and liabilities to employees and the state.

| Short-term operating liabilities (in EUR) | 31 December 2018 | 31 December 2017 |
|---|-------------------|-------------------|
| Liabilities for purchasing electricity | 12,436,929 | 14,080,113 |
| Trade payables | 4,606,157 | 4,902,112 |
| Liabilities from operations for third-party account | 11,167,104 | 10,996,343 |
| Liabilities to employees | 3,337,381 | 3,305,632 |
| Liabilities to state and other institutions | 1,184,250 | 1,177,871 |
| Income tax liabilities | 838,410 | 0 |
| Other operating liabilities | 2,835,846 | 3,135,694 |
| Skupaj | 36,406,077 | 37,597,765 |

Short-term deferred revenue and accrued costs and expenses

Other operating liabilities include short-term deferred revenue and accrued costs and expenses. Accrued expenses in the amount of EUR 1,868,303 refer mainly to accrued labour costs for un-

used annual leave of Group employees for 2018 (EUR 681,732) and electricity purchased but not yet invoiced (EUR 744,417), and deferred revenue in the amount of EUR 9,967 regarding invoiced costs incurred due to cancellations of contracted orders.

| Item (in EUR) | 31 December 2018 | 31 December 2017 |
|---------------------------------------|------------------|------------------|
| Short-term accrued costs and expenses | 1,868,303 | 1,585,458 |
| Short-term deferred revenue | 9,967 | 9,967 |
| VAT from advance payments made | 2,933 | 3,134 |
| Total | 1,881,203 | 1,598,559 |

17.18.2 Liabilities from Contracts with Customers

Liabilities from contracts with customers included liabilities based on advance

payments in the amount of EUR 971,234.

17.19 Contingent Liabilities

Contingent liabilities in the amount of EUR 21,452,171 failed to comply with the conditions for recognition as balance sheet items.

Bank guarantees given in the amount of EUR 19,991,673 mainly related to the earnest of payments to the company SODO (EUR 16,183,893) and the company GEN energija (EUR 2,377,645) for electricity supplied and to performance bonds.

The amount of contingent liabilities arising from outstanding civil cases where the Parent Company is the defendant decreased by EUR 273,806; proceedings for the payment of compensation in the

amount of EUR 223,747 were concluded by the court, while litigation procedures initiated amounted to EUR 3,168 of contingent liabilities. In the case of a lawsuit in the amount of EUR 2,500, a claim for damages was not brought and provisions in the amount of EUR 50,727 were made. The majority of outstanding civil procedures related to a claim by the minority shareholder for the payment of additional dividends from the profit for the financial year 2016 in the amount of EUR 1,402,004 (which in the case of a negative outcome would not affect the Group's profit or loss, but its equity). The court of first instance ruled in favour of the Parent Company in the lawsuit.

| Contingent liabilities (in EUR) | 31 December 2018 | 31 December 2017 |
|---------------------------------|-------------------|-------------------|
| Ongoing litigation procedures | 1,460,498 | 1,734,304 |
| Bank guarantees given | 19,991,673 | 21,011,196 |
| Total | 21,452,171 | 22,745,500 |

The Group does not have off-balance-sheet contingent liabilities as defined by

the Companies Act (ZGD-1).

17.20 Contingent Assets and Other Off-balance-sheet Records

The value of the bank guarantees received for good performance and elimination of defects in the warranty period on 31 December 2018, amounted to EUR 2,552,878, with claims for damages against insurance companies, which by 31 December 2018 had not been paid in full and are therefore, prior to the liquidation of the claim by the insurance company, recorded as off-balance-sheet items

in the amount of EUR 50,479, receivables from shareholders from companies removed from the register amounting to EUR 1,007,266, tax allowances for the employment of people with disabilities to EUR 113,033 and fixed assets financed from funds of average connection costs transferred to SODO d.o.o. amounting to EUR 3,275,596.

| Item (in EUR) | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Contingent assets: | | |
| Bank guarantees received | 2,552,878 | 2,100,723 |
| Damage claims against insurance companies | 50,479 | 2,220,306 |
| Receivables from partners in companies deleted from the register | 1,007,266 | 1,015,082 |
| Allowance for employing disabled persons | 113,033 | 108,886 |
| | 3,723,656 | 5,444,997 |
| Other off-balance-sheet records: | | |
| Infrastructure owned by SODO, d.o.o. | 3,275,596 | 3,418,282 |

17.21 Assets Received and Given into Lease

a) Group companies as tenants

The Group signed contracts on an operating lease of electronic communication facilities (with a maturity equalling the validity of the permit for operating the devices), batteries for the electric goods vehicle (with a maturity of 96 months), optical fibre (with a maturity of 20 years) and optical spectrum of the optical fibre (the maturity of which is expected to be determined for an indefinite period, or until there will be the need for a lease). Cumulatively, rental costs for existing contracts in 2018 amounted to EUR 31,958 (EUR 30,097 in 2017), and the same amount is planned for the coming period, until the contract termination. In 2018, the Group also leased IT equipment for a period of three years, with the lease cost for 2018 amounting to EUR 49,960.

With the inclusion of the small photovoltaic plant KC Brdo into the system, in 2007, a contract for the lease of the roof for a period of 25 years was concluded with the Public Commercial Institute for Protocol Services of the Republic of Slovenia from Kranj. The cost of the rent of

a solar power plant that converts solar radiation into electricity depends on the quantities of electricity generated and amounted to EUR 162 in 2018 (EUR 155 in 2017). In 2018, the Group also leased IT equipment for a period of three years, with the lease cost for 2018 amounting to EUR 213.

With the merger of the company Elektro Gorenjska Prodaja with the company Elektro Celje Energija in 2015, the Group also rented premises from the company Elektro Gorenjska. The contract is concluded for an indefinite period of time, with the cost of the lease amounting to EUR 47,932 in 2018 (EUR 49,817 in 2018).

b) Assets under financial lease

As at 31 December 2018, the Group discloses long-term financial liabilities arising from financial leases in the amount of EUR 170,093 (EUR 107,726 of which for the long-term portion) for the information system which upon fulfilment of contractual obligations will pass into permanent ownership of the Group.

17.22 Determination of Fair Value

| Book and fair value of financial instruments (in EUR) | 31 December 2018 | | 31 December 2017 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Book value | Fair value | Book value | Fair value |
| Investments available for sale | 0 | 0 | 147,348 | 147,348 |
| Financial assets at fair value through other comprehensive income | 151,492 | 151,492 | 0 | 0 |
| Loans received | -37,584,521 | -37,584,521 | -38,975,367 | -38,975,367 |
| Total | -37,433,029 | -37,433,029 | -38,828,019 | -38,828,019 |

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 ac-

cordance with IFRS 7 are considered as a good approximation of fair value. The table also does not include financial investments which 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 2018 | | | | 31 December 2017 | | | |
|---|------------------|---------|---------|---------|------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Investments available for sale | 0 | 0 | 0 | 0 | 147,348 | 0 | 0 | 147,348 |
| Financial assets at fair value through other comprehensive income | 151,492 | 0 | 0 | 151,492 | 147,348 | 0 | 0 | 147,348 |

| Financial instruments where fair value is disclosed (in EUR) | 31 December 2018 | | | | 31 December 2017 | | | |
|--|------------------|---------|-------------|-------------|------------------|---------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Loans received | 0 | 0 | -37,584,521 | -37,584,521 | 0 | 0 | -38,975,367 | -38,975,367 |

Assets and liabilities with respect to the determination of their fair value are classified into:

- Level 1 - assets at market price;
- Level 2 - assets whose values is deter-

mined directly or indirectly from comparable market data;

- Level 3 - assets and liabilities whose values cannot be obtained from market data.

Financial instruments by categories:

| Financial assets (in EUR) | 31 December 2018 | | 31 December 2017 | |
|---------------------------|-----------------------|---|-----------------------|-------------------------------------|
| | Loans and receivables | Financial assets at fair value through other comprehensive income | Loans and receivables | Financial assets available for sale |
| Financial investments | 0 | 548,480 | 0 | 544,336 |
| Operating receivables | 52,611,237 | 0 | 55,674,190 | 0 |
| Cash and cash equivalents | 5,584,107 | 0 | 3,806,022 | 0 |
| Total | 58,195,344 | 548,480 | 59,480,212 | 544,336 |

Financial instruments at fair value through other comprehensive income included EUR 396,988 worth of invest-

ments measured at cost (with an identical amount recorded on 31 December 2017).

| Financial liabilities measured at amortised cost (in EUR) | 31 December 2018 | 31 December 2017 |
|---|-------------------|-------------------|
| Financial liabilities | 37,758,483 | 39,765,440 |
| Operating liabilities | 37,738,697 | 37,727,905 |
| Total | 75,497,180 | 77,493,345 |

17.23 Important Events Following the Date of the Group's Statement of Financial Position

There were no events following the balance sheet date and up to the date of the auditor's report which would materially affect the assets and liabilities of

the Group and thus impair the ability of the balance sheet users to perform a relevant evaluation and reach an informed decision.

17.24 Net Sales Revenue

| Net sales revenue (in EUR) | 2018 | 2017 |
|---|--------------------|--------------------|
| Revenue from trade in electricity | 127,583,360 | 125,876,447 |
| Revenue from lease of electricity infrastructure and provision of services for SODO | 48,019,782 | 47,533,168 |
| Revenue from the sale of electricity and heat generated | 174,449 | 166,968 |
| Revenue from the sale of biomass | 269,721 | 358,746 |
| Revenue from the sale of natural gas | 2,018,030 | 1,947,079 |
| Revenue from the sale of other energy products | 485,342 | 14,017 |
| Revenue from the sale of services | 2,436,519 | 2,244,807 |
| Total | 180,987,203 | 178,141,232 |

A total of 2,729 GWh of electricity was sold in 2018, which is 4.3% less than in the previous year. However, the Group's revenue from electricity trading in 2018 increased by 1.4% compared to 2017. Revenue from the leasing and maintenance of infrastructure and provision of services

for SODO d.o.o. in the amount of EUR 48,019,782 also include the preliminary reconciliation for the regulatory year 2018 in the amount of EUR 2,579,246, which was invoiced in March 2019 with revenue recorded for 2018. The invoice will be paid in April 2019.

17.25 Capitalised own products

Capitalised own services are services provided by the Group for its own needs and capitalised among tangible fixed assets or intangible assets. The value of the material used amounted to EUR

7,577,772, the value of work performed to EUR 6,433,015 and the value of the motor vehicle transport to EUR 1,183,158. The Group does not show profit in this regard.

| Capitalised own products and services (in EUR) | 2018 | 2017 |
|---|------------|------------|
| In-house construction of electricity infrastructure | 15,193,945 | 14,011,503 |

17.26 Other operating revenue

Explanatory notes to the reversal of provisions and long-term deferred revenue are presented in Sections 17.14 and 17.15, with the remaining operating revenue relating mainly to revenue from reduction in VAT obligations (EUR 68,090), revenue

from write-off of liabilities and collection of receivables (EUR 218,290) and revenue from the surplus in the imputed deviation in electricity of the previous years (EUR 653,153).

| Other operating revenue (in EUR) | 2018 | 2017 |
|--|------------------|------------------|
| Revenue from reversal and utilisation of provisions | 782,933 | 151 |
| Revenue from reversal of long-term deferred revenue | 624,335 | 682,024 |
| Profit from selling tangible fixed assets and dismantling material | 334,022 | 159,351 |
| Other revenue associated with business effects | 1,182,219 | 400,403 |
| Compensation received | 207,935 | 1,219,957 |
| Other operating revenue | 620,083 | 170,647 |
| Total | 3,751,527 | 2,632,533 |

17.27 Costs of Materials and Services

| Costs of merchandise and material (in EUR) | 2018 | 2017 |
|---|--------------------|--------------------|
| Cost of purchase of electricity | 117,590,268 | 117,213,193 |
| Cost of material for investments carried out in-house | 7,577,772 | 7,831,140 |
| Cost of merchandise sold | 2,840,700 | 2,535,914 |
| Cost of material used in provision of services to customers | 615,765 | 746,230 |
| Cost of material used in maintenance | 482,380 | 465,289 |
| Cost of fuel and energy | 603,657 | 598,072 |
| Cost of material for damage repair | 125,054 | 270,626 |
| Cost of small tools | 170,312 | 143,076 |
| Other cost of material | 247,949 | 170,163 |
| Total | 130,253,857 | 129,973,703 |

In 2018, 2,729 GWh of electricity was purchased, representing a 4.3% decrease compared to the previous year,

with the cost of electricity purchases amounting to EUR 117,590,268..

| Cost of services (in EUR) | 2018 | 2017 |
|---|------------------|------------------|
| Maintenance service costs | 2,440,107 | 2,203,681 |
| Cost of intellectual and personal services | 766,561 | 1,007,591 |
| Cost of insurance premiums and payments | 1,266,475 | 1,357,436 |
| Cost of transport services | 1,056,114 | 1,067,703 |
| Costs of fairs, advertising and representation costs | 672,505 | 440,159 |
| Cost of material used in provision of services to customers | 191,933 | 282,069 |
| Cost of services of damage repair | 74,146 | 130,293 |
| Rents | 497,867 | 464,017 |
| Cost of labour contracts | 227,111 | 238,213 |
| Cost of other services | 2,146,411 | 1,915,702 |
| Total | 9,339,230 | 9,106,864 |

17.28 Labour Costs

Pension and disability insurance costs in 2018 amounted to EUR 2,618,384 with other social security costs amounting to EUR 1,318,854. Labour costs include

labour costs accrued for unused annual leave by employees in the Group in 2018 in the amount of EUR 681,732.

| Labour costs (in EUR) | 2018 | 2017 |
|---|-------------------|-------------------|
| Salaries | 18,416,961 | 17,763,105 |
| Cost of supplementary employee retirement insurance | 892,269 | 848,754 |
| Cost of employer contributions and other levies on salaries | 3,044,969 | 2,913,702 |
| Other labour costs | 2,913,931 | 2,822,656 |
| Post-employment and other long-term benefits | 497,859 | 366,932 |
| Total | 25,765,989 | 24,715,149 |

The number of employees in the Group in the financial year 2018:

| Education | No. of employees on 1 January 2018 | Share in % | Number of employees on 31 December 2018 | Share in % |
|-------------------|---------------------------------------|---------------|--|---------------|
| PhD | 1 | 0.1% | 1 | 0.1% |
| Master of science | 19 | 2.7% | 19 | 2.7% |
| University | 131 | 18.7% | 136 | 19.2% |
| Post-secondary | 79 | 11.3% | 78 | 11.0% |
| Secondary | 256 | 36.5% | 266 | 37.5% |
| Vocational | 7 | 1.0% | 4 | 0.6% |
| Highly qualified | 7 | 1.0% | 6 | 0.8% |
| Qualified | 180 | 25.6% | 177 | 25.0% |
| Semi-qualified | 15 | 2.1% | 15 | 2.1% |
| Unqualified | 7 | 1.0% | 7 | 1.0% |
| Total | 702 | 100.0% | 709 | 100.0% |

17.29 Amortisation and depreciation

| Depreciation according to groups of assets (in EUR) | Intangible assets | Buildings | Equipment | Investment property | Total |
|--|-------------------|------------|-----------|------------------------|-------------------|
| Amortisation and depreciation for 2018 | 1,252,751 | 10,126,009 | 6,389,714 | 15,141 | 17,783,615 |
| Amortisation and depreciation for 2017 | 959,084 | 10,533,090 | 6,464,485 | 17,543 | 17,974,202 |

17.30 Operating Expenses from Revaluation

| Revaluation expenses (in EUR) | 2018 | 2017 |
|---|----------------|----------------|
| Operating expenses from revaluation of intangible and tangible fixed assets | 127,285 | 846,142 |
| Operating expenses from revaluation of current assets | 303,730 | 82,702 |
| Total | 431,015 | 928,844 |

Operating expenses from revaluation of intangible and fixed assets included losses from the elimination of fixed assets in the amount of EUR 127,285, with operating expenses from revaluation of current assets including revaluation adjustments to receivables from customers in bankruptcy and compulsory

composition proceedings for disputed receivables and receivables which, at the balance sheet date, were more than 90 days past due, as well as revaluation adjustments to stocks of materials and long-term receivables from sale of mobile phones at special prices in 2015 in the total amount of EUR 303,730.

17.31 Other Operating Expenses

| Other operating expenses (in EUR) | 2018 | 2017 |
|--|------------------|----------------|
| Cost of efficient energy use | 293,341 | 57,817 |
| Cost of charges for use of construction land | 174,708 | 172,858 |
| Compensations and annuities | 283,469 | 64,098 |
| Cost of court and administrative fees | 99,469 | 18,222 |
| Donations and solidarity aid | 26,161 | 41,749 |
| Cost of promoting employment of people with disabilities | 21,238 | 51,736 |
| Other operating expenses | 552,377 | 326,289 |
| Total | 1,450,763 | 732,769 |

17.32 Financial Revenue and Expenses

| Financial revenue and expenses (in EUR) | 2018 | 2017 |
|--|-----------------|-----------------|
| Revenue from shares in other companies | 18,407 | 45,268 |
| Financial revenue from loans granted to others | 140 | 384 |
| Financial revenue from operating receivables from others | 278,310 | 495,308 |
| Total financial revenue | 296,857 | 540,960 |
| Financial expenses from loans from banks | -345,724 | -384,811 |
| Financial expenses from trade payables | -1 | -1,228 |
| Financial expenses from other operating liabilities | -87,109 | -78,177 |
| Total financial expenses | -432,834 | -464,216 |
| Net flow | -135,977 | 76,744 |

Dividends received by the Group amounted to EUR 18,407 (EUR 45,268 in 2017).

17.33 Income Tax

| Income tax (in EUR) | 31. 12. 2018 | 31. 12. 2017 |
|------------------------|-----------------|---------------|
| Income tax receivables | 9,931 | 115,174 |
| Income tax liabilities | -848,341 | -91,095 |
| Total | -838,410 | 24,079 |

| Income tax (in EUR) | 2018 | 2017 |
|--------------------------------------|------------------|------------------|
| Current tax | 2,095,718 | 1,328,377 |
| Deferred tax | 126,396 | 258,560 |
| Total income tax | 2,222,114 | 1,586,937 |
| Profit before tax | 14,772,229 | 11,430,481 |
| Tax levied theoretically (19%) | 2,806,724 | 2,171,791 |
| Tax from increase in expenses | -129,952 | -149,835 |
| Tax from tax-non-deductible expenses | 379,354 | 321,160 |
| Tax from tax reliefs | -831,262 | -892,291 |
| Tax from income reducing tax basis | -279,500 | -388,064 |
| Tax from income increasing tax basis | 10,067 | 18,844 |
| Change in temporary differences | 126,396 | 258,560 |
| Tax from other items | 140,287 | 246,771 |
| Income tax | 2,222,114 | 1,586,937 |
| Effective tax rate | 15.0% | 12.5% |

In 2018, the applicable income tax rate in the Republic of Slovenia was 19 percent. As at 31 December 2018, the Group had EUR 9,931 of income tax receivables and a EUR 848,341 of income tax liabilities, which were offset in the consolidation process.

The Group was liable for payment of corporate tax in the amount of EUR 2,095,718 in 2018, recognised on the basis of the tax return.

17.33.1 Deferred Tax Assets

| Deferred tax assets (in EUR) | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Operating receivables | 906,974 | 976,707 |
| Provisions for post-employment and other benefits of employees | 614,931 | 605,322 |
| Investments | 19,667 | 19,667 |
| Long-term deferred revenue | 881,731 | 952,237 |
| Depreciation and amortisation calculated above tax deductible one | 0 | 1,965 |
| Total | 2,423,303 | 2,555,898 |

| Changes in deferred tax assets (in EUR) | Operating receivables | Provisions for post-employment and other benefits of employees | Financial investments | Long-term deferred revenue for fixed assets acquired free of charge | Depreciation and amortisation calculated above tax deductible one | Total |
|--|-----------------------|--|-----------------------|---|---|------------------|
| As of 1 January 2017 | 1,174,479 | 585,856 | 19,667 | 1,022,743 | 0 | 2,802,745 |
| Recognised in the Income Statement | -197,772 | 7,753 | 0 | -70,506 | 1,965 | -258,560 |
| Recognised in the Comprehensive Income Statement | 0 | 11,713 | 0 | 0 | 0 | 11,713 |
| As of 31 December 2017 | 976,707 | 605,322 | 19,667 | 952,237 | 1,965 | 2,555,898 |
| As of 1 January 2018 | 976,707 | 605,322 | 19,667 | 952,237 | 1,965 | 2,555,898 |
| Recognised in the Income Statement | -11,664 | 15,808 | 0 | -70,506 | -1,965 | -68,327 |
| Recognised in the Comprehensive Income Statement | 0 | -6,199 | 0 | 0 | 0 | -6,199 |
| Reversed in the Income Statement | -58,069 | 0 | 0 | 0 | 0 | -58,069 |
| As of 31 December 2018 | 906,974 | 614,931 | 19,667 | 881,731 | 0 | 2,423,303 |

17.33.2 Deferred Tax Receivables

| Deferred tax liabilities (in EUR) | 31 December 2018 | 31 December 2017 |
|-----------------------------------|------------------|------------------|
| Investments | 21,731 | 20,944 |
| Total | 21,731 | 20,944 |

Deferred tax liabilities relate to the change in the value of financial assets measured at fair value through other comprehensive income.

| Changes in deferred tax liabilities (in EUR) | Amount |
|--|---------------|
| As of 1 January 2017 | 17,095 |
| Recognised in the Income Statement | 643 |
| Recognised in the Comprehensive Income Statement | 3,206 |
| As of 31 December 2017 | 20,944 |
| As of 1 January 2018 | 20,944 |
| Recognised in the Comprehensive Income Statement | 787 |
| As of December 2018 | 21,731 |

17.34 Earnings per Share

Basic earnings per share are calculated by dividing net profit for the period attributable to owners of the controlling share (EUR 11,756,236) by the weighted average number of ordinary shares outstanding during the period (EUR 23,858,576).

Treasury shares are excluded from the calculation. Basic earnings per share in 2018 amounted to EUR 0.492 and were 27.2% higher than in 2017, when they amounted to EUR 0.387 per share.

17.35 Disclosure of Items in the Consolidated Statement of Cash Flows

Net cash flow for the period January–December 2018 amounted to EUR 1,778,085. The opening cash balance as

at 1 January 2018 was EUR 3,806,022 while the closing cash balance as at 31 December 2018 was EUR 5,584,107.

17.35.1 Inflows from Operating Activities

Inflows from operating activities in 2018 amounted to EUR 351,508,345, representing 92.2% of the total inflows of the Group. They refer mainly to inflows from sales of electricity and other ener-

gy products, inflows from the lease and services under the agreement concluded with SODO d.o.o., and inflows from the use of the network.

17.35.2 Outflows from Operating Activities

Outflows from operating activities in the amount of EUR 334,341,372 include outflows for the purchase of materials and services, salaries, contributions and taxes, and other expenses. The largest share is held by outflows for the purchase of materials and services and expenses for salaries (82.8%).

The surplus of inflows from operating activities stood at EUR 17,166,973. The Group's operation, within its main activity, was in the black and, in 2018, the Group was able to settle all its liabilities related to the repayment of principal and interest of long-term investment loans, and investment expenses in part, as well.

17.35.3 Inflows from Investing Activities

Inflows from investing activities amounted to EUR 596,381 and included inflows from shares of profit of other companies

in the amount of EUR 18,433 and inflows from the disposal of tangible fixed assets in the amount of EUR 577,948.

17.35.4 Outflows from Investing Activities

Outflows from investing activities in the amount of EUR 10,502,795 included ex-

penses for the acquisition of intangible and tangible fixed assets.

17.35.5 Inflows from Financing Activities

Inflows from financing activities in the amount of EUR 29,290,160 include the use of long-term loan from EIB for financing investments in the amount of EUR 6,000,000 and from commercial banks

in the amount of EUR 4,095,160 as well as receipts from multiple drawing of the long-term revolving credit facility in the amount of EUR 19,195,000.

17.35.6 Outflows from Financing Activities

Outflows from financing activities in the amount of EUR 34,772,634 include outflows for interest paid in the amount of EUR 350,690, outflows for the purchase of treasury shares in the amount of EUR 250,572, outflows for the repayment of

investment loans in the amount of EUR 11,235,928, outflows for repayment of the leased revolving credit in the amount of EUR 19,445,000 and outflows for dividend pay-outs in the amount of EUR 3,490,444.

17.36 Financial Risk Management

Exposure to individual risks and measures for their appropriate 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

measures for their management. The method and methodology of financial risk management are presented in more detail in the Business Report under Risk Management and Types of Risks in the Elektro Celje Group, Section 11.2.2.

17.36.1 Credit Risk

Credit risk in operating receivables (risk of loss due to 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 and the charging of default interest in case of delayed payment.

Short-term trade receivables in the Group as at the balance sheet date of 31 December 2018 showed a decrease of 0.4% compared to the end of 2017. 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 (2.3%). Other receivables are not insured by the Group as the Regulation on general conditions for the supply and distribution of electricity (SPDOEE) does not provide for this.

Exposure to credit risk

Maturity analysis of short-term trade receivables (in EUR)

| Maturity | 31 December 2018 | Share in % | 31 December 2017 | Share in % |
|---------------------------------------|-------------------|--------------|-------------------|--------------|
| Receivables not yet due | 42,962,151 | 86.5 | 42,918,751 | 85.7 |
| Receivables overdue less than 30 days | 2,876,590 | 5.8 | 2,659,367 | 5.3 |
| Receivables overdue by 31–60 days | 484,509 | 1.0 | 442,714 | 0.9 |
| Receivables overdue by 61–90 days | 121,616 | 0.2 | 77,427 | 0.2 |
| Receivables overdue by 91–180 days | 31,983 | 0.1 | 41,610 | 0.1 |
| Receivables overdue by 181–365 days | 9,868 | 0.0 | 106,521 | 0.2 |
| Receivables overdue by over 365 days | 3,182,161 | 6.4 | 3,820,294 | 7.6 |
| Total | 49,668,878 | 100.0 | 50,066,684 | 100.0 |

As at 31 December 2018, the Group had EUR 3,192,029 of receivables for network charges, services, lease, average connection fees, electricity and other energy products, and late charges with maturities longer than 181 days (bankruptcies, compulsory compositions, lawsuits, and property manager debt as per the Housing Act, and a revaluation adjustment recognised for these receivables) and EUR 42,962,151 of receivables not yet due.

The maturity profile of receivables of Group companies takes into account short-term trade receivables and interest receivables (without revaluation adjustments and advances). Group companies recognise a revaluation for receivables in bankruptcy proceedings and compulsory composition proceedings, receivables which are the subject of litigation,

and receivables overdue by more than 90 days as at the balance sheet date. Revaluation adjustment of receivables is explained further in Section 17.3 (h) within the framework of the accounting policies for receivables (measurement upon initial recognition). In 2018, EUR 14,321 in invoices for unjustified consumption of electricity was charged (EUR 71,197 in 2017), with received payments under this heading amounting to EUR 24,029 (EUR 68,288 in 2017).

Revaluation adjustments of receivables for the Group in 2018 amounted to EUR 229,118, with their reversal amounting to EUR -295,526. The total revaluation adjustment carried out on receivables of the Group as at 31 December 2018 amounted to EUR 4,436,795 (EUR 5,127,527 on 31 December 2017).

| Changes in revaluation adjustments to short-term receivables for 2018 (in EUR) | As of 1 January 2018 | Write-downs and write-offs | Reconciliation | | | As of 31 December 2018 |
|--|----------------------|----------------------------|----------------|---------------------------|-----------------|------------------------|
| | | | Recognition | Transfer between accounts | Reversal | |
| Adjustments to receivables – energy products | 3,654,921 | –525,755 | 188,858 | 439,687 | –278,112 | 3,479,599 |
| Adjustments to receivables – network charge | 620,052 | –48,891 | 8,787 | 0 | 0 | 579,948 |
| Adjustments to receivables – services for SODO | 16,477 | –2,278 | 4,591 | 0 | 0 | 18,790 |
| Adjustments to receivables – services | 89,201 | –867 | 0 | 0 | –7,814 | 80,520 |
| Adjustments to receivables – other | 16,267 | –11,130 | 2,521 | 0 | 0 | 7,658 |
| A Total adjustments to receivables | 4,396,918 | –588,921 | 204,757 | 439,687 | –285,926 | 4,166,515 |
| Adjustments to late charge – network charge | 39,230 | –5,174 | 1,088 | 0 | 0 | 35,144 |
| Adjustments to late charge – services | 4,133 | –1,623 | 433 | 0 | 0 | 2,943 |
| Adjustments to late charge – other | 138,618 | –15,137 | 9,691 | 501 | –9,600 | 124,073 |
| B Total adjustments to late charge | 181,981 | –21,934 | 11,212 | 501 | –9,600 | 162,160 |
| Adjustments to misc. short-term receivables | 548,628 | –17,849 | 13,149 | –435,808 | 0 | 108,120 |
| C Total adjustments to misc. short-term receivables | 548,628 | –17,849 | 13,149 | –435,808 | 0 | 108,120 |
| TOTAL (A + B + C) | 5,127,527 | –628,704 | 229,118 | 4,380 | –295,526 | 4,436,795 |

| Changes in revaluation adjustments to short-term receivables for 2017 (in EUR) | As of 1 January 2017 | Write-downs and write-offs | Reconciliation | | | As of 31 December 2017 |
|--|----------------------|----------------------------|----------------|---------------------------|-----------------|------------------------|
| | | | Recognition | Transfer between accounts | Reversal | |
| Adjustments to receivables – energy products | 4,819,872 | –840,149 | 244,597 | –279,643 | –289,756 | 3,654,921 |
| Adjustments to receivables – network charge | 720,909 | –82,073 | 0 | 0 | –18,784 | 620,052 |
| Adjustments to receivables – services | 116,676 | –19,506 | 8,508 | 0 | 0 | 105,678 |
| Adjustments to receivables – other | 14,940 | 0 | 1,327 | 0 | 0 | 16,267 |
| A Total adjustments to receivables | 5,672,397 | –941,728 | 254,432 | –279,643 | –308,540 | 4,396,918 |
| Adjustments to late charge – network charge | 61,381 | –22,937 | 786 | 0 | 0 | 39,230 |
| Adjustments to late charge – services | 6,689 | –2,880 | 324 | 0 | 0 | 4,133 |
| Adjustments to late charge – other | 191,579 | –49,021 | 24,934 | 0 | –28,874 | 138,618 |
| B Total adjustments to late charge | 259,649 | –74,838 | 26,044 | 0 | –28,874 | 181,981 |
| Adjustments to misc. short-term receivables | 250,998 | –11,022 | 29,009 | 279,643 | 0 | 548,628 |
| C Total adjustments to misc. short-term receivables | 250,998 | –11,022 | 29,009 | 279,643 | 0 | 548,628 |
| TOTAL (A + B + C) | 6,183,044 | –1,027,588 | 309,485 | 0 | –337,414 | 5,127,527 |

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 reliably measured, are measured at fair value (i.e. 5,624 shares of Zavarovalnica Triglav d.d. in the amount of EUR 151,492),

while others are valued at cost. On the balance sheet date, the management of a Group company establishes whether there are any objective reasons for impairment assessment of a financial investment into an equity instrument. The value that best represents the maximum exposure to such risk is the total value of the investment. Hedging instruments cannot be used for reducing the exposure to the risk of decrease in the value of long-term financial investments below their cost (presented in Section 17.3 (h).

17.36.2 Market Risk

Within market risks, the Group is most exposed to the risk of changes in interest rates on loans received. Exposure to interest rate risk represents (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, as only 5.7% of assets are financed by bank loans tied to EURIBOR. The company again in 2018 does not expect a major increase in the EURIBOR, which is projected to remain negative. The average weighted interest rate on loans as at 31 December 2018 comprised 0.889% (0.907% in 2017). The reduction in the average weighted interest rate is the result of an additional debt in 2018 at an interest rate lower than the average weighted interest rate achieved in 2017.

Cash flow sensitivity analysis

Sensitivity to changes in interest rates is assessed using the sensitivity analysis method. Given the volume of acquired loans as at 31 December 2018, an interest rate change (EURIBOR) of 0.1% (10 basis points) would result in a EUR

1,530 change in cash flow, an interest rate change (EURIBOR) of 0.2% (20 basis points) would result in a EUR 3,022 change in cash flow, and an EURIBOR change of 0.3% (30 basis points) would result in an increase of EUR 7,038 in expenses for interest paid. The probability of larger change in the EURIBOR is estimated as low. The analysis rests on the assumption that all other variables remain the same.

As a precaution, the Group rejects all terms of contracts that would allow the lender to 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.

17.36.3 Liquidity Risk

The Elektro Celje Group measures exposure to liquidity risk based on the balance of cash inflows and cash outflows, while an important element in liquidity risk management is also cash flow planning. The Group's cash flow risk is also affected by the amount of collected network charges for the distribution network, for due to the deficit in network charges for 2014 and 2015, the payments pursuant to the preliminary reconciliations of SODO contractual liabilities which, on 31 December 2018, amounted to EUR 3,533,645, will only be made in future regulatory years, EUR 107,254 in 2019 and EUR 3,426,391 in the regulatory period 2019–2021, and by thirds when the Energy Agency calculates them into tariff rates for network charges payable by customers. The payment of contractual interests charged to SODO from the preliminary reconciliation of the regulatory year 2015 in the amount of EUR 205,584 and the settlement of the final

reconciliations for the period 2014–2017 in the amount of EUR -443,582 were also included in the regulatory period 2019–2021. Long-term liquidity risk also includes the potential loss of the lawsuit against minority shareholders of the Parent Company for the payment of profit in the amount of 4% of the share capital, which would result in an increase of EUR 1.5 million in dividend pay-outs, intended for the financing of investments.

To ensure daily liquidity and for the event of increased liquidity demand, the Group had a long-term bank credit agreement for revolving credit amounting to EUR 3.145 million in 2018, and for the purpose of financing investments during the 2015–2017 period, the Group concluded a contract with the EIB for EUR 28 million in 2015 and a credit agreement with a commercial bank for EUR 10 million. By providing appropriate financing sources and favourable values of financial indi-

cators, the Group manages the risk of poor credit and untimely acquisition of

the necessary approvals for loans from sectorial ministries.

| Maturity of financial liabilities to banks as of 31 December 2018 (in EUR) | Carrying value as of 31 December 2018 | Maturity | | |
|--|---------------------------------------|-------------------|-------------------|------------------|
| | | Up to 1 year | 1 to 5 years | above 5 years |
| 1. Investment financing loans | 37,584,521 | 11,182,040 | 19,328,864 | 7,073,617 |
| Total financial liabilities to banks | 37,584,521 | 11,182,040 | 19,328,864 | 7,073,617 |

| Maturity of financial liabilities to banks as of 31 December 2017 (in EUR) | Carrying value as of 31 December 2017 | Maturity | | |
|--|---------------------------------------|-------------------|-------------------|------------------|
| | | Up to 1 year | 1 to 5 years | above 5 years |
| 1. Investment financing loans | 38,725,367 | 11,022,417 | 21,573,855 | 6,129,095 |
| 2. Other loans granted | 250,000 | 250,000 | 0 | 0 |
| Total financial liabilities to banks | 38,975,367 | 11,272,417 | 21,573,855 | 6,129,095 |

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 327,728, with those with a maturity from one to five years amounting to EUR 631,917 and above five years EUR 209,484.

Finance lease liabilities under the contract on the lease of the ERP Microsoft Dynamics AX system in the amount of EUR 170,093, for which the company Informatika d.d. will issue invoices to the Group, will be settled as follows: EUR

62,367 in 2019, EUR 68,037 in 2020 and EUR 39,689 in 2021.

The Group's operating liabilities amounting to EUR 35,867,425 mainly fall due within three months following the date of the consolidated statement of financial position, except for deposit liabilities of providers that fall due in accordance with contracts and long-term operating liabilities in the amount of EUR 361,386 (with EUR 225,675 falling due in 2020 and the remainder in 2021) and the relevant short-term portions of these liabilities in the amount of EUR 225,675 which will be settled in 2019 in monthly instalments.

17.36.4 Equity Risk

The Republic of Slovenia has, together with Kapitalska družba d.d. and DUTB d.d., in the Parent Company, which also provides services of public utilities (electricity distribution) an 80.14% stake which is defined as a strategic investment. In accordance with paragraph 5, item 6.1.1 of the Ordinance on State Asset Management, which the government adopted at its session on 17 July, 2015, the Group, in terms of acquiring 100 percent ownership of the Republic of Slovenia in companies owning electricity distribution infrastructure in 2016, acceded to the implementation of the programme of

acquisition of treasury shares.

Lenders require that the Group meet financial commitments specified in loan agreements, whereby failure to achieve the prescribed limits may result in early maturity of loans. As at 31 December 2018, all contractual provisions at the Group level had been achieved (financial debt/equity < 0.3).

The Group in 2019 again plans to meet its financial commitments to banks and achieve a net return on equity (ROE) of 4.35%.

| Financial leverage indicator (in EUR) | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| 1. Loans granted and other financial liabilities | 37,758,483 | 39,765,440 |
| 2. Equity | 228,621,568 | 219,770,154 |
| Debt to equity ratio | 0.165 | 0.181 |

| Equity to total liabilities ratio indicator (in EUR) | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| 1. Equity | 228,621,568 | 219,770,154 |
| 2. Liabilities | 323,636,596 | 318,122,910 |
| Equity to total liabilities ratio | 70.64% | 69.08% |

17.37 Transactions with Associated Parties

17.37.1 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 – electric-

ity distribution and, thus, the Republic of Slovenia classified the investment as strategic. The dividends received from the Parent Company in 2018 amounted to EUR 2,535,273.

17.37.2 Transactions of the Parent Company with Group Subsidiaries

Group companies participated on the basis of concluded contracts of sale/purchase, 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 paid within the Group in 2018 amounted to EUR 1,000,000 (EUR 1,525,000 in 2017).

| Item/year (in EUR) | 2018 | | 2017 | |
|---------------------------------------|------------------|-----------------------------|------------------|-----------------------------|
| | 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 | 10,400 | 40,755 | 10,357 | 6,918 |
| Accrued revenue and deferred expenses | 728 | 82 | 0 | 0 |
| Total assets | 11,128 | 40,837 | 10,357 | 6,918 |
| Liabilities: | | | | |
| Short-term trade payables | 17,479 | 31,546 | 16,914 | 31,761 |
| Other operating liabilities | 105 | 0 | 0 | 0 |
| Total liabilities | 17,584 | 31,546 | 16,914 | 31,761 |
| Revenue: | | | | |
| Net sales revenue | 103,692 | 81,268 | 93,193 | 30,046 |
| Financial revenue | 1,000,000 | 0 | 1,525,000 | 0 |
| Revaluation revenue | 0 | 1,034 | 0 | 0 |
| Total revenue | 1,103,692 | 82,302 | 1,618,193 | 30,046 |
| Costs and expenses: | | | | |
| Cost of material | 116,831 | 142,011 | 91,716 | 129,544 |
| Cost of services | 6,131 | 876 | 0 | 876 |
| Total costs and expenses | 122,962 | 142,887 | 91,716 | 130,420 |

17.37.3 Data on Groups of Natural Persons

Amounts of remuneration granted to groups of persons for 2018 for the performance of functions in the Group are as follow:

| Gross receipts of groups of persons (in EUR) | 2018 | 2017 |
|--|----------------|----------------|
| Members of the Management Board | 270,261 | 184,401 |
| Procurators | 64,053 | 60,118 |
| Receipts under management contracts | 1,094 | 14,548 |
| Members of the Supervisory Board and Supervisory Board Audit Committee | 131,142 | 128,560 |
| Other employees on individual contracts | 525,687 | 490,892 |
| Total | 992,237 | 878,519 |

Receipts of the members of the Management Board and procurators in the Elektro Celje Group

| Name and surname | Position | Receipts (in EUR) | Total | Remuneration |
|---|---|-------------------|----------------|----------------|
| Boris Kupec, MSc (since 1 May 2016) | Chairman of the Management Board of Elektro Celje, d.d. | Gross receipts | 113,131 | 113,131 |
| | | Net receipts | 53,461 | 53,461 |
| Sebastijan Roudi (since 12 August 2016) | Managing Director of ECE d.o.o. | Gross receipts | 91,770 | 91,770 |
| | | Net receipts | 48,446 | 48,446 |
| Srečko Mašera (since 1 February 2017) | Managing director of Elektro Celje, OVI, d.o.o. | Gross receipts | 65,360 | 65,360 |
| | | Net receipts | 35,222 | 35,222 |
| Erik Dobnik (from 9 September 2016 to 12 August 2018) | Procurator of ECE | Gross receipts | 40,304 | 40,304 |
| | | Net receipts | 22,554 | 22,554 |
| Karmen Šmon, MSc (since 12 August 2018) | Procurator of ECE | Gross receipts | 23,749 | 23,749 |
| | | Net receipts | 13,411 | 13,411 |
| Total | | Gross receipts | 334,314 | 334,314 |
| | | Net receipts | 173,094 | 173,094 |

The employment contract provides compensation amounting to six months' salary to the Chairman of the Management Board of the Parent Company in the case of early recall at no fault, on the condition that his/her employment relationship is terminated. The Chairman of the Management Board was appointed member of the Supervisory Board of the company STELKOM – telekomunikacije

in storitve d.o.o. in 2018. The managing directors and procurators of the subsidiaries were not members of management or supervisory bodies in other companies in 2018.

The cost of benefits and reimbursements of travel costs arising from employment contracts and the costs of professional education in 2018 were as follows:

| Name and surname | Receipts (in EUR) | Reimbursement of labour costs | Insurance premiums | Use of company vehicle | Professional education | Holiday pay |
|-----------------------|-------------------|-------------------------------|--------------------|------------------------|------------------------|--------------|
| Boris Kupec, MSc | 16,600 | 1,784 | 99 | 7,872 | 5,116 | 1,729 |
| Sebastijan Roudi, MSc | 8,534 | 1,279 | 1,740 | 3,499 | 334 | 1,682 |
| Mašera Srečko | 5,167 | 0 | 223 | 3,631 | 0 | 1,313 |
| Erik Dobnik, MSc | 5,372 | 802 | 1,042 | 1,846 | 0 | 1,682 |
| Karmen Šmon, MSc | 2,357 | 1,057 | 599 | 0 | 0 | 701 |
| Total | 38,030 | 4,922 | 3,703 | 16,848 | 5,450 | 7,107 |

Reimbursement of labour costs is accounted for in accordance with the contract of employment or collective agreement at company level and includes daily and meal allowances and travel

expenses for business trips. The cost of the insurance premiums and the use of a company vehicle represents creditworthiness.

Remuneration of members of the Supervisory Board and the Supervisory Board Audit Committee

| Name and surname | Position | Attendance at meeting | | | | Receipts in EUR (net) | Receipts in EUR (gross) | Meeting fees and basic remuneration in EUR | Travel expenses in EUR |
|---|--|-----------------------|-----------------------|----------------|---------------|-----------------------|-------------------------|--|------------------------|
| | | SB meeting | Meeting of SB by cor. | SB HRC meeting | SB AC meeting | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 = 9 + 10 | 9 | 10 |
| 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 | 8 | 2 | 2 | 0 | 15,603 | 21,490 | 20,911 | 579 |
| Miha Kerin, MSc | Member of the SB since 1 September 2016 and Chairman of the SB AC since 3 October 2017 | 8 | 2 | 0 | 6 | 16,507 | 22,733 | 21,835 | 898 |
| 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 | 8 | 2 | 0 | 0 | 12,956 | 17,850 | 16,940 | 910 |
| Rosana Dražnik, MSc | Member of the SB from 27 August 2017 to 6 September 2017, Chairwoman of the SB since 7 September 2017 and member of the Human Resources Committee since 14 December 2017 | 8 | 2 | 2 | 0 | 19,549 | 26,915 | 25,786 | 1,129 |
| REPRESENTATIVES OF EMPLOYEES: | | | | | | | | | |
| Tomislav Pajić, BSc in energy technology | Member of the SB from 1 September 2014 to 1 September 2018 | 5 | 2 | 0 | 0 | 9,494 | 13,089 | 13,089 | 0 |
| Boris Počivavšek, electronics engineer | Member of the SB from 1 September 2014 to 1 September 2018 | 5 | 2 | 0 | 0 | 7,623 | 10,518 | 10,518 | 0 |
| Miran Ajdnik, Diploma in Electrical Engineering, member | Member of the SB since 1 October 2018 | 3 | 0 | 0 | 0 | 2,964 | 4,075 | 4,075 | 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 | 3 | 0 | 0 | 0 | 3,266 | 4,490 | 4,490 | 0 |
| INDEPENDENT THIRD-PARTY EXPERTS, MEMBERS OF THE SB AC: | | | | | | | | | |
| Ignac Dolenšek, MSc | Member of the SB AC since 19 October 2017 | 0 | 0 | 0 | 6 | 3,675 | 5,053 | 4,570 | 483 |
| Darinka Virant, BA in Economics | Independent third-party expert, member of the SB AC since 9 December 2013 | 0 | 0 | 0 | 5 | 3,585 | 4,929 | 4,570 | 359 |
| TOTAL | | | | | | 95,222 | 131,142 | 126,784 | 4,358 |

The Supervisory Board of the Parent Company has six members, four of whom are shareholder representatives and two who are employee representatives. All company's Supervisory Board members possess equal rights and duties. The Supervisory Board members 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 sup-

plements to the Articles of Association are adopted by the Assembly by a three-fourths majority of the equity represented at the General Meeting. The Supervisory Board held 10 sessions in 2018, 2 of which were correspondence meetings. The Supervisory Board Audit Committee operated within the scope of the Supervisory Board with the members in 2018 comprising Miha Kerin, MSc as Chairman and Ignac Dolenšek, MSc and Darinka Virant as independent external experts.

The members of the Human Resources Committee comprised Drago Štefe, MSc

as Chairman and Rosana Dražnik, MSc and Janko Čas as members.

| Basic annual remuneration (in EUR): | Decision of the 21st Shareholders Assembly (valid since 1 September 2016) |
|--|---|
| Chairman of the Supervisory Board | 19,500 |
| Deputy Chairman of the Supervisory Board | 14,300 |
| Member of the Supervisory Board | 13,000 |
| Chairman of the Committee | 4,875 |
| Member of the Committee | 3,250 |

The cost of liability insurance in accordance with the resolution of the Supervisory Board of Elektro Celje d.d. presented in the credit rating of members of the Supervisory Board represents the cost of other benefits for members of the Supervisory Board in 2018. Members of the Supervisory Board and Supervisory Board Audit Committee in accordance

with the resolution of the 21st Shareholder's Assembly of 31 August 2016 are entitled to reimbursement 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

| Costs of other benefits | Liability insurance (in EUR) | Professional education (in EUR) |
|---|---|--|
| REPRESENTATIVES OF SHAREHOLDERS: | | |
| Drago Štefe, MSc | 97 | 331 |
| Miha Kerin, MSc | 97 | 0 |
| Mirjan Trampuž, MSM and MSc Energetics | 97 | 390 |
| Rosana Dražnik, MSc | 97 | 331 |
| REPRESENTATIVES OF EMPLOYEES: | | |
| Tomislav Pajić, BSc in energy technology | 97 | 0 |
| Boris Počivavšek, electronics engineer | 97 | 0 |
| Miran Ajdnik, Diploma in Electrical Engineering, member | 0 | 0 |
| Janko Čas, Electronics Engineer and energetics expert | 0 | 0 |
| INDEPENDENT THIRD-PARTY EXPERTS, MEMBERS OF THE SB AC: | | |
| Ignac Dolenšek, MSc | 0 | 373 |
| Darinka Virant, BA in Economics | 0 | 1,013 |
| TOTAL | 582 | 2,438 |

Membership of members of the Supervisory Board of the company in the man-

agement or supervisory bodies of other companies:

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 | Managing director of the company Finera svetovanje d.o.o. Sole trader, Rosana Dražnik s.p., Intax |
| Miran Ajdnik | / |
| Janko Čas | / |
| Boris Počivavšek | / |
| Tomislav Pajić | / |

The Management Board and Supervisory Board did not receive any remuneration in connection with tasks in subsidiaries. Elektro Celje also did not approve any advances, loans or guarantees to members of the Supervisory Board, the Supervisory Board Audit Committee or the Management Board and as at 31 December 2018, does not show any receivables from these addresses from them.

Employee remuneration on the basis of contracts which are not subject to the tariff part of the collective agreement

Remuneration to employees on the basis of contracts which are not subject to the tariff part of the collective agreement in 2018 amounted to EUR 525,687 gross or EUR 277,947 net (EUR 490,892 gross or EUR 266,400 net in 2017).

17.38 Auditor Costs

The contractual value for auditing the Annual Reports of the Group, conducted by the auditing firm BDO Revizija d.o.o. in 2018, amounted to EUR 17,460, exclud-

ing VAT (EUR 15,300 in 2017), with the value of assurance services amounting to EUR 1,460, excluding VAT (the same as in 2017).

18

Statement of the Management Board

The Management Board of the company Elektro Celje hereby confirms the financial statements disclosed and presented in this Annual Report, and all other components thereof, and that the financial statements of Elektro Celje are in accordance with Slovenian Accounting Standards and that the consolidated financial statements of the Elektro Celje Group are in accordance with the International Financial Reporting Standards adopted by the European Union.

The Management Board of 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 performance of the company Elektro Celje and the Elektro Celje Group.

The Management Board hereby declares that:

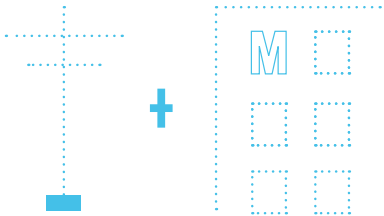
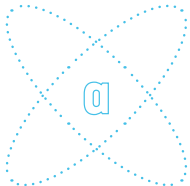
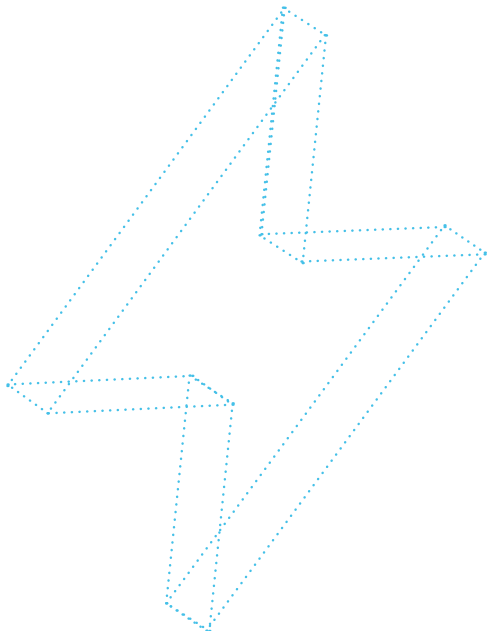
- All financial statements have been compiled in compliance with professional standards and legislation regulating operation, accounting, taxation, and finance;

- The financial statements of the company and Group have been prepared under the assumption of going concern;
- The selected accounting policies are implemented consistently, and any changes in accounting policies are duly disclosed;
- The accounting estimates are prepared with the prudence and diligence befitting a good manager;
- The financial statements do not include any material or immaterial errors made in order to achieve a particular presentation of the company.

On 29 March 2019, the Management Board of the company approved and adopted the financial statements of the company Elektro Celje, and on 25 April 2019, the consolidated financial statements of the Elektro Celje Group.

Chairman of the Management Board
Boris Kupec, MSc





List of Abbreviations

| | |
|---------------|--|
| AD | As-built Design |
| ADI | Annual Development Interview |
| AMI | Advanced Meter Infrastructure |
| AX | Information System for Comprehensive Management of Operations |
| BD | Basic Design (PGD) |
| CD | Conceptual Design (IDZ) |
| CHPP | Combined Heat and Power Plant |
| D.D. | Public Limited Company |
| D.O.O. | Limited Liability Company |
| DCC | Distribution Control Centre |
| DD | Detailed Design (PZI) |
| DMS | Distribution Management System |
| DNSO | Distribution Network System Operator |
| DNZO | Documentation for Obtaining a Building Permit for Non-complex Construction |
| DS | Distribution Substation |
| DTD | Database of Technical Data |
| DTS | Distribution Transformer Substation |
| DU | Distribution Unit |
| EA | Energy Act |
| EAgen | Energy Agency of the Republic of Slovenia |
| EAM | Enterprise Asset Management |
| EDC | Electricity Distribution Company |
| EDF | Électricité de France |
| EDS | Electricity Distribution System |
| EIB | European Investment Bank |
| ELES | Elektro – Slovenija, d.o.o. (ELES, Ltd., Electricity Transmission System Operator) |
| EMS | Environmental Management System |
| EP | Electric Power |
| EPS | Electric Power System of the Republic of Slovenia |
| ERP | Enterprise Resource Planning |
| FS | Fire Safety |
| GDP | Gross Domestic Product |
| GIS | Geographic Information System |
| GPS | Global Positioning System |
| GURS | Surveying and Mapping Authority of the Republic of Slovenia |
| GWh | Gigawatt Hour |
| HEP | Hrvatska elektroprivreda d.d. (Croatian National Electricity Company – HEP d.d.) |
| HPP | Hydropower Plant |
| HV | High Voltage |
| HVUC | High-voltage Underground Cable |
| IP | Internet Protocol |

| | |
|--------------|---|
| ISO | International Organisation for Standardisation |
| km | Kilometre |
| kV | Kilovolt |
| kW | Kilowatt |
| kWh | Kilowatt Hour |
| 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 |
| OHSAS | Occupational Health and Safety Management Systems 18001 |
| OMS | Outage Management System |
| OPL | Overhead Power Line |
| PD | Preliminary Design (IDP) |
| PRSP0 | Slovenian Business Excellence Prize |
| PSI | Software Solution for Distribution Control Centres |
| PUS | Public Utility Service |
| QMS | Quality Management System |
| RCC | Regional Control Centre |
| RCC | Regional Control Centre |
| RCS | Remote-Controlled Switchgear |
| RES | Renewable Energy Sources |
| RS | Republic of Slovenia |
| SAIDI | System Average Interruption Duration Index |
| SAIFI | System Average Interruption Frequency Index |
| SB | Supervisory Board |
| SB AC | Supervisory Board Audit Committee |
| SCADA | Supervisory Control and Data Acquisition |
| SHP | Small Hydropower Plant |
| SPS | Small-scale Photovoltaic System |
| SSH | Slovenski državni holding, d.d. (Slovenian Sovereign Holding) |
| TC | Telecommunication |
| TIS | Technical Information System |
| TR | Transformer |
| TS | Transformer Substation |
| UC | Underground Cable |
| ZGD | Companies Act |
| ZGO | Construction Act |
| ZGD | Zakon o gospodarskih družbah |
| ZGO | Zakon o graditvi objektov |

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

2018



Elektro Celje