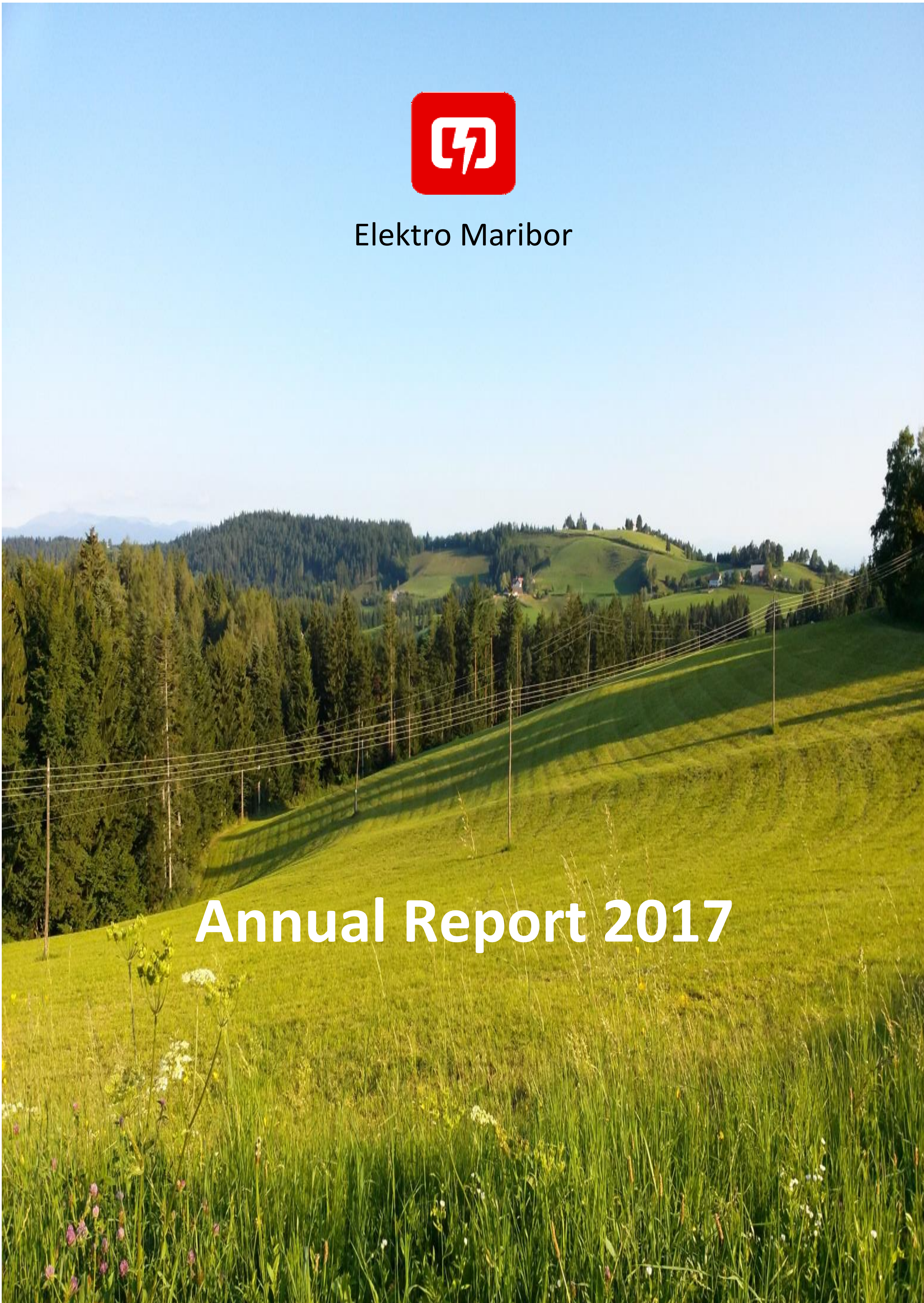
Elektro Maribor



Annual Report 2017

ELEKTRO MARIBOR

Annual Report of Elektro Maribor d.d. and the Elektro Maribor Group 2017

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CONTENTS ACCORDING TO GRI SUSTAINABILITY REPORTING GUIDELINES (G4-32)

I. Introduction

1 LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD (G4 1)*

Dear stakeholders!

In accordance with our vision, mission and values, the focus of our operations in 2017 was a safe, reliable and efficient management and maintenance, and the development and long-term planning of the electricity distribution system. In carrying out the activities of the distribution system operator and the implementation of advanced electricity services in compliance with the needs of the population, the economy and the wider social community, it was shown once again, how important is the ability to overcome a number of challenges.

In recent years, the frequency and intensity of natural and other disasters is increasing substantially. The year 2017 was marked significantly with numerous meteorological disasters, in particular wind damage. There were as much as 27 days with extreme weather situations on our supply area, which is twice as much as, for example, in the year 2014, which was marked by catastrophic ice damage. This has also affected the quality of supply factors. In order to re-ensure the supply of electricity to our users, our operational teams have demonstrated exceptional sacrifice, commitment and professionalism on the field and in the support processes. Many loss events required immediate rehabilitation and flexibility, and adaptation in the implementation of the investment plan. For an even greater resilience to increasingly intense weather phenomena, we are intensively increasing the robustness of the network. With great efforts, we raised the percentage of underground medium and low voltage lines, which reached 50% for the first time in 2017, while the percentage of underground and overhead insulated lines together, exceeded 68%.

In 2017, the needs of our users, the population and the economy increased significantly by power and energy. Practically all quantitative indicators have increased significantly. The growth of peak power, which is important for the design and dimensioning of the network, was the highest in the last decade and a half. The connection power increased to 3,111 MW, and the average monthly billing power reached 2,002 MW in 2017 (due to the valid tariff system, no more than a third of the connecting power is not billed). In recent years, there has also been an increase in the minimum power, which has reached its second highest value so far. Therefore, we are systematically increasing the strength of the network.

We took over 2.05 TWh (86%) of electricity from the transmission system, and 0.33 TWh (14%) from local production sources. In 2017, the consumption increased by 2.6% (the highest growth after 2010), the household consumption increased by 2.4% (the highest growth after 2008), and business consumption by 2.6 % (the highest growth after 2010). We reduced the losses to 4.7%, which is the lowest value in a decade and a half. Much attention was paid to the individualisation of communication with our users, so in addition to the updated call centre and an active presence on social networks, we developed a special application, which, inter alia, provides users with an insight into the dynamics of the consumption data.

The advanced metering systems are the fundamental element of smart grids. At the end of 2017, we already had 65% of users' metering points included in the remote metering system. We have received a grant in the amount of EUR 3.7 million from the EU Cohesion Fund and the Republic of Slovenia for the installation of more than 88 thousand smart meters in the following years. We are actively involved in the Slovenian-Japanese project of adapting of consumption and network management. The Energy Agency has granted us the first use of a critical peak tariff and the first experiences show that it is an effective incentive for adapting the consumption. As part of the efforts to digitize the electricity distribution, we also invest in modern information systems.

With diligent and committed work, we increase the robustness, strength and advancement of the electricity distribution system, which constitutes the sustainable development infrastructure. In 2017, we achieved the highest value of investments in assets in the last decade, whereby we increased our own production potentials to the extent that we realise more than two thirds of the investments ourselves. Since we are competitive, we are successfully acquiring business on the market, especially in major infrastructure projects.

In 2017, we generated 31% more revenue on the market than in 2016. In a tough competition, we managed to acquire a lot of business and also carry them out successfully through good organisation, qualifications and employees' efforts, thus acquiring important references in obtaining further business. In the context of strengthening of service support production processes, we expanded the metal workshop and included the implementation of non-ionizing electromagnetic radiation measurements into the range of services of the metering laboratory.

We continue with sustainable operation and reporting. For the fifth consecutive, we include comprehensive reporting on non-financial operations according to the GRI G4 international guidelines into the Annual Report, especially in terms of environmental, social and economic impacts on business operations. In the last five years, we have reduced the carbon footprint by 28%.

We are a signatory of the Declaration on Fair Business and the Slovenian Corporate Integrity Guidelines, the components of which are integrated into our business. We also have management systems in place according to the standards ISO 9001:2015, ISO 14001:2015, BS OHSAS 18001:2007, ISO/IEC 17020:2012 and ISO/IEC 27001:2013, which represent the guiding principle of our operation. We also hold the EFQM Certificate of Business Excellence, a full Family-friendly Company Certificate and the Certificate of Golden Creditworthiness of AAA Rating.

We also demonstrate social responsibility by supporting projects in the social environment and by actively participating in the discussions of strategic development documents and legislation. Within the context of the Distribution Academy, which we founded on the hundredth anniversary of our company for an even more intense transfer of implicit knowledge and as a connecting expert framework for energy relevant issues, we successfully participated in the consideration of materials related to the Energy Concept of Slovenia and the Energy Act.

Due to the dedicated, qualitative and successful work of our employees, management and supervisory bodies, and the prudent manager of state capital assets, we also operated successfully in 2017. We have surpassed our set business goals. In 2017, we generated the highest profit in the last two decades, which after taxation amounted to EUR 13.5 million, which is 5% more compared to the previous year. All the years, we have also been operating with positive results in both regulated and unregulated activities. In 2017, the operating result was significantly influenced by revenue in regulated activities, revenues from market services and the rationalisation of operations by lowering the costs of materials and services. In 2017, we successfully implemented a new organisation and systematisation, with which we established a more leaner organisation. In the course of our operations we took into account the expectations and recommendations of the manager of state capital assets, the SDH d.d. We exceeded the values of expected indicators, such as return on assets (ROA) in the amount of 3.8% and the EBITDA margin in the amount of 41.0%.

I thank all employees for their extensive efforts and sacrifice, for the committed and successful realisation of our mission, and the achieved business results. We can be legitimately proud of what we have created together. For correct co-operation and demonstrated trust, I would also like to thank our supervisors, system users, business partners and shareholders.

President of the Management Board:
Boris Sovič, M.Sc.

2 HIGHLIGHTS OF OPERATIONS IN 2017 – ELEKTRO MARIBOR D.D.

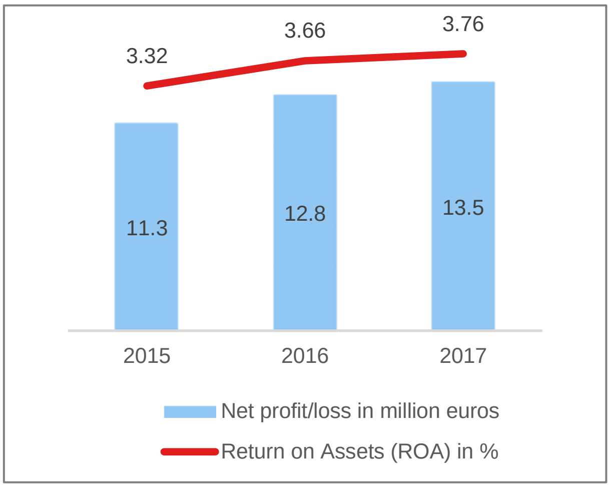


Figure 1: Net profit/loss and ROA

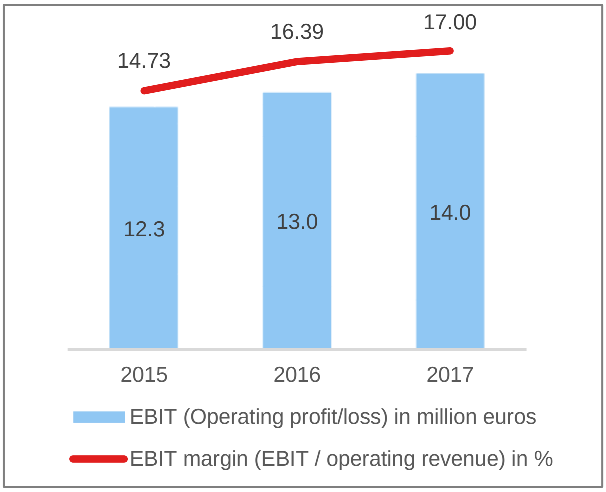


Figure 2: EBIT and EBIT margin

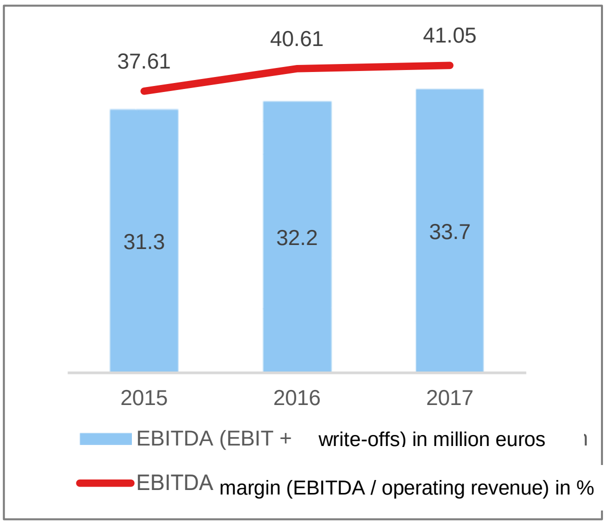


Figure 3: EBITDA and EBITDA margin

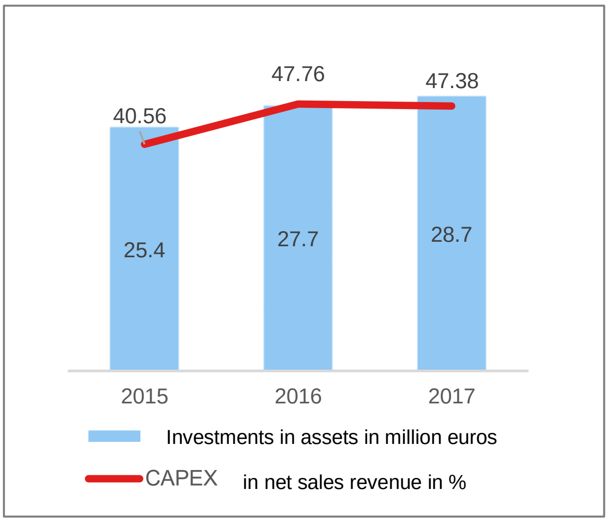


Figure 4: Investments in assets and net sales revenue

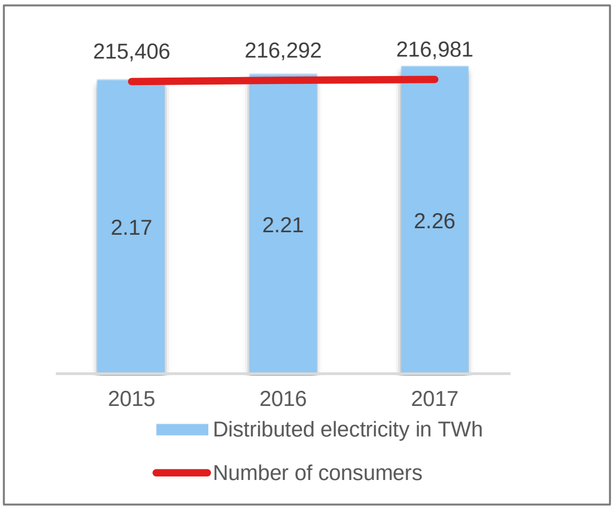


Figure 5: Distributed electricity and number of consumers

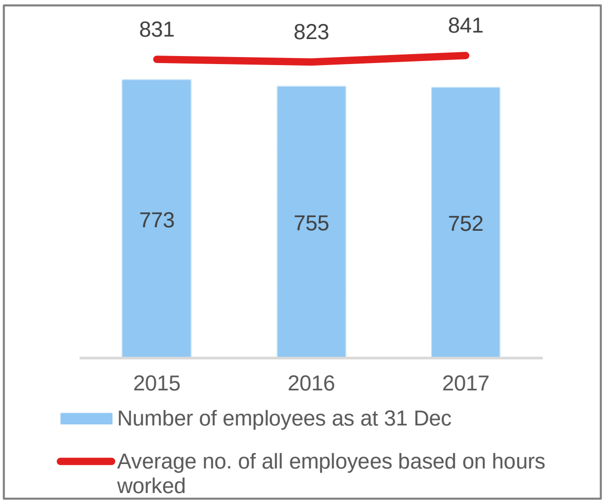


Figure 6: Number of employees

3 HIGHLIGHTS OF BUSINESS IN 2017 – ELEKTRO MARIBOR GROUP

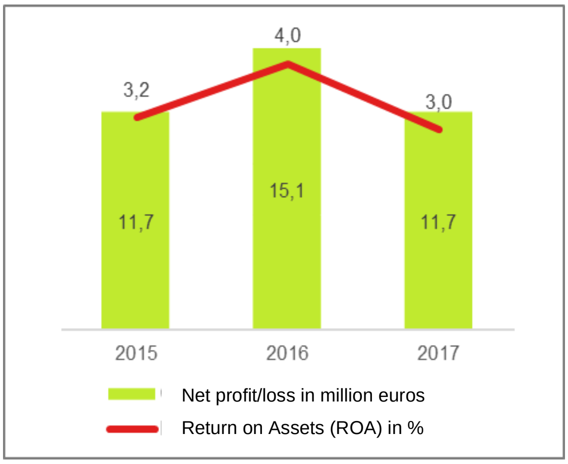


Figure 7: Net profit/loss and ROA

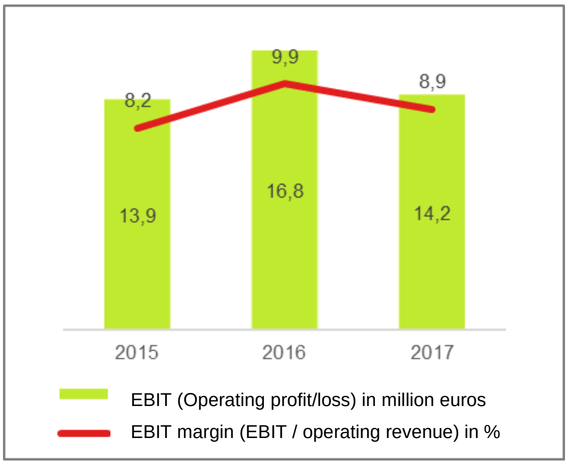


Figure 8: EBIT and EBIT margin

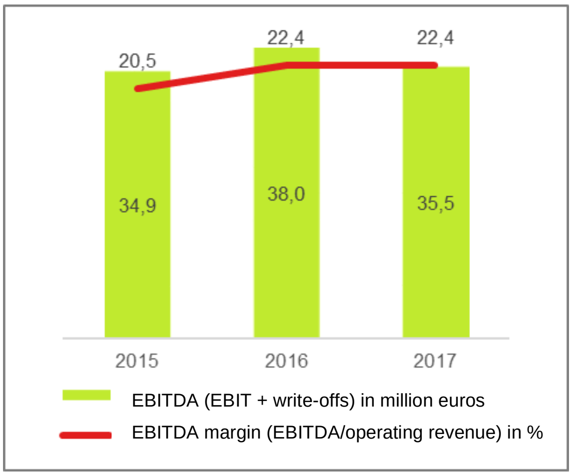


Figure 9: EBITDA and EBITDA margin

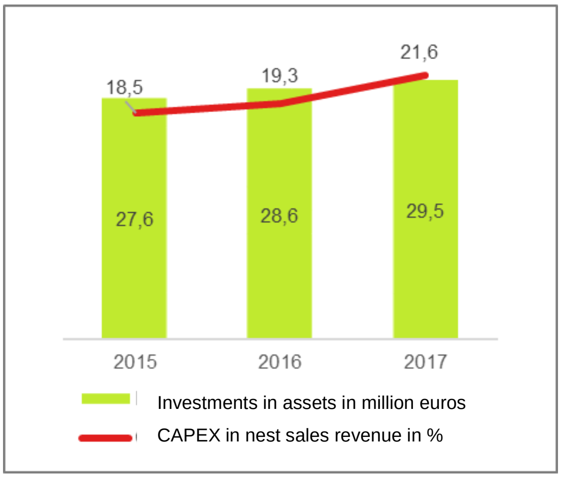


Figure 10: Investments in assets and net sales revenue

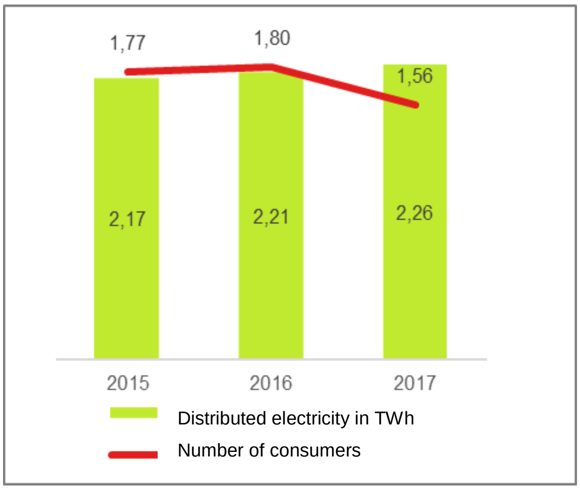


Figure 11: Distributed and sold electricity

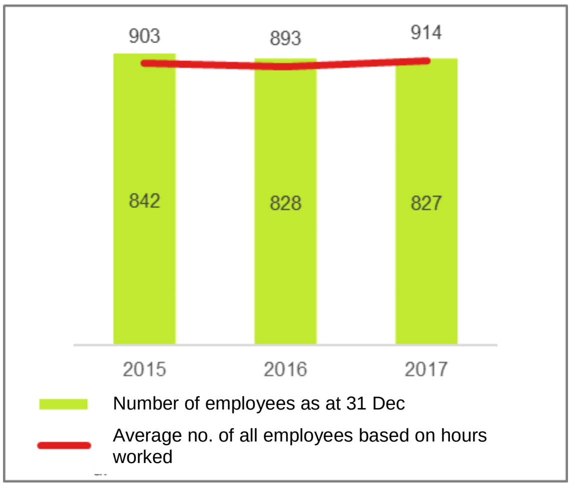


Figure 12: Number of employees

4 REPORT OF THE SUPERVISORY BOARD

Composition

In 2017, the Supervisory Board of the Elektro Maribor d.d. company acted the following composition:
Until 31 August 2017:

- Tomaž Orešič – Chairman,
- Mateja Čuk - Deputy Chairperson,
- Ciril Pucko – Member,
- Roman Ferenčak – Member,
- Dušan Kovačič – Member,
- Darko Nemec – Member.

From 1 September 2017:

- Tomaž Orešič – Chairman,
- Mateja Čuk - Deputy Chairperson,
- Ciril Pucko – Member,
- David Klarič – Member,
- Dušan Kovačič – Member,
- Darko Nemec – Member.

Membership in other bodies

The member of the Supervisory Board, David Klarič, M.Sc. is a member of a management and respectively a supervisory body of non-associated companies: Pension and Disability Insurance Institute of Slovenia, Public Scholarship, Development, Disability and Maintenance Fund of the Republic of Slovenia. Other members of the Supervisory Board do not participate as members in any management or supervisory bodies of associated and non-associated companies.

Monitoring company's business operations

In 2017, the Supervisory Board of the Elektro Maribor d.d. company was performing its work in accordance with the basic function of supervision over the management of the company's operations and with a duty of a diligent and prudent management based on its competences set out by applicable regulations and the company's acts. The Supervisory Board supervised the management and operations of the Elektro Maribor d.d. company based on the provisions of the Companies Act, the Articles of Association of the Elektro Maribor d.d., and the applicable laws.

The work of the Supervisory Board was organized and carried out according to the provisions of the Rules of Procedure of the Supervisory Board. The Supervisory Board prepared itself for the topics discussed, provided constructive suggestions and, based on the materials prepared by the company's Management Board, adopted its decisions in a responsible manner. In 2017, at all meetings of the Supervisory Board, the company's Management Board was invited to almost all items of the agenda, which in addition to the submitted materials, presented further Notes to the Supervisory Board.

At its eight regular and four correspondence meetings, the Supervisory Board discussed and adopted the following important decisions:

- Agreed with the Annual Business Plan of the company and the Elektro Maribor Group for 2018, including the projection of operations for 2019 and 2020;
- Approved the annual report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2016;
- Appointed Mateja Čuk, M.Sc. as a member of the Audit Committee of the Supervisory Board;

- Took note of the Electricity Distribution Network Development Plan for the 2017-2026 period, and the activities for the preparation and adoption of the Development Plan for the 2019-2028 period;
- Took note of the comments on the material on the Energy Concept of Slovenia, published by the Ministry of Infrastructure on 7 June 2017, and with the activities related thereto;
- Took note on the procedure of a purchase and a report of activities related to obtaining its own shares of the Elektro Maribor d.d. company;
- Took note of the information on the listing of EMAG shares on the Ljubljana Stock Exchange's Multilateral Trading Facility (SI-ENTER);
- Approved the materials of the 22nd regular General Meeting of the Elektro Maribor d.d. company;
- Carried out the self-assessment for 2016 and 2017, and analysed the results of the performed self-assessment;
- Took note of information on the collected offers for the liability insurance of the members of the management and supervisory bodies, and the procedure of awarding the contract for liability insurance of the management and supervisory bodies of companies, and gave consent to the signing of the contract;
- Took note of the platforms related to the initiatives of potential strategic partners;
- Took note of the decision on the awarding of a grant for the implementation of the operation "Project for replacing electricity meters with smart meters", and the status of the NEDO project;
- Took note of the debt for the use of the network;
- Approved the Internal Audit Report;
- Took note of the procedures for carrying out the ERP system update in Elektro Maribor d.d. and gave its consent to the signing of the Contract no. EM-AX-04/2017 for the supply, adaptation and implementation of the ERP solution, Microsoft Dynamics AX;
- Took note of the Audit Committee reports;
- Agreed with the Plan of internal audits in the Elektro Maribor Group for 2018, including the projection for 2019 and 2020;
- Agreed with Annexes to the contracts on successive deposit;
- Took note of a disclosure of a potential conflict of interest;
- Took note of the course of self-assessment according to the European EFQM Excellence Model;
- Took note of business operations of ELDOM d.o.o., in which the Elektro Maribor d.d. company holds a 25% share, and the contents of the notice on the sale of the shareholding received by the company Eles d.o.o.;
- Took note of the report on the delimitation and sale of the 110 kV network;
- Took note of reports on the situation of the 2x110 kV Murska Sobota-Mačkovci transmission line project;
- Took note of the course of application of Elektro Maribor d.d. to the public tender for co-financing of the purchase and installation of smart electricity meters for the period from 2017 to 2022 (cohesion funds);
- And other.

Attendance at sessions

The attendance of members of the Supervisory Board per individual sessions was the following:

	Regular session	Correspondence session
Tomaž Orešič	32, 33, 34, 35, 36, 37, 38, 39	28, 29, 30, 31
Mateja Čuk	32, 33, 34, 35, 36, 37, 38, 39	28, 29, 30, 31
Ciril Pucko	32, 33, 34, 35, 36, 37, 38, 39	29, 30, 31
Roman Ferenčak	33, 34, 35, 36	28, 29, 30
Dušan Kovačič	32, 33, 34, 35, 36, 37, 38, 39	28, 29, 30, 31
Darko Nemec	32, 33, 34, 35, 36, 37, 38, 39	28, 29, 30, 31
David Klarič	37, 38, 39	31

Work of the Supervisory Board committees

Audit Committee of the Supervisory Board

In 2017, the Audit Committee of the Supervisory Board at its 11 regular sessions discussed all items of the Supervisory Board's agenda, for which, according to the law (ZGD-1) and the acts of Elektro Maribor d.d., it must prepare an opinion for the Supervisory Board of the company.

In this regard, the Audit Committee of the Supervisory Board discussed the following issues:

- Annual Business Plan of the Elektro Maribor company and the Group for 2018, including the projection of business operations for 2019 and 2020;
- Annual report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2016 (it performed an interview with the auditor before and after the audit, and an interview with the Management Board of Elektro Maribor d.d.);
- Report on the work of the internal audit in 2016 by presenting the self-assessment of the quality of the work of the internal audit;
- Letter to the management of the Elektro Maribor d.d. company and the Independent Auditor's Report to the shareholders of the company Elektro Maribor d.d. for 2016;
- Register of internal audit recommendations and information on their implementation;
- Final internal audit reports issued in 2017;
- Follow-up audit reports for internal audits, produced in 2017 (monitoring of the implementation of recommendations after issued final reports);
- Report on the results of the publication of the invitation to submit a tender for the performance of the audit services of the company and the Elektro Maribor Group for the years 2017 and 2018, dated 28 March 2017;
- Management report on the relationships with affiliated companies in the Elektro Maribor Group;
- Renewed fundamental charter on internal audit of the Elektro Maribor Group,
- Report on the effects of the reorganization and systemization of Elektro Maribor d.d. company;
- Quarterly reports on receivables for the use of the network of the Elektro Maribor d.d. company;
- Monthly and quarterly reports on the operations of the Elektro Maribor d.d. company, and
- Internal audit plan for the Elektro Maribor Group for 2018 (projection 2019 and 2020).

The Audit Committee of the Supervisory Board has performed the regular self-assessment of its work for 2016.

Expectations of the Slovenian Sovereign Holding

The Supervisory Board monitored the operations of Elektro Maribor d.d. also in terms of expectations of the Slovenian Sovereign Holding.

The Chairman of the Supervisory Board regularly attended the briefings of the Management Board and the Supervisory Board of the company at the Slovenian Sovereign Holding.

Assessment of own performance

The main focus of the Supervisory Board's work in the previous year was monitoring of the company's operations, in accordance with the planned results, based on reports prepared by the company's Management Board.

The Supervisory Board finds that the reports and the information were prepared and elaborated in a timely and high-quality manner, which allowed the Supervisory Board to carry out its work smoothly, in accordance with the company's Articles of Association and the applicable legislation.

Annual Report audit

The Annual Report audit of the Elektro Maribor d.d. company for 2017, was performed by the audit firm Rating d.o.o., which on 12 April 2018, issued a positive opinion to the Annual Report of the company Elektro Maribor d.d.

Proposal for allocation of distributable profit

The Supervisory Board agreed with the proposed allocation of net profit for 2017 and the allocation of distributable profit for 2017, as proposed by the company's Management Board. The proposal will be submitted to the General Meeting of Shareholders.

Review and approval of the Annual Report and Consolidated Annual Report of the company, and the position on the Audit Report, including proposed decisions for the financial year 2017

The company's Management Board provided the Supervisory Board with the audited Annual Report, including the Auditor's Report, within a statutory deadline. The Supervisory Board discussed the company's Annual Report for 2017, including the report of the audit firm Rating d.o.o.

In accordance with the provisions of Articles 270 and 294 of the Companies Act (ZGD-1), the Supervisory Board ensured that the entire remuneration of the Management Board is in appropriate proportion to the assignments of the Management Board and the company's financial position, and in compliance with the policy concerning such remuneration; it also noted that remuneration of the members of the management and supervisory bodies was in the Annual Report disclosed accordingly.

The Supervisory Board established that the contents of the Annual Report and the Consolidated Annual Report realistically show operations of the company in 2017. The Supervisory Board also took note of the opinion of the authorised audit firm Rating d.o.o., according to which the company's financial statements fairly present the financial position of the company, and has adopted the following decisions:

- The Supervisory Board finds that the Annual Report was compiled in accordance with the provisions of the Companies Act and the Accounting Standards.
- According to the Supervisory Board, the Annual Report and the information therein are a credible reflection of the company's operations in the previous financial year.
- Upon the final review of the company's Annual Report, the Supervisory Board has no comments, and approves the company's Annual Report for 2017.
- The Supervisory Board gives a positive opinion to the Auditor's report on the company's financial statements and consolidated financial statements for 2017, as it finds that it was drawn up in compliance with the law, and based on a diligent and comprehensive overview of the company's Annual Report and operations.
- Upon the final review of the Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2017, the Supervisory Board approved the Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2017, at its session held on 21 May 2018;
- The Supervisory Board proposes to the company's General Meeting to:
  - Adopt a decision to award a discharge to the Management Board – to the President of the Management Board, Boris Sovič, M.Sc. for 2016; the Supervisory Board believes that the Management Board has managed the company successfully, diligently, and in accordance with the company's regulations and acts.
  - Adopt a decision to award a discharge to the Supervisory Board for 2017, as it assesses that the company operated in accordance with the outlined objectives and the plan for 2017.
- The Supervisory Board adopts the Supervisory Board's Report on the review of the company's Annual Report and the Consolidated Annual Report for 2017.

- The Supervisory Board took note of the proposal to convene the General Meeting of Shareholders and of the draft decisions enclosed to this decision, and fully agrees with the agenda and the proposed decisions.

Review of the Report on relations with associated companies for the financial year 2016 (Article 546a of the Companies Act (ZGD-1))

At its 43rd regular session, the Supervisory Board addressed and checked the Report on relations with associated companies for 2017, in compliance with Article 545 of the ZGD-1. The Supervisory Board established that the Report contents comply with the Companies Act. The Report contains legal transactions with the associated company, as well as all performed obligations, and all necessary information on completed legal transactions.

Based on the Report on relations with associated companies for the previous financial year, the Supervisory Board checked all necessary circumstances and reasons for the conclusion of legal transactions, and established that there was no deprivation between companies.

The Supervisory Board adopted the written Supervisory Board's Report on the review of the Report on relations with associated companies, informing the General Meeting of the company thereof.

Maribor, 21 May 2018

Chairman of the Supervisory Board:
Tomaž Orešič

II. Business Report

1 CORPORATE GOVERNANCE STATEMENT (G4 LA12)

In compliance with the provision of Article 70, paragraph 5 of the Companies Act (ZGD-1), the company Elektro Maribor d.d. provides a corporate governance statement, which is an integral part of this business report and is available on the company's website at www.elektro-maribor.si. The corporate governance statement refers to the period from 1 January 2017 to 31 December 2017.

I. Corporate Governance Codes – Statement of Compliance of Operations with the Corporate Governance Code

As a reference corporate governance code, the company uses the Corporate Governance Code for State-Owned Enterprises, which was adopted by the Slovenian Sovereign Holding on 17 May 2017.[1] In 2017, it deviated from the following recommendations:

- Principle 3.2: The draft document of the Management Policy was namely already prepared in 2017, however due to the harmonisation with the Corporate Governance Code for State-Owned Enterprises it shall be adopted in 2018.
- Principle 6.7.2: Upon commencement of a mandate of new members of a Supervisory Board, or upon the appointment of individual committees of a Supervisory Board, the company thorough introduction ensures all the necessary documentation and enables all relevant communications.
- Principle 9.1.1: The supervisory body of the company Elektro Maribor d.d. proposed the appointment of an external auditor for a one-year period to the General Meeting. The invitation to submit tenders for performing audit services was conducted in March 2017, and referred to two financial years (2017 and 2018) due to the consideration of the mandate of members of the Supervisory Board.

As a reference code, the company also gives consideration to the Corporate Governance Code for Unlisted Companies – advanced level, which was prepared by the Ministry of Economic Development and Technology of the Republic of Slovenia, the Chamber of Commerce and Industry of Slovenia and the Slovenian Directors' Association in May 2016.[2] In 2017, it deviated from the following recommendations:

- Principle 2.8: The draft document of the Management Policy was namely already prepared in 2017, however due to the harmonisation with the Corporate Governance Code for State-Owned Enterprises it shall be adopted in 2018.
- Principle 4.6.4: According to the decision made by the General Meeting, the supervisory body is composed of at least one sixth of members of each gender.
- Principle 4.6.5: Upon the initiation procedure of the supervisory authority, the latter has not formulated any specific commitments.
- Principle 5.7.2: The system for introducing new supervisory body member and the procedures for selecting and proposing candidates for membership in the supervisory body to the General Meeting are determined by the supervisory body or by the committee appointed by the supervisory body. The rules of procedure do not yet define more detailed criteria for assessing the conflicts of interest of the supervisory body and the procedures in the event of a conflict of interests. It is expected that the new rules of procedure will be adopted upon the new composition of the Supervisory Board.
- Principle 5.7.8: The rules of procedure do not yet define the method on how to communicate the decisions adopted at the general meeting to the public. It is expected that the new rules of procedure will be adopted upon the new composition of the Supervisory Board.
- Principle 5.7.11 in connection with point 8: In 2017, the supervisory body failed to form criteria for variable payments of the management body, which shall be done in 2018.

[1] The Code of Corporate Governance for State-Owned Enterprises is available on the website of the Slovenian Sovereign Holding at www.sdh.si.

[2] The Corporate Governance Code for Unlisted Companies is available on the website of the Chamber of Commerce and Industry of Slovenia at www.gzs.si.

- Principle 6.5: In compliance with the company's Articles of Association adopted at the company's General Meeting, the Management Board has one member.

In corporate governance, the company's Management Board and the Supervisory Board take into account the Recommendations and Expectations of Slovenian Sovereign Holding.[3] On 26 May 2017, the aforementioned recommendations were amended and supplemented, which was taken into account by the company in corporate governance in 2017. In 2017, it deviated from the following recommendations:

- Recommendation 4.5: The binding collective agreements or agreements with representatives of employees that refer to the payment for the work carried out, are published on the company's intranet site. The company takes into account the prevailing practice of companies in the portfolio of the same operator.

In the course of its business, the company Elektro Maribor d.d. continuously strives to improve practices in the field of corporate governance, including proactive corporate communication with different stakeholders.

II. Description of the main features of internal control and risk management systems in relation to the financial reporting process

The Elektro Maribor d.d. company carries out risk management and procedures of internal controls at all levels. The risk management system ensures the identification and assessment of significant risks, the definition of measures for risk control and the reporting of risks. The internal control system provides reasonable assurance of achieving objectives and managing key risks. The company's management is responsible for establishing the functioning of the internal control system, whereby the controls are being integrated into business processes and systems.

The objectives of internal control operation are to ensure the compliance of operation with the legislation and other regulations, with standards, contracts and company's internal acts, providing reliable and faultless accounting information, asset protection, achieving efficiency and effectiveness of operations and to reach the set-out strategic objectives.

The supervision over the operation of internal controls is carried out by management supervision, with internal audits, with external audit of financial statements and other independent assessments. In Chapter 6 of this business report there is a detailed presentation of risk management and control mechanisms in connection with the assessment of individual risk types. The Management Board and the Supervisory Board believe that the current system of internal controls in the company Elektro Maribor d.d. and the Elektro Maribor Group in 2017, provided effective and efficient achievement of business objectives, operation in accordance with the statutory provisions and fair and transparent reporting in all important aspects.

The Management Board is responsible for keeping adequate accounts and establishing and ensuring the functioning of the internal control and internal accounting controls, the selection and application of accounting policies and the safeguarding of company assets. In connection with the financial reporting procedure, the company Elektro Maribor d.d. *mutatis mutandis* applies the COSO[4] model of risk management and the internal control system. In setting up the internal control system according to the three lines of defence principle[5], it follows the three main objectives:

- Accuracy, reliability and completeness of accounting records and true and fair financial reporting;
- Compliance with the applicable laws and other regulations, and

[3] Recommendations and Expectations of Slovenian Sovereign Holding are published on the website of the Slovenian Sovereign Holding (SDH d.d.) www.sdh.si.

[4] Committee of sponsoring Organizations of the Treadway Commission is the author of the risk management model in a company that is used under the name COSO model..

[5] The three lines of defence: (1) operational management or risk owners, (2) supervisory functions, including the risk co-ordinator function, (3) internal audit, with the function of providing independent assurances.

- Efficiency and effectiveness of operations.

The company's Management Board strives to establish such a control system that is on one hand most effective in preventing undesired events and cost-efficient on the other. The company's Management Board is aware that any internal control system, no matter how well it works, has its limitations and cannot fully prevent errors and frauds, however, it has to be set up so that it warns about these events as soon as possible and gives the Management Board a reasonable assurance on achieving the objectives.

For this purpose, Elektro Maribor maintains and improves:

- Transparent organisational chart of the parent company and the Group;
- Clear and harmonised accounting policies and their consistent application across the entire Elektro Maribor Group;
- Efficient organisation of the accounting function (functional responsibility) inside individual companies and the Elektro Maribor Group;
- Reporting for the company in compliance with the Slovenian Accounting Standards, for the Elektro Maribor Group in accordance with the International Financial Reporting Standards, including all requirements of disclosures and notes;
- Financial reporting, including all requirements of disclosures and Notes;
- Regular internal and external audits of business operation processes.

III. Notes in compliance with Article 70, paragraph 6 of the ZGD-1

In compliance with Article 70, paragraph 6 of the Companies Act (ZGD-1), the company Elektro Maribor d.d. provides details according to the balance as at the last day of the financial year and all necessary notes:

1. The structure of the share capital of the company Elektro Maribor d.d.:

All shares are ordinary registered no-par value shares which give their holder the right to manage the company, the right to a dividend, and the right to payment of the residual value of the assets in case of liquidation. All shares are shares of one class and are issued in dematerialised form.

2. Restrictions relating to the transfer of shares:

All shares are freely transferable.

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

The data on direct and indirect ownership of the company's securities in terms of achieving a qualified holding, as determined by the act governing mergers and acquisitions, are published in annual reports. As at 31 December 2017, the Republic of Slovenia held 26,628,807 shares or 79.5%.

4. Notes on the holder of securities that provide special controlling rights:

The company has not issued any securities that would provide special controlling rights.

5. The employee share scheme:

The company Elektro Maribor d.d. has no employee share scheme.

6. Notes on all restrictions on voting rights:

The shareholders of the company Elektro Maribor d.d. have no restrictions for exercising their voting rights, save the company Elektro Maribor d.d. in respect of own shares. As at 31 December 2017, the company Elektro Maribor d.d. held 74,287 of own shares.

7. Agreements among shareholders, which could result in a restriction of the transfer of securities or voting rights:

There are no such agreements.

8. The company's rules on the appointment or replacement of members of the management or supervisory bodies, and amendments to the Articles of Association:

In the appointment or replacement of members of the management or supervisory bodies, and amendments to the Articles of Association, the company takes into account the applicable legislation and the company's Articles of Association.

The members of the Supervisory Board are appointed and recalled by the company's General Meeting. The Management Board is appointed and recalled by the company's Supervisory Board. The General Meeting adopts the company's Articles of Association and decides on its amendments.

9. Authorisations to the members of the management, in particular with regard to own shares:

The General Meeting of the company Elektro Maribor d.d. authorised the company's Management Board to purchase own shares in the period from 1 September 2016 to 31 March 2018.

10. Important agreements taking effect, are amended or terminated based on the change in control of the company resulting from a public takeover bid:

There are no such agreements.

11. Agreements between the company Elektro Maribor d.d. and its management or supervisory bodies or its employees that anticipate compensation if due to a bid as determined by the law governing mergers and acquisitions, these persons resign, are dismissed without valid reason, or their employment is terminated:

There are no such agreements.

IV. Notes on the functioning of the General Meeting of the company Elektro Maribor d.d. and its key powers, and a description of shareholder's rights and the manner of their exercising

A shareholder exercises its rights at the General Meeting. The General Meeting is convened and held in compliance with applicable regulations. The holder of the shares has the right to manage the company, the right to a dividend, and the right to payment of the residual value of the assets in case of liquidation.

V. Notes on the composition and operation of the Management and Supervisory Board and their committees

The composition and operation of the Management and Supervisory Board are described in Chapter 5.2.3. of this Annual Report.

VI. System of compliance of operations and corporate integrity

The integrity of the company Elektro Maribor d.d. is of key importance for the implementation of the mission of the company Elektro Maribor d.d. The company aims at this by both, the implementation of statutory provisions and enforcing the codes and rules of operation adopted by the Management Board in order to ensure transparent operation of the company Elektro Maribor d.d. This involves a commitment to ethical action, in accordance with the highest expectations and standards, all with the objective to ensure best corporate governance practice.

In order to establish and implement the system of compliance of operations and integrity in the company, the integrity system is in place. A corporate integrity officer was appointed (proxy). The proxy was not subjected to undue influence, and he or she was also guaranteed independence in the performance of the tasks.

VII. Diversity policy

The Management Board and the Supervisory Board promote diversity to the benefit of the company. The company accepts the advantages of diversity, since it is a reflection of respect for common human values and also one of the essential elements in preserving the development and competitive advantages of the company.
In 2017, the Management Board and the Supervisory Board have not yet adopted the diversity policy. The shall adopt it in 2018. The company's General Meeting has in the Supervisory Board at the expiry of the term of office of one member of the Supervisory Board ensured adequate diversity, save in terms of gender.

Maribor, on 12 April 2018

President of the Management Board
Boris Sovič, M. Sc.

Chairman of the Supervisory Board
Tomaž Orešič

2 SIGNIFICANT EVENTS IN 2017

Reorganisation of the company

In the beginning of 2017, a new organisation of the company entered into force, which also means harmonisation with the delimitation of the regulated and other activities, optimising organisational levels, including terminating departments and lowering the number of managerial job positions by almost two thirds, and a better delimitation of powers and responsibilities of individual managers.

Listing of company's shares to the multilateral trading facility (MTF) of the Ljubljana Stock Exchange

In March 2017, the Ljubljana Stock Exchange introduced a new market in Slovenia, the SI ENTER market with is a Multilateral Trading Facility – MTF, to which the shares of our company were also listed, namely into the segment of the stock market - Enter Basic.

Purchase of own shares

In compliance with the decision of the General Meeting on own shares and the programme of purchasing own shares, the company Elektro Maribor d.d. in the periods from 13 June 2017 to 28 June 2017, from 20 September 2017 to 31 October 2017, and from 11 December 2017 to 30 December 2017, performed the purchase of own shares outside the regulated market, which was conducted by the selected company ILIRIKA borzno posredniška družba d.d. in the bidding procedure.

Breakdowns in 2017

The data show that the number and the strength of natural and other disasters (by this meaning extreme weather conditions in particular) have recently been increasing substantially. In 2017, 27 days with extreme weather conditions were recorded on the supply area of Elektra Maribor d.d., which is considerably higher than in previous years. Stating for example that in 2014, which was marked by ice damage, there were 14 days with extreme weather conditions. Therefore, in 2017, we recorded as much as 1,147 loss events on the electricity distribution network in the value of EUR 4 million. As a result, the company was forced to restructure the investment plan several times during the year for the purpose of comprehensive rehabilitation of the damaged network and additional increase in the degree of robustness of the existing network.

Business support system (ERP) and asset management system (EAM)

In June 2017, we signed a contract for updating the information solution for business support (ERP). The ERP update project involves implementation of a solution for business processes. The operational activities were launched in August 2017. The completion of the project of ERP renewal is expected by the end of 2018. In 2017, we completed the pilot project of the selection and the functioning of the asset management system (EAM).

Collective agreement for the electricity sector and the Corporate collective agreement

The Collective agreement for the electricity sector of Slovenia was signed in July 2017. The Corporate collective agreement, which was in force by the end of 2017, was extended until 30 September 2018 by signing Annex no. 3 to the Corporate collective agreement in December 2017. The Corporate collective agreement does not include automatic indexation.

Proposal of the Energy Concept of Slovenia (EKS)

The expert associates in the company thoroughly examined all available materials for the Energy Concept of Slovenia, namely both the June and the December version. In this regard, we also organised a regional consultation within the framework of the Distribution Academy, where the views of institutions, local communities and enterprises were presented. Presented were positive practices in the area of efficient use of energy and the production of energy from renewable sources, and the importance of the electricity distribution system for the realisation of sustainable development strategies. The proposals to supplement the contents of the EKS draft document were also coordinated within the GIZ electricity distribution and forwarded to the competent ministry.

Energy Act EZ-1

EZ-1 is the key act that defines the activity that we contractually engage in on behalf of a distribution operator. The proposal for amendments of the EZ-1 shall also potentially interfere with the activity of a distribution operator, and thus consequently into our activity as well. The company Elektro Maribor d.d. has together with other electricity distribution companies prepared a series of comments to the Act and presented them to the competent ministry. Particularly significant are the provisions of the Act that refer to the management and control of the 110 kV network, the elaboration of the national energy plan, the evaluation of elements of the 110 kV network, which the distribution companies would have to sell to the system operator, and the provisions on corporate governance.

Slovenian-Japanese Project

In co-operation with the company ELES, the Slovenian transmission system operator, and the Japanese agency NEDO for advanced energy and industrial technologies, we commenced with the implementation of the project. The latter is composed of two functional sets, namely the limitation of the peak or "Move consumption", and the advanced management distribution system or "DMS". The company Elektro Maribor d.d. plays a key role as a partner in the implementation of the project, as the provider of the distribution operator's tasks. By participating in the "Move Consumption" project, it will be possible for the consumers to achieve savings with their electricity costs, while at the same time contribute to a more effective operation of the power system and the local environment. Participation in the "DMS" brings us new knowledge and approaches that will be implemented on the RTP Ptuj Breg distribution network. In this part, the emphasis is on the impact on the peak load through voltage regulation, load forecasting, simulation and calculations of the maximum scope of connection of new diffuse sources, and the reduction of time interruptions at failures by using the automatic location of the fault in the system.

Cohesion funds

On 16 October 2017, the company Elektro Maribor d.d. received a decision on awarding the grant in the amount of EUR 3.7 million for the execution of the operation “Project on replacing electricity meters with smart meters”. In the period from 2017 to 2012, 88,295 smart meters shall be installed, and the total value of the investment amounts to EUR 19.4 million. The project is co-financed by the European Union from the Cohesion Fund and the Republic of Slovenia.

Distribution Academy of Elektro Maribor

In order to mark the hundredth anniversary of the start of operation of the Elektro Maribor’s predecessor, the Maribor City Electricity Company, the company Elektro Maribor d.d. ceremonially opened the Distribution Academy of Elektro Maribor, which comprises the external training ground, an auditorium and a memorial room. The keynote speaker was the member of the SSH’s Management Board, Mrs Nada Drobne Popovič, M.Sc.

Gold Ratings Excellence Certificate and Financial Reliability Certificate

In June 2017, the company Bisnode awarded the Certificate of Golden Creditworthiness of AAA Rating to Elektro Maribor d.d. The golden credit rating of excellence signifies above-average creditworthiness among the companies, which demonstrate the credit rating excellence for three consecutive years. It is based on financial statements and other dynamic indicators of enterprises and forecasts above-average safe and successful operation of the company for the following 12 months.

In the beginning of 2017, the company Elektro Maribor d.d. received a Certificate of Financial Reliability which is issued by the Prva bonitetna agencija d.o.o. The Certificate is an internationally recognised document.

Obtaining special status by Furs

In 2016, we obtained a special status by the Financial Administration of the Republic of Slovenia for promoting voluntary compliance with obligations, which is aimed at cooperation and reduction of tax risks. In 2017, the company successfully passed the verification of compliance with recommendations by Furs.

3 REPORT ON NON-FINANCIAL OPERATIONS (G4 17-23, 28-31)*

The company Elektro Maribor d.d. and the Elektro Maribor Group are not bound to report on non-financial operations in compliance with Article 70c of the ZGD-1, since according to Article 53 of the ZGD-1 they do not belong to the group of public-interest entities. On account of transparency of sustainable reporting and social responsibility within the context of the Annual Report, we have been reporting on non-financial operations that is based on comprehensive reporting according to the international sustainability reporting guidelines GRI (Global Reporting Initiative) since 2013.

In the context of non-financial reporting we disclose key aspects of sustainability reporting in accordance with the international sustainability reporting guidelines G4 of GRI, which include the most important economic, environmental and social impacts of the company`s sustainable development and our stakeholders. When selecting indicators and aspects of reporting, we follow the principle of materiality. Indicators and aspects of sustainability reporting, which are not essential, are not included in the report.

In reporting according to the GRI guidelines, we focused on the three-year period (2014-2016). Considering sustainability reporting in the recent years, the company did not detect any significant changes, which would affect the published data.

Reporting according to GRI is an internationally recognised and comparable reporting method, which presents information to stakeholders and a general public in a clear, transparent and measurable way. By this reporting method we allow our stakeholders to obtain sufficient information on company`s socially responsible operations, which facilitates their decision-making.

The consolidated annual report of the Group is an integral part of the Annual Report of the controlling company, and is available at the headquarters of the company Elektro Maribor d.d., Vetrinjska ul. 2, 2000 Maribor and on the website www.elektro-maribor.si in Slovene and English language.

Contact for information on sustainable development:
Elektro Maribor d.d.
Vetrinjska ulica 2, 2000 Maribor
E-mail address: info@elektro-maribor.si

Economic impacts	**Economic performance**	
	Indirect economic impacts	
	Purchase practice	
Environmental impacts	Energy	
	Waste waters and waste	
Social impacts	Labour practices and decent work	Employment
		Safety and health at work
		Training and education
		Diversity and equal opportunities
		Work-related appeal mechanisms
	Human rights	Non-discrimination
	Society	Anti-corruption product
	Product responsibility	Product and services labelling

Figure 13: Key aspects of the sustainability reporting

4 ECONOMIC (BUSINESS ENVIRONMENT) (G4 6, 8)*

In 2017, Slovenia recorded a high economic growth. The economic situation was favourable and is reflected in a 4.4% economic growth, which is higher than in 2016, when gross domestic product (GDP) increased by 3.1%. The growth of employment, which has increased in almost all activities, was mainly influenced by demographic changes. The wage growth was moderate and did not exceed the productivity growth. As in previous years, the growth of exports and the dynamics of government investments, which increased in 2017, contributed the most to economic growth. The domestic consumption growth was stimulated by the growth in disposable income along favourable conditions in the labour market, which had a favourable impact on consumer confidence. Following a period of low price growth or deflation, the growth in domestic and foreign demand in 2017, primarily strengthened the growth in the price of services (Source: UMAR).

Table 1: Economic trends in Slovenia

Real growth rates in %	2017	2016	2015
Gross domestic product (GDP)	4.4	3.1	2.3
Employment	2.7	1.9	1.2
Gross wages per employee (real growth)	1.2	1.9	1.2
Domestic consumption	4.0	2.9	1.8
Inflation (end of the year)	1.7	0.5	-0.5
Gross investments	8.8	-0.1	0.2

(Source: UMAR's Autumn Forecast of Economic Trends)

Distribution activity

In Slovenia, there are five companies engaged in the electricity distribution activity, namely in addition to the company Elektro Maribor d.d. also Elektro Primorska d.d., Elektro Gorenjska d.d., Elektro Ljubljana d.d. and Elektro Celje d.d. The comparison of Elektro Maribor d.d. with other EDP's is made on the basis of publicly available data for 2016.

In 2016, the company Elektro Maribor d.d., which covers 19.1% of the territory of Slovenia, has with a high share of investments in assets, which constitutes as much as 24.8% of all EDP investments, distributed 20.4% of electricity to 22.9% of consumers.

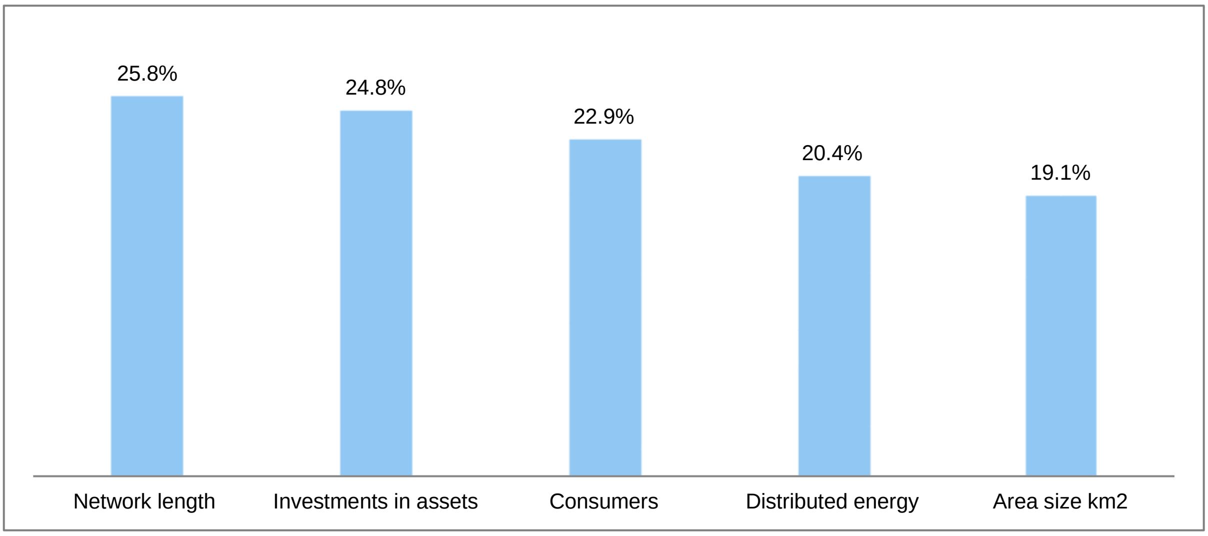


Figure 14: Percentages of Elektro Maribor d.d. in all distribution companies together in 2016

In 2016, the company Elektro Maribor d.d. supplied 22.9% of Slovene distribution consumers, more than 25.8% of the distribution system. The company has an above-average share of underground lines (26.8%), it has 32.6% of all EDP users included in the advance measurement systems and 30.8% network integrated small power plants in Slovenia. In this context, it should be noted that within the scope of the existing regulation of activities, the share of the company Elektro Maribor d.d. in revenues of regulated activity of all EDP's is only 22.6%.

Changes in prices of electricity and natural gas in 2017

The Group manages an independent balance sheet subgroup for the purchase and sale of electricity and natural gas.

The balance sheet subgroup for electricity is classified under the balance sheet group of the Holding of Slovene Power Plants. The electricity is purchased from other balance groups or subgroups, small producers and the electricity stock exchange. The purchase strategy, the foreseen consumption of our end customers, the market situation and the risk management are those factors that dictate the quantity of electricity purchase on a long-term basis, while the quantity of electricity that we purchase on a short-term basis depends on the weather conditions, and the actual consumption process-conditional customers.

In terms of purchasing electricity, the year 2017 was a highly unfavourable year. It started with very low temperatures, continued very dry by autumn, and with many long-lasting heat waves over the summer. These factors had a significant impact on the price increase for current purchases. In 2017, the current price of electricity on the Slovenian Stock Exchange amounted to EUR 49.52 / MWh, which is 39% more than in 2016.

Natural gas is purchase at the Austrian-Slovenian border within the context of futures and daily contracts. Monitoring developments in the natural gas market and the consumption characteristics of our customers are the basis for business decisions on the quantity of purchase of longer-term products on an annual, quarterly and monthly basis. The same applies to the quantities of natural gas, which based on the short-term daily forecast of consumption of our customers, is being purchased on the current market. In the future, we also expect a continuation of the growth trend; both in the number of our customers and in the quantity of natural gas. By active management of the natural gas portfolio, we managed to reduce the average purchase price of natural gas for end customers by approximately 10%.

In 2017, the price of natural gas on the spot market in Austria (the reference purchase price of natural gas for Slovenia) reached the lowest value in the beginning of April. Since September, the price has been gradually rising. The growing trend on the Austrian market took place in line with the growth in other gas hubs across Europe and was reflected in the whole part of the raw materials during this period. In 2017, the current price of natural gas in Austria was EUR 18.08 /MWh, which is 21.7% more than in 2016.

5 PRESENTATION OF THE GROUP AND THE COMPANY ELEKTRO MARIBOR D.D. (G4 3, 4, 5, 6, 8, 9, 15, 16, 34)*

In 2002, the company Elektro Maribor d.d. carried out a procedure of spin-off of the electricity production activity to a newly founded company OVEN Elektro Maribor d.d., in which Elektro Maribor d.d. is the sole shareholder.

In 2011, the company Elektro Maribor d.d. carried out a procedure of division of a company by spin-off of the activity of purchasing and selling electricity. Based on the drafted division plan, a new company was founded in June 2011, in which Elektro Maribor d.d. is the sole shareholder.

5.1 Elektro Maribor Group

The Elektro Maribor Group, which was formed in 2011 by the spin-off of the Elektro Maribor d.d. company is composed of the controlling company Elektro Maribor d.d. and two controlled companies, which are 100% owned by the controlling company:

- Energija plus d.o.o.,
- OVEN Elektro Maribor d.o.o.

The company Elektro Maribor d.d. as the controlling company draws up the consolidated financial statements and the consolidated annual report. The consolidation includes both controlled companies, Energija Plus d.o.o. and OVEN Elektro Maribor d.o.o.

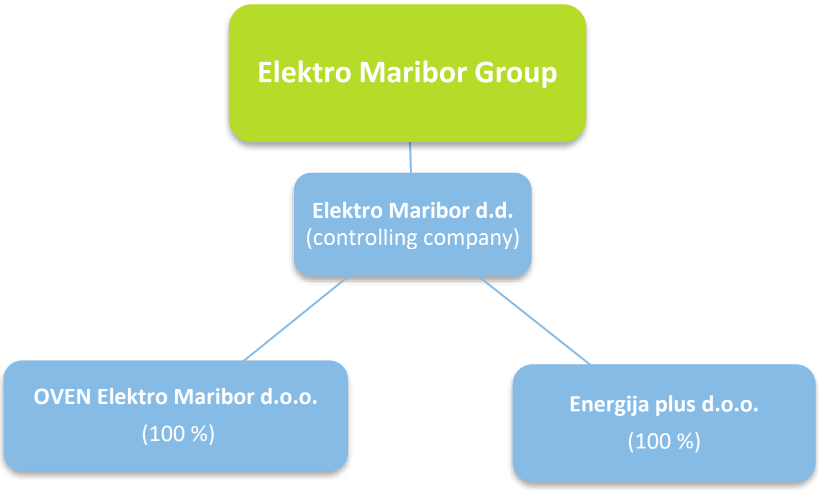


Figure 15: Organisational structure of the Elektro Maribor Group

5.2 Controlling company Elektro Maribor d.d.

The company Elektro Maribor, podjetje za distribucijo električne energije, d.d. is a part of the electricity system of the Republic of Slovenia, and one of five electricity distribution companies in the Republic of Slovenia.

Company name:	ELEKTRO MARIBOR, podjetje za distribucijo električne energije, d.d.
Short company name:	Elektro Maribor d.d.
Registered office:	Vetrinjska ulica 2, 2000 Maribor
Registration number:	5231698
Tax number:	46419853
Current bank account:	SI56 0451 5000 0570 965 NOVA KBM d.d. SI56 0294 1025 8087 934 NLB d.d. SI56 3500 1000 0478 316 BKS Bank AG
Share capital:	EUR 139,773,510.27
Entry in the court register:	District Court of Maribor, entry 1/00847/00
Code of main activity:	D 35.130 Distribution of electricity
Number of employees as at 31 December 2017:	752
Supply area:	North-East Slovenia
Company size according to ZGD-1:	Large company
President of the Management Board:	Boris Sovič, M.Sc.
Toll-free number:	080 21 05 (24-hour service for reporting failures and disruptions of network)
	080 21 01 (general information)
General e-mail address:	info@elektro-maribor.si
Website	www.elektro-maribor.si

Figure 16: Company profile of Elektro Maribor d.d.

The main objectives of the company are:

- in the role of a distribution operator, to ensure quality and reliable supply of electricity to all users in the area of the company in an environmentally friendly and safe way;
- sustainable operation, maintenance and development of efficient electricity distribution system;
- to provide a technologically advanced distribution system and a long-term capacity of the system to meet the reasonable needs of the economy and the population for electricity distribution;
- to take into account the social and environmental aspects of business operations in order to ensure sustainable development of the company,
- to increase the value of the company and meeting the expectations of shareholders and other stakeholders;
- to create a work environment, in which employees have the opportunity to develop and enforce their skills.

5.2.1 Activity of the company Elektro Maribor d.d.

The company Elektro Maribor d.d. carries out its main activity, i.e. electricity distribution to business and household customers, in the North-eastern part of Slovenia, in the area of 3,992 km^2, which represents almost a fifth of the country's territory.

In addition to the registered activity, the company carries out other activities necessary for its existence and the implementation of the registered activity.

Figure 17: Logo of the company Elektro Maribor d.d.

5.2.2 Organisational structure of the company Elektro Maribor d.d.

In 2017, a new organisation of the company Elektro Maribor d.d. entered into force, with which four areas managed by the directors of the areas have been introduced:

- Distribution area,
- Service area,
- Finance and economics area,
- Area of joint expert services.

The persons responsible for the individual organisational units are:

Management Board

Boris Sovič, M.Sc., President of the Management Board.

Peter Kaube, M.Sc., Project Director.

Distribution area

Silvo Ropoša, Area Director.

Zvonko Mezga, Assistant Area Director.

Arpad Gaal, Assistant Area Director.

Mitja Prešern, Assistant Area Director.

Unit Directors:

Mladen Žmavcar - Regional Unit Maribor with its surrounding area.

Uroš Kolarič – Regional Unit Murska Sobota.

Franc Šmigoc - Regional Unit Ptuj.

Miran Đuran - Regional Unit Slovenska Bistrica.

Andrej Roškar - Regional Unit Gornja Radgona.

Service area

Andrej Dolšak, Area Director.

Unit Directors:

Jože Ferlič – Service Unit Maribor.

Andrej Sraka - Service Unit Ljutomer.

Finance and Economics area
Andreja Zelenič Marinič, M.Sc., Area Director.

Area of joint expert services
Tatjana Vogrinec Burgar, Area Director.

The new organisation primarily indicates the optimisation of organisational levels, including the termination of departments, reducing the number of occupied managerial job positions and a better delimitation of competences and responsibilities of individual executives. Within the scope of the new organisation, a new systemization of job positions in the company was also adopted and implemented. With the new organisation, the company tried to achieve a more efficient cost management in the company. The analysis of the effects of the reorganisation on labour costs showed that, due to the elimination of wage disproportions, the mass of basic gross wages decreased slightly.

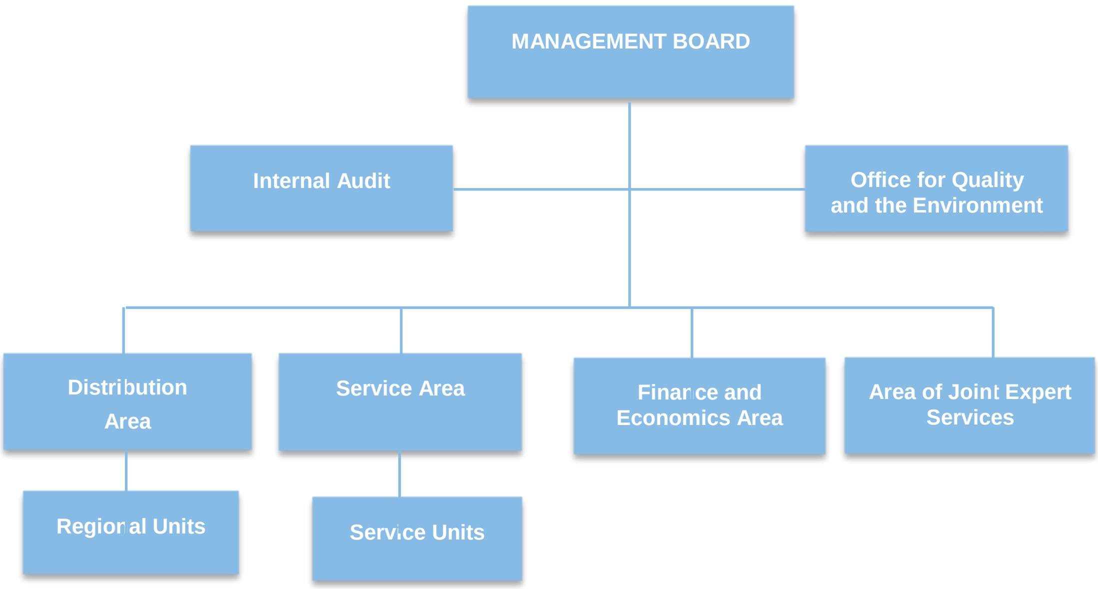


Figure 18: Organisational structure of the company Elektro Maribor d.d. as at 31 December 2017

Regional and service units of the company managed by unit directors are:

- Regional Unit Maribor with its surrounding area;
- Regional Unit Slovenska Bistrica;
- Regional Unit Ptuj;
- Regional Unit Gornja Radgona;
- Regional Unit Murska Sobota;
- Service Unit Maribor;
- Service Unit Ljutomer.

5.2.3 Corporate governance and management of the company Elektro Maribor d.d.

The company's management operates under a two-tier management system. The company is managed by the Management Board and its operations are supervised by the Supervisory Board. The management is based on statutory provisions, the Articles of Association as the fundamental legal act of the company and internal regulations, which are prepared in compliance with the standards of the International Organisation for Standardisation (ISO). The Management Board has one member, who is appointed and dismissed by the company's Supervisory Board. The Management Board`s term of office is four years with the possibility of reappointment.

President of the Management Board of the company:
Boris Sovič, M.Sc.

Supervisory Board of the company:
- Tomaž Orešič – Chairman.
- Mateja Čuk, M.Sc. – Deputy Chairperson.
- Roman Ferenčak – Member until 31 August 2017.
- David Klarič; M.Sc. – Member from 1 September 2017.
- Ciril Pucko – Member.
- Dušan Kovačič – Member, workers' representative.
- Darko Nemec – Member, workers' representative.

Audit Committee of the Supervisory Board:
- Ciril Pucko – Chairman.
- Mateja Čuk, M.Sc. – Deputy Chairperson from 8 September 2017.
- Roman Ferenčak – Member until 31 August 2017.
- Ivana Kuhar – Member.

At the regular Annual General Meeting in 2017, the General Meeting of Shareholders decided on the allocation of distributable profit for the financial year 2016, on granting discharge to the Management Board and the Supervisory Board, and on the appointment of a certified auditor for 2017.

In the course of operations, we take into account the provisions of the Corporate Governance Code of State-owned Enterprises and the Recommendations and Expectations of the Slovenian Sovereign Holding.

As a reference corporate governance code, the company uses the Corporate Governance Code for State-Owned Enterprises, which was adopted by the Slovenian Sovereign Holding on 2 March 2016. As a reference code, the company also gives consideration to the Corporate Governance Code for Unlisted Companies – advanced level, which was prepared by the Ministry of Economic Development and Technology of the Republic of Slovenia, the Chamber of Commerce and Industry of Slovenia and the Slovenian Directors' Association in May 2016.

The main direction of the corporate governance is an efficient, transparent and understandable corporate governance system. Governance policies are in harmony with the vision, mission, values and strategies defined by the business plans and other documents of the company and that define the Group as the holder of quality and business excellence and sustainable development, with a significant impact on the wider social community and all stakeholders.

Compliance with the applicable laws and corporate governance rules of the company contributes to promotion of transparent and efficient governance practice, aiming at creation of long-term value of the company, increasing responsibility of individual interest groups, improving the economic environment, and increasing the competitive ability of the company.

5.2.4 Ownership structure and shares (G4 7, 13)

The company Elektro Maribor d.d. is organised as a public limited company, the share capital of which amounts to EUR 139,773,510, which is divided into 33,495,324 ordinary no-par value shares EAMG. Each share represents an equal stake and corresponding amount in the share capital.

In March 2017, the Ljubljana Stock Exchange introduced a new market in Slovenia, the SI ENTER, which is a Multilateral Trading Facility – MTF, to which it also listed the shares of our company, namely in the segment of equity market - Enter Basic.

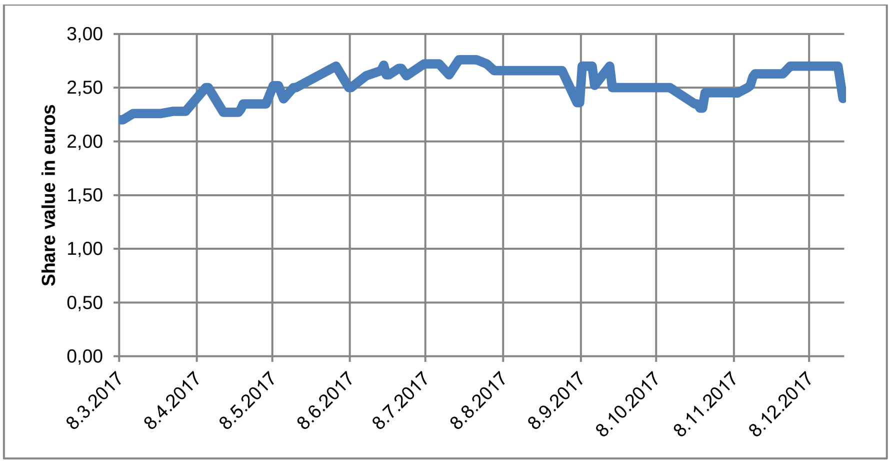


Figure 19: Trend of EAMG share value on the SI ENTER market in 2017

At its 21st regular meeting held on 31 August 2016, the General Meeting adopted a decision, with which for the purpose of maximising the value for shareholders and increasing the value of company's assets, it authorised the company's Management Board that within the period from 1 September 2016 to 31 March 2018, the latter may purchase own shares at a price which may not be lower than EUR 2.07, and not higher than EUR 2.76 per share. The authorisation applies for the acquisition of a maximum of 3,349,532 own shares, with the total number of shares acquired under this authorisation together with other own shares that the company already has shall not exceed 10% of the share capital (3,349,532 shares). Based on this decision, the company would be able to acquire a maximum of 1,245,273 own shares in 2016, a maximum of 1,245,273 own shares in 2017, and in 2018 as many shares as is the difference between 3,349,532 shares and the acquired own shares in 2016 and 2017 and other own shares that the company already had before the decision of the General Meeting, but no more than 1,674,766 shares in 2018.

On 21 November 2016, the Supervisory Board adopted the Rules on the purchase and sale, and price of own shares, based on which the Management Board had drawn up a Programme of purchasing own shares. In accordance with this Programme and the decision of the General Meeting, the company limited the quantity of the purchase of own shares and the price for the purchase of the latter.

Table 2: Purchase of own shares of the company Elektro Maribor d.d. in 2016 and 2017

Purchase period	Number of purchased shares	Purchase price per share	Total value of purchase	Percentage of purchased shares in all shares
Total 2016	**72,753**	**2.07**	**150,598.71**	**0.217 %**
2017	320	2.07	662.40	0.001 %
2017	1,214	2.70	3,277.80	0.004 %
Total 2017	**1,534**		**3,940.20**	0.005 %
Total 2016–2017	**74,287**		**154,538.91**	**0.222 %**

After 2015, the number of shareholders decreased by 44% or 572 shareholders. In 2017, compared to the previous year, the number of shareholders decreased by 11% or 90 shareholders.

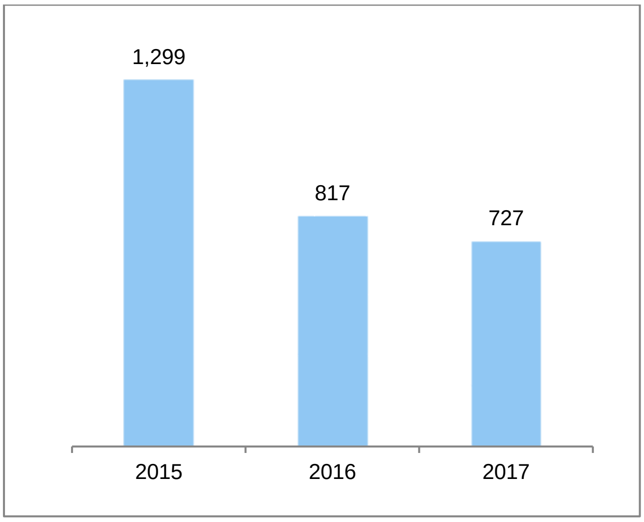


Figure 20: Changes in the number of shareholders of the company Elektro Maribor d.d. in 2015–2017

In 2017, there were no significant changes in the structure of shareholders of the Elektro Maribor d.d. None of the shareholders, who are holders of a qualified holding of shares (over 5% of all shares) of the Elektro Maribor d.d. company, have not changed their share in 2017. Also in 2017, we do not record any shareholders, who would become the holder of a qualifying holding of shares of the company Elektro Maribor d.d.

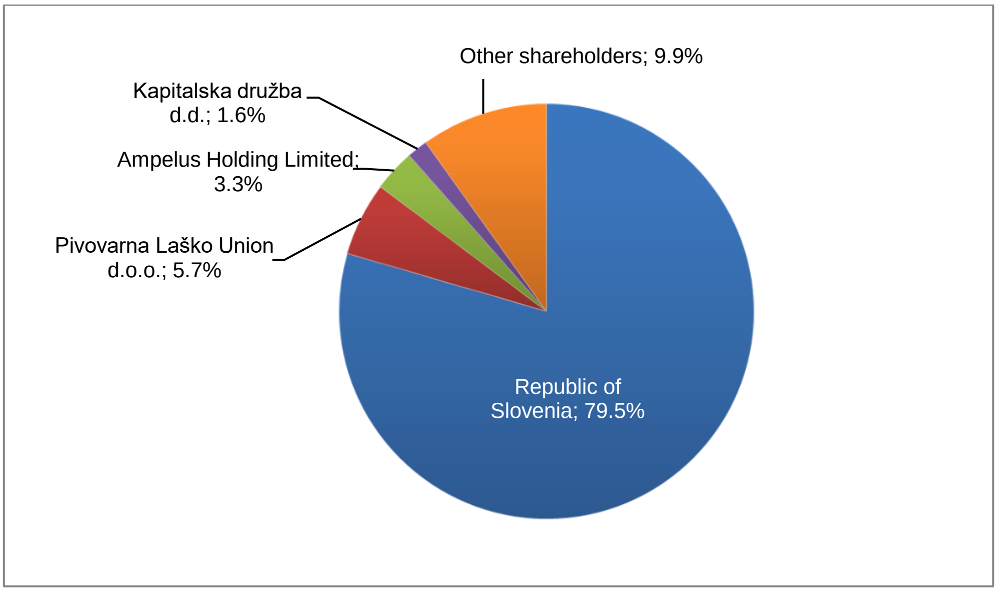


Figure 21: Structure of shareholders of the company Elektro Maribor d.d. as at 31 December 2017

Table 3: Largest shareholders of the company Elektro Maribor d.d. as at 31 December 2017

Shareholder	Address	Number of shares
Republic of Slovenia	Gregorčičeva ulica 2, Ljubljana, Slovenia	26,628,807
Pivovarna Laško Union d.o.o.	Pivovarniška ulica 2, Ljubljana, Slovenia	1,922,321
Ampelus Holding Limited	Lamartinou 2, Limassol, Cyprus	1,096,070
Kapitalska družba d.d.	Dunajska cesta 119, Ljubljana, Slovenia	539,745
Elektro Maribor d.d.	Vetrinjska ulica 2, Maribor, Slovenia	74,287
Other shareholders	-	3,234,094
Total		**33,495,324**

Table 4: Number of shares owned by the members of the Supervisory Board and the Management Board as at 31 December 2017

Name and surname	Function	Number of shares	Equity interest
Supervisory Board			
Internal members		**498**	**0.0015 %**
1. Dušan Kovačič	Member of the Supervisory Board	200	0.0006 %
2. Darko Nemec	Member of the Supervisory Board	298	0.0009 %
External members		**0**	**0.0000 %**
1. Tomaž Orešič	Chairman of the Supervisory Board		0.0000 %
2. Mateja Čuk	Member of the Supervisory Board		0.0000 %
3. Ciril Pucko	Member of the Supervisory Board		0.0000 %
4. David Klarič	Member of the Supervisory Board		0.0000 %
Management Board		**0**	**0.0000 %**
1. Boris Sovič	President of the Management Board		0.0000 %

5.2.5 Existence of subsidiaries (Article 70 of the ZGD)

The company Elektro Maribor d.d. has no subsidiaries.

5.3 Controlled company Energija plus d.o.o.

Company name:	Elektro Maribor Energija plus, podjetje za trženje energije in storitev d.o.o.
Short company name:	Energija plus d.o.o.
Address:	Vetrinjska ulica 2, 2000 Maribor
Registration number:	3991008000
Tax number	88157598
Current bank account:	SI56 0451 5000 1853 305 NOVA KBM d.d. SI56 0294 4025 9659 769 NLB d.d. SI56 2900 0005 0431 806 UniCredit Banka Slovenija d.d. SI56 0510 0801 3980 505 Abanka d.d.
Share capital:	EUR 8,000,000
Entry in the court register:	District Court of Maribor, Srg 2011/23297 20 June 2011, Srg 2011/36929 1 December 2011
Code of main activity:	D 35.140 Trade of electricity
Number of employees as at 31 Dec 2017:	70
Company size according to ZGD-1:	Large company
Founder:	Elektro Maribor d.d.
Company Director:	Bojan Horvat
Toll-free number:	080 21 15
General e-mail address:	info@energijaplus.si
Website:	www.energijaplus.si

Figure 22: Company profile of the controlled company Energija plus d.o.o.

Company activity

The company Energija plus operates on the Slovene market in energy activities. The most significant activities of the company are the purchase and sale of energy products (electricity, heat, sales of gas and pellets) for both, households and large business systems.

Figure 23: Logo of the company Energija plus d.o.o.

Organisational structure

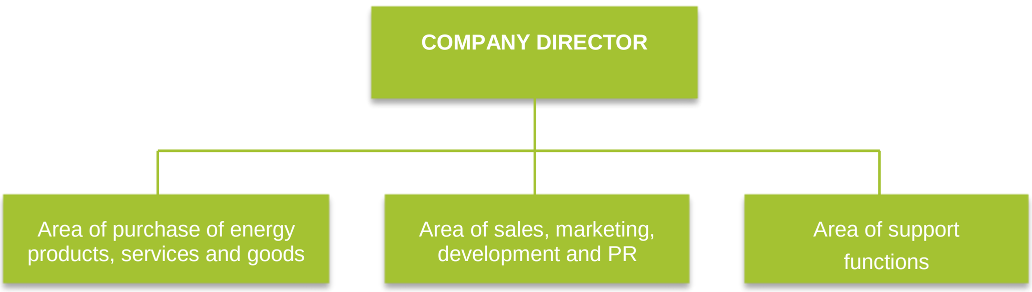


Figure 24: Organisational structure of the company Energija plus d.o.o. as at 31 December 2017

Corporate governance and management

The company Energija plus d.o.o. is managed in compliance with the Memorandum of Association by the company director independently and under its own responsibility. The supervisory function is performed by the President of the Management Board of the company Elektro Maribor d.d., who also represents the company's General Meeting.

Company Director is Bojan Horvat, BSc.Elec.Eng.

Company's operations

Business operations of the company Energija plus d.o.o. are presented in detail in the Annual Report on business operations of the company Energija plus in 2017, which is published on the company's website http://www.energijaplus.si/porocila-o-poslovanju.

5.4 Controlled company OVEN Elektro Maribor d.o.o.

Company name:	OVEN Elektro Maribor d.o.o.
Registered office:	Vetrinjska ulica 2, PO Box 1553, 2001 Maribor
Registration number:	1708503
Tax number:	SI22034412
Current bank account:	SI56 2900 0005 1350 687 UniCredit Banka Slovenija d.d.
Share capital:	EUR 38,792
Entry in the court register:	District Court of Maribor, entry 1/11291/00
Code of main activity:	D 35.111 Production of electricity in HE generation facilities
Number of employees as at 31 December 2017:	5
Company size according to ZGD-1:	Small company
Founder:	Elektro Maribor d.d.
Director:	Miroslav Prešern
Telephone:	02/22 00 782
Website:	www.oven-em.si

Figure 25: Company profile of the OVEN company

Company activity

The company OVEN Elektro Maribor d.o.o. four small hydroelectric power plants (MHE), one medium hydroelectric power plant (SHE) and 18 small photovoltaic power plants (MFE). The owner and the sole shareholder is the company Elektro Maribor d.d.

The basic activities of the company are:

- Production of electricity in small hydroelectric power plants.
- Production of electricity in photovoltaic power plants.
- Maintenance of hydroelectric power plants and photovoltaic power plants.
- Marketing of related products in the field of renewable energy sources.

OVEN

Figure 26: Logo of the company OVEN Elektro Maribor d.o.o.

Organisational structure

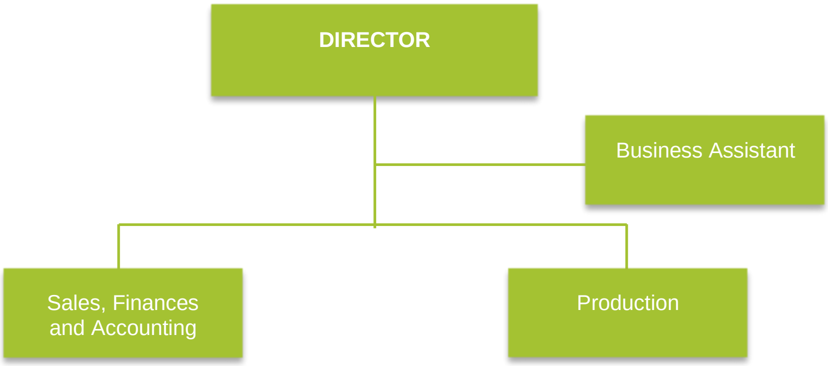


Figure 27: Organisational structure of the company OVEN Elektro Maribor d.o.o. as at 31 December 2017

Corporate governance and management

The company OVEN Elektro Maribor d.o.o. is managed by the director independently and under its own responsibility. The supervisory function is performed by the President of the Management Board of the company Elektro Maribor d.d., who also represents the company's General Meeting.

The Company Director is Miroslav Prešern.

Company's operations

Business operations of the company OVEN Elektro Maribor d.o.o. are presented in detail in the Annual Report on business operations of the company OVEN in 2017, which is published on the company's website https://www.oven-em.si/info/o-podjetju/.

6 MAIN RISKS AND INTERNAL AUDIT

The Elektro Maribor Group has established functions of internal audit and risk management:

- **The internal audit function** is managed by the Head of Internal Audit, who is functionally responsible and reports to the Supervisory board or the Audit Committee of the Supervisory Board, and administratively it reports directly to the President of the Management Board of the company Elektro Maribor d.d.
- **The risk management system** is managed by the risk co-ordinator, who reports to the Head of Internal Audit, the risk manager of an individual area and the President of the Management Board of the company Elektro Maribor d.d. This area is co-ordinated by the Head of the Office for Quality and the Environment, who attends to the operation of the integrated management system within the company.

6.1.1 Internal audit

The internal audit in the company Elektro Maribor d.d. operates as an independent function since 2013, and in the Group since 2014. The basis for its operation is the Fundamental Charter of Internal Audit, approved by the Management Board and the Supervisory Board of the company Elektro Maribor d.d. In the course of its work, the internal audit is committed to follow the international framework of professional conduct in internal auditing.

The objective of the internal audit is to provide assurances regarding the risk management of companies in the Group and to add value through consulting at all levels in terms of risk management, asset protection and improving the efficiency and quality of operations.

The annual work plan of the internal audit is prepared on the basis of a risk analysis in the company and the group, and is adopted by the Management Board and the Supervisory Board of the company Elektro Maribor d.d. About its work and findings, the internal audit reports to the Management board of the company Elektro Maribor d.d. and on a quarterly basis to the Audit Committee. Both the Management Board and the Audit

Committee are informed of all audits carried out, their findings and the recommended measures or improvements. The recipient of the annual report on the work of the internal audit is the Supervisory Board of the company Elektro Maribor d.d.

In compliance with the work plan, the internal audit performed seven audits in 2017. Special attention was paid to the areas of procurement, network maintenance, investments, implementation of information security policies, allocation of sponsorships and donations in the Group and to the system of market risk control in the company Energija Plus. In addition, it regularly monitored the implementation of the given recommendations.

Internal audit within the framework of individual audits assesses and checks the adequacy and effectiveness of the operation of internal controls. The internal audit estimates that the internal control system in the company and the Group is set up and adequate, however there are possibilities for improvements to which it refers by issuing recommendations.

6.1.2 Risk management

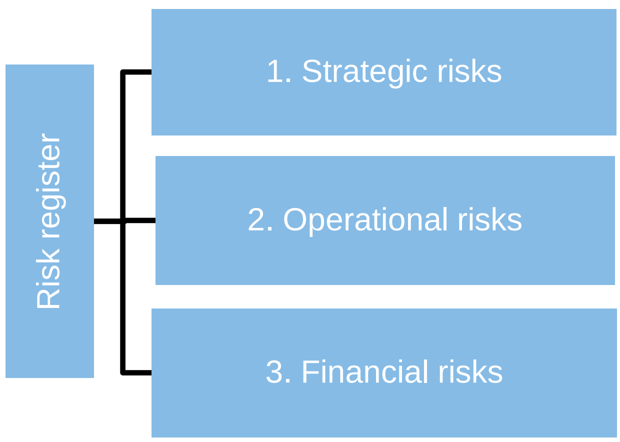
Risk management in the company Elektro Maribor d.d. is defined by the Rules of risk management. The latter is a guideline for all companies in the Elektro Maribor Group, where risk management is unified.

With an established risk management system we define the objectives of the company or the companies in the Group, the risks, their assessment and classification by relevance, we define responses to individual risks, determine measures for their control, monitor individual risks and report thereof.

Risks are defined as a probability that due to different possible events something might occur that shall have a negative or a positive effect on company's operations, and thus to the achieving of set out objectives. In both cases, the event must be recognised and evaluated. In this context, we take into account the uncertainty (probability) and the exposure (impact). The criteria for risk assessment evaluate the impact by value ranging from EUR 10,000 to over EUR 700,000, and the likelihood of an event occurring once a year, and from two to three events per day. By such risk management, the company seeks to identify risks on time, and take appropriate actions in order to reduce the amount of damage that may be caused by a particular risk.

Groups and types of risks

The risks that the company is exposed to according to the Rules of risk management and the adopted risk register, are classified into the following basic groups:



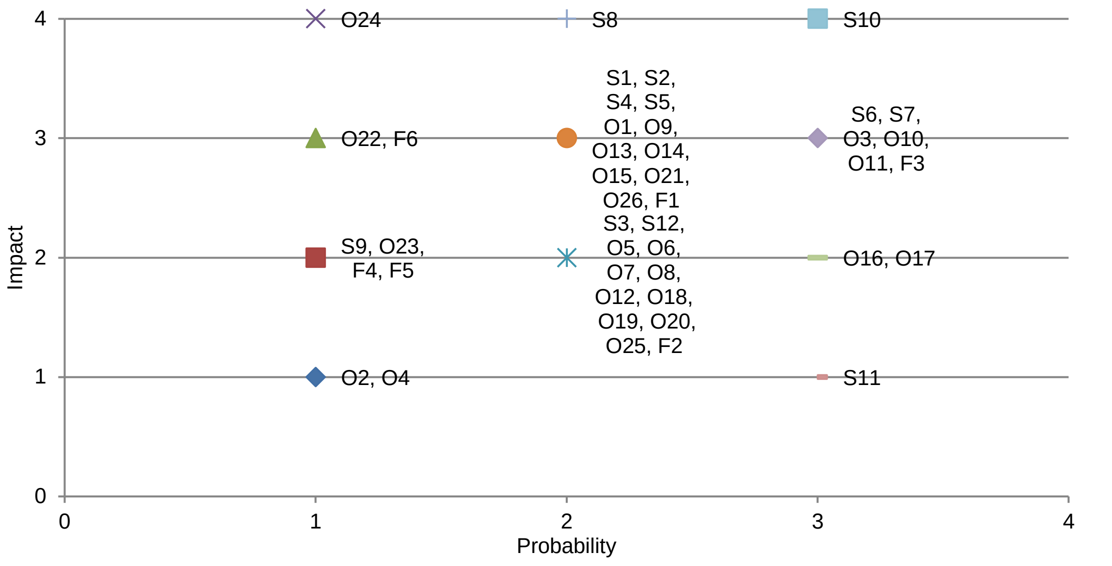
Strategic risks are defined as potential events that (un)favourably impact the achievement of medium or long-term business objectives of the company or Group.

Operational risks are defined as potential events that (un)favourably impact the achievement of annual business objectives of the company or Group.

Financial risks are defined as potential events that (un)favourably impact the achievement of strategic and annual objectives of company financing.

Figure 28: Types of risks

The risk register identifies risks recognised by relevance. In place is the method of regular updating, assessment and classification of risks, identified are the risk responses and persons responsible for their realisation, as well as internal controls as a key response to risk.



Legend:

S1 – Guidelines of the equity asset manager	O10 – Investment and maintenance planning
S2 – Business planning	O11 – Project and investment monitoring
S4 – Motivating/motivation of employees	O13 – Specifying purchase conditions
S5 – Development/knowledge transfer/substitution of employees	O14 – Public procurement
S6 – Company reputation/actions and conduct in compliance with the Code of Ethics	O15 – Monitoring deviations from purchase plans
S7 – Frauds/thefts	O16 – Inventory management
S8 – Regulator's policy	O17 – Accidents at work
S10 – Siting of facilities	O21 – Monitoring external contractors
O1 – Internal proceedings	O26 – Impact of the environment and the weather conditions
O3 – High percentage of poor deployment operating bases	F1 – Untimely or non-payment of overdue claims
O9 – Traceability of procedures	F3 – Failure to achieve planned revenues on the market

Figure 29: Risks by size and relevance (S - strategic, O - operational, F – financial risks)

Based on implementation of the company's strategy, the Elektro Maribor Group continuously strives for a higher maturity assessment of the risk management system. By consistently complying with the roles and responsibilities by following the principles of corporate governance, we reduce the risks in the company.

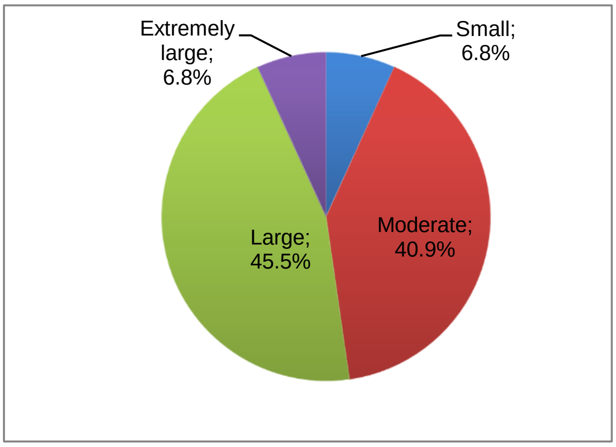


Figure 30: Percentage of risks by size

By quality business operations and development, we reduce business, social, employment and natural risks. The employees, the population and the environment is protected from the risks associated with the use of energy technologies. We invest in the development and applications of new technologies, and promote the efficient use of energy and the use of renewable resources.

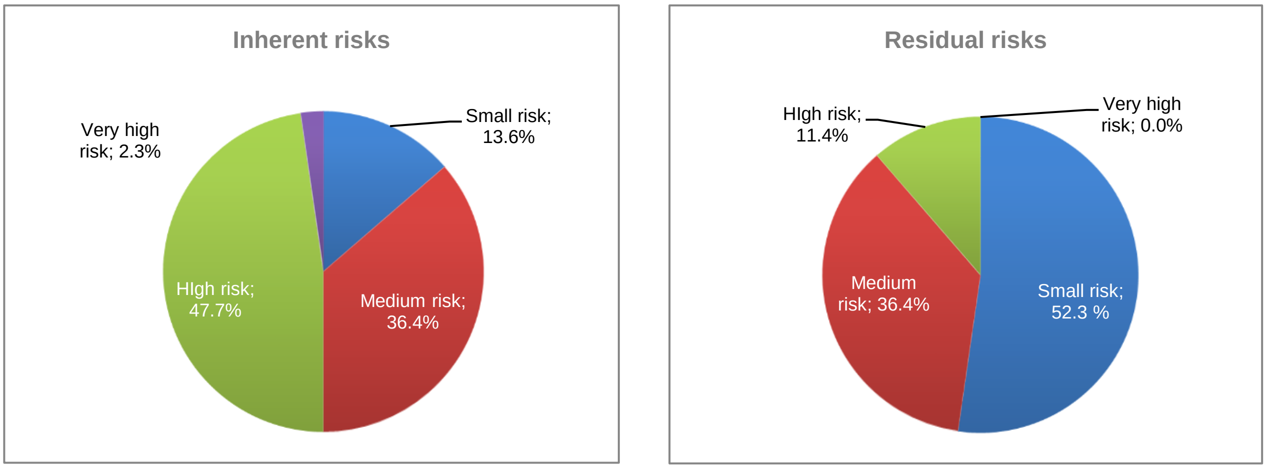


Figure 31: Percentage of inherent and residual risks

An inherent risk is a risk recognised and assessed without taking into account its management. A residual risk is a risk recognised and assessed taking into account its management.

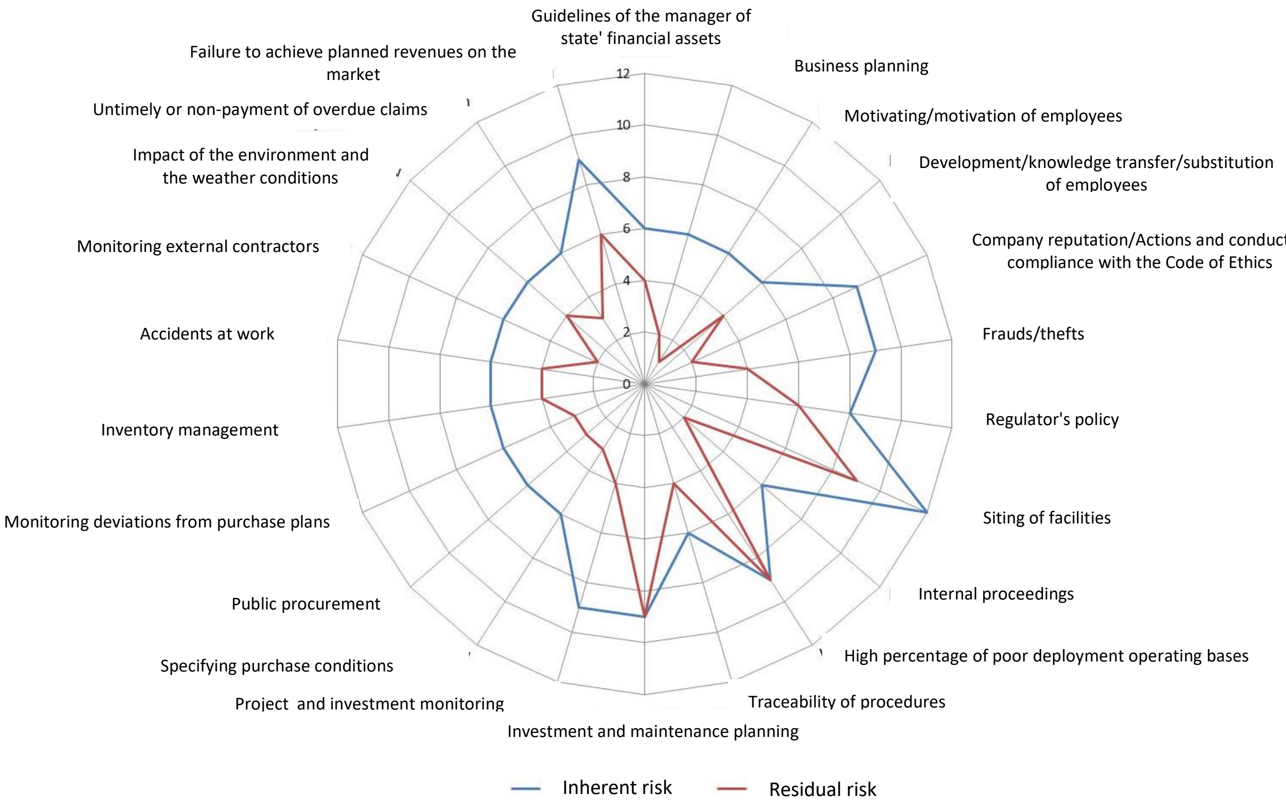


Figure 32: Comparison of inherent and residual risks

Management of more significant risks

In the company we identified eight significant risks, the management of which is described below.

- Company reputation/actions and conduct in compliance with the Code of Ethics (S6)

  The risk falls within the group of strategic risks, which may have significant consequences for the company. The risk is managed, namely, the measures are taken through the Code of Ethics (hereinafter referred to as the Code) and by setting up a corresponding culture within the company.

- Frauds/thefts (S7)

  The risk falls within the strategic risk, by the management of which the company desires to prevent physical theft of material and devices, and to prevent falsification of data and documents. Risk management is mainly related to the realisation of investments and maintenance plan. The measures that are under implementation are related to the identification of persons responsible for investment facilities in the annual investment plan, which are responsible for the entire process of each individual investment item: from the identification phase to the final realisation.

- Regulator's policy (S8)

  Is a strategic risk (external environment), which can result in an unsurpassed operating result, e.g. lower revenues. The risk is managed in such a manner that the management receives regular reports/responses to the issued regulator's documents and reports/responses to the decisions of the regulator, and issued decisions prepared by working groups from all areas of the company that produce and represent the strategy and the position of the company. Each group is actively involved in drafting documents. Opinions, comments on issued documents and decisions of the regulator are formed. Opinions and comments are generally coordinated at the level of GIZ electricity distribution as well. A special working group also determines the impact of regulator's issued decisions on the operating result in the current year. If necessary, the working group may propose a rebalance or restructuring of the annual business plan.

- Siting of facilities (S10)

  Is a strategic risk, the consequences of which can have an exceptional impact on the principle activity of distribution. According to the estimates it is likely to occur, and the consequences are estimated as extremely high that may significantly affect the objectives related to achieving the adequate level of network cabling and network looping. Adequate management is carried out through a designated person who supervises and manages the siting procedures of energy facilities, as defined by the regulation. A monthly and a quarterly activity plan is being prepared for investments in the 110 kV network.

- High percentage of poor deployment operating bases (O3)

  Is an operational risk, the consequences of which can have an exceptional impact on the principle activity of the distribution area. The measures are implemented in terms of increasing the replacements with the growth trend in the following years, whereby priority is given to medium voltage lines with the worst power continuity parameters due to its own reasons. As a measure, the reconstruction of overhead lines in the cable embodiment is also being implemented, which affects both the parameters of the continuity and the reduction in the number of poor deployment operating bases. According to the estimates it is likely to occur, and the consequences are estimated as high. The monitoring of the course of management is conducted through regular senior staff meetings of the Management Board, regular and extraordinary internal and external ISO assessment, and by implementing management reviews. In 2017, an internal audit was carried out for this risk.

- Investment and maintenance planning (O10)

  Is an operational risk that can affect the annual achievement of company results in the field of primary activities. The consequences are assessed as high, and their occurrence is assessed as likely. Risk management is being carried out through the investment service and the maintenance service, which elaborate operational plans and time schedules by regional units and individual facilities. Operational plans are monthly and are the basis for the preparation of plans of all necessary resources: installers/contractors, plan to use working machinery, plan to purchase materials.

- Project and investment monitoring (O11)

  The deviation from business objectives is determined based on weekly and monthly realisation. The investment service and the maintenance service monitor the financial, physical and time-related realisation of plans by individual regional units and at the company level.

- Failure to achieve planned revenues on the market (F3)

  In order to achieve return on assets, it is also necessary to manage the market risk of achieving planned revenues on the market. It is estimated that the chance of occurrence of such situation is likely, and that the consequences for the company may be high. The risk is managed by regular weekly reporting to the senior staff meeting of the Management Board on realisation of revenues on the market. In the event of failure to achieve periodically planned revenues from services in the market, the persons that plan these revenues are obliged to present a Note and propose measures.

7 BUSINESS OPERATION ANALYSIS (ARTICLE 70 OF THE ZGD) (G4 EC1)*

The business performance analysis discloses financial data and notes of the current year compared to the previous year and data planned for 2017. The deviations compared to the previous year are explained in more detail in the financial part of the report.

7.1 Business operation analysis of the company Elektro Maribor d.d.

In 2017, we realised the set short-term objectives. The extreme weather conditions in 2017 had an impact on poorer value of the SAIDI parameter and the lower realisation in replacing pylons.

Table 5: Realisation of business objectives for 2017

Short-term objectives	Plan 2017	2017
Return on assets ROA	3.4	3.8
EBITDA margin	40.5	41.0
Controlled operating and maintenance costs	≤ 23.4	21.6
Share of revenues on the market and from self-managed investments in all revenue in %	27.4	27.3
Realisation of investments in assets in % (in EUR million)	100% (25)	115% (28.7)
Reliability supply factor SAIDI for own reason on HV and MV:		
- urban area (number of minutes per consumer)	*< 28.71*	*29.16*
- rural area (number of minutes per consumers)	*< 69.10*	*77.48*
Number of replaced pylons on MV- and LV network	9.000	8,549
Proportion of measurement points included in the advanced metering system in %	> 65	65
Number of employees as at 31 December	≤ 752	752
Share of MV underground lines in %	28.3	28.1

7.1.1 Following expectations of SSH

In January 2017, we received an Annual plan of asset management for 2017 (hereinafter referred to as the LNU) from SSH, which stated the expected annual objectives and the economic financial indicators for the company Elektro Maribor d.d.

In 2017, our business operations were in compliance with the expectations of the SSH. We surpassed all economic and financial indicators: ROA, EBITDA margin, net financial debt/EBITDA, CAPEX in net sales revenue and added value per employee. Practically, we achieved the strategic objective of OPEX on distributed electricity and exceeded the objective regarding the share of losses. The realisation of strategic objectives that relate to the quality of supply (SAIDI, SAIFI and MAIFI), was of course affected by extreme weather conditions in 2017.

7.1.2 Net profit/loss

In 2017, the company Elektro Maribor d.d. operated successfully and realised a net profit in the amount of in EUR 13,477,945, which is the highest in the last two decades. The planned net profit was exceeded by 14% and the net profit of the previous year was exceeded by 5%. Compared to the planned, the net profit is better mainly due to higher revenues, which are by EUR 4,325,734 or 5% higher than planned given the costs which are, compared to the planned, higher by only EUR 2,517,840 or 4%.

The profit before taxation has compared to the planned increased by EUR 1,807,893 or by 14%, and amounted to EUR 15,152,922.

Table 6: Net profit of Elektro Maribor d.d.

Elements	2017	Plan 2017	2016	Index	Index
	1	2	3	1 / 2	1 / 3
Operating profit	13,950,635	12,417,361	13,004,950	112	107
Net flow	1,323,953	995,376	888,981	133	149
Other operating results	-121,666	-67,708	-90,083	180	135
Taxes	-1,674,977	-1,569,132	-1,017,829	107	165
Net profit	**13,477,945**	**11,775,897**	**12,786,019**	**114**	**105**

7.1.3 Revenues

Total revenues in 2017 are, compared to the planned, higher primarily in respect of higher operating and financial revenue. The largest share among all revenues are constituting the revenues under the SODO contract amounting to 66%, which is by one percentage point less compared to the previous year.

Higher operating revenues in 2017 are, compared to the planned, a reflection of higher revenue in respect of regulated revenue under the SODO contract, insurance indemnities arising from damages and higher revenues from capitalised own products and services.

Financial revenues in 2017 are primarily higher in respect of higher financial revenue arising from shares in companies in the Group.

Table 7: Revenue of Elektro Maribor d.d.

In EUR	2017	Plan 2017	2016	Index	Index
	1	2	3	1 / 2	1 / 3
Operating revenue	82,050,843	78,083,499	79,345,897	105	103
Financial revenue	1,799,992	1,455,040	1,428,422	124	126
Other revenue	13,438	0	16,940		79
Total revenue	**83,864,273**	**79,538,539**	**80,791,259**	**105**	**104**

7.1.4 Costs and expenses

The total costs and expenses have compared to the planned increased by EUR 2,517,840 or 4%, with the largest increase in operating costs and expenses. Compared to the previous year, the costs and expenses increased by EUR 1,723,939 or 3%.

Table 8: Costs and expenses of Elektro Maribor d.d.

In EUR	2017	Plan 2017	2016	Index	Index
	1	2	3	1 / 2	1 / 3
Operating costs and expenses	68,100,207	65,666,138	66,340,947	104	103
- costs of material	10,819,298	10,451,964	11,084,414	104	98
- costs of services	7,254,386	6,631,273	6,970,519	109	104
- write-offs	19,728,458	19,185,383	19,215,765	103	103
- labour costs	29,444,776	28,930,576	28,444,372	102	104
- other expenses	853,289	466,942	625,877	183	136
Financial expenses	476,039	459,664	539,441	104	88
Other expenses	135,103	67,708	107,023	200	126
Total costs and expenses	**68,711,350**	**66,193,510**	**66,987,411**	**104**	**103**

In 2017, the operating costs and expenses increased by EUR 2,434,070 or 4% compared to the planned ones. Compared to the planned, the costs of services are higher by 9%, mainly in respect of foreign services in the rehabilitation of damages, which are not planned, labour costs are higher by 2 %, which is a result of increased employment due to the increased volume of work, and depreciation costs, which are higher by 2%.

There was no significant deviation in the structure of operating costs compared to the planned. The company carries out a labour-intense activity, and as a result, the share of labour costs constitutes 43% of all operating costs and expenses.

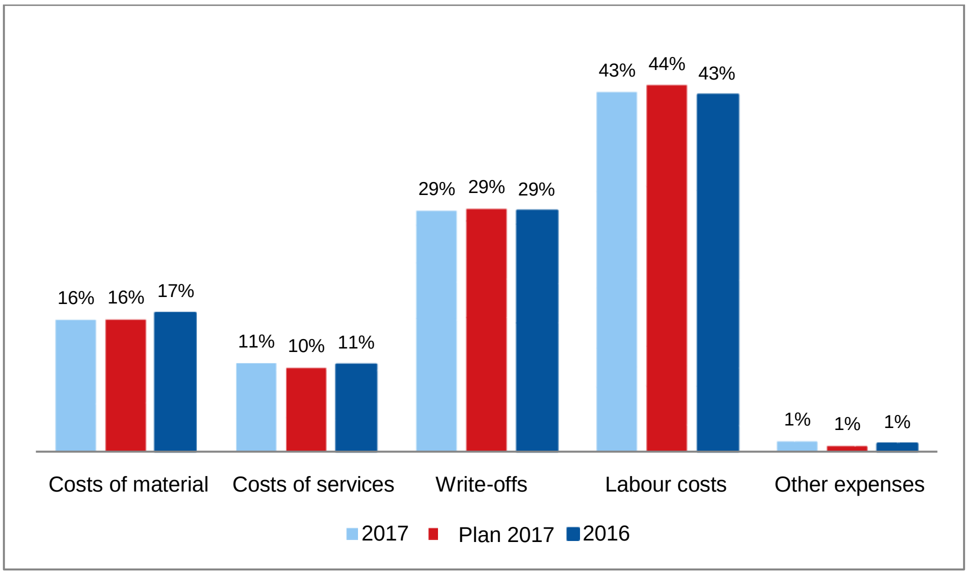


Figure 33: Structure of operating costs and expenses of Elektro Maribor d.d.

In 2017, financial expenses are higher by EUR 16,375 or 4% with regard to the planned. Compared to the previous year they are lower by EUR 63,401 or 12% primarily due to lower interest rates arising from long-term loans and lower expenses arising from actuarial interest.

Other expenses in 2017 are higher by EUR 67,395 or 100%, mainly due to higher expenses related to litigation procedures.

7.1.5 Financial situation

The balance sheet total as at 31 December 2017 amounts to EUR 364,944,100 and is, according to the planned, higher by EUR 12,424,835 or 4%.

Table 9: Balance sheet total of Elektro Maribor d.d.

In EUR	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016	Index	Index
	1	2	3	1 / 2	1 / 3
Assets	**364,944,100**	**352,519,265**	**352,584,706**	**104**	**104**
Long-term assets	339,762,966	331,745,003	329,174,538	102	103
Current assets	24,265,439	20,764,176	23,164,378	117	105
Short-term accrued revenues and deferred expenses	915,695	10,085	245,790	-	373
Liabilities	**364,944,100**	**352,519,265**	**352,584,706**	**104**	**104**
Equity	269,381,842	262,669,641	260,251,694	103	104
Provisions and long-term deferred items	40,086,984	38,973,739	39,159,423	103	102
Long-term liabilities	30,971,748	32,096,748	29,239,605	96	106
Short-term liabilities	23,507,956	17,887,924	22,969,641	131	102
Short-term accrued expenses and deferred revenue	995,570	891,213	964,342	112	103

The structure of assets has not changed significantly in 2017. The largest portion represent the long-term assets (93%).

Table 10: Structure of assets of Elektro Maribor d.d.

Item in %	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016
Long-term assets	93.10	94.11	93.36
Current assets	6.65	5.89	6.57
Accrued revenues and deferred expenses	0.25	0.00	0.07
Total	**100**	**100**	**100**

In 2017, for investing in fixed assets we earmarked EUR 3,655,344 more funds compared to the planned investments. The increase of investments is largely reflected in the increase of the robustness of the medium- and low voltage network.

Table 11: Investments in fixed assets of Elektro Maribor d.d.

	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016	Index	Index
	1	2	3	1 / 2	1 / 3
Value of assets – in EUR	321,249,746	313,728,248	310,561,981	102	103
Amount of investments in company's fixed assets – in EUR	28,655,344	25,000,000	27,673,982	115	104
Share of investments in value of assets – in %	8.92	7.97	8.91		

As at 31 December 2017, the company's current assets were EUR 3,501,263 or 17% higher than planned, and are a result of a higher balance of cash flows arising from the lower purchase of own shares than planned.

Table 12: Current assets of Elektro Maribor d.d.

In EUR	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016	Index	Index
	1	2	3	1 / 2	1 / 3
Inventories	1,719,670	1,320,000	1,390,498	130	124
Short-term operating receivables	12,961,865	13,755,790	11,010,736	94	118
Cash and cash equivalents	9,583,904	5,688,386	10,763,144	168	89
Total	**24,265,439**	**20,764,176**	**23,164,378**	**117**	**105**

The company's liabilities as at 31 December 2017 disclose a method of financing of company's assts. The largest portion of company's assets (74%) is funded by equity.

Table 13: Structure of liabilities of Elektro Maribor d.d.

Item in %	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016
Equity	73.81	74.51	73.81
Provisions and long-term deferred items	10,.8	11.06	11.11
Long-term liabilities	8.49	9.10	8.29
Short-term liabilities	6.44	5.07	6.51
Short-term accrued expenses and deferred revenue	0.27	0.25	0.27
Total	**100**	**100**	**100**

As at 31 December 2017, the company's equity amounted to EUR 269,381,842 and is by EUR 6,712,201 or 3% higher than planned, which is primarily a result of a higher achieved operating profit for 2017 than planned.

The provisions and long-term accrued expenses and deferred revenue (deferred items) were higher by EUR 1,113,245 than planned, which is mainly a result of higher other provisions arising from amounts charged for non-completed litigation procedures for which cash expenses are expected in the future periods.

In 2017, we indebted ourselves in the amount of EUR 9,000,000 as planned. Compared to the previous year, we increased the indebtedness by EUR 242,857 or 1%.

Table 14: Borrowing from banks in Elektro Maribor d.d.

In EUR	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016	Index	Index
	1	2	3	1 / 2	1 / 3
Loans (short-term + long-term part)	38,185,714	38,185,714	37,942,857	100	101

The balance of short-term liabilities is higher by EUR 5,620,032 or 31%, which is primarily the result of exceeding the investment plan and consequently higher operating liabilities to suppliers for fixed assets.

Table 15: Short-term liabilities of Elektro Maribor d.d.

In EUR	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016	Index	Index
	1	2	3	1 / 2	1 / 3
Short-term operating liabilities	16,210,831	11,701,838	14,170,067	139	114
Short-term financial liabilities	7,297,125	6,186,086	8,799,574	118	83
Total	**23,507,956**	**17,887,924**	**22,969,641**	**131**	**102**

7.1.6 Cash flow and financial operation

In 2017, the cash flow was higher by EUR 999,133 than planned, mainly due to the fact because the shareholders (holder of EMAG shares) have not shown interest for selling the shares of the company Elektro Maribor d.d. For 2017, we planned a purchase in the amount of EUR 3,436,953, however it was realised in the amount of EUR 3,940.

Table 16: Financial operation of Elektro Maribor d.d.

In EUR	2017	Plan 2017	2016	Index	Index
	1	2	3	1 / 2	1 / 3
Cash flow from operations	**11,161,556**	**13,402,904**	**10,147,646**	**222**	**293**
- operating revenues	106,667,833	107,399,201	105,051,043	117	119
- operating expenses	-95,506,277	-93,996,297	-94,903,397	102	101
Cash flow from investments	**-8,148,545**	**-9,118,651**	**-8,397,032**	**294**	**319**
- cash receipts from investment activities	1,885,359	1,466,000	1,467,218	129	128
- cash disbursements from investment activities	-10,033,904	-10,584,651	-9,864,250	271	290
Cash flow from financing	**-4,192,251**	**-6,462,626**	**-7,241,875**	**65**	**58**
- cash receipts from financing activities	9,000,000	9,000,000	8,000,000	100	113
- cash disbursements from financing activities	-13,192,251	-15,462,626	-15.241,875	85	87
Cash flow for the period	**-1,179,240**	**-2,178,373**	**-5,491,261**	**54**	**21**
Closing balance of cash	**9,583,904**	**5,688,386**	**10,763,144**	**168**	**89**
Opening balance of cash	**10,763,144**	**7,866,759**	**16,254,405**	**137**	**66**

At the end of 2017, the company's total financial liabilities amounted to EUR 38,214,982 and were at the planned level, and by 1% higher compared to the previous year, which is primarily the result of higher borrowing in 2017, compared to the previous year.

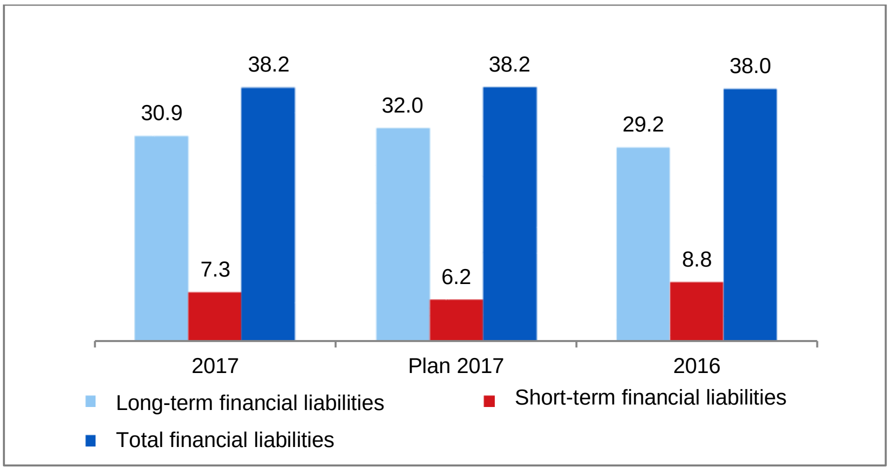


Figure 34: Financial liabilities of Elektro Maribor d.d. (in EUR million)

As at 31 December 2017, the net financial debt amounted to EUR 28,631,079, which is by 12% less than planned and is a result of higher balance of cash and cash equivalents than planned, primarily arising from lower purchase of own shares.

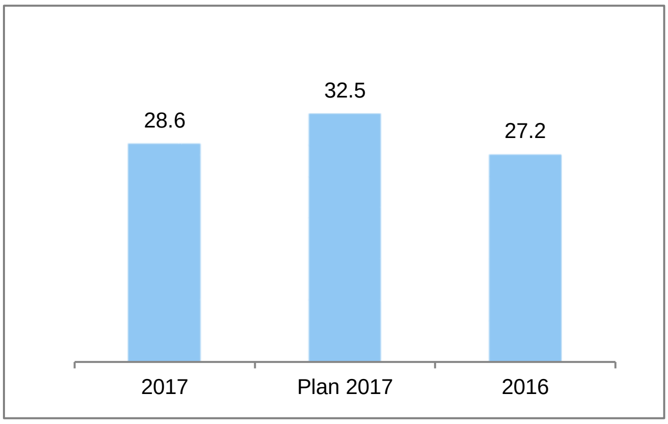


Figure 35: Net financial debt of Elektro Maribor d.d. (in EUR million)

Net financial debt = financial liabilities – short-term financial investments – cash and cash equivalents

The indicator of net financial debt to EBITDA in 2017, is compared to the planned value lower due to the lower net financial debt and higher EBITDA.

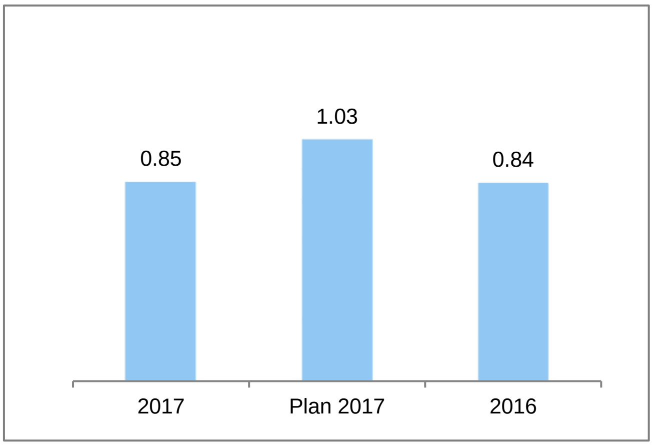


Figure 36: Net financial debt/EBITDA

For the period 2015-2017, the company raised a long-term loan with EIB for investment financing in the amount of EUR 27 million. From the total amount of the loan, we already used EUR 10 million in 2015, EUR 8 million in 2016 and EUR 9 million in 2017.

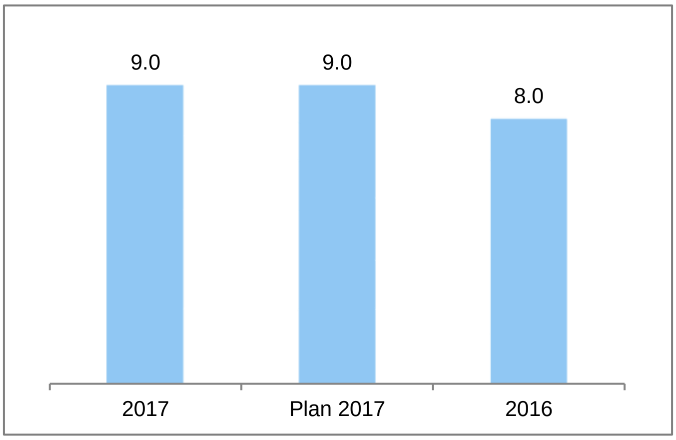


Figure 37: Borrowing with long-term loans of Elektro Maribor d.d. (in EUR million)

The company's debt ratio has in 2017 decreased by 0.3 percentage points compared to the plan for the year 2017, which is a result of a higher increase of value of assets in relation to the increase in financial liabilities to banks.

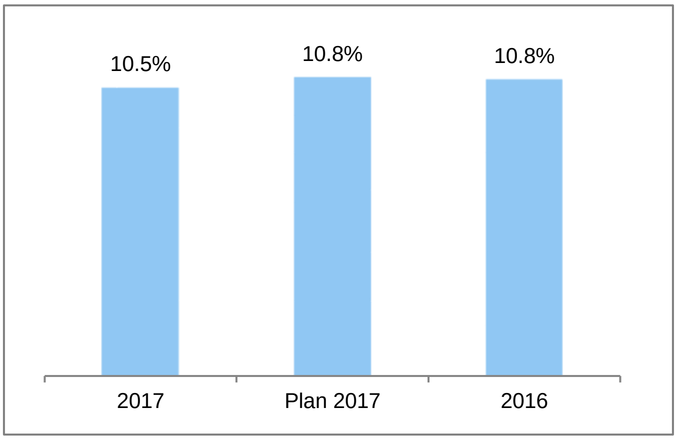


Figure 38: Debt ratio of Elektro Maribor d.d.

Debt ratio = long-term and short-term financial liabilities to banks/assets

7.1.7 Key performance indicators

The company monitors the company's operations with a different indicators, which are by contents divided into:

- financial indicators;
- shares;
- employees and
- indicators of company's principal activity.

Table 17: Performance indicators of Elektro Maribor d.d.

Financial indicators	2017	2016	2015
Net profit and loss in EUR	13,477,945	12,786,019	11,260,107
Return on assets (ROA) in %*	3.8	3.7	3.3
Return on equity (ROE) in %	5.1	5.0	4.5
EBIT (profit and loss from operating activities) in EUR	13,950,635	13,004,950	12,253,850
EBIT margin (EBIT/operating revenue) in %	17.0	16.4	14.7
EBITDA (EBIT + write-offs) in EUR	33,679,093	32,220,715	31,283,403
EBITDA margin (EBITDA/operating revenue) in %*	41.0	40.6	37.6
Total revenue in EUR	83,864,273	80,791,259	84,655,777
Operating revenue (gross operating return) in EUR	82,050,843	79,345,897	83,181,582
Net sales in EUR	60,476,292	57,941,225	62,696,245
Added value[1] in EUR	63,123,870	60,665,087	59,136,921
Added value per employee from hours in EUR*	75,055	73,702	71,198
Total costs and expenses in EUR	68,711,350	66,987,411	71,872,113
Operating costs and expenses in EUR	68,100,207	66,340,947	70,927,732
Assets as at 31 December in EUR	364,944,100	352,584,706	345,428,428
Equity as at 31 December in EUR	269,381,842	260,251,694	253,826,936
Share of own funds in liabilities in %	73.8	73.8	73.5
Financial liabilities/EBITDA	1.13	1.18	1.24
Net financial debt in EUR	28,631,079	27,222,144	22,472,667
Net financial debt/EBITDA*	0.85	0.84	0.72

Shares	2017	2016	2015
Number of all shares	33,495,324	33,495,324	33,495,324
Own shares	74,287	72,753	
Number of shares	33,421,037	33,422,571	33,495,324

Employees	2017	2016	2015
Number of employees as at 31 December	752	755	773
Average no. of all employees based on hours worked	841.04	823.11	830.6
Average no. of regularly employees based on hours worked	737.66	742.47	749.6
Average costs of salary per employee from hours worked	2,034	2,026	1,951

Indicators of principle activity	2017	2016	2015
Investments in assets in EUR	28.,655,344	27,673,982	25,428,152
CAPEX[3] in net sales in %*	47.4	47.8	40.6
Distributed electricity in MWh	2,264,791	2,208,308	2,167,003
Number of consumers connected to the distribution network	216,981	216,292	215,406
Distributed MWh per number of consumers	10.44	10.21	10.06
SAIDI (own reasons)*	56.5	44.7	48.90
SAIFI (own reasons)*	1.4	1.3	1.8
MAIFI	15.7	10.1	7.6
Share of losses per distributed energy in %	4.71	5.06	5.23
OPEX[4] per distributed energy (EUR/MWh)*	30.1	21.3	23.9
OPEX[4] regulated activities per distributed energy (EUR/MWh)	20.1	11.5	14.9
OPEX[4] regulated activities per number of consumers (EUR/consumer)	209.9	117.7	150.1
OPEX[4] regulated activities per network length (EUR/km)	2,760.9	1,549.6	1,987.3

*** SSH business operation monitoring indicators from LNU 2017**

1 Added value = operating revenue – costs of goods, material and services – other operating expenses

2 Net financial debt = long-term finan. liabilities. + short-term finan. liabilities. – short-term finan. investments – cash and cash equivalents.

3 CAPEX = investments in assets

4 OPEX = operating costs and expenses (costs of goods, material and services, labour costs, write-offs, other operating expenses)

7.2 Business operation analysis of the Elektro Maribor Group

7.2.1 Net profit/loss

In 2017, the Elektro Maribor Group successfully completed its operations and generated a net profit in the amount of EUR 11,672,058. Compared to the planned net profit, the profit was lower by 11%, and compared to the previous year it was lower by 23%. The major contribution to the lower net profit compared to the planned, were primarily higher costs of purchasing electricity.

Table 18: Net profit/loss of the Elektro Maribor Group

In EUR	2017	Plan 2017	2016	Index	Index
	1	2	3	1 / 2	1 / 3
Operating profit	14,164,584	15,407,789	16,846,974	92	84
Net flow	-557,190	-94,551	-138,736	589	402
Other operating results	-124,000	-105,331	-116,016	118	107
Taxes	-1,811,336	-2,058,192	-1,499,868	88	121
Net profit	**11,672,058**	**13,149,715**	**15,092,354**	**89**	**77**

7.2.2 Revenues

All revenues of the Group in 2017 amounted to EUR 158,922,937 and are by 3% higher compared to the planned revenue, and by 7% lower compared to the previous year. Primarily the operating revenues are higher with regard to the planned revenues, namely particularly in respect of higher regulated revenue under the SODO contract, higher revenue from the sales of electricity and higher revenue from capitalised own products and services.

Table 19: Revenues of the Elektro Maribor Group

In EUR	2017	Plan 2017	2016	Index	Index
	1	2	3	1 / 2	1 / 3
Operating revenue	158,677,462	153,606,692	169,895,716	103	93
Financial revenue	211,409	380,723	272,172	56	78
Other revenue	34,066	2,671	23,679	1.275	144
Total revenue	**158,922,937**	**153,990,086**	**170,191,567**	**103**	**93**

7.2.3 Costs and expenses

All costs and expenses of the Group in 2017 amounted to EUR 145,439,543 and are by 5% higher compared to the planned costs and expenses, and by 5% lower compared to the previous year. Primarily the operating costs and expenses are higher with regard to the planned costs and expenses, namely particularly the costs of purchasing of electricity, which is mainly a result of significantly higher prices for the purchase of electricity than planned.

Table 20: Costs and expenses of the Elektro Maribor Group

In EUR	2017	Plan 2017	2016	Index	Index
	1	2	3	1 / 2	1 / 3
Operating costs and expenses	144,512,878	138,198,903	153,048,742	105	94
- costs of material and costs of goods sold	79,145,896	74,256,285	88,490,323	107	89
- costs of services	10,868,607	10,019,560	10,532,648	108	103
- depreciation and revaluation operating expenses	21,305,286	20,572,063	21,165,515	104	101
- labour costs	32,221,344	31,627,766	31,258,272	102	103
- other operating expenses	971,745	1,723,229	1,601,984	56	61
Financial expenses	768,599	475,274	549,476	162	140
Other expenses	158,066	108,002	139,695	146	113
Total costs and expenses	**145,439,543**	**138,782,179**	**153,737,913**	**105**	**95**

7.2.4 Financial situation

The financial situation of the Group is disclosed by the balance sheet. The balance sheet total as at 31 December 2017 amounts to EUR 390,499,179 and is by 3% higher compared to the planned balance and by 2% higher than the balance in the previous year.

Table 21: Balance sheet total of the Elektro Maribor Group

In EUR	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016	Index	Index
	1	2	3	1 / 2	1 / 3
Assets	**390,499,179**	**380,164,348**	**381,664,254**	**103**	**102**
Long-term assets	331,887,683	325,355,815	321,887,342	102	103
Current assets	58,611,496	54,808,533	59,776,912	107	98
Equity and liabilities	**390,499,179**	**380,164,348**	**381,664,254**	**103**	**102**
Equity	276,873,788	272,299,328	269,533,189	102	103
Long-term liabilities	71,578,443	71,492,619	68,989,105	100	104
Short-term liabilities	42,046,948	36,372,401	43,141,960	116	97

The structure of assets is dominated by long-term assets. The structure has not significantly changed over the years.

Table 22: Structure of the Group's assets

In %	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016	Index	Index
	1	2	3	1 / 2	1 / 3
Long-term assets	84.99	85.58	84.34	99	101
Current assets	15.01	14.42	15.66	104	96
Total	**100.00**	**100.00**	**100.00**	**100**	**100**

The liabilities of the Group as at 31 December 2017 disclose the method of financing of assets, with which the Group disposes of. The structure has not significantly changed over the years.

Table 23: Structure of liabilities as at 31 December

In %	31 Dec 2017	Plan 31 Dec 2017	31 Dec 2016	Index	Index
	1	2	3	1 / 2	1 / 3
Equity	70.90	71.63	70.62	99	100
Long-term liabilities	18.33	18.81	18.08	97	101
Short-term liabilities	10.77	9.57	11.30	113	95
Total	**100.00**	**100.00**	**100.00**	**100**	**100**

7.2.5 Cash flow and financial operation

In 2017, we achieved a negative cash flow in the amount of EUR 2,779,810, which is by EUR 1,058,310 lower than planned and by EUR 176,047 higher compared to the previous year.

Table 24: Financial operations of the Elektro Maribor Group

In EUR	2017	Plan 2017	2016	Index	Index
	1	2	3	1 / 2	1 / 3
Cash flow from operations	**12,532,459**	**17,322,093**	**15,130,655**	**72**	**83**
- operating revenues	291,852,484	275,666,660	306,949,841	106	95
- operating expenses	-279,320,025	-258,344,567	-291,819,186	108	96
Cash flow from investments	**-11,120,018**	**-12,580,967**	**-10,844,635**	**88**	**103**
- cash receipts from investment activities	175,830	146,740	266,128	120	66
- cash disbursements from investment activities	-11,295,848	-12,727,707	-11,110,763	89	102
Cash flow from financing	**-4,192,251**	**-6,462,626**	**-7,241,876**	**65**	**58**
- cash receipts from financing activities	9,000,000	9,000,000	8,000,000	100	113
- cash disbursements from financing activities	-13,192,251	-15,462,626	-15,241,875	85	87
Cash flow for the period	**-2,779,810**	**-1,721,500**	**-2,955,857**	**161**	**94**
Closing balance of cash	**13,726,387**	**13,490,701**	**16,506,197**	**102**	**83**

At the end of 2017, the Group's total financial liabilities amounted to EUR 38,214,982 and were at the planned level, and by 1% higher compared to the previous year.

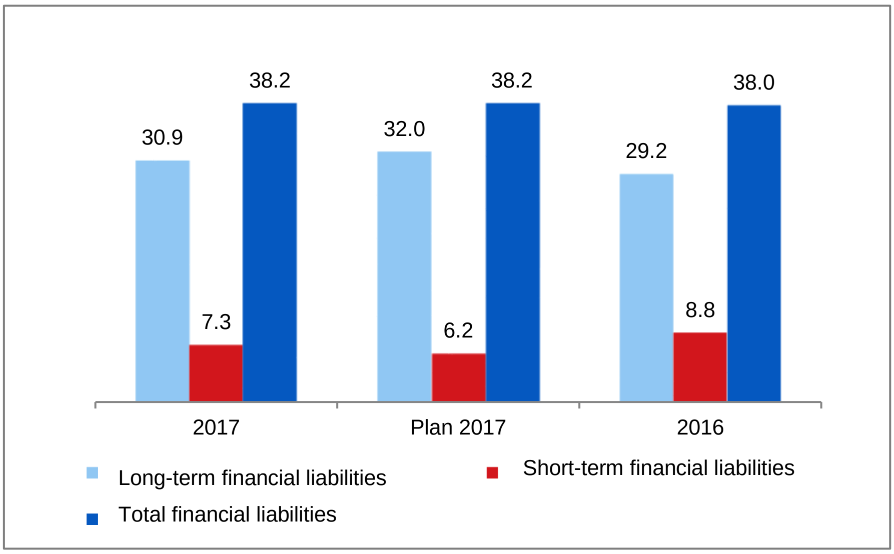


Figure 39: Financial liabilities of the Elektro Maribor Group (in EUR million)

As at 31 December 2017, the net financial debt amounted to EUR 24,488,595 and is by 1% lower than planned, and by 14% higher compared to the previous year.

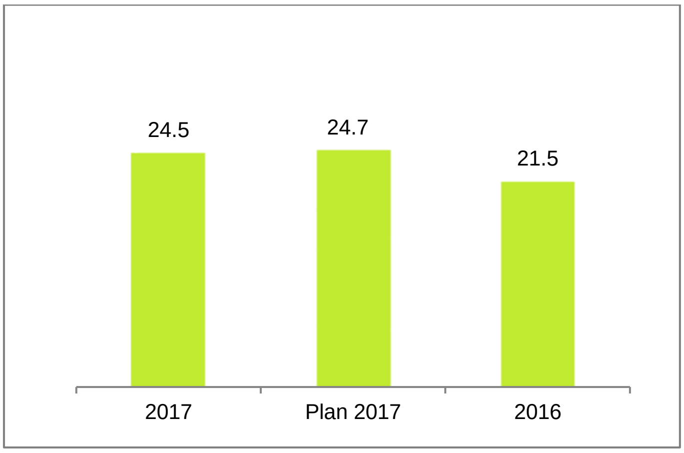


Figure 40: Net financial debt of the Elektro Maribor Group (in EUR million)

Net financial debt = financial liabilities – short-term financial investments – cash and cash equivalents

The net financial debt to EBITDA ratio was 0.69 and was at the planned level, and by 22% higher compared to the previous year.

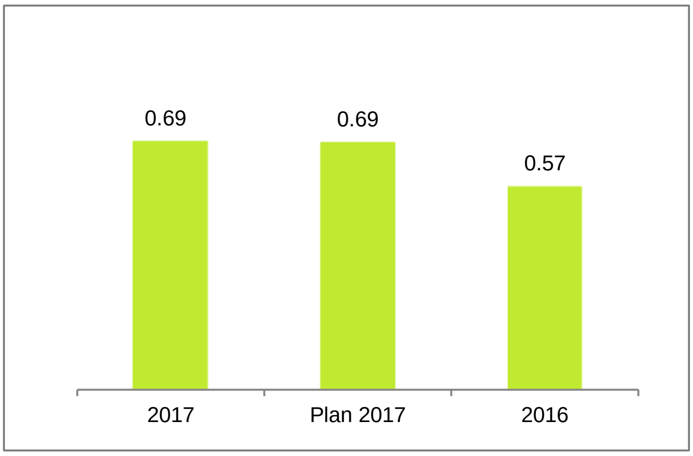


Figure 41: Net financial debt/EBITDA of the Elektro Maribor Group

7.2.6 Key performance indicators

Table 25: Performance indicators of the Elektro Maribor Group

Financial indicators	2017	2016	2015
,Net profit and loss in EUR	11,672,058	15,092,354	11,673,330
Return on assets (ROA) in %	3.0	4.0	3.2
Return on equity (ROE) in %*	4.3	5.7	4.5
,E,BIT (profit and loss from operating activities) in EUR	14,164,584	16,846,974	13,899,943
EBIT margin (EBIT/operating revenue) in %	8.9	9.9	8.2
EBITDA (EBIT + write-offs) in EUR	35,469,870	38,012,489	34,947,989
EBITDA margin (EBITDA/operating revenue) in %*	22.4	22.4	20,5
All revenues in total in EUR	158,922,937	170,330,135	171,103,995
Operating revenue in EUR	158,677,462	169,895,716	170,520,908
Net sales in EUR	136,344167	147,986,222	149,246,239
Added value[1] in EUR	67,691,214	69,270,761	65,452,095
Added value per employee from hours in EUR*	74,100	77,552	72,496
Total costs and expenses in EUR	145,439,543	153,737,913	157,742,396
Operating costs and expenses in EUR	144,512,878	153,048,742	156,620,965
Assets as at 31 December in EUR	390,499,179	381,664,254	369,398,672
Equity as at 31 December in EUR	276,873,788	269,533,189	260,841,874
Share of own funds in liabilities in %	70.9	70.6	70.6
Financial liabilities/EBITDA	1.08	1.00	1.11
Net financial debt in EUR	24,488,595	21,479,091	19,265,018
Net financial debt/EBITDA*	0.69	0.57	0.55

Shares	2017	2016	2015
Number of all shares	33,495,324	33,495,324	33,495,324
Own shares	74,287	72,753	0
Number of shares	33,421,037	33,422,571	33,495,324

Employees	2017	2016	2015
Number of employees as at 31 December	827	828	842
Average no. of all employees based on hours worked	913.51	893.22	902.84

Activity	2017	2016	2015
Investments in assets in EUR	29,501,563	28,568,713	27,571,079
CAPEX[3] in net sales in %*	21.6	19.3	18.5
Distributed electricity in MWh	2,265	2,208	2,167
Number of consumers connected to the distribution network	216,981	216,292	215,406
Sold electricity in GWh	1,565	1,801	1,771
Produced electricity in MWh	11,312	14,033	13,086

*** SSH business operation monitoring indicators from LNU 2017**

1 Added value = operating revenue – costs of goods, material and services – other operating expenses

2 Net financial debt = long-term finan. liabilities. + short-term finan. liabilities. – short-term finan. investments – cash and cash equivalents.

3 CAPEX = investments in assets

8 SIGNIFICANT BUSINESS EVENTS AFTER THE END OF THE FINANCIAL YEAR (ARTICLE 70 OF THE ZGD)

After the end of the financial year 2017, we did not detect any business events that would have a significant impact on disclosed operations of the company and the Elektro Maribor Group in 2017.

9 DEVELOPMENT STRATEGY

9.1 Expected development (Article 70 of the ZGD)

The expected development of the company is identified in the following documents: The Strategy of the Elektro Maribor d.d. Company, the Strategy of technical and technological development of the Elektro Maribor electricity distribution system for the period 2015-2030, the Annual Business Plan of the company and the Elektro Maribor Group for 2018, including a projection of operations for 2019 and 2020, and the Development Plan of the Elektro Maribor d.d. distribution network for the period from 2017 to 2026.

Company's strategy

The company's mission, vision and values are defined in the Company's strategy. In the course of business operations, we take into account the strategy set, which shall be co-ordinated with regard to new facts of strategy documents at state level, in particular the Energy Concept of Slovenia, and based on the aforementioned document of the adopted acts hereinafter, and the relevant regulations. The implementation of the strategy is reviewed annually.

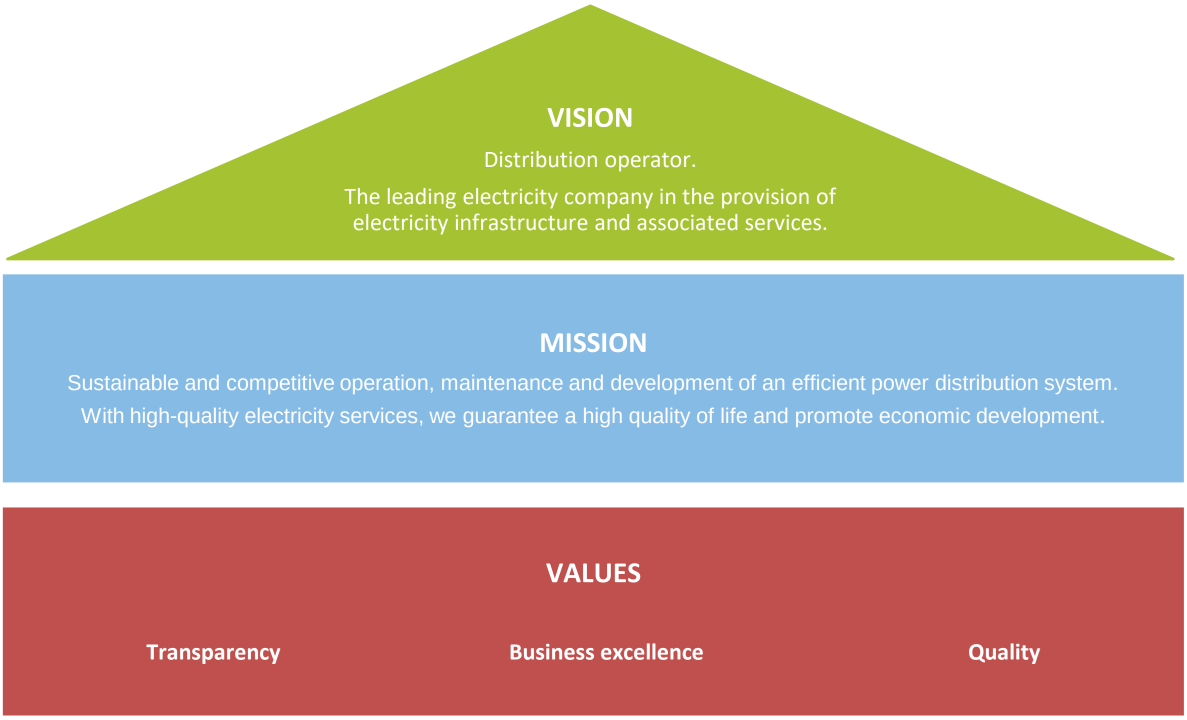


Figure 42: Vision, mission and values

Annual Business Plan 2018

In 2018, the company Elektro Maribor d.d. shall strongly focus on the efficiency and profitability of operations by managing costs and investing in electricity infrastructure, which shall result in a higher EBITDA margin.

The Annual plan of asset management for 2018 (LNU 2018) determines new values of expected performance indicators and strategic objectives of the company Elektro Maribor d.d., which were provided to us after the approval of the Annual Business Plan for 2018. In 2018, we shall devote a lot of attention to the realisation of expected indicators and strategic objectives from SSH's LNU 2018.

In addition to the already acquired transactions, a significant impact on the achievement of planned revenues on the market and capitalised own products and services shall arise from the increased engagement in the marketing of services and the implementation of investment activities.

In 2018, we shall continue to increase the proportion of the robustness of the network and compared to the previous year, we shall increase the share of medium voltage underground lines by 0.8 percentage points. The proportion of measuring points included in the advanced measurement system shall increase by 7 percentage points compared to the previous year. We plan to replace 1,000 pylons more than in 2017. By the end of 2018, we shall complete the project of the renewal of the ERP information system, which we started this year, and introduce the EAM asset management system.

The Annual Business Plan 2018 does not foresee an increase in the number of employees. When employing in 2018, the company shall follow the planned number of employees and which, if necessary, shall be adapted to the work processes with the aim of achieving business objectives. In 2018, the company shall continue with project-based employment.

Table 26: Key objectives of the company Elektro Maribor d.d. for 2018

			Plan 2018
1	Return on assets ROA in %	≥	3.57
2	Return on equity ROE in %	≥	4.85
3	EBITDA margin in %	≥	41.12
4	Net financial debt/EBITDA	≤	1.24
5	Share of revenues in the market and capitalised own products and services in all operating revenues in %	≥	29.58
6	Share of underground MV-lines in %	≥	29.10
7	Number of replaced pylons	≥	10,000
8	Updating business information support		to 31 Dec
9	Share of metering points included in the advanced measurement system in %	≥	72.00
10	Balance of employees as at 31 December	≤	755

In 2018, the Elektro Maribor Group plans efficient and profitable operations with cost management, which shall be reflected in a 6% higher planned net profit and by 0.1 percentage point higher EBITDA margin, return on assets ROA.

Table 27: Key objectives of the Elektro Maribor Group

		Plan 2018
Return on assets (ROA) in %	≥	3.3
Return on equity (ROE) in %	≥	4.7
EBITDA margin (EBIT/operating revenues) in %	≥	22.7
Production of electricity in GWh	>	12.8
Sale of electricity in GWh	>	1,620

Long-term network development plan

In 2016, in compliance with the requirements of the Energy Act, we prepared the Plan of developing the distribution network of Elektro Maribor d.d. for the period from 2017 to 2026 (hereinafter referred to as the Network Development Plan). The Network Development Plan determines the main infrastructure for electricity distribution that should be built or updated over a ten-year period for reliable and efficient power supply, secure network operation, network resource integration, and deployment of advanced network services. The estimate of necessary investments for the development of the company's distribution network for the ten-year period amounts to EUR 357 million.

In the following ten-year period, the realisation of planned investments shall enable:

- Increase in the consumption and peak loads in accordance with the needs of the population and the economy.
- Increase of the robustness of the distribution network by increasing the proportion of underground lines in medium-voltage and low-voltage networks.
- With the realisation of the planned major medium-voltage lines and cross-connections in the medium-voltage overhead network, increase in the looping of the medium-voltage network.
- Increase in the number of remotely controlled switches (switches in lines and in medium-voltage/low-voltage power lines) in the medium-voltage network.
- With advanced network service, such as construction of an advanced metering system and installation of system meters (100 percent of users of distribution network until 2024) and installation of voltage quality analysers in medium-voltage/low-voltage power lines, we will increase the system's capacity and services for users of the distribution network.

Implementation of the project of voltage regulation and fast error detection with the restoration of the network, the project of balancing peak loads, and the CIM project.

The Network Development Plan was sent to SODO d.o.o. in November 2016, which it then submitted for approval to the Minister responsible for energy in accordance with the EZ-1 for the entire national territory. In the first half of 2017, the Ministry of Infrastructure responsible for energy then requested certain supplementations to the plan. To the supplemented Plan of the electricity distribution network in the Republic of Slovenia for the period from 2017 to 2026, drawn up by SODO d.o.o., the Minister responsible for energy then gave his consent, no. 360-3/2017/22 on 10 July 2017.

9.2 Activities in the field of research and development (Article 70 of the ZGD)

Introducing the Advanced Measurement System (AMI)

At the end of 2017, there were already 65% of all metering points were included in the advanced measurement system in the company, i.e. 140,955 of all 216,981 metering points in the supply area of the company, thus making the company one of the leading EDPs in the introduction of AMI. The Decree on measures and procedures for the introduction and interoperability of advanced electric power metering systems requires that no later than the end of 2025 all metering points are included in the advanced measurement system.

The Ministry of Infrastructure has in the Official Gazette of the Republic of Slovenia, no. 32/2017 published a public tender for co-financing the purchase and installation of smart electricity meters for the 2017-2022 period, which is implemented within the context of the "Operational Programme for the Implementation of the EU Cohesion Policy in the Period 2014-2020", Priority Axis 4 "Sustainable consumption and production of energy and smart grids", investment priorities "Development and use of smart distribution systems operating at low and medium voltage". The subject of this public tender was awarding a grant for the purchase and installation of smart electricity meters.

On 16 October 2017, the company Elektro Maribor d.d. received from the Ministry of Infrastructure a decision that the applicant's application was granted and that the company shall be awarded a grant in the amount of EUR 3,692,583 for the implementation of the operation "Project of replacing electricity meters with smart meters". Within the 2017–2022 period, we shall install 88,295 smart meters, and the total value of the investment amounts to EUR 19,397,363. The project is co-financed by the European Union from the cohesion fund and the Republic of Slovenia. The purpose of the operation is:

- To purchase and install smart electricity meters and corresponding communications equipment (communications modules and data collectors),
- To purchase the software, software and hardware for processing data of the advanced metering system,
- Educational contents and marketing activities.

Figure 43: Logo of the European Union Cohesion Fund

Eligible costs of the 2017–2022 period:
Cohesion Fund 33% or EUR 3,692,583
Elektro Maribor d.d. 67% or EUR 7,497,063.

Ineligible costs of the investment period 2017–2022:
Elektro Maribor d.d. 100% or EUR 8,207,717.

The costs of installation of the metering equipment, and the manufacture and installation of metering cabinets, which shall be manufactured and installed, as well as the value-added tax are not eligible costs and shall therefore be financed entirely by ourselves. Other contents summarised by the purpose of the operation are eligible costs.

Pilot demonstration project NEDO

The NEDO project is a three-year Slovenian-Japanese development project for smart networks and smart communities. Functionally, it consists of two projects, the project of limiting the final power or a "MOVE CONSUMPTION", and the project of advanced management system of the distribution system "DMS". In addition to the authorised contractor Hitachi and the company ELES, the partners in the NEDO project are also the Ljubljana and Maribor Faculty of Electrical Engineering, and the Slovene companies Kolektor, Stelkom and Korona.

The key role as a partner in the implementation of the “MOVE CONSUMPTION” is held by the company Elektro Maribor d.d. as the provider of distribution operator tasks. In the local environment, the technological companies TECES in LEA Spodnje Podravje participate as well.

Figure 44: Project logo

The Energy Agency has included the project into the incentive scheme for pilot projects. The confirmation of the project in the Energy Agency is the basis for using the pilot dynamic tariff referred to in Article 123 of the act, which is limited exclusively to electricity customers who will voluntarily join the program of tailoring the consumption within the project. Involvement in the project for a client means that upon appropriate actions the latter shall be able to have an effective control over its own consumption of electricity at the same comfort and at lower costs.

By joining the project "MOVE CONSUMPTION", users receive reduced tariffs for network charges for billing purposes during VT (higher tariff) and discounted prices during MT (lower tariff) compared to current prices. At the same time, for not more than 50 hours per year, the more expensive KKT (critical peak tariff) will apply, which can be activated either during VT or during MT. During that 50 hours per year, when the conical tariff occurs, the users must just reduce the use of electricity to the greatest extent possible. By shifting the consumption to more favourable tariffs, users shall be able to achieve savings while simultaneously actively participating in balancing the electricity distribution system, and thus contribute to additional reliability of electricity supply. The participation in the project is independent of the fact with which supplier's the user has a concluded contract of the supply of electricity.

The users were also offered an updated website and a new mobile application. Through the mobile and web application, the users are among other things also provided with an overview of the consumption for the previous day. Every month, a monthly overview of the savings in euros is available on a monthly basis and cumulatively. These features have been pilot-enabled only to users who are signed into the project. Other features (information on planned works, data on the metering point, review of the billing consumption,…) are available to all users.

The project is implemented from 1 December 2017 to 30 November 2018. 830 users decided to participate in the project.

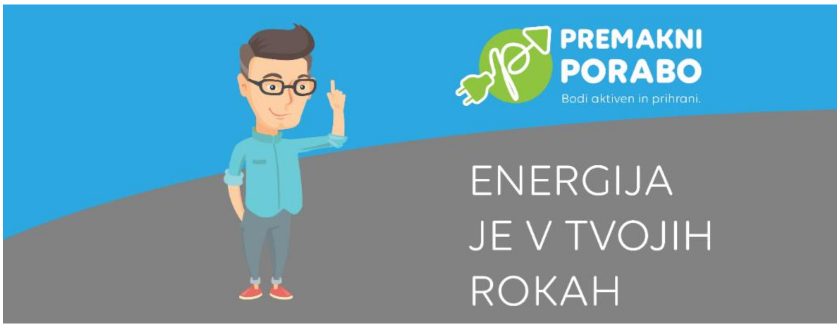


Figure 45: Promotional banner of the Move Consumption Project

With the "DMS" project, we develop advanced and environmentally friendly solutions for the challenges of the modern power system. The objective is to develop equipment that will include advanced network management tools (DMS), advanced tools for optimising the use of electricity in local communities and buildings (EMS), and a platform for integrating consumption into system services. By doing so it is desired to enable advanced functionalities of coordinated voltage regulation, automatic localisation of failures and network selection, system services, short-term forecasts of consumption and local production, and optimisation of the use of electricity in local communities.

With the "DMS" project, we want to improve reliability in the operation of the 20 kV network, shorten the time of detection of defects, increase the maximum possible power connection of small power plants to the RTP Breg network without reinforcement or expansion, and to reduce the costs of network integration of small power plants.

Distribution Academy

In order to maintain, transfer and develop the knowledge among colleagues, we arranged the premises and an outdoor training ground in Maribor, in Radvanje area. The classroom is intended for education in the field of specialist works on energy facilities and devices, as well as an outer training ground for capacity building and training of skills of properly performed works, processes and the use of technologies. We have furnished a museum room, where technical heritage is exhibited with various exhibits and elements from the history of distribution activity. In November, at the ceremonial 100th anniversary of the existence of the Elekro Maribor company, the premises and the training ground were put in use.

In 2017, within the scope of the Distribution Academy, we carried out 14 events, eight lectures with external experts, two educational coursed in the field of safety at work and four expert consultations.

Figure 46: Internal and external premises of the Distribution Academy

Updating the software solution for business support (ERP) and the software solution for asset management (EAM)

The company has established a project organisation for the updating of ERP. The company Informatika d.d. provided us with the completed quote for the introduction an updated ERP system. In compliance with the legislation (ZJN-3), we awarded the contract for updating the ERP to the associated company Informatika d.d., with which, prior to the consent given by the Supervisory Board of the company d.d., the contract was signed on 29 June 2017. The completion of the ERP renewal project is scheduled for the end of 2018.

In 2017, we also started with and completed the pilot project EAM. During its course we organised workshops, which were attended by all the key users of the company, whose work is related to the system for asset management directly or indirectly of the business support system (ERP).). . In compliance with the legislation (ZJN-3), the EAM contract was also awarded to the associated company Informatika d.d., with which, prior to the consent given by the Supervisory Board of the company d.d., the contract was signed in February 2018. The completion of the EAM renewal project is scheduled for the end of 2018.

10 OPERATING IN THE ENVIRONMENT (G4 EN4)*

The Elektro Maribor Group, which provides the supply of electricity and energy services in the environment in which it operates, is also largely dependent on the impacts of the natural environment (meteorological disasters, droughts, and mild winters). The year 2017 was unfavourable in terms of production and sales of energy. Due to the drought in 2017, the amount of energy produced was lower compared to the previous two years. The amount of electricity distributed to users through our own network has been increasing for the last three years.

Table 28: Energy in the Elektro Maribor Group

	2017	2016	2015
Produced electricity MWh	11,312	14,033	13,086
- Hydroelectric power plants	10,286	12,988	12,045
- Photovoltaic power plants	596	631	641
- Cogeneration	430	414	400
Sold energy in MWh	1,687,725	1,884,177	1,826,028
- Electricity	1,564,962	1,801,203	1,771,209
- Natural gas	120,567	80,905	52,768
- Heat	2,196	2,069	2,051
Distributed electricity MWh	2,264,791	2,208,308	2,167,003
Share of electricity losses in %	4.71	5.06	5.23

Extreme weather conditions such as storms, heavy snow and glaze ice, have a negative impact on the quality of electricity supply, and subsequently also a negative impact on the business operations of the company Elektro Maribor d.d. The indicator of the quality of supply is poorer, as a result the company may be sanctioned in regulated eligible costs. Part of the funds that we have planned for investment in assets must be dedicated to the rehabilitation of the damaged distribution system.

The business operation of the company OVEN Elektro Maribor d.o.o. is largely dependent on weather events, which reflect in the quantity of precipitation. A negative impact on business operation have outages of electricity production due to droughts, which result in lower revenues from the sale of electricity produced, while the periods with abundant precipitation, when the production of electricity is at its maximum, have a positive impact.

In recent decades, the annual number of extreme weather conditions and their magnitude have increased significantly.

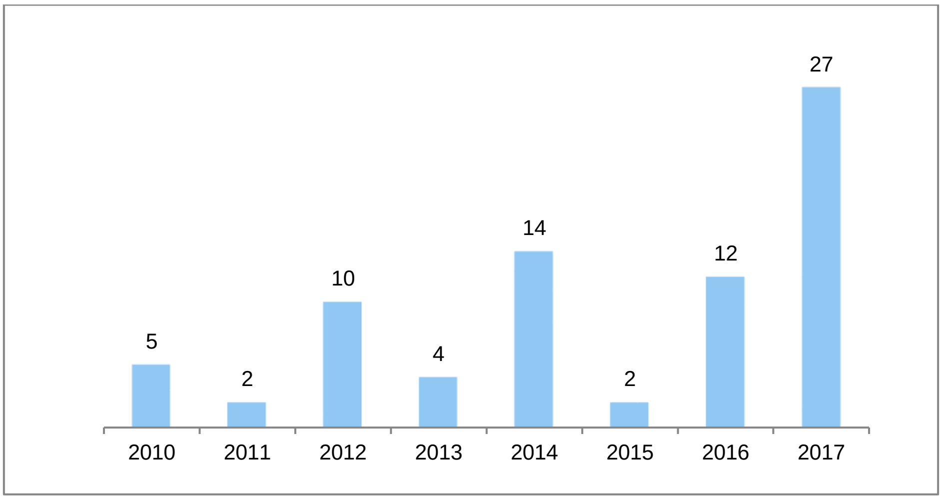


Figure 47: Number of days with extreme weather conditions

In 2017, there were 27 days recorded with extreme weather conditions on the supply area of Elektro Maribor d.d., which is significantly higher than in the previous years, which is significantly more than in the previous years, as a result of this, we recorded 1,147 claims on the electricity distribution network. As an example, we note that in 2014, which was marked by ice damage, there were 14 days with extreme weather conditions.

Extreme weather conditions that required maximum engagement of our electricity installation teams in the field and colleagues in supporting processes to ensure the re-supply of electricity as soon as possible, were mainly:

- Storm front on the evening of 10 August 2017 (at 8.00 PM, there were more than 38,000 users without the power supply, by morning there were only 3,300 left, and the full supply was already restored during the day).
- Heavy and wet snow in the night from 9 December 2017 to 10 December 2017 (at 1.30 AM, there were more than 23,000 users without power supply, by 12.00 AM there were only 231 left without power supply, and the full supply was restored during the following day).
- Hurricane wind in the night to 12 December 2017 (at 5.00 AM, there were 14,075 users without power supply, at 12.00 AM there were only 299 users left without power supply on medium-voltage networks, approximately as much as on low-voltage networks).

The solution, which has been intensively implemented in Elektro Maribor d.d. in the last years, is aimed at reliable maintenance, the construction of robust networks and the construction of smart grids. For a quick and effective resetting of supply in case of disruptions due to extreme weather conditions, we have developed a Plan of protection and rescue in case of natural and other disasters, with which we ensure timely activation of a sufficient number of our own teams, if necessary, teams of external contractors as well.

11 DISTRIBUTION OF ELECTRICITY (G4 EC2)*

In accordance with the Energy Act EZ-1, we at the company Elektro Maribor d.d. as the owner of the electricity infrastructure perform a regulated activity. With the SODO Company, which holds the concession to perform the public utility service of an electricity distribution network system operator, we do business on the basis of the Contract on the lease of electricity distribution infrastructure and provision of services for the electricity distribution network system operator (hereinafter referred as: the SODO Contract). Based on the aforementioned contract, the SODO Company and each owner of the electricity infrastructure enter into annual annexes to the contract, which determine the method of charging the network use, lease for infrastructure and provision of services. In 2017, we signed Annex no. 5 to the CODO Contract with the SODO Company for the period of 2016-2018.

The regulation of the Slovenian energy market is in the domain of the Energy Agency, which monitors, directs and supervises the providers of energy activities. In 2016, the new regulatory framework for the period 2016-2018 came into effect, namely based on the Act on the methodology for determining the regulatory framework and the methodology for charging the network charge for electricity system operators (Official Gazette, no. 66/2015). The decision of the Energy Agency no. 211-58/2015-121/452 (hereinafter referred to as the Decision) determined the value of the regulatory framework for the period 2016-2018.

The regulatory framework is the value definition of eligible costs, network charges, and other revenues from the implementation of activities, surpluses or deficits of network charges from previous years.

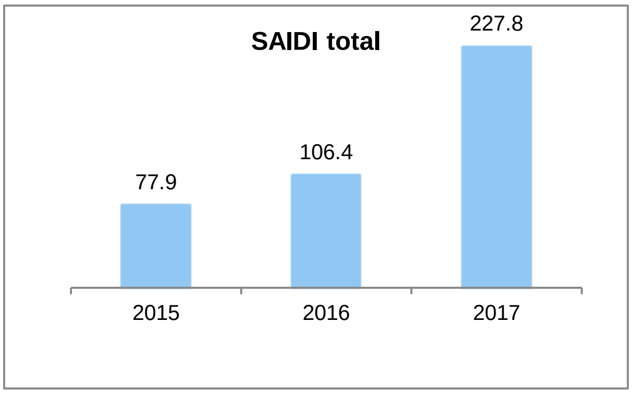
The company Elektro Maribor d.d. has in the transfer of the 110 kV network acted entirely in compliance with the provisions of Article 512 of the EZ-1 and the provisions of the Decree on the division of the 110 kV network into the distribution and transmission systems. In 2017, the company Elektro Maribor d.d., in compliance with the Decree on the division of the 110 kV network into the distribution and transmission systems, updated the valuation of 110 kV assets, which was carried out in 2016. In 201, there was no sale of these assets.

11.1 Operation of the distribution system (G4 PR4)*

The indicators of quality of supply, especially those resulting from our own reasons, indirectly show the condition of our network and are improving if the network is properly renewed or implemented in an isolated, either underground or airy embodiment. In 2017, the quality of supply of electricity consumers on the area that we supply with electricity and measure with SAIDI, SAIFI and MAIFI parameters, slightly deteriorated, mainly due to a large number of days with extreme weather conditions and the consequences of a long-lasting rehabilitation of the network, which required an even larger number of planned power supply outages.

SAIDI factor: measures the average time of unplanned supply interruptions for each consumer served on the company's distribution system; it is measured in minutes.

SAIFI factor: measures the average number of unplanned supply interruptions for each consumer served on the company's distribution system; this factor has no unit.



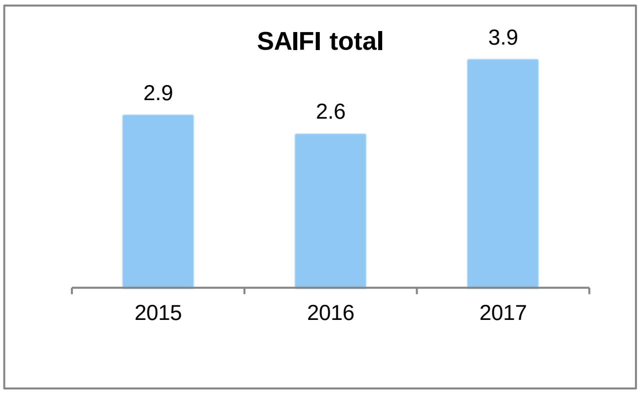


Figure 48: Trend of SAIDI and SAIFI within the 2015–2017 period

MAIFI factor: measures short-term interruptions, which are common during storms when the number of automatic restarts increases; measured in number of interruptions shorter than three minutes.

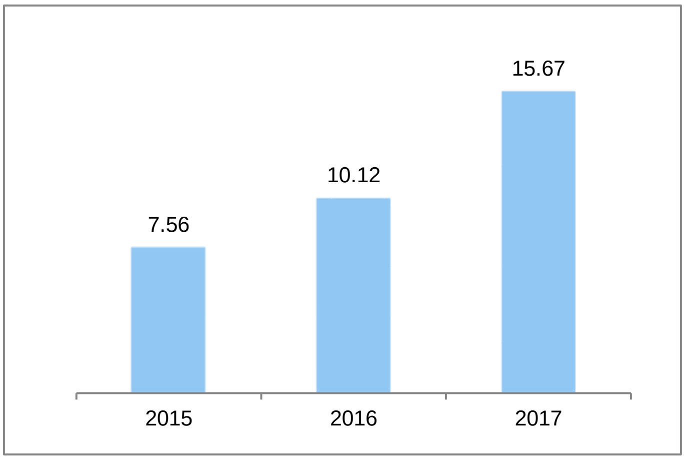


Figure 49: MAIFI factor – average number of short-term interruptions per consumer, shorter than three minutes

The deterioration of the quality of supply parameters in 2017 compared to the previous year is to the greatest extent possible a result of the aforementioned extreme weather conditions in 2017.

Since 2016, in compliance with the provisions of the Energy Agency, we monitor the SAIDI and SAIFI indicators for own reasons, separately for urban and rural area. The Energy Agency has determine their target values which are the basis for the annual assessment of the performance of implementation of supply or the calculation of the factor of the quality of supply, which in form of incentives/sanctions affects the determination of the amount of eligible regulated costs.

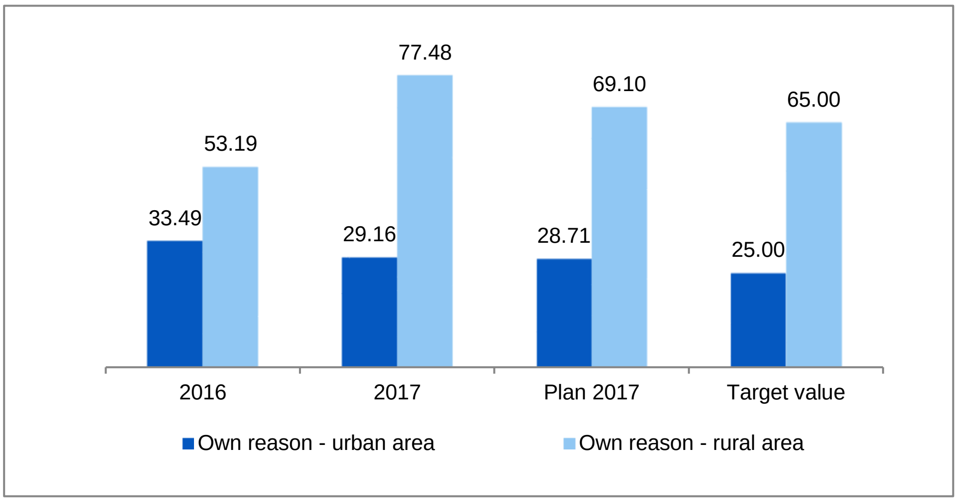


Figure 50: SAIDI own reason – average time of unplanned interruptions, longer than three minutes per consumer

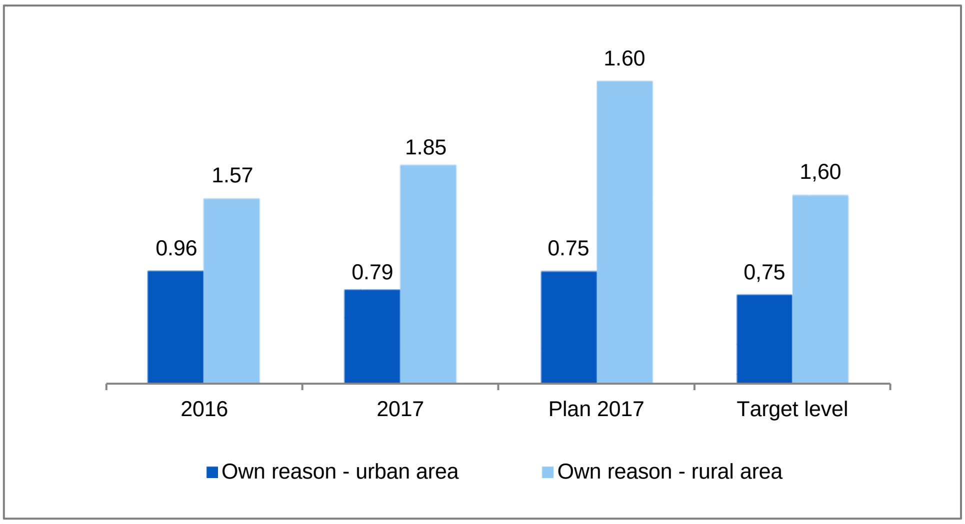


Figure 51: SAIFI own reason – average number of interruptions, longer than three minutes per consumer

The deterioration of both quality of supply parameters in 2017 compared to the previous year is as already mentioned in the previous text to the greatest extent possible a result of the aforementioned extreme weather conditions in 2017.

In 2017, the Energy Agency conducted an assessment of the monitoring of the quality of electricity supply in the company Elektro Maribor d.d., namely for 2014. The assessment was successful, since the assessment result achieved was 96%. The Agency shall determine the impact on eligible regulated costs by a special decision that has not yet been issued by the completion of the preparation of the Annual Report.

Otherwise, only two out of five EDPs have successfully passed the conducted assessment of the Energy Agency. The result of the conducted assessment provides us with the confirmation that the company from its very beginning of the introduction of monitoring has been implementing the latter consistently. The differences found between companies can reasonably question the effectiveness of current quality regulation and the impact on regulated revenue in the previous years.

11.2 Commercial quality (G4 PR4)*

The indicators of commercial quality are defined by the minimum standards of quality of supply and are defined in the acts of the Energy Agency:

- Act on the rules for monitoring the quality of electricity supply (Official Gazette of the Republic of Slovenia, no. 59/2015), and
- Act on the methodology for determining the regulatory framework and the methodology for charging the network charge for electricity system operators (Official Gazette, no. 66/2015).

We were successful in realising the indicators of commercial quality. In 2017 as well, compared to the previous year, we recorded a growth in the quality of services of most commercial quality indicators.

We also successfully improved the poor voltage conditions, including those resulting from extremely low temperatures in February and, consequently, in some cases, significantly higher use of electricity, in particular due to heat pumps.

11.3 Electronic communication networks and facilities, and information systems

In 2017, we started the project of renewing the information system for business support (ERP). We have prepared the functional requirements of the renewed system and coordinated a detailed plan for the implementation of the renewal with the selected contractor (i.e. business blueprint). In addition, we also began with activities on renewal of the information system for asset management (EAM). The completion of both projects is scheduled for the end of 2018.

The company introduced cloud services Skype and OneDrive For Business. We upgraded the information system for identity management. For the needs of support to final users of the Elektro Maribor Group, we introduced the applications IKT Reporting Errors and IKT Claims.

In the field of cyber security, we installed modern firewalls of the next generation in high reliability mode, introduced a secure Internet protocol and security tools.

11.4 Planning the development of the electricity distribution system and connecting users

The volume of the issue of documents in 2017, in the process of connecting users to the electricity distribution system and the documents that we must issue as owners of the electricity distribution system in compliance with the Spatial Planning Act and the Construction Act, is evident from the table below:

Table 29: Volume of issued documents

Title	2017	2016	2015
Preparation of guidelines to spatial planning acts	84	75	55
Elaboration of opinions to spatial planning acts	75	52	57
Elaboration of project requirements	1,779	1,523	1,469
Issuing approvals to project solutions	2,546	2,187	1,773
Issuing approvals to connection	3,910	3,498	3,065
Concluding contracts for connection	3,404	3,020	2,697
Elaboration of analyses for dispersed sources	443	193	57
Total	**12,241**	**10,548**	**9,173**

Compared to the previous year, the total amount of documents issued increased by 16%. The realisation increased in issuing of all documents, which indicates the revival of investment activity. In 2017, compared to the previous year, we also produced 44% more opinions to spatial planning documents and even 130% more analyses for diffuse sources, mainly due to the introduction of the calculation of electricity according to the principle of net metering (Decree on self-supply) and the introduction of additional support for kW installed power of self-supply devices.

11.5 Maintenance of the distribution system

The maintenance of electricity facilities (EF) is performed in compliance with the instructions on electricity distribution network (EDN) maintenance. The maintenance is performed according to the instructions and manuals that are attached to the DEEO maintenance instructions.

Compared to the previous year, we increased the quantities and physical volume of maintained facilities in:

- MV cable lines by 34.8 km,
- LV underground lines by 199.2 km,
- Transformer stations MV/0.4 kV, MV/0.95 kV and 0.95/0.4 kV for 31 transformer stations.

Compared to the previous year, we increased the length of the network on company's distribution system by 63.8 km or 0.4%, of which the length of underground lines was increased by 234 km or 3%, and the length of overhead lines reduced by 170.2 km or 2%.

Table 30: Quantities and physical volume of facilities on the distribution system

	2017	2016	2015
HV- and MV-networks (in km)			
HV overhead lines	231.9	231.9	205.0
MV overhead lines	2,898.6	2,909.5	2,925.2
HV cable lines	8.2	8.2	6.7
MV cable lines	1,129.9	1,095.1	1,057.7
Total HV-network	**240.2**	**240.2**	**211.7**
Total MV-network	**4,028.5**	**4,004.7**	**3,982.9**
LVN 1 kV + 0.4 kV + 0.2 kV (in km)			
LV overhead lines	5,294.8	5,454.1	5,637.9
LV underground lines	6,933.9	6,734.7	6,438.8
Total LV-network	**12,228.7**	**12,188.7**	**12,076.7**
Total network (in km)	**16,497.3**	**16,433.6**	**16,271.3**
DTS and TS (in pcs)			
DTS 110/SN kV, SS 110 kV	20	20	20
DTS MV/MV, SS MV (with management and protection)	9	20	21
TS MV/0.4 kV, TS MV/0.95 kV, TS 0.95/0.4 kV	3,502	3,471	3,456

The proportion of each maintenance group discloses how much financial resources we use by each group.

- Strategic maintenance represents maintenance of high-voltage networks with a part of medium-voltage network. In 2017, the proportion increased by 2 percentage points and varies according to the periodicity of the necessary works carried out in accordance with the Instructions for maintenance of the SODO d.o.o. electricity distribution system.
- A major part of network maintenance works represent medium- and low-voltage networks.
- We were also able to decrease the share of costs for maintenance of non-energy facilities by 5 percentage points.

Table 31: Percentage of individual maintenance groups

	2017	2016	2015
Strategic maintenance	9 %	7 %	8 %
Maintenance of MV and LV	43 %	42 %	38 %
Maintenance of non-energy facilities	47 %	52 %	55 %
Total	**100 %**	**100 %**	**100 %**

The replacement of pylons is carried out on medium- and low-voltage network, where we mainly replace wooden pylons. The planned rehabilitation of pylons was realised by 95 %. In 2017, we replaced 461 less pylons compared to the previous year. The reason for lower realisation are extreme weather conditions, due to which we were eliminating malfunctions on the electricity system on the account of implementation of specific works on maintenance and investments in assets, which had to be restructured promptly according to the needs in the network on the grounds of a large number of loss events.

Table 32: Replacement of pylons on MV- and LV-network

	2017	2016	2015	2014
Plan (in pcs)	9,000	8,000	8,000	8,000
Realisation (in pcs)	8,549	9,010	8,724	9,242
Plan realisation (in %)	95.0	112.6	109.1	115.5

The performed TS reviews are exceeded at critically significant transformer station for the purposes of increasing the reliability and robustness of the electricity system. The plan of reviewing transformers stations was exceeded by 3.4%.

Table 33: Reviews of transformer stations

	2017	2016	2015
Plan (in pcs)	874	864	861
Realisation (in pcs)	904	965	990
Plan realisation (in %)	103.4	111.7	115.0

We carry out tree removals on the entire overhead electricity network on our own and with an external contractor. Tree removal is one of the indicators of reliability of the electricity system. The plan of tree removal under the electricity network was exceed by 6.9 %.

Table 34: Tree removal on HV-, MV- and LV- network

	2017	2016	2015
Plan (in pcs)	317	230	244
Realisation (in pcs)	339	338	324
Plan realisation (in %)	106.9	147.3	132.8

11.6 Access to distribution system and the billing of network use

Network use

In 2017, we distributed a record 2,265 GWh of electricity to 216,981 measuring points through the Elektro Maribor network, which is the maximum in the history of the Elektro Maribor company. The total distributed electricity was by 2.6% higher than in 2016. The use of household consumers was in 2017 higher by 2.5% than in 2016. The use of consumers at MV was by 3% higher, and the use of business consumers on LV by 2.1% higher.

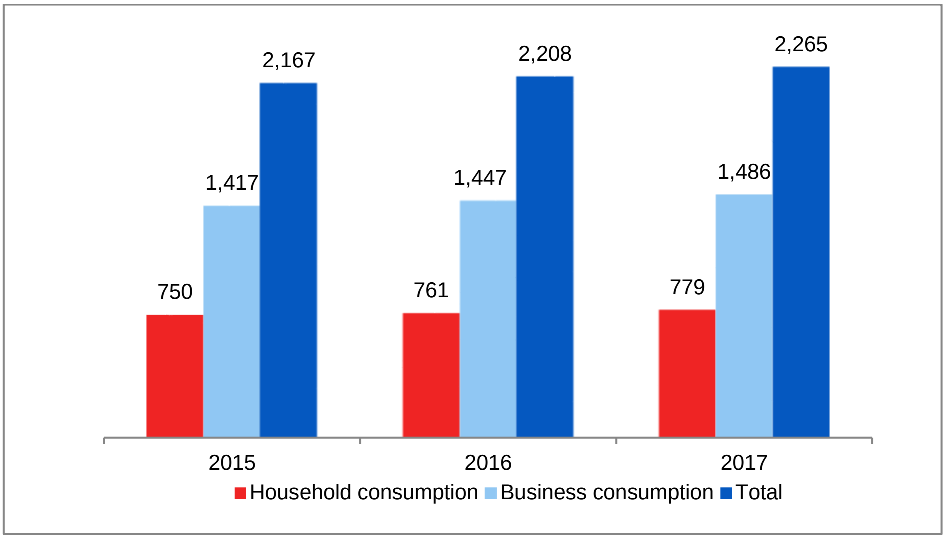


Figure 52: Quantity of distributed energy for business and household consumption (in GWh)

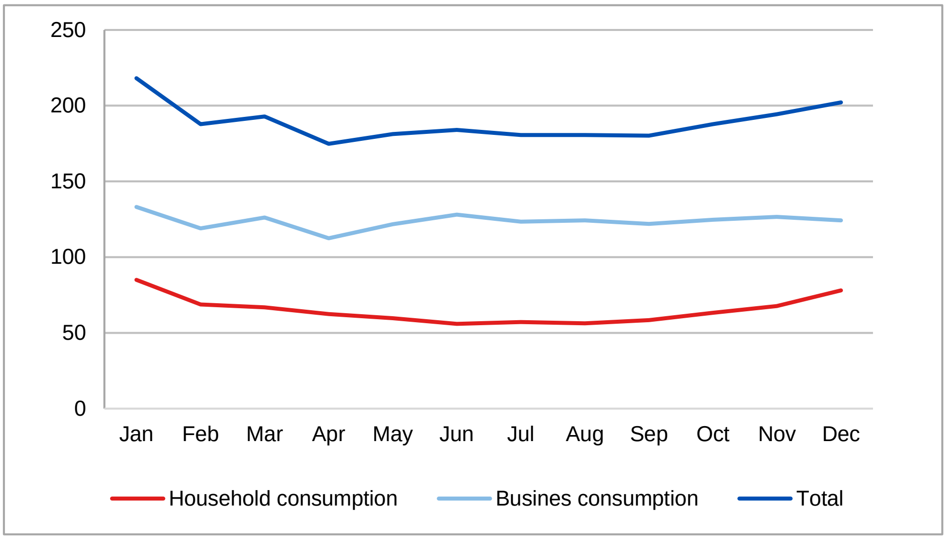


Figure 53: Monthly dynamics of distributed energy for business and household consumption (in GWh)

The realisation of the billing power was in 2017 by 0.9 % higher than in 2016, and was also the highest so far. The billing power is measured or determined according to the fuse and is indicated on the invoice. In 2017, the billing power increased the most (by 2.9%) at MV. In business consumption at LV, it increased by 1.6%, and in households by 0.4%.

Table 35: Trend of billing power and use of energy compared to 2016

	Billing power	Energy
Medium voltage (MV)	2.9 %	3.0 %
Low voltage (LV) – business consumption	1.6 %	2.1 %
Households	0.4 %	2.4 %
Total	**0.9 %**	**2.6 %**

The higher billing power in 2017, is a result of the increased economic activity on the side of consumers at MV and consumers at LV without measured power.

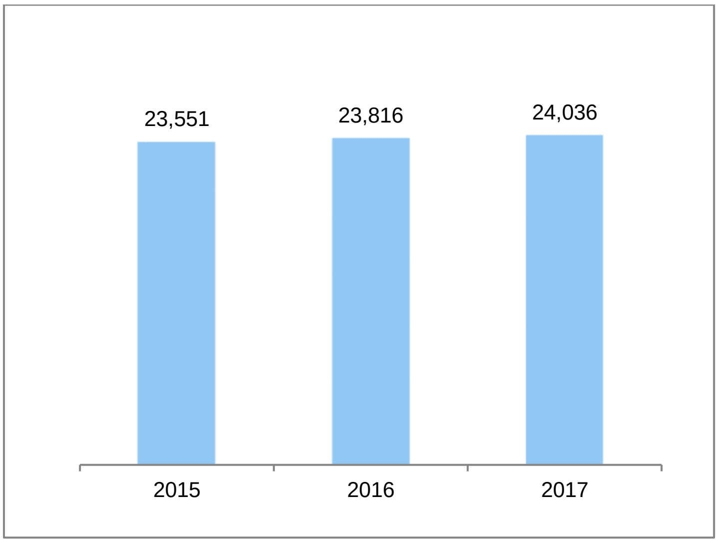


Figure 54: Billing power (in MW)

The number of consumers in 2017, compared to the previous year, increase by 689 consumers or 0.3%, which is by 0.1 percentage points less than the increase in 2016. In the 2015–2017 period, the number of consumers increased by 2,540 or 0.7%, while in the majority of cases this is because of new metering points in household consumption, which is followed by consumption at LV without measured power. The number of consumers at the end of 2017, is the highest so far.

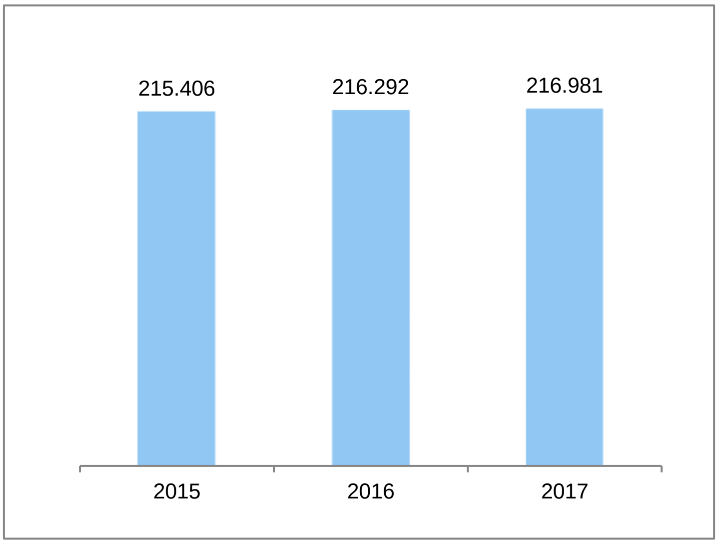


Figure 55: Number of consumers connected to the distribution system

In 2017, the ratio between the energy assumed from the transmission system and the energy arising from production facilities amounted to 86 : 14, whereas in 2016, it amounted to 85 : 15.

The total energy in the system, i.e. collected from the transmission network and production facilities, was by 2.2% higher than in 2016.

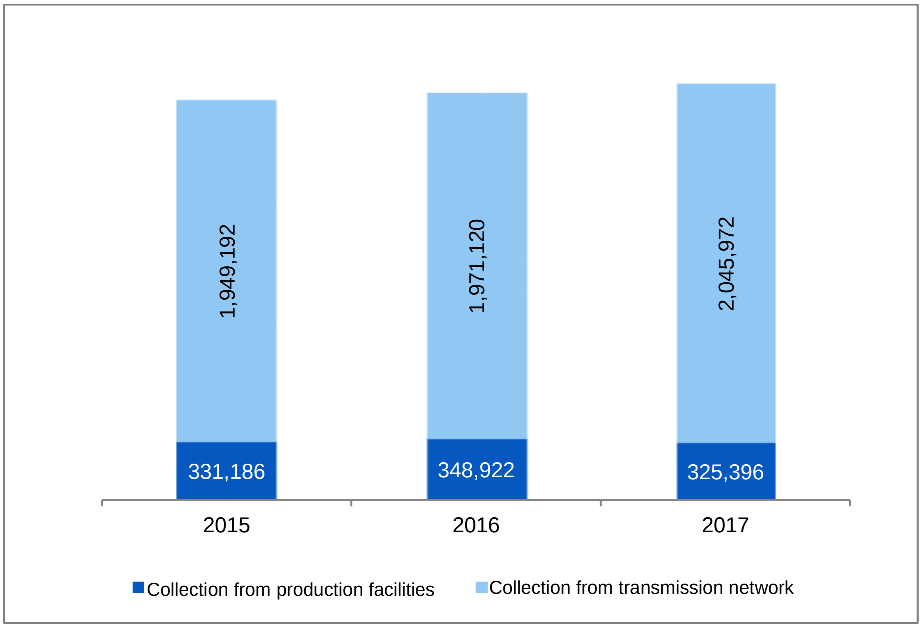


Figure 56: Trend in electricity collection (in MWh)

The peak power of the system was in 2017 the highest in January 2017, and amounted to 435 MW, which is the maximum in the history of the company. The above was largely affected by very low temperatures.

The minimum load of the network was in May 2017, and amounted to 126MW, which constitutes the second highest value so far.

The information on peak power is particularly important in planning the development of the electricity distribution system, which must also be dimensioned with respect to peak power if the latter is increasing, the network must be additionally strengthened. The efforts of the company Elektro Maribor d.d. are also directed towards increasing the strength of the network. The increase of the peak load is mostly affected by climatic factors, economic activity and increasing the load on the existing and the connection of new consumers and producers.

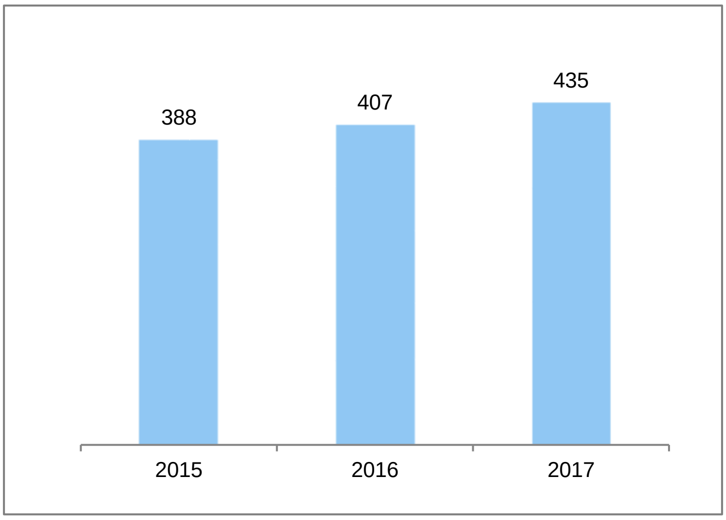


Figure 57: Peak load (in MWh)

The electricity losses are an important cost in the operation of distribution systems. They are defined as the difference between the measured quantities of electricity at collection points from the transmission to the distribution system, and the production facilities connected to the distribution system on one hand, and the measured quantities of electricity at the delivery metering points of final consumers on the other. The losses are roughly divided into technical losses resulting from the transfer of energy through the distribution system, and non-technical or commercial losses resulting from incorrect registration of measurement data, theft of electricity and other causes, where the source of losses is not the flow of electricity through the network.

In 2017, the losses in network amounted to 4.71% with regard to the distributed electricity, which is the best result in the modern history of the company. The result is a consequence of implementation of measures for managing technical and commercial losses, the introduction of the advanced metering system, as well as relatively high temperatures in the autumn and winter period (the exception is January 2017).

According to a rough estimate, the non-technical or commercial losses represent only 15- to 20-percent share of total losses, and are successfully decreasing with the construction of the advanced metering system. The main share of losses are thus technical losses, which amount to a little more than 4% of all electricity distributed to consumers.

In 2018, the company Elektro Maribor d.d. shall continue with the implementation of measures for managing both, technical and commercial losses.

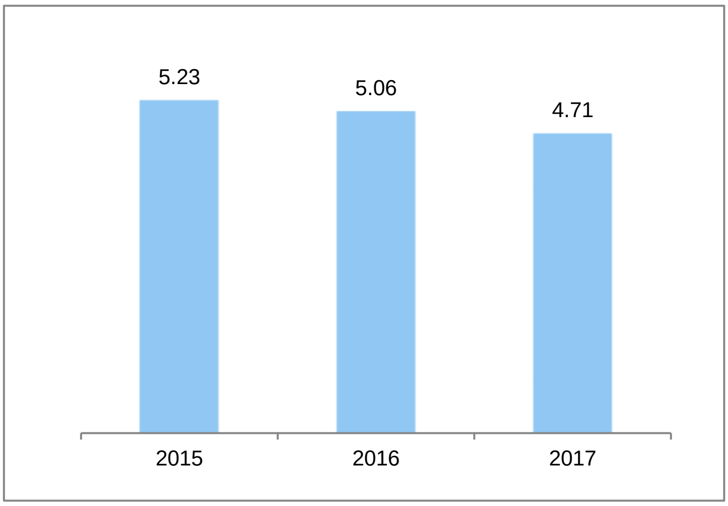


Figure 58: Changes in percentage of losses in the network according to distributed energy (in %)

Changing suppliers

The company Elektro Maribor d.d. carries out the change of supplier within the statutory time limits. In 2017, the change of electricity supplier in the distribution system of Elektro Maribor was carried out at 12,059 metering points, which constitutes 5.6% of all metering points. In the same period last year, 17,146 metering points changed their supplier.

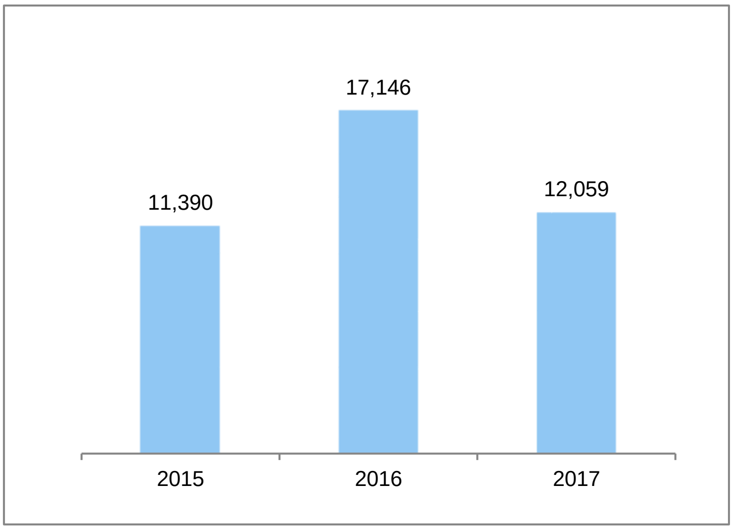


Figure 59: Trend in the number of electricity supplier changes

Billing network use

In 2017, we:

- implemented billing network charges, surcharges to network charges, and contributions for 216,281 metering points connected to the distribution network of Elektro Maribor d.d.;
- continued system maintenance for billing network use by remote readings according to the actual state for the period from the first to the last day of the month, the basis of which is the accelerated construction of AMI on the company's supply area (currently there are already 140,955 metering points included, which is 65% of all metering points);
- for the needs of the adapting consumption project "MOVE CONSUMPTION", namely for testing the critical peak tariff, the adjustments to the billing system and other activities for the start of the project have been implemented. In the project, the participation is enabled for all households and small business consumers, who are connected to the distribution transformer station Breg and are already in the advanced metering system. The system (smart) meters, included in the advanced metering system, allow the system operator to carry out advanced services. With appropriate incentives it is possible to achieve that the consumers are actively involved in the programmes of consumption adaptation and thus contribute to the decrease of investment costs for expansion of the electricity grid.

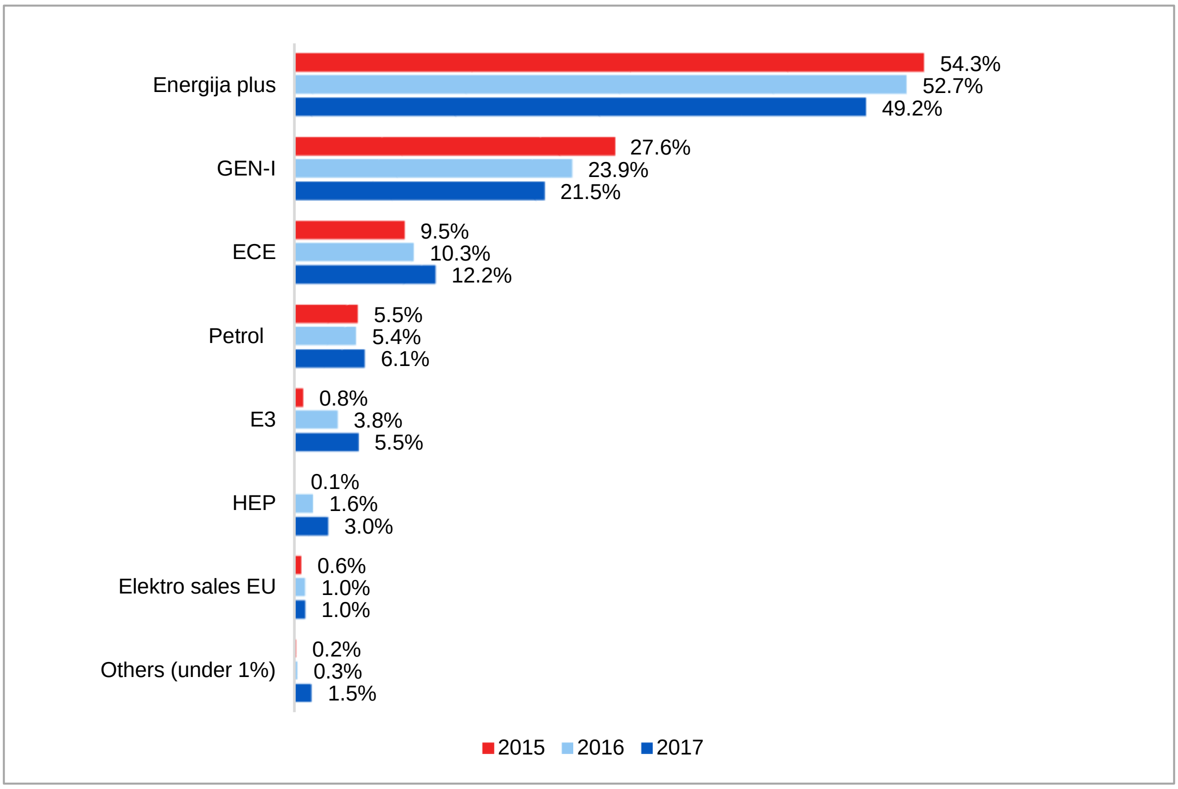


Figure 60: Distributed electricity of Elektra Maribor d.d. in the area of the SODO contractor by suppliers

11.7 Measuring electricity and provision of measure data

- In compliance with the decision of the Metrology Institute of the Republic of Slovenia, we replaced 4,584 meters of the M x 351 type and protected them against adverse impacts of conductive crystals growth or replaced them with other suitable ones.
- We completed the construction of the advanced metering system by using meters with a PLC communication interface with frequency hopping modulation (PLC S-FSK technology).
- In 2017, we additionally included new network users into the advanced metering system. The total number of metering points included in the advanced metering system, thus already amounts to 140,955, which constitutes 65% of the total number of metering points on the distribution area of Elektro Maribor d.d.

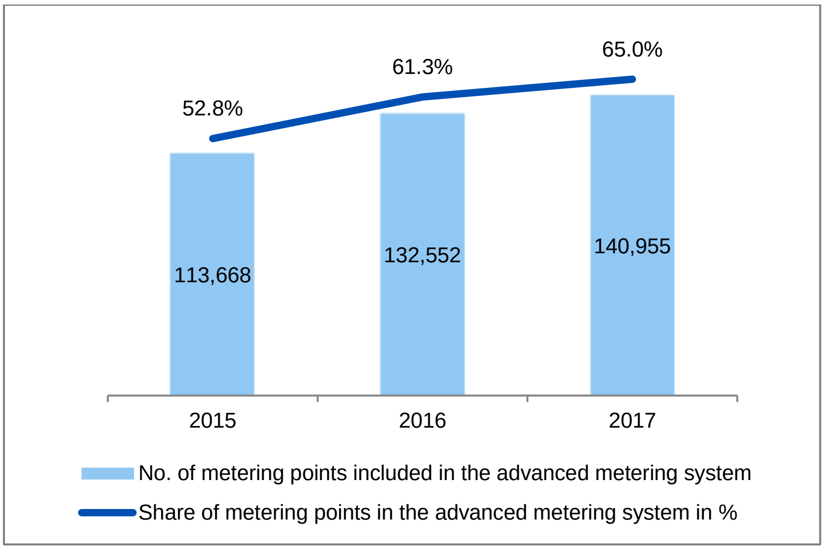


Figure 61: Metering points in the advanced metering system – Elektro Maribor d.d. in %

- We have started the construction of an advanced metering system with certified OFDM G3-PLC Alliance equipment, which enables faster development of new advanced services. In 2017, we included 6,176 system users in this advanced metering system.
- In accordance with the Metrology Act and its implementing regulations, we replaced 4,626 metering devices, the certification of which expired in 2017. Meters whose life span according to the Rules determining the period of use of measuring equipment did not expire, were properly serviced, calibrated and recertified.
- Based on the Public Holidays and Work-off Days in the Republic of Slovenia Act, we manually transcribed the list of holidays on the 16,159 meters and timers.
- We implemented the upgrade of the MOW system (information solution of the manufacturer Erpo sistemi d.o.o.) with the module for remote access of handheld terminals to the information system via M2M (Machine to machine) 3G/4G leased connections, the DLMS (Device Language Message Specification) support module and the module for automated calculation of standard hours for meter readings.
- We have successfully implemented a pilot project for collecting measure data from systemic electricity meters using advanced online services, in which we included one of the advanced service providers for industrial users of the system.
- With a partner, we developed a test metering training range TEMPO-01, which enables different PLC (Power line communication, Data transfer via the energy system) communication tests of data collectors and PLC meters of different manufacturers.
- For the purposes of network use billing, contributions, electricity supply, and control calculations, we provided 1,633,029 readings of electricity meters from the metering centre.

11.8 Measurements and protection

In the field of maintenance, in 2017, the company performed 161 measurements, of which there were 36 tests and 125 measurements of cable damages. We performed 390 revisions of protective devices for protection and management (relays). We also performed 13 measurements of grounding of all 110 kV transmission line pylons on the 110 kV Sladki Vrh – Radenci power line.

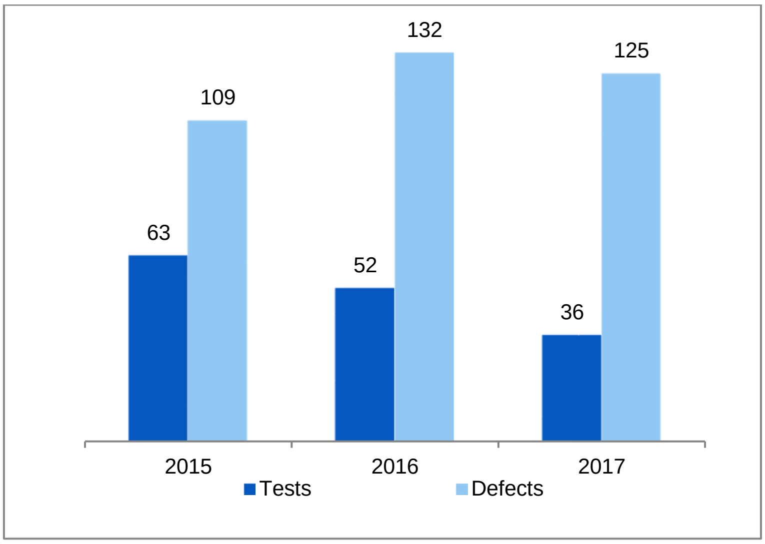


Figure 62: Number of performed measurements

We performed 1,068 measurements of voltage quality. Of which, 413 measurements were inconsistent with the SIST EN50160 standard, which amounts to 38.7%. The annual plan of the number of measurements performed (650 measurements) was exceeded by 64%. The increase in the number of measurements carried out should be attributed to the 209 requests for the purposes of measurement in the phase of obtaining information on the possibility of connection or the consent for connection to the distribution system, and 87 addressed complaints related to voltage quality.

Apart from regular analyses of protection operation, we regularly monitored and performed the analyses, in particular with the increased number of outages due to extreme weather conditions. Above all, we analysed the functioning of protection in simultaneous outage of two or more MV lines. All detailed analyses have shown the correct functioning of protection, the cause in most cases were double ground faults in the network or the protection function due to felled trees.

12 PRODUCTION OF ENERGY PRODUCTS

In 2017, the Elektro Maribor Group produced 11,312 MWh of electricity with its own production facilities, which is by 19.4% less than in the previous year 2016. Both, the hydroelectric power plants and solar power plants produced less than in 2016. In both cases this was affected by natural factors: hydrology and insolation. The unlawful alienation of a large number of photovoltaic modules in March 2017, which were already replaced by new ones, had no significant impact on the production of electricity from solar power plants. The Group also disposes of two facilities which in cogeneration produce high-efficiency heat and electricity (CHP) by using natural gas. In 2017, the production of electricity in cogeneration (CHP) amounted to 430 MWh, which is by 3.9% more than in 2016.

The share of produced electricity from hydropower plants in 2017 amounts to 90.9%, the share of photovoltaic power plants to 5.3% and the share of cogeneration to 3.8%.

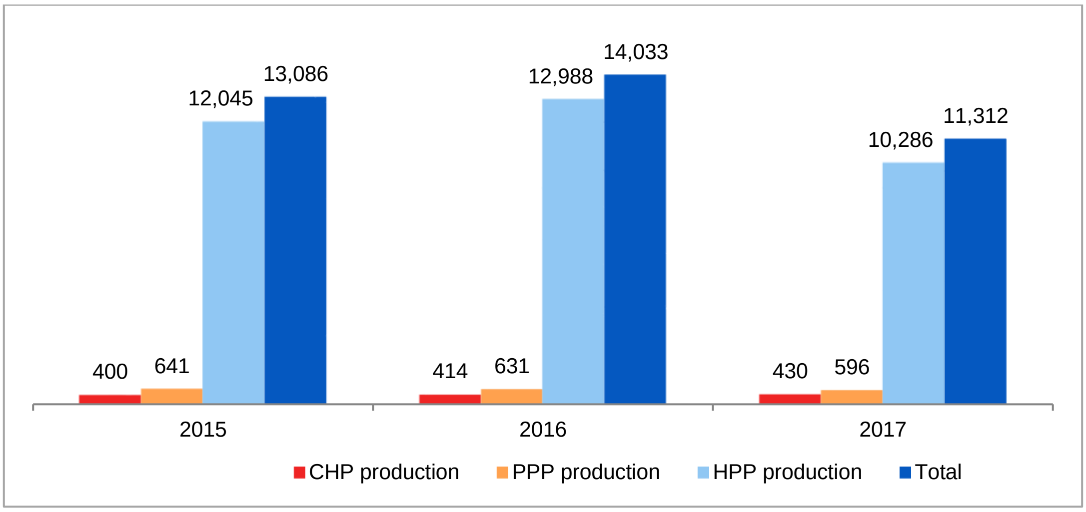


Figure 63: Produced quantities of electricity in hydroelectric power plants (HPP), photovoltaic power plants (PPP) and cogeneration (CHP) in MWh

The highest production from hydroelectric power plants was recorded in November and December 2017. All of the generated electricity was eligible for the support premiums.

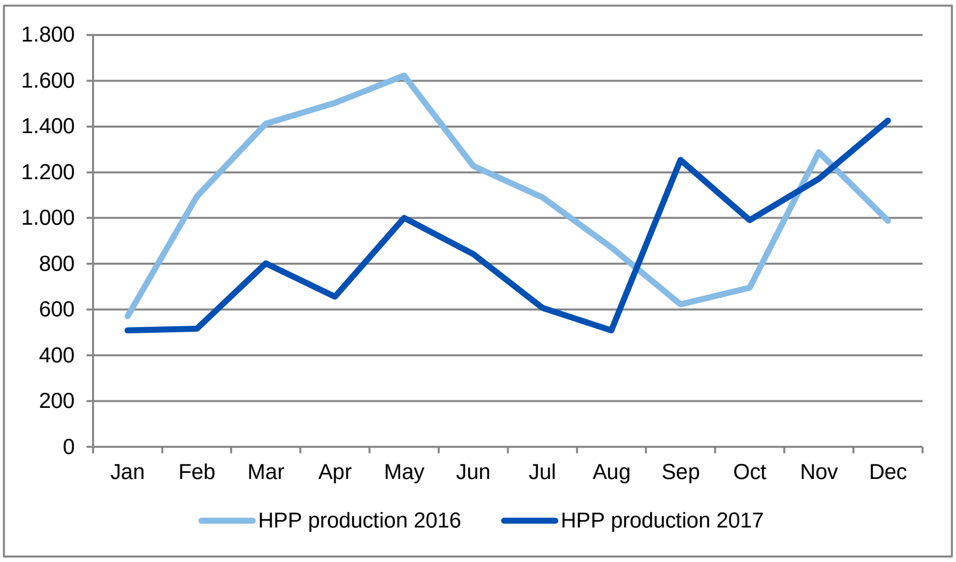


Figure 64: Monthly dynamics of electricity produced in hydroelectric power plants (HPP) in MWh

The highest production from photovoltaic power plants was recorded in July and August 2017. All of the generated electricity was eligible for the support premiums.

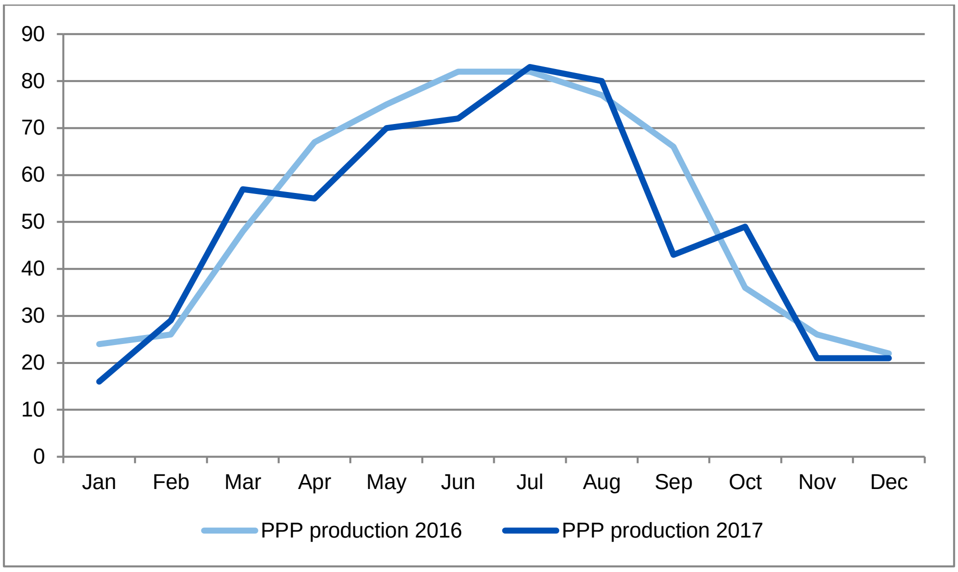


Figure 65: Monthly dynamics of electricity produced in photovoltaic power plants (PPP) in MWh

The highest production from high-efficiency cogeneration of heat and electricity in 2017, was recorded in January and October 2017.

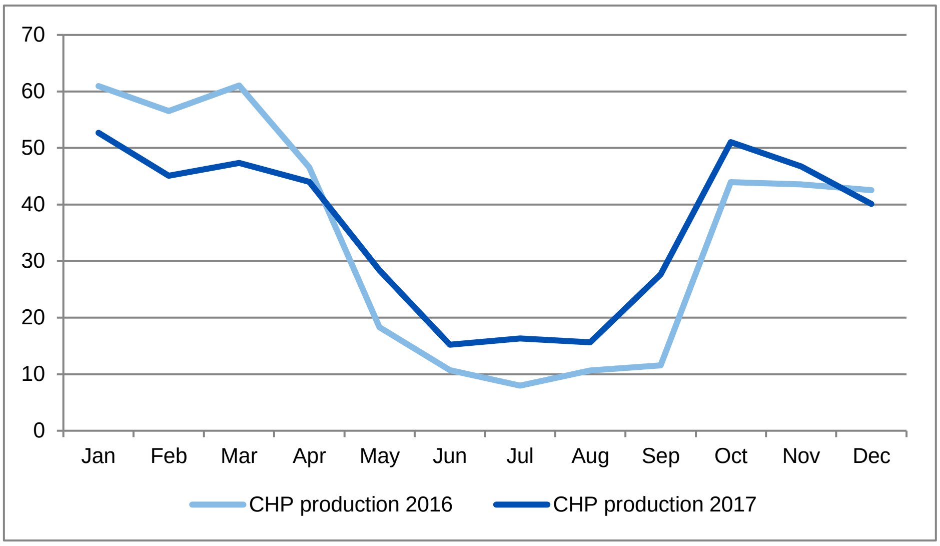


Figure 66: Monthly dynamics of electricity produced in CHP in MWh

13 SALE OF ENERGY PRODUCTS

The sale of energy products, electricity, natural gas and heat to final consumers is carried out in the controlled company Energija plus. The controlled company OVEN Elektro Maribor d.o.o. is selling produced electricity within the Group to the company Energija plus.

13.1 Electricity

The offer of sale of electricity is adapted to the needs and desires of our customers. In 2017, the activities were focused on acquiring new customers, improving user experience, satisfaction and loyalty of existing customers, and strengthening the company's visibility.

In the field of household customers, the activities were focused on the identification and acquisition of new customers with our own and contractual sales personnel, and with different approaches, we strengthened the satisfaction in loyalty of existing customers (special offers and packages, rewarding loyalty, counselling meetings, satisfaction survey ...)

The total sale of electricity in 2017 amounted to 1.56 TWh, which is by 0.24 TWh less than in 2016. The reason is mainly in lower sales to business customers as a result of the expiry of contracts with two major business partners.

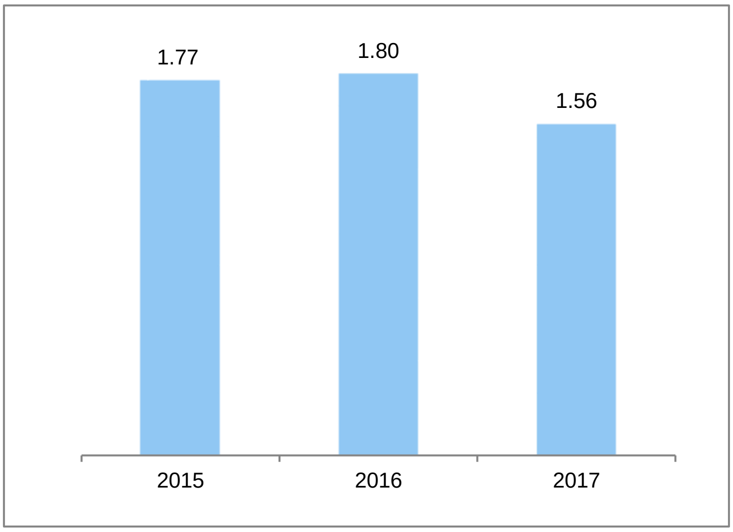


Figure 67: Quantity sales of electricity (in TWh)

In 2017, we sold 12.8% less electricity to end customers compared to 2016. In the structure, the share of electricity sold to business customers decreased by 3.3 percentage points, while the share of household customers increased by 3.3 percentage points.

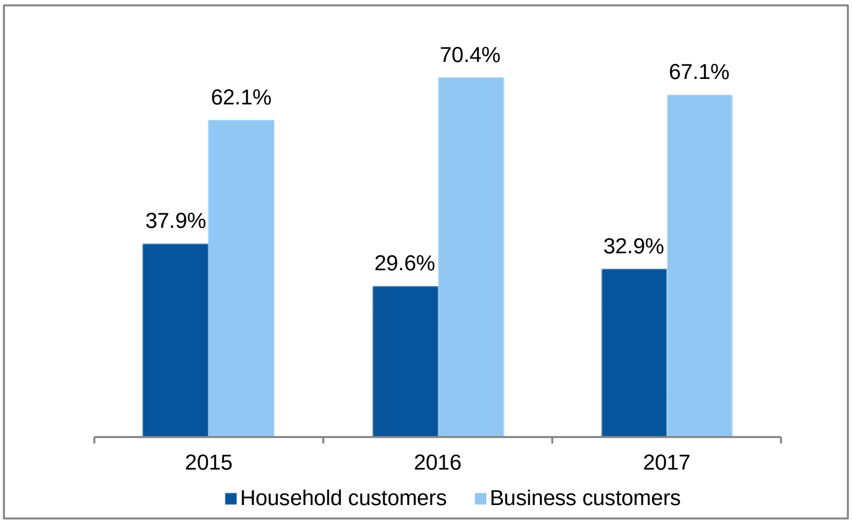


Figure 68: Share of sold quantities of electricity to end customers

Lower electricity sales in 2017 affected the market share, which was reduced by 2 percentage points from 12.8 to 10.8%.

13.2 Natural gas

In the field of natural gas in 2017, there was a significant change in the unit of measurement. The new Decree on the operation of the natural gas market entered into force, which is also in compliance with the Energy Act and the European network codes for the natural gas, which, inter alia, in the field of billing gas consumption and network charges stipulates a new energy unit - kWh or MWh.

Due to this change, we have adapted all the necessary documents and applications, and extra informed all customers thereof. No specific problems were detected due to the aforementioned change.

The dynamics of the natural gas market is otherwise increasing from year to year, whereby the activities are still not comparable to the electricity market. The number of natural gas suppliers has increased with the existing electricity suppliers, who added natural gas to their supply. The sharp competition is intensified, as existing providers, who are at the same time also system operators, are trying to maintain their market position (market share).

In 2017, we continued to acquire new customers for natural gas. In 2017, we sold 50% more gas to end customers than in 2016. The increase was the result of a larger number of customers and a higher consumption due to a harsh winter.

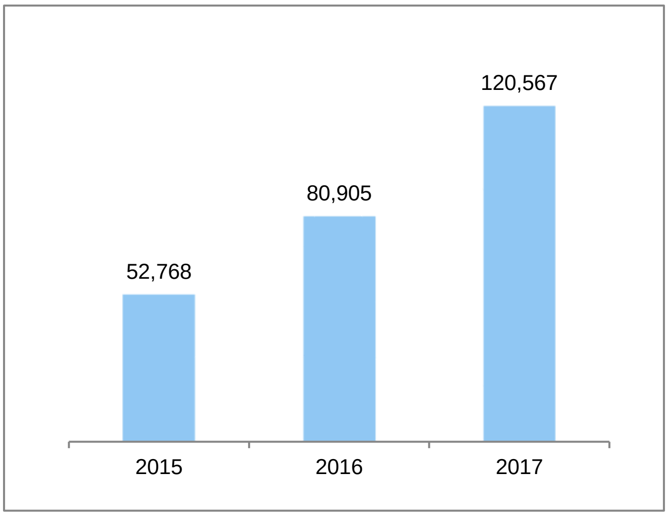


Figure 69: Quantity sales of natural gas (v MWh)

The activities to strengthen our position in the field of natural gas were carried out throughout the year within the scope of the nation-wide campaign, various promotions and personal visits to key customers. In doing so, we constantly took care of competitive prices.

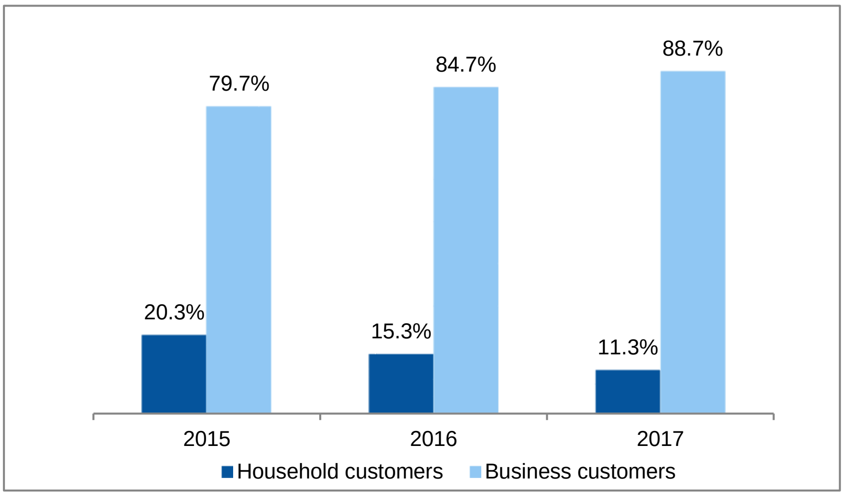


Figure 70: Share of sold quantities of natural gas to end customers

In the gas market, we continue to strengthen our position. Based on official data on natural gas consumption in Slovenia in 2016 (source: Energy Agency) on the entire retail market (transmission and distribution), we estimate our market share in 2017 to 1.2%, and to 3.4% in the distribution area. In the entire retail market, we increased the market share by 0.5 percentage points and in the distribution area by 1.3 percentage points.

13.3 Heat

The renovated boiler room in Pobrežje has been operating for the fourth year. In 2017, within the scope of the public-private partnership, we began to supply new facilities with heat. Sales of heat and generated revenues are directly dependent on weather conditions, therefore mainly due to the colder winter in 2017, therefore, due to the colder winter in 2017, they deviated positively from the planned ones.

In 2017, we sold 2,196 MWh of thermal energy, which is 6.1% more than in 2016. The increase was mainly affected by the colder winter and the supply of new facilities with heat.

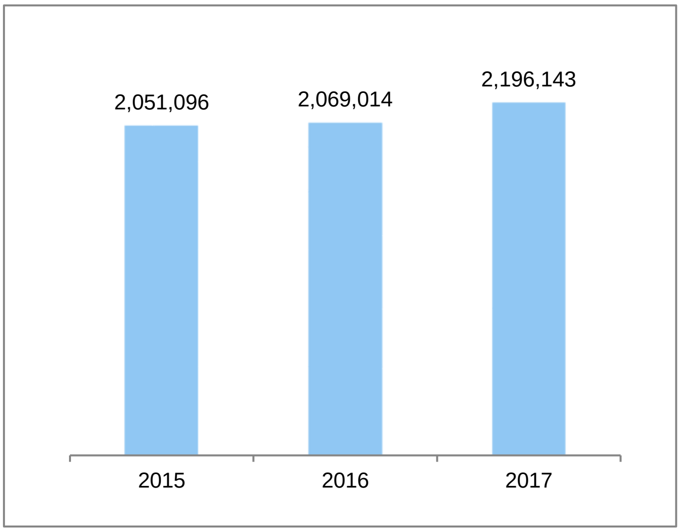


Figure 71: Quantity sales of heat (in kWh)

Given the consumption of district heating in Slovenia in 2016 (source: Energy Agency), we estimate our market share in 2017 to 0.11%.

14 INVESTMENTS (G4 EC7)*

Investments in assets of the Elektro Maribor Group have in 2017 amounted to EUR 29,501,563, which is by 3% more than previous year. The investments in assets of the company Elektro Maribor d.d. have in 2017 amounted to EUR 28,655,344, which is by 3.5% more than previous year.

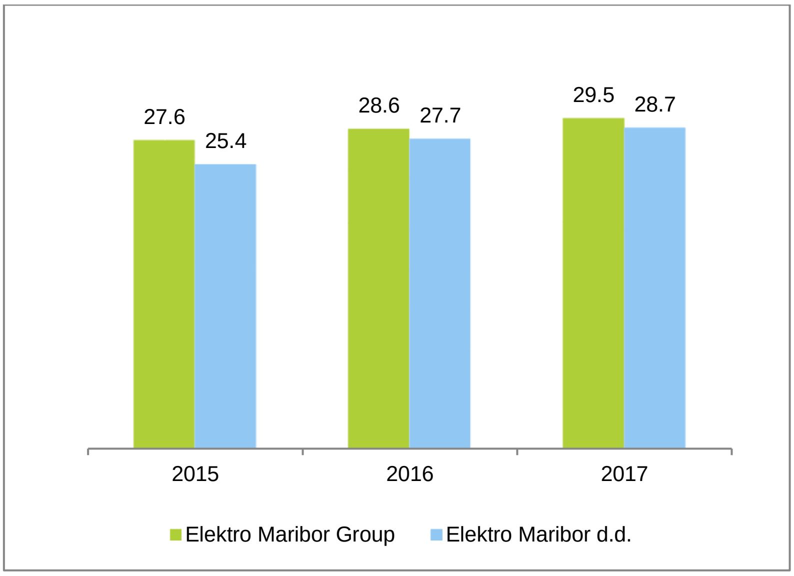


Figure 72: Investments in assets of the Group (in EUR million)

The largest share, i.e. 97%, in the structure of investments in assets are investment of the controlling company Elektro Maribor d.d.

Table 36: Investments in assets of Elektro Maribor d.d. in 2017 by investment groups

Seq. no.		Quantity	Value in EUR
1	New HV transmission lines		36,271
2	Renewed HV transmission lines		18,946
3	Renewed MV transmission lines	88,.72 km	3,097,785
4	New underground MV cables	27.15 km	2,383,179
5	Renewed underground MV cables	5.63 km	870,143
6	New overhead LV lines	3.2 km	78,045
7	Renewed overhead LV lines	57.14 km	3,119,586
8	New LV cable lines	23.6 km	1,363,905
9	Renewed LV cable lines	109.54 km	3,938,705
10	MV/LV transformer stations		1,923,932
	- New	22 pcs	
	- Renewed	74 pcs	
11	HV/LV distribution transformer substation		1,751,260
12	Automation and remote control		556,727
13	MOR – Maintenance operational reserve		509,570
14	Telecommunications		972,656
15	Metering equipment and instruments		1,827,665
16	Tools and machinery		377,848
17	Means of transport		1,080,835
18	Small tools		37,470
19	Work premises		850,359
20	Studies, development, projects		1,750,659
21	Computer equipment		1,603,050
22	Infrastructure purchase		105,402
23	Investment projects		401,345
	Total		**28,655,344**

The company earmarks the most funds to investments in energy facilities, but it also takes care for non-energy facilities and documentation in particular. In 2017, the share of investments in non-energy facilities with the complete restoration of certain business buildings and premises, also in order to achieve adequate energy efficiency compared to the previous year, increased slightly. Additionally, the share increased by increased investments in telecommunications and IT solutions, where the largest share of investments was in updating the business support system. In 2017, due to the obsolescence of the existing vehicle fleet in the company, for the purpose of cost management, we methodically increased the investment in the renewal of the aforementioned vehicle fleet, which additionally affected the specified change in the structure of investments compared to the previous year.

The technical inspection of the 2 x 110 kV transmission line Murska Sobota-RTP Mačkovci was successfully conducted by the competent Ministry of the Environment and Spatial Planning. The procedures for all permissions are still pending.

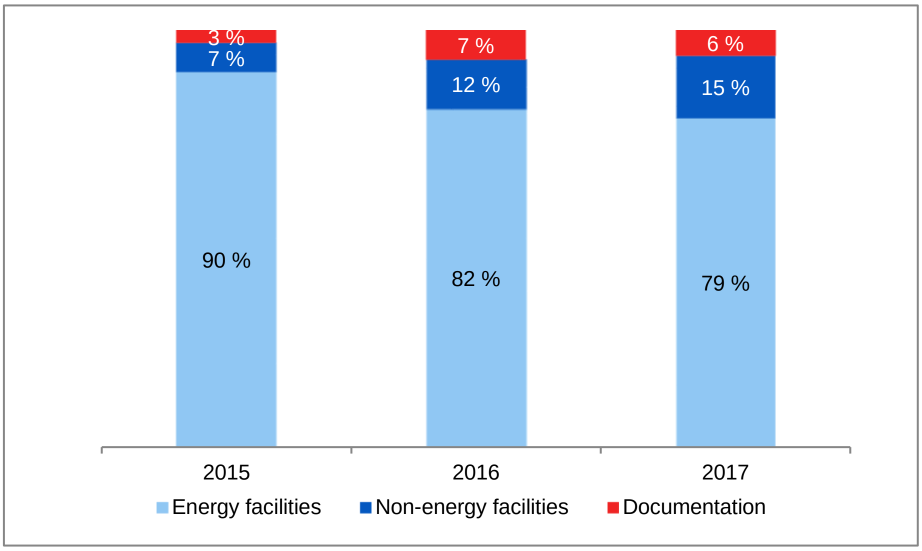


Figure 73: Structure of investments in assets of Elektro Maribor d. d.

14.1 Strategic investments in assets of Elektro Maribor d.d.

Investments in DTS

In 2017, we completed the entire reconstruction of 14 cells of medium-voltage switchyard in DTS 110/35/20 kV Murska Sobota.

Figure 74: Reconstruction of the DTS Murska Sobota – 20 kV switchyard

In 2017, in compliance with the time schedule, we also completed the replacement of two energy transformers in DTS Ormož and DTS Ljutomer, and the replacement of energy transformers in DTS Rače and DTS Lenart.

Figure 75: DTS 110/20 kV Ormož

DTS 110/20 kV Ljutomer

Purchase of three GIS field of 110 kV switchyard DTS Slovenska Bistrica – ELES

There is an ongoing reconstruction of the 110 kV switchyard with disentanglement of transmission lines at the DTS Slovenska Bistrica. The technology of the gas-insulated GIS switchyard is envisaged, which in its composition, in addition to the measuring, tie connection and transmission line fields, also includes three fields for supplying our 110/20 kV power transformers, which we purchased from ELES in 2017.

Figure 76: DTS 110/20 kV Slovenska Bistrica – GIS 110 kV switchyard

Increasing the length of the network and achieving adequate level of network robustness

With new construction, we increased the length of the whole network by 63.7 km, namely the medium-voltage network by 23.8 km and the low-voltage network by 39.9 km.

Having already mentioned the increasingly frequent and severely extreme weather conditions, the network robustness is becoming more and more important. The latter is also recognised and as an objective written in the Company's strategy and the Guidelines for the technical and technological development of the company. Also in 2017, special attention in investment processes was dedicated to just that. We are intensively building electricity networks in underground (cable) embodiment. Where cabling is not possible, we build overhead networks with isolated conductors.

The share of underground low-voltage lines has thus at the end of 2017 amounted to 56.7%, and the share of underground medium-voltage lines 28.05%. The total share of underground medium- and low-voltage lines reached as much as 49.6%. On the area of the company Elektro Maribor d.d., the share of cabled network is above Slovene average. The share of cabled and isolated medium- and low-voltage network has at the end of 2017 amounted to 69.5%.

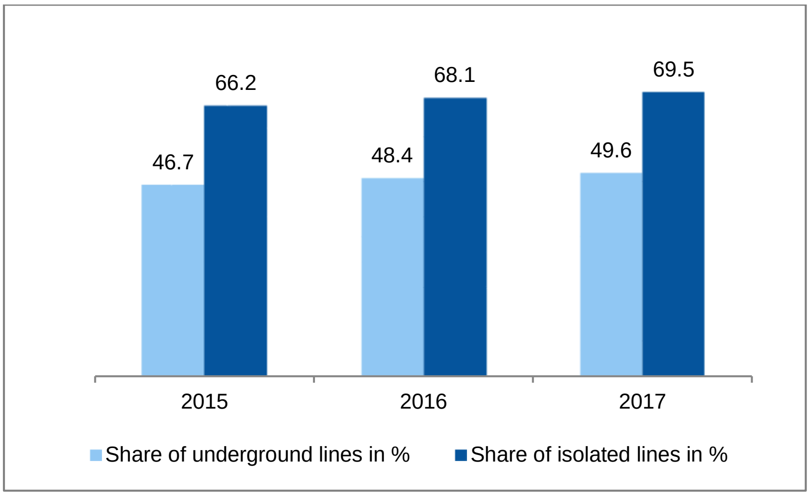


Figure 77: Share of the length of underground and isolated lines in MV and LV network

14.2 Other investments in assets

Energy facilities

In addition to strategic investments, we also invested in:

- Medium-voltage lines: The physical realisation is equal to the planned one. We reconstructed and built anew 88.72 km overhead lines, and laid anew and reconstructed 32.78 km of cable lines.

- Transformer stations: In order to improve the voltage profile and follow the demands of electricity consumption, we built 22 new transformer stations and reconstructed 74 transformer stations. In the territory of the RU Slovenska Bistrica there are 4 new TSs, in RU Gornja Radgona 6 new TSs, in RU. Murska Sobota 4 new TSs, in RU Ptuj 1 new TS and in RU Maribor with surrounding are 7 new TSs.

- Low-voltage lines: We reconstructed and built anew 60.34 km of overhead lines, and laid anew and reconstructed 133.14 km of cable lines.

Table 37: Physical realisation of MV, TS and LV facility construction

Elements		Measure unit	2017	2016	2015
MV-lines	transmission line	km	88.72	118.47	89.08
	cable line	km	32.78	29.26	33.87
MV/LV TS	new construction	pcs	22	21	20
	reconstruction	pcs	74	82	90
LVN	overhead line	km	60.34	68.66	94.25
	cable line	km	133.14	112.27	130.61

- Metering equipment and instruments: We have installed metering equipment and actively carried out the AMI project, so that now already 65% of all metering points are integrated into the advanced metering system.

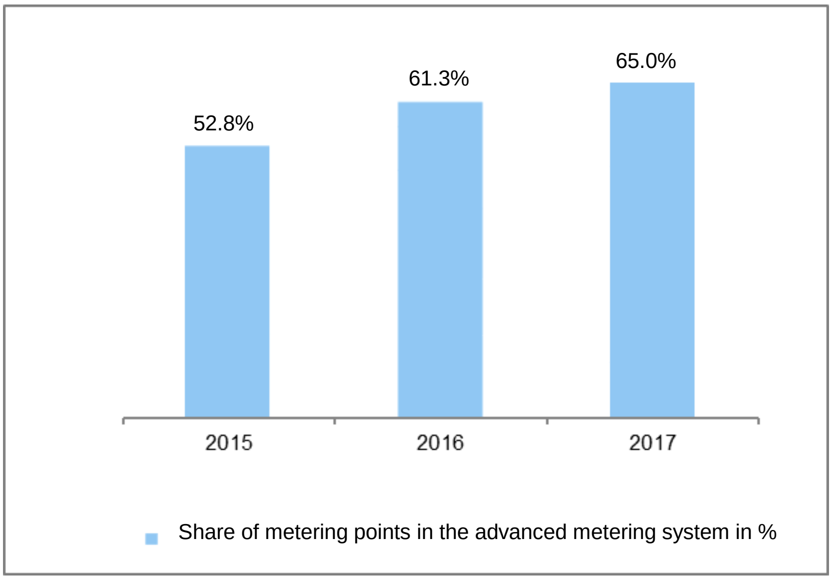


Figure 78: Share of metering points (MP) in the remote reading system

- Infrastructure purchase: We purchased three TPs, one per area of Maribor, Ptuj and Murska Sobota.

Non-energy facilities

- Information technology: The major part of investments was devoted to software licences. Other investments were aimed at replacing obsolete hardware, extending disk capacities, and software upgrading. In 2017, we began with the renewal of the information solution of business support (ERP) and completed the pilot project of selection and operation of the asset management system (EAM). In 2017, we acquired licenses for the use of the Microsoft AX software package for ERP.
- Telecommunications: The implementation of a highly secure system space was completed. We built two antenna towers at RU Ptuj and Kapla. We have established optical connections with TP Gmajna, TP Straža and on the territory of Dobrava. We have expanded backbone networks of MPLS-IP and NG-SDH. We updated the DMR radio equipment, network equipment at RU Gornja Radgona, Wi-Fi wireless network and BGP edge routers. We have implemented a TS pilot project and 4G-LTE connecting of remote locations via the public mobile network with central location and thus enabled the option of modern and cyber-safe use of the public mobile network for the purposes of PQM, AMI and SCADA services.
- Means of transport for the purposes of energy industry: Due to the obsolescence of the vehicle fleet, we updated a part of the company's vehicle fleet in 2017.

Documentation

We carried out mainly the activities necessary to acquire the rights for the construction of the corridor and pylons for planned power lines, and to develop the building permit project and obtaining the building permit for planned energy facilities; 2x 110 kV Murska Sobota–Lendava transmission line and 2x 110 kV Lenart–Radenci transmission line.

We also intensively obtained the investment documentation for the implementation of electricity facilities of medium- and low voltage, which are planned for the period 2017–2020, wherewith we shall be able to follow the objective of increasing the level of network robustness.

14.3 Implementation of self-managed investments

We put great emphasis on strengthening of our potential for the implementation of self-managed investments. The construction installation works on new constructions and reconstructions of power plants are predominantly self-managed. By increasing our own involvement, especially in the area of construction works for investments, we reduced the share of external services (outsourcing), and also reduced the risk of the unrealised much needed investments. With qualified employees and well equipped with machinery, we significantly contribute to the long-term reliability of electricity supply. In 2017, extreme weather conditions caused a number of damages to our electricity facilities and devices that we managed to remedy by investments in assets with an enormous self-involvement. In 2017, the value of capitalised own products and own services amounted to EUR 18.8 million, and is by 5% or EUR 0.7 million higher compared to the previous year. The share of investments in assets that we self-managed amounted to 66% in 2017, which is at the level of the previous year.

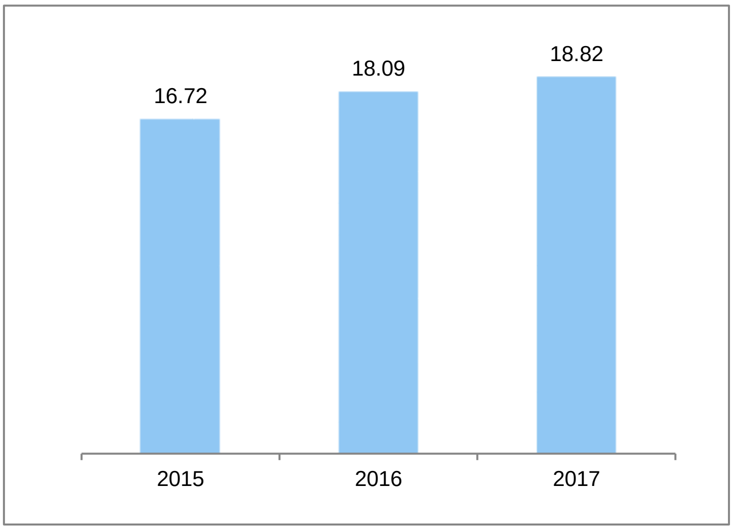


Figure 79: Revenues from self-managed investments in assets in EUR million

15 SERVICES ON THE MARKET

In 2017, the revenues of the company Elektro Maribor d.d. in the field of consultancy, design, construction and maintenance of electricity facilities amounted to EUR 4.08 million, which is by 31% more than in the previous year. The higher realisation is mainly the result of our efforts that under a tough competition, we managed to obtain a lot of business deals on the market, and with good organisation and employee qualifications we also successfully realised them, thus acquiring important references in obtaining further business deals.

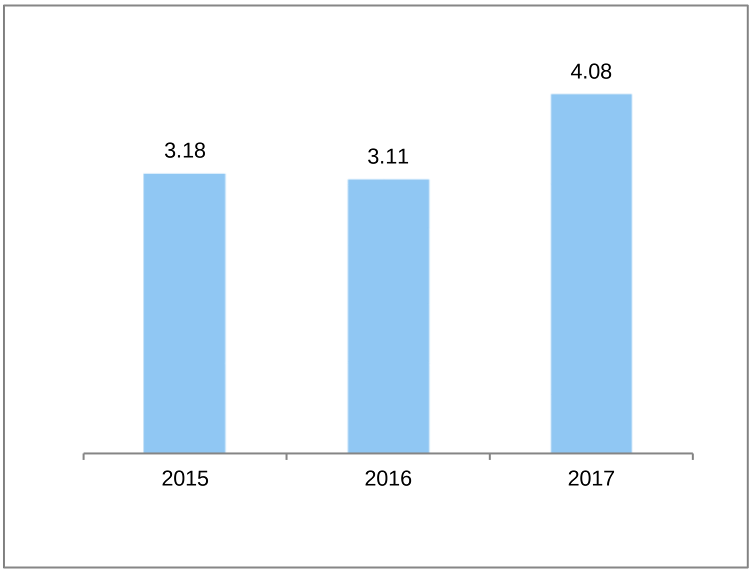


Figure 80: Changes in revenues from the sale of services of Elektro Maribor d.d. (in EUR million)

On the market, we carried out construction and assembly services for large infrastructure facilities in the country. Our clients were also numerous private investors for which we built electricity facilities for the needs of electricity supply. The most important works that we successfully implemented on the market in 2017 were:

- Draženci–-Gruškovje motorway


Figure 81: Works of Elektro Maribor d.d. on Draženci–Gruškovje motorway

- Laying 110 kV cable line in DTS Plave

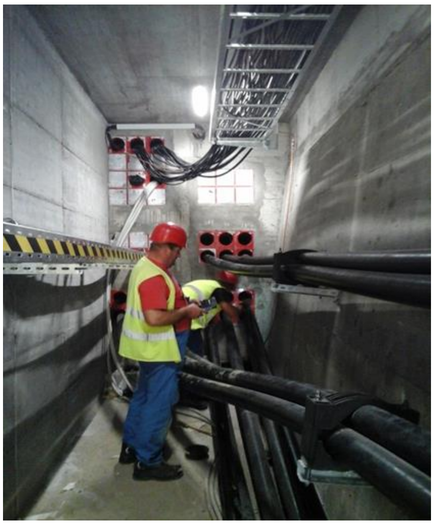



Figure 82: Works of Elektro Maribor d.d. in DTS Plave

- Providing power supply for the needs of the Magna Steyr factory

Figure 83: Works of Elektro Maribor d.d. for Magna Steyr

- Works in the distribution system management system (DMS) within the framework of the Slovenian-Japanese partnership NEDO project

Figure 84: Works of Elektro Maribor d.d. – DMS NEDO project

In all significant services, with which we are present in the market, we achieved higher revenues than in the previous year. Almost half of all our work consisted of electrical installation works, followed by connections to the network and maintenance of foreign power facilities

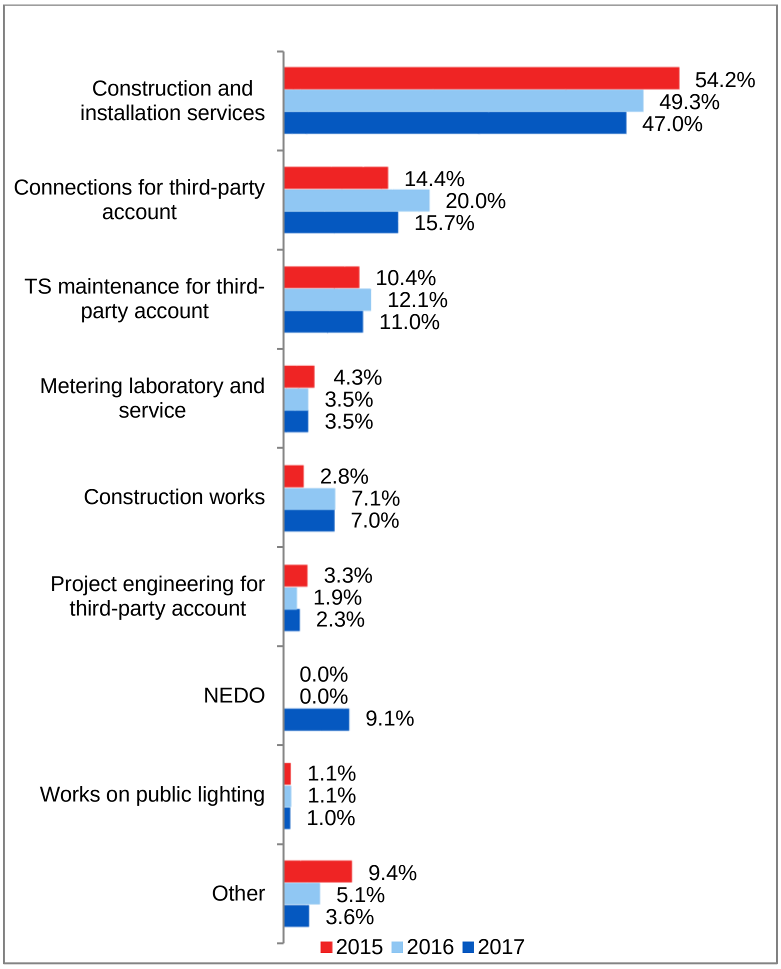


Figure 85: Structure of revenues by type of services of Elektro Maribor d.d.

In 2017, in accordance with the SIST EN ISO/IEC 17020 standard, the metering laboratory carried out accredited activities of control and verification of the calculation criteria of electric meters and measuring transformers. Services were performed on the premises of the metering laboratory and in the field with a mobile metering laboratory. In compliance with the SIST EN ISO/IEC 17025 standard, we carried out the measurements of a non-ionising electromagnetic radiation.

16 PURCHASE (G4 12, EC9)

The company Elektro Maribor d.d. has a centralised purchase. The main task of the purchasing process is to supply with the material the main warehouse and other storage facilities in regional and service units. The material is usually ordered for the main warehouse, which is responsible for further distribution of the material to storage facilities of regional and service units by means of inter-warehouse issue of material. As we are liable to public procurement, we carry out uniform aggregated public procurement for the needs of the whole company.

In 2017, in compliance with the applicable legislation on public procurement (ZJN-3) and according to the monthly time schedule for the implementation of public procurement, we carried out 49 procurement procedures as a person liable to public procurement, of which 35 were completed, while 14 were still in progress at the end of the year. In 2017, we acceded to joint implementation of a public procurement for the purchase of computer equipment with other electricity distribution companies.

The implementation of public procurements in the company is based on the principles of economy, efficiency, effectiveness, and ensuring competition among providers, transparency, proportionality, and equal treatment of bidders. In carrying out public procurement, we consider various criteria, such as the lowest price, the economically most advantageous bid taking into account various criteria, calculation of life-cycle cost, etc. An important factor in the supplier selection policy is compliance with the Decree on green public procurement, where we only consider the bids that fully comply with the technical requirements set out by the latter.

According to transparent and open policy of the company and the applicable Rules on purchase of goods, services and construction of smaller values, all the orders exceeding the amount of EUR 1,000 are posted on the company's website. In this way, the company enables a very large number of bidders to submit a bid, which results in a very large range of different suppliers. The company does not perceive a greater share of local suppliers, since all the purchasing processes are conducted transparently through public procurement or through simplified procedures published on our website.

According to the recommendations of the Slovenian Sovereign Holding, we promptly publish on the company's website information about all contracts concluded under public procurement processes, small value purchase orders, and invitations to tender procedures. The table provides information about the subject of the contract, the contract value and the name of the business partner, namely since 2010.

The amount of inventory has as at 31 December 2017 amounted to EUR 1,179,670, which is 24% more than previous year, mainly due to the rehabilitation of damages occurred as a result of breakdown at the end of 2017. As a result, we were unable to complete all planned investment facilities, for which we already supplied the materials.

17 ENVIRONMENTAL PROTECTION

17.1 Environmental policy in Elektro Maribor d.d. (G4 EN3)

Ever since 2006, the company Elektro Maribor, d.d. has been systematically implementing environmental protection measures according to the ISO 14001:2004 standard. The environmental protection in the company is being performed by reducing potential impacts to the environment. In this context, the most important part is to recognise the impacts to the environment caused by the company. We are trying to reduce these impacts to a lower level by various activities. Separate collection of waste and appropriate treatment before handing it over to waste management, appropriate siting of electricity facilities, reducing direct impacts on air, water and soil, are some of the areas where we are trying to reduce our impact to the environment.

Table 38: Consumption of energy products

Energy product	Unit	2017	2016	2015
Fuel	l	654,292	605,671	616,442
Electricity	kWh	3,076,311	2,982,480	2,982,092
Fuel oil	l	1,800	1,860	1,700
Natural gas	m^3	87,766	86,950	83,381
Remote heating	kWh	705,300	718,550	644,508

The impact of major investments in assets and provision of services on the market in 2017 is reflected in higher fuel consumption. In 2017, 4.76% more kilometres were driven with vehicles and 17.28% more working hours were performed with the machinery than in 2016, which resulted in 8% higher motor fuel consumption.

17.2 Carbon footprint (G4 EN6)*

The calculation of the carbon footprint in the company Elektro Maribor, d.d., with which we continued in 2017 as well, includes the following sources of greenhouse gas emissions:

- Direct greenhouse gas emissions from sources owned or managed by the organisation, e.g. burning of fossil fuels in heating plants or in using company vehicles and construction machinery,
- Indirect greenhouse gas emissions due to electricity consumption and the use of purchased heat or steam,

- Other indirect greenhouse gas emissions occurring as a result of purchased products and services, which the company procured, such as purchase of materials and fuels, business transfers by vehicles not owned by the company, etc.

The calculation also includes indirect emissions due to consumption of paper, employee commutes and business travels with the means of transport not owned by the company.

Table 39: Carbon footprint (kg CO_2/employee)

	2017	2016	2015
Transport	3,009	2,871	2,875
Electricity	0	0	1,240
Heating	427	421	387
Paper	24	24	26
Total	**3,460**	**3,316**	**4,528**

Significant reduction of produced carbon dioxide in 2016 and 2017 compared to the previous years, is a result of a decision on the purchase of electricity solely from renewable sources. In acquiring “green energy”, there are no emissions of carbon dioxide or the carbon footprint of this energy equals 0 kg/kWh.

17.3 Waste (G4 EN23)*

Mostly when carrying out the activities in the company Elektro Maribor d.d., we encounter waste resulting from distribution network maintenance and investments (construction waste, various metals, cables and conductors, wood, packaging, meters). Waste is separated and handed over to waste managers authorised to keep the records of collected waste in the IS waste system.

The total weight of delivered waste of the company is in 2017 by 11% lower compared to the previous year. The largest increase compared to the previous year occurred in other metals, mainly from the sale of the transformer from DTS Lenart 31.5 MVA.

Table 40: Weight of waste

in kg	2017	2016	2015
Hazardous waste	88,798	116,368	2,434
Polluted water	89,000	83,000	99,000
Packaging	25,782	22,725	17,332
Paper, cardboard	26,721	20,550	25,615
Construction waste	1,990,974	2,301,946	1,226,822
Municipal waste	48,058	50,978	61,074
Non-ferrous metals	27,179	32,460	19,920
Other metals	231,348	193,915	150,971
Waste electric and electronic equipment	38,453	17,000	18,510
Other	95,903	120,249	105,031
Total	**2,662,216**	**2,959,191**	**1,726,709**

17.4 Quality system

The company Elektro Maribor, d.d. combines management systems in the areas of quality, protection of the environment, health and safety at work, requirements for control bodies, competences for testing and calibration laboratories, and information security.

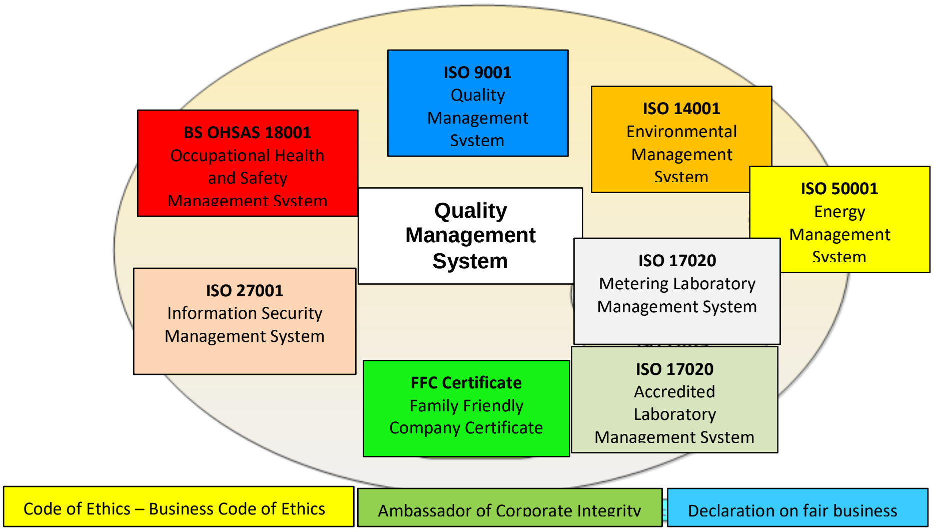


Figure 86: Quality management system in Elektro Maribor d.d.

The quality systems are subjected to continuous improvements and development, with which we try to upgrade the already established activities or maintain their growth. Upgrading or improving the activities in the field of system management increases our competitiveness and thus elevates the level compared to other companies in the industry.

- ISO 9001
  The quality in company's operations are ensured by following the requirements of the ISO 9001 quality standard. The requirement of the standard are prejudicial to the operation within the company on one hand, and also to relations with users or satisfying their expectations and needs. In 2017, we approached the introduction of the new edition of the quality standard and continued the process approach in managing internal work processes. We are aware that for a general increase of the quality level in the company, our own processes, with which we shall achieve the set objectives must be well-defined, as well as the needs on risk management implemented.

- ISO 14001
  The company is committed to transition to a low-carbon company. By quality distribution system and promoting efficient use of energy from renewable sources we are setting up the key elements of transition to a low-carbon company. With carefully planned work in the field of environmental protection through the ISO 14001 standard, we have been dealing with more than a decade. We were able to reduce our impacts on the environment, in the field of waste as well as in field of protection of water, air, soil and other impacts that we cause. In 2017, we successfully switched to the environment protection management system according to the new edition of the standard.

- ISO 50001
  Our active works in the field of environmental protection is also upgraded in energy efficiency where by different measures we reduce the needs for energy. In 2017, we also approached to the introduction of the ISO 50001 standard, which defines energy efficiency. We focused on specifying the measures for increasing energy efficiency. In 2018, we plan to get certified according to the requirements of the ISO 50001 standard.

- OHSAS 18001
  The field of occupational health and safety is already in its basis well covered by statutory and implementing requirements. By introducing the OHSAS 18001 standard, we also systemically regulated our operation. The field of occupational health and safety is the basis for each activity. The employees have the right to a safe and healthy environment. In 2018, we expect the issue of a new edition of the standard in this area.

- ISO 17020 in ISO 17025
  We try to bring the company's operation closer to the needs and desires of our users. As the company which acts as an electricity distributer in the environment, we enabled our users with additional services.

The control of metering devices is performed in the Metering laboratory and is accredited according to the requirements of the ISO 17020 standard. We provide our users with comprehensive solutions in the field of control of measuring devices. In 2015, we were the first in Slovenia to upgrade the operation of the Metering laboratory and certified the introduction of a mobile unit for performance of verification of measuring instruments in the field. With the Metering laboratory we established the bases for the implementation of the ISO 17025 standard's requirements, which shall allow us to implement the measurements of the electromagnetic radiation, with which we shall cover our own needs as well as the needs of the market.

- EFQM
  In recent years we approached the implementation of self-assessment according to the EFQM model. We upgraded the latter with applying to the tender for recognition of the Republic of Slovenia for business excellence. Otherwise, our guiding principle is the self-assessment, which we also implemented in 2017.

Figure 87: EFQM logo

- ISO 27001
  The area of information security management, we already regulated in 2013 by introducing the ISO 27001 standard – Information security, and which we upgraded in 2015 due to the last version of the standard. In this area we are awaiting additional changes in the future, which shall be primarily be brought by the legislation.

- Family-Friendly Company
  Basic areas of operation in the field of quality are manged according to previously mentioned standards. Since these are the areas that largely relate to the performance of the basic activity, we also approached to provision of a higher level of employee satisfaction. We introduced the Family-Friendly Company Certificate, were we connect requirements from the working process with the requirement of the external environment to employees. The company has obtained the full Family-Friendly Company Certificate.

Figure 88: Logo for a full Family Friendly Company Certificate

All activities in the field of system management are managed with different approaches. Thus, by regular treatment of individual territories we establish factual situation, which are also corrected with adequate measures. This also includes implementation of regular and extraordinary internal assessments, reviews of independent organisations and supplementing system documentation by inventory of processes.

18 SOCIAL AND HUMAN RESOURCES AFFAIRS

18.1 Employees

Concern for development and education of employees, monitoring satisfaction and commitment of employees, concern for safety and health at work, and promoting health at the workplace are just a few main factors of human resources management.

18.1.1 Human resources and social policy

The human resources policy in the company Elektro Group d.d. and in the Group pursues the objective of placing adequate staff to appropriate job positions and development of key staff in compliance with applicable regulations. Significant are affiliation and loyalty of employees. We do not forget fundamental moral and ethical values, good relations between employees, maintaining a positive climate, and aiming at the future and development. The bases of Group's operation are equal opportunities for all employees, respecting each other and opposing to any kind of violence.

Competences of our employees are also taken into account in employee transfers and replacements within the company in order to cover the work of employees during their long-term absence. Operational teams on the field are being rejuvenated with new colleagues.

Transparency and systematic occupancy of job positions is also achieved by posting job vacancies. For vertical career advancement in the company, we perform internal job postings. The placement of employees to job posts and their career advancements are transparent. Employees have the opportunity to express their expectations and interest for any other field of work, which the company takes into account to the extent possible.

At placement of employees to job positions, the company also pursues the policy of diversity and takes the utmost account of prohibition of discrimination against workers, as defined by applicable legislation.

An important activity of the company is to motivate employees, which is implemented through appropriate communication, commendations, recognitions and cash awards. We have carried out the selection of the best employee and the best working group for three years now, where all employees can vote. By establishing and realisation of annual personal business objectives, the superiors are enabled to monitor the work performance their employees. In the context of annual development interviews, targeted management is conducted aimed at discussions between the superior and an employee on the work process, organisation, proposals of changes and interpersonal relations.

In the company, we offer trainings for work or future professions to secondary- or tertiary-level students by allowing them to perform mandatory practical work, and at the same time, we also publish invitations for annual holiday practical work. Every year, we publish calls for applications and grant scholarships for young people involved in education for professions in the electric energy sector.

The annual survey of the organisational climate and satisfaction of employees is one of the important tools for identifying organisational climate and employee satisfaction in the company. In 2017, we enabled the survey to all employees.

18.1.2 Changes in employees (G4 10, 11, LA1)*

At the end of 2017, there were 827 employees in the Group, which is by 1 employee less compared to the previous year. Of all employees in the Group, the largest share (91%) is constituted by the employees in the company Elektro Maribor d.d.

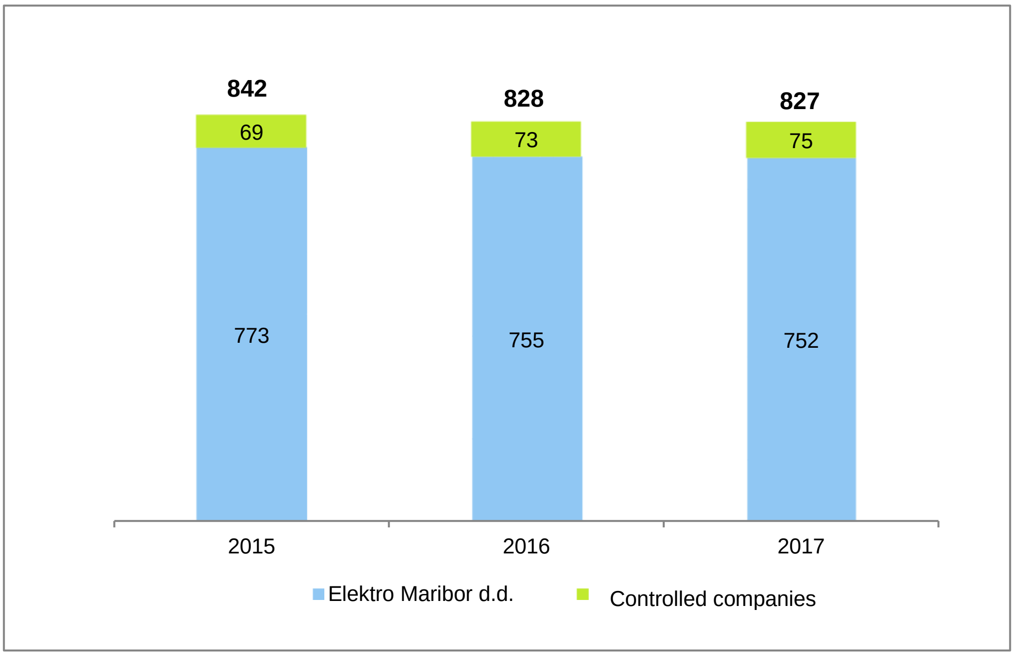


Figure 89: State of employees as at 31 December

In 2017, there were no significant changes in the structure of employees by gender compared to the previous year. The largest share of employees by gender are represented by men. In the Group, there are 687 male employees and 140 female employees, and in the company Elektro Maribor d.d. there are 664 male and 88 female employees.

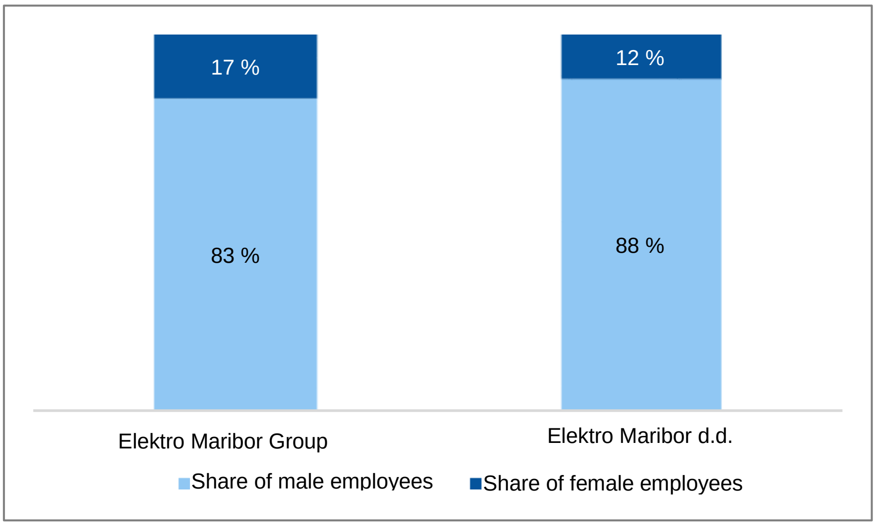


Figure 90: Share of employees in 2017 by gender

Table 41: Number of employees per duration and type of employment

	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.	2016 Elektro Maribor Group	2016 Elektro Maribor d.d.
Permanent employment	821	748	798	731
Fixed-term employment	6	4	30	24
Full-time employment	810	735	810	737
Part-time employment	17	17	18	18

Among arrivals and departures in 2017, they were mainly employees for a fixed-term in the context of project employment. 13 employees had retired, of which three were retired due to disability.

Table 42: Changes in employees

	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.	2016 Elektro Maribor Group	2016 Elektro Maribor d.d.
Number of arrivals	**139**	**136**	**115**	**107**
- men	137	135	109	107
- women	2	1	6	0
- up to 30 years of age	69	68	55	53
- 30-50 years of age	57	55	53	47
- over 50 years of age	13	13	7	7
Number of departures	**140**	**139**	**129**	**125**
- men	137	136	120	120
- women	3	3	9	5
- up to 30 years of age	59	59	52	52
- 30-50 years of age	54	53	56	52
- over 50 years of age	27	27	21	21

The average age of employees in the Group increased by 0.7 years of age, and in the company by 0.5 years of age. The average years of service in the Group increased by 0.5 years of age, and in the company by 0.2 years of age.

Table 43: Average age and years of service

	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.	2016 Elektro Maribor Group	2016 Elektro Maribor d.d.
Average age of employees (in years)	45.1	44.9	44.4	44.4
Average years of service of employees (in years)	22.6	23.1	22.1	23.3

In 2017, the percentage of employees covered by provisions of collective agreements was 98% in the Elektro Maribor Group and 99% in the company Elektro Maribor, d.d., which is at the level of previous years.

Number of employees in the company Elektro Maribor d.d., which have recognised disability in 2017 decreased by 5 employees. The reduction in the Group constitutes a change in the company Elektro Maribor d.d. Within the context of reorganisation in the company Elektro Maribor d.d., we submitted to ZPIZ, the employment documentation for obtaining corresponding supplemental opinion in compliance with the assignments to job posts for the majority of employees with recognised disability.

Table 44: Number of employees with recognised disability

	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.	2016 Elektro Maribor Group	2016 Elektro Maribor d.d.
Number of employees that have recognised disability	77	75	82	80

In 2017, based on tenders for practical training with work we enabled 22 students to perform mandatory practice in the school year 2017/2018.

In the company Elektro Maribor d.d., we had three scholarship holders at the end of the year, namely one a 2nd level Bologna study programme (master's programme) and two for a secondary-vocational programme.

Table 45: Number of scholarship holders at the end of the year

	2017	2016	2015
Number of scholarship holders	3	7	5

18.1.3 Employment due to increased volume of work in Elektro Maribor d.d.

In 2017, we employed 132 employees for a fixed-term due to increased volume of work. We employed 70 installers, 10 drivers - engineers, 2 freelance metalworkers, 5 construction workers, 44 auxiliary workers and 1 installer engineer.

Table 46: Number of employees due to increased volume of work

	2017	2016	2015
Period of employment	Feb – Dec	Jan - Dec	Feb - Dec
No. of employees	**132**	**106**	**100**
Installer	70	54	37
Auxiliary worker	44	28	43
Driver engineer	10	15	10
Other (mason, construction worker,…)	8	9	10

Table 47: Number of employees from hours worked

	2017	2016	2015
Number of employees from hours worked	**841.04**	**823.11**	**830.60**
- number of employees from hours worked – regular employment	737.65	742.47	749.64
- number of employees from hours worked – project employment	103.39	80.64	80.96

18.1.4 Education of employees (G4 LA9)*

In 2017, employees were trained throughout the year at various seminars, workshops and conferences.

The number of participants and hours of education in 2017 is higher compared to the previous year, mainly in terms of updating in safety at work and fire safety, training for a driver of a goods vehicle, obtaining the education of a foreman in the electricity sector, passing of proficiency examinations.

In the field of safety at work and fire safety we prepared a training programme for heads of services. Employees who deal with dangerous works on electricity formations, were additionally trained in safe operation of working with a motor saw, working with lifts and working with heavy construction machinery.

Based on internal tender for co-financing education at work for the school/study year 2017/2018, the company co-finances ongoing education to 5 employees.

In 2017, within the context of the Group, we put a great emphasis on preparing educational contents related to sales, work with people, solving conflicts, and effective respectful communication.

Table 48: Education of employees

	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.	2016 Elektro Maribor Group	2016 Elektro Maribor d.d.
Total employees	827	752	828	755
Number of participants in education	628	581	224	200
Number of hours in education	5,148	5,003	2,025	1,892
Number of employees included in education	76%	77%	27%	26%
Average number of hours of education per employee	6.2	6.6	2.4	2.5

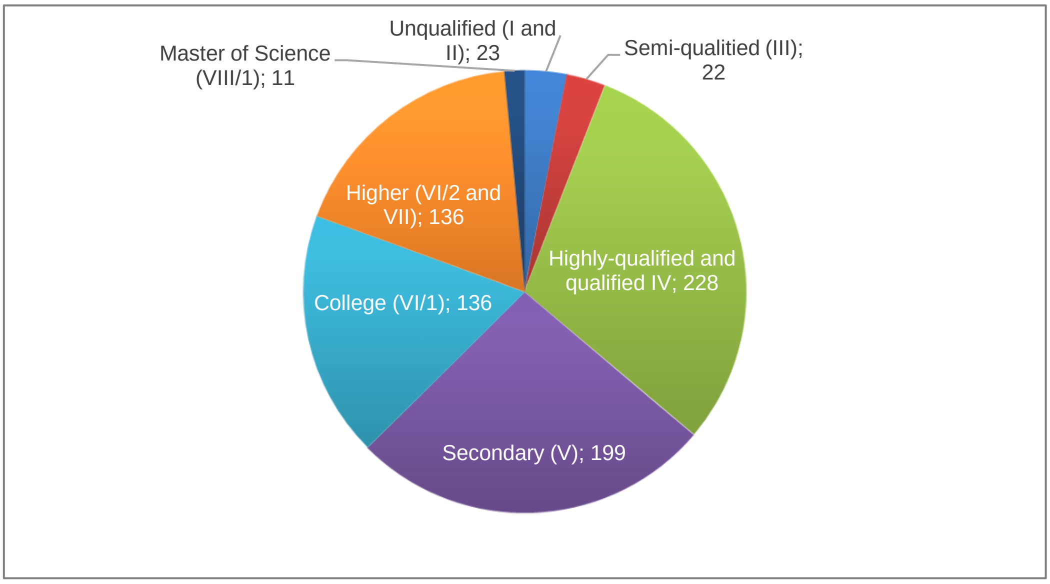


Figure 91: Average number of employees by educational structure in 2017 in Elektro Maribor d.d.

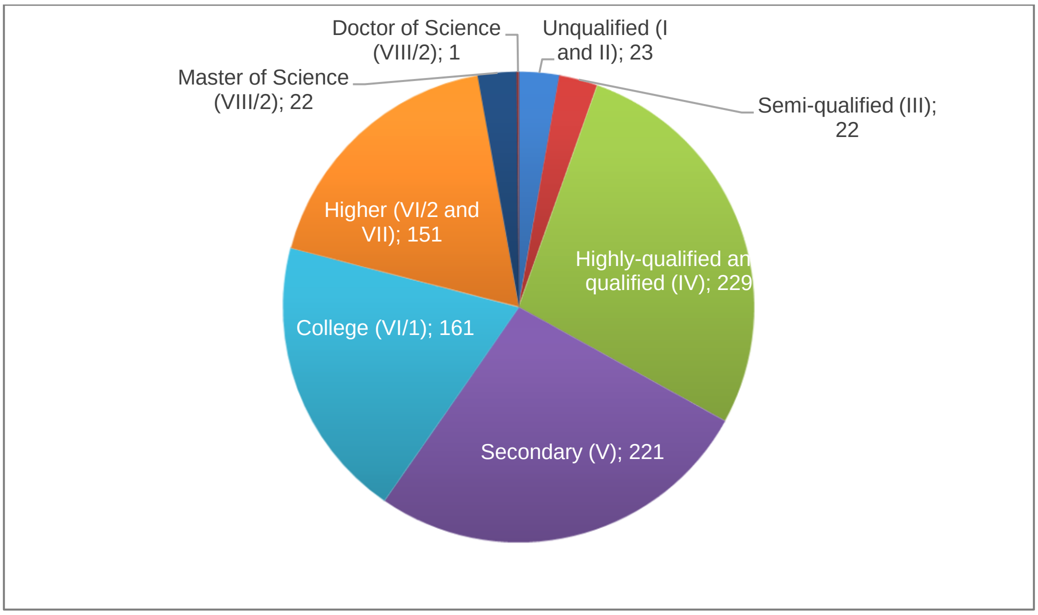


Figure 92: Average number of employees by degree of education in 2017 in the Elektro Maribor Group

18.1.5 Employee innovation

With innovative approaches of the company Elektro Maribor d.d. when introducing new technologies, we also encourage employees to express their creativity by making innovative proposals, which may be in a form of a useful suggestion, fresh idea or a striking project. The proposals are being systematically collected (recorded), assessed, evaluated and awarded.

Table 49: Number of proposals

	2017	2016	2015
Number of proposals	45	50	32

Encouraging employees to make new/innovative useful suggestions/ fresh ideas/ striking projects is carried out through communication on innovation in the internal newsletter Infotok (interviews with the winners of Fresh ideas and Striking projects), through annual development interview between a manager and an employee (in the context of targeted employee management), through posts on the intranet site Innovation Platform, and by awarding cash prizes and awards for the most successful proposals.

Among the received proposals, the most successful in 2017 were:

- Use of AMI results for electricity analysis.
- Pollarding wooden poles with wooden pliers.
- Internal policy for the equipment of the installer, installing and construction team.
- e-Pay slips.
- New item on the services price list.

18.1.6 Motivation and concern for employees

Our employees are recognised with good work and performance, and are being motivated for further work through various rewarding systems. By doing so, we want to promote commitment and loyalty, and at the same time reward excellence and devotedness.

Additional pension insurance of employees (G4 EC3)*

Employees are included in the second pension pillar. The premiums for insurance are paid individually by each company within the Elektro Maribor Group in a certain proportion of the maximum premium amount. Employees have the opportunity to decide whether they would like to additionally pay their share of the premium by themselves.

Table 50: Average number of employees included in the additional pension insurance

	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.	2016 Elektro Maribor Group	2016 Elektro Maribor d.d.
Number of employees	906	831	850	785

Use of parental leave

Based on the Parental Protection Act, the employees may use parental leave. In 2017, parental leave was used by slightly less male employees and slightly more female employees.

Table 51: Number of employees (separated by gender) that used paternal leave

	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.	2016 Elektro Maribor Group	2016 Elektro Maribor d.d.
Number of employees	54	50	68	63
- Male employees	45	44	61	59
- Female employees	9	6	7	4

Family-Friendly Company

In the company Elektro Maribor, d.d., we carry out a family-friendly policy, which is implemented through the measures adopted under the Family-Friendly Company Certificate, among others:

- We perform periodic working meetings with senior management employees / area directors. The company's management regularly visits all organisational units of the company, presents to the employees business operations of the past year, plans for the current year, and allows employees to ask questions at hand. At the end of the year, the company executives attended working meetings and awarded recognitions to the best employees and teams, selected by employees.
- We enable flexible working hours and child time bonus (additional free weekday). In 2017, 102 employees have used the option of an additional free day.
- When planning annual leave, we also take into account the possibilities of use of the annual leave of immediate family members.
- We provide free anonymous expert assistance in the field of psychological counselling. In 2017, we continued the implementation of the fast anonymous psychological counselling for employees and their family members. More employees decided to take up counselling than in the previous year.

In the year 2017, for the last three-year period, we successfully passed the assessment of implementing measures conducted by an external auditor, which confirmed the successful implementation and execution of measures, and outlined good practices (appointed managers of individual measures, dealing with the FFC certificate at the management review – informing and reporting to the management).

The topic of a family-friendly company was included in the contents of annual interviews with the employees for the first time. In order to keep employees well informed in the context of a Family Friendly Company, we gathered all contents on one spot online on the intranet site of the company Elektro Maribor d.d.

Communication with employees

We pay special attention to communicating with employees, because employees, who are at the right time and in the right way informed of what is happening in the company and in relation to the company, are more satisfied and motivated to work. All employees are involved in the communication process, but a particularly responsible task with this is given to the managing staff.

Communication with employees and between employees is conducted in the company through channels selected according to contents being communicated.

Mass communication is used when communicating information about work, events and information directly related to work or the company. Channels of mass communication:

- Work meetings – with the President of the Management Board, with the superior of the regional or service units, or with superior of individual areas at the company's headquarters,
- Electronic mail – fast communication with employees, sending and coordinating contents;
- Letter of the Management – informing of the Management Board at significant events, turning points, such as the end of the year, giving thanks to the additional work with major breakdowns …;
- Website www.elektro-maribor.si – wide range of information about the company …;
- Intranet – common contents, documents and notices, calls for tenders, rules …;
- DNA – the application to manage conducting meetings, tasks, memos …;
- Internal newsletters e-Infotok and Infotok – cover, depending on their design and communication features, short and latest news on the events in the company or longer news, conversations, interviews and more comprehensive topics;
- Bulletin boards – notifications, calls for tenders, rules...;
- Social networks Facebook and Twitter – current information on events in the company and conditions in the distribution system, option on posting photos and videos;
- Sports and social gatherings - connecting and getting to know employees for better co-operation, connectivity and affiliation to the company. Each year one of the organisational units of the company prepares an Employee Day.

Personal communication is used, when the information is of a more personal nature. Channels of personal communication:

- Interviews with employees (annual development interviews, daily communication) – the superiors and their subordinates have determined personal development goals harmonised with the company goals and evaluated the work implemented,
- Monthly scheduled interviews with the management – personal conversation with the President of the Management Board,
- Personal e-mail intended for only one recipient;
- Call via phone or mobile phone:
- Personal meetings;
- Suggestion, complaint boxes ...

The social partners, the Trade Union and the Workers' Council, who represent the interests of employees in the company, have communicated with employees on their current topics and events through their communication channels.

Satisfaction of employees (G4 LA2, LA11)*

The company guarantees the equality of all employees irrespective of the type of employment. We have been monitoring the satisfaction of employees and the organisational climate in the company Elektro Maribor d.d. since 2005. In 2017, all employees had the opportunity to participate in measuring of organisational climate and satisfaction of employees.

In 2017, the employee satisfaction index amounted to 3.41, and is comparable to the Slovene average. The highest scores were given to satisfaction with working hours, co-workers, stability of employment, the work, and a line manager. The lowest scores were given to career advancement possibilities.

The organisational climate index in 2017 was 3.14. The highest scores in the field of organisational climate were achieved in the field of attitude towards quality, motivation and commitment, affiliation to the company, innovation and initiative. Key challenges are mainly demonstrated in the field of rewarding and career advancement. Compared to the last year, the climate was in general assesse slightly lower. The responsiveness of employees was 52.4%, which is the highest so far.

In 2017, we conducted annual development interviews, in which all employees took part.

Table 52: Index of employee satisfaction and organisational climate

	2017	2016	2015
Employee satisfaction index	3.41	3.58	3.38
Organisational climate index	3.14	3.29	3.07

18.1.7 Safety and health at work (G4 LA6)*

The purpose and the objective of ensuring safety and health at work is to achieve and maintain such a level of working environment that provides the employees with the maximum possible level of both health and psychophysical safety.

The responsibility of employees for their own safety is promoted through appropriate work equipment, personal protective equipment, adequate education and training courses. We performed inspections of the work equipment that employees use at work. By the labelling system of adequate and tested equipment, we labelled mora than 2,700 pieces of equipment.

The company follows the principles and guidelines of the OHSAS 18001 standard, which defines health and safety at work requirements. This and other standards are integrated in a unified management system, and its requirements have been met since 2008. The external and internal auditors acting as inspection services are becoming involved in the activities in the field of safety at work as external stakeholders, who with their regular inspections watch over the implementation of the requirements of the legislation.

The activities are also carried out in the field of fire protection, where we implement the measures prescribed in the fire rules and other regulations. We have obtained all certificates on flawless functioning of automatic fire protection systems installed in our energy and non-energy facilities.

As the first electricity distribution company in Slovenia, we started carrying out work under voltage (DNP) several years ago. The conditions for health and safety at work were accommodated by preparing appropriate operating procedures, documentation and training courses for employees.

Due to precaution and in order to reduce absenteeism, by different approaches, measures and actions we encouraged promotion of health at the workplace, we conducted preventive medical examinations, and attended to and carried out vaccinations against tick-borne meningoencephalitis.

Table 53: Number of medical examinations

	2017	2016	2015
Number of medical examinations	438	381	407

The company records all work-related accidents and dangerous events that have occurred to employees. Most of work-related accidents were minor and resulted from mechanical factors. In order to reduce the number of accidents at work and dangerous phenomena we carry out preventive inspections of working groups.

Table 54: Number of accidents at work

	2017	2016	2015
Number of accidents	31	21	32
- women	0	0	0
- men	31	21	32

Despite the increase in the number of work incidents and the increase in the share of lost days at the expense of an individual work accident, the severity of an individual work accident is lower than in previous years, which means that these were predominantly of a minor nature. The share of lost days due to other sick-leave absences has increased compared to last year.

The percentage of lost days shown is calculated according to the total number of working days for each year.

Table 55: Number of lost working days

	2017	2016	2015
Number of all lost working days	12,435	11,066	11,452
- due to accidents at work	908	782	704
- due to sick-leave absences	11,527	10,284	10,748
Share of lost days due to accidents at work (in %)	0.42	0.37	0.33
Share of lost days due to sick-leave absences (in %)	5.35	4.84	5.00

18.2 Social responsibility

With the involvement of the Group and the company Elektro Maribor in the environment, we are working socially responsible with the objective of successful business operations, improving the quality of life of employees, local communities and the wider society, while at the same time satisfying the interests of the owners.

18.2.1 Stakeholders of Elektro Maribor d.d. (G4 24-27)*

We have strengthened our co-operation with the stakeholders who are important because of the activities that we perform in the social and natural environment, due to the placement and operation in the local environment, ownership and legislation, and the plans on direction of development of the company, its services and the whole sector.

Employees: We strived to ensure that employees are adequately informed, encouraged, motivated, rewarded and consequently engaged and directed towards the achievement of company's strategic objectives. We care for good rewarding, family-friendly policies, communication with employees through many channels, we implement the measures of the Family-Friendly Company certificate, promote innovation and promote the health of employees and integration into the second pension pillar, we organise an annual meeting of all employees and we offer holiday facilities. Successful operations of the company, achievement of the set objectives and realised expected results are the result of work and effort of all employees of the company.

The social partners are involved in the adoption of key decisions on business operations and development of the company, such as company strategy, reorganisation and systemisation. We regularly organise consultations with social partners, including the implementation of the company's annual strategic conference.

Communities: We have complied with the expectations of shareholders through timely and regular information, by increasing the security and value of their investments, and by appropriate dividend yield. The company in its operations and business follows the recommendations of the Slovenian Sovereign Holding and the Corporate Governance Code for Unlisted Companies – advanced level.

We cooperated intensively with competent government institutions and local communities, since these significantly contribute to sustainable infrastructure.

Partners: In performing the activity of a electricity distribution network operator, for which we have all necessary capacities in place, we have been striving, in cooperation with other electricity companies and other participants on the energy market, to develop sustainable, advanced and stable regulation, which is important for the development of the electricity distribution activity in the context of transition to low-carbon society. When performing our activities, we have complied with the contract concluded with the SODO company, and followed the guidelines of the Energy Agency and the Slovenian Sovereign Holding.

We were aware of the fact that the participation of all electricity distribution companies is important, including in the Economic Interest Grouping (GIZ); therefore, we have been effectively involved in harmonising standardisation of types in electricity elements of equipment and facilities, joint purchasing, exchange of good practice, and preparation of professional positions that take into account in the creation of national strategy papers, both the electricity distribution profession and customer benefits. For this purpose, we are also the initiator and in the context of GIZ, the co-organiser of the strategic electricity distribution conference.

Investments of the company: As part of managing investments of the company, we have been striving for maintaining the performance of the investment portfolio, the balance of operating, and maintaining capital adequacy.

Customers: Through building robust and smart grids, we strive to provide network users with a higher quality of electricity supply, with greater energy intensity we enable the integration of new devices and resources into the distribution system, and by developing smart grid enable users to sustainable energy solutions. Active users are enabled integration of production resources and modern equipment.

Media: The attention is paid to both national and local media by organising press conferences at the headquarters of our organisational units. We are trying to build a proper relationship with the media. In a responsive and proactive manner, we have informed them about our activities, and responded to their questions.

Professional public: We continued our good practice of cooperation with scientific-research and educational institutions, and non-governmental organisations. We have been involved in research assignments in the areas of our company's activities, training of our employees, supported the excellence in the educational process, and participated in recognition and popularisation of professions belonging to the professions of the company's primary business activity.

Suppliers: We have been pointing out the importance of transparent and proper relations with suppliers on the market. Based on internal evaluation of suppliers, we developed one of the key criteria for further cooperation.

Business public: In business community, we have been active in associations that support the development of the electric power sector, the economy at all levels, with a view to strengthen cooperation, exchange of experience and good practice, and develop new partnerships.

Subjects of social responsibility: We actively worked with and supported non-governmental organisations in various fields in the implementation of sustainable, creative and humanitarian projects.

18.2.2 Sponsorships, donations (G4 EC1)*

We demonstrate social responsibility for several years through sponsorships and donations, where we consider the principles of transparency, balance, economy and dispersal. We strive to support charitable organisations. We support also a number of fire-fighting organisations that often come to help us during weather disasters to facilitate our work, which often takes place in difficult and inaccessible areas.

With sponsorship projects we strengthen visibility, support projects in the environment and seek synergy effects with the company’s stakeholders.

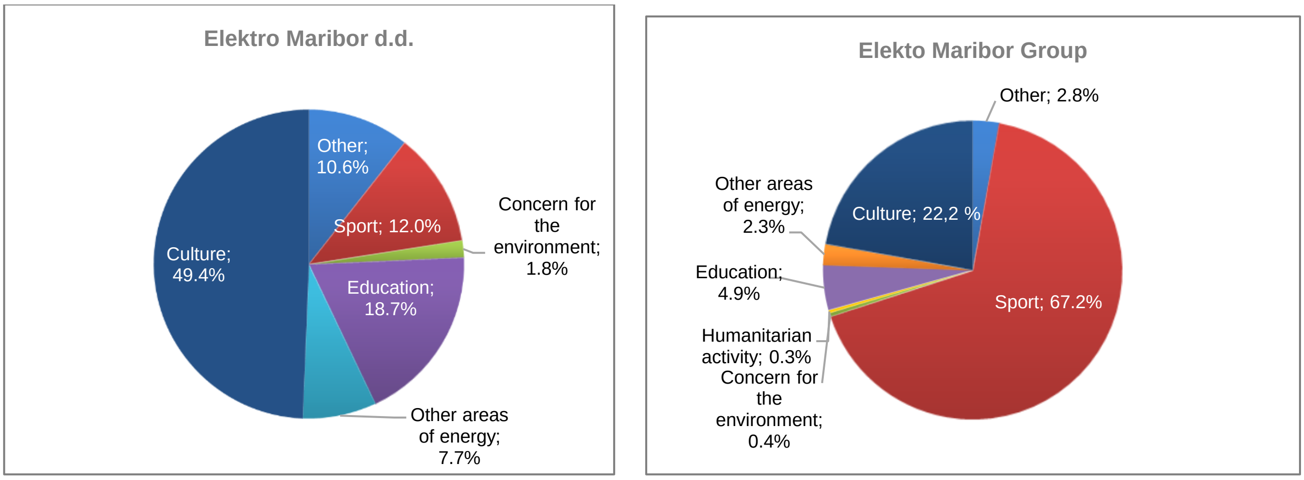
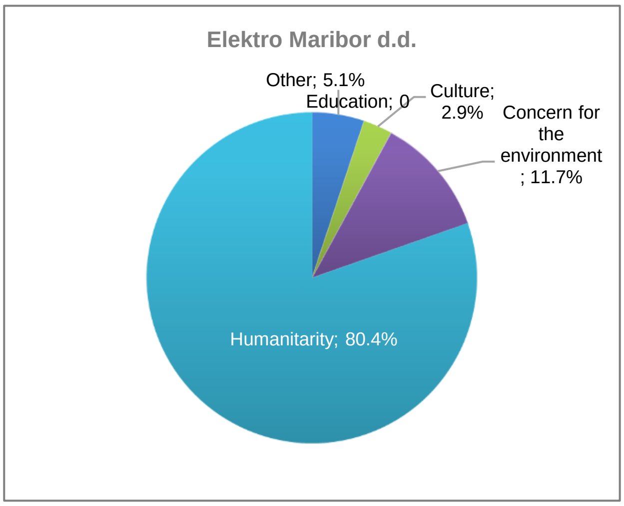


Figure 93: Distribution of sponsorships by purpose

With donations we support, in particular, charity organisations’ projects in the supply area of the company, activities and organisations that show concern for the environment.



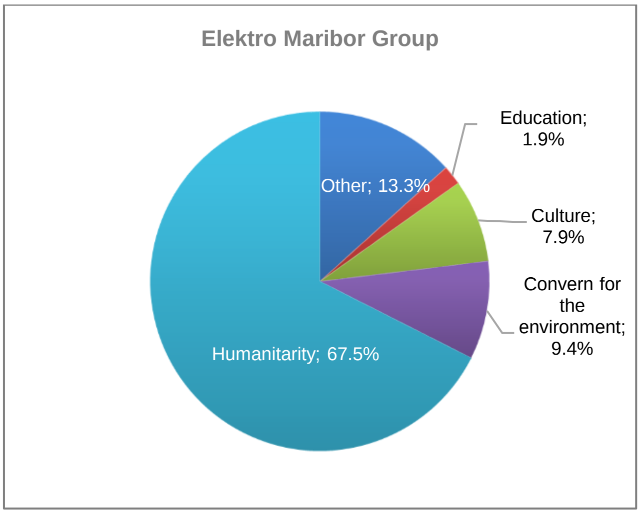


Figure 94: Distribution of donations by purpose

For several years now, we have been encouraging young people in excellence during education. In such a manner, we have traditionally, together with schools, selected and rewarded pupils of three electro-engineering secondary schools from our supply area. With the University of Maribor and our subsidiary Energija plus, we have already traditionally awarded recognition awards and rewarded the best students, and thus encouraged and motivated them to continue with excellence in academic work.

In compliance with the SDH recommendations, we have established a system for ensuring transparency in the area of business-related transactions that involve company's expenditures, which is why we publish on the website all the information required in the recommendations.

According to the provisions of Article 10a, paragraph 11 of the Public Information Access Act, we publish also information on sponsorships and donations. Granting sponsorships and donations is regulated by the Rules governing the conditions and the method of granting sponsorships and donations, and corresponding forms for submitting related applications, recommendations and instructions.

18.2.3 Communicating with external public (G4 PR5)*

When communicating with external public, especially journalists and customers, we strive to provide properly prepared substantive answers with verified and correct information and in as soon as possible.

For the second year in a row, we conducted a survey of co-operation satisfaction with the company Elektro Maribor d.d. The survey showed that as much as 70.3% of interviewed consumers were satisfied with co-operation with the company Elektro Maribor d.d. in full (of which 37.0% of users were highly satisfied, and 33.3% satisfied). There are none dissatisfied with co-operation with the company Elektro Maribor d.d., and 25.9% of the interviewees did not answer the question.

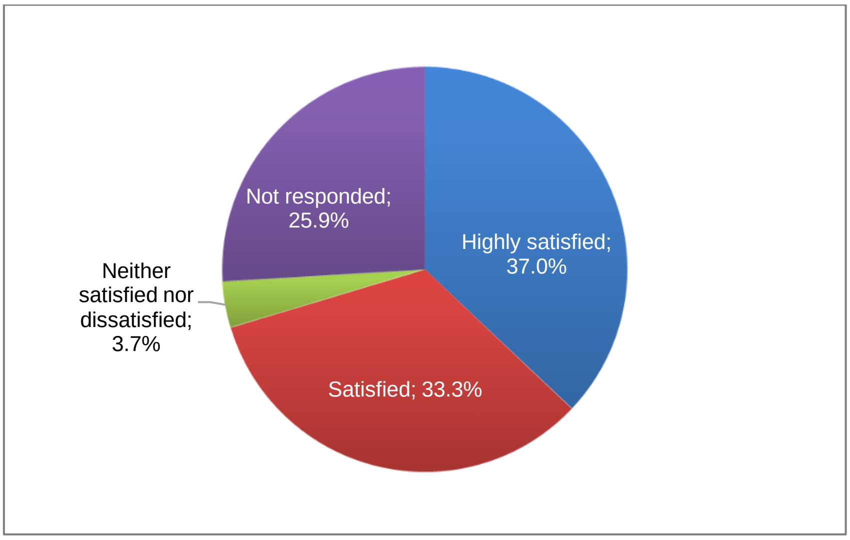


Figure 95: Results of surveying satisfaction with co-operation with Elektro Maribor d.d.

In 2017, we conducted a satisfaction survey with the quality of services we perform for SODO for the first time. The users have assessed the services by choosing a grade from 1 to 5, whereby 1 being very negative, and 5 being very positive. In 2017, the overall assessment of satisfaction with the quality of services we perform for SODO d.o.o. amounted to 4.61. The options for improving are seen mainly in the simplification of procedures and better responsiveness and flexibility. The surveying shall be continued in 2018 as well.

Table 56: Results of the survey for 2017

	Average assessment
OVERALL ASSESSMENT OF SERVICES	**4.61**
Assessment of service rendered	
Transparency and comprehension of services	4.59
Response time and demand	4.56
Price	4.08
Assessment of the provider of service rendered	
Quality of execution	4.75
Time limit of execution	4.67
Quality assessment of resolving complaints	
Professionalism	4.72
Responsiveness	4.67
Assessment of contact persons	
Professionalism	4.76
Responsiveness	4.70

Communication channels with external public:

- The call centre – we were accessible to consumers at two toll-free numbers, i.e. 080 21 05 for a 24-hour service to report failures and interruptions in the network, and 080 21 01 for general information for consumers.
- Answers to journalists and statements – journalists' questions were answered by contextually relevant answers. Answers were in writing or in the form of audio or video statement.
- Press releases – were prepared them when major topics were communicated
- Press conferences – we announced key plans and activities.
- Publications and leaflets – in order to present the Elektro Maribor Company to the public, we issued an updated short brochure entitled *Presentation* once again. It contains updated key company data. The publication *Slovene electricity distribution: Infrastructure of sustainable development*, was issued within the context of GIZ. The brochures are also available on the company's webpage.

- Social networks Facebook and Twitter – we kept the distribution system users and journalists informed about current news on developments in the company, network conditions and major outages. Customers used these channels also to ask questions about the recovery from failures and for reporting on the system status.
- Website – public information, information about the company and current events are always available at the company's website www.elektro-maribor.si .

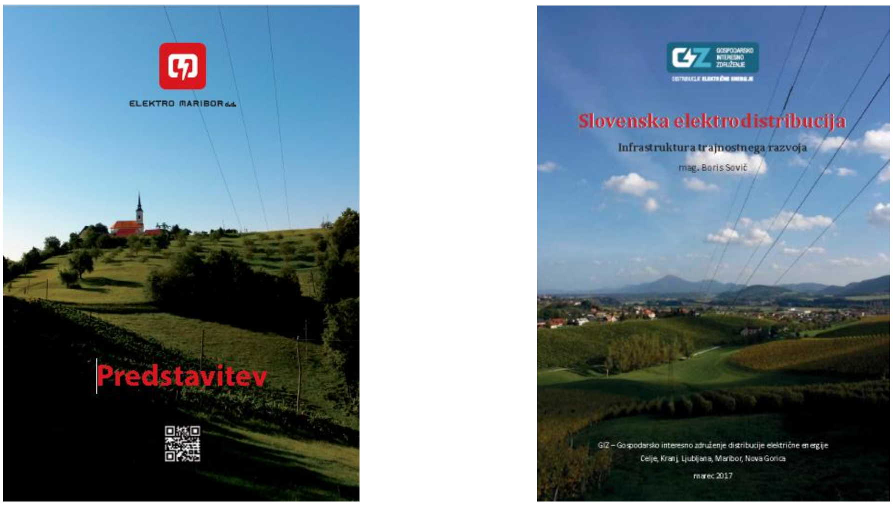


Figure 96: Issued publications in 2017

In the organization of GIZ and together with other electricity distribution companies, we prepared and carried out the 3rd Strategic Conference of Electricity Distribution of Slovenia entitled Digital Transformation of Slovenian Electricity Distribution. We prepared a press conference, at which all five Presidents of the Management Boards of electricity distribution companies in Slovenia pointed out the development role and their importance for the realisation of the strategy of the Republic of Slovenia, and presented the proposals to create a developmentally sustainable and feasible Energy Concept of Slovenia for the competent ministry. The distribution systems of companies must ensure reliable and high-quality electricity supply, which is of particular importance for the quality of citizens' living, the operation of the economy and the further development of the country.

18.2.4 Contacts with system users

The communication of information to system users was carried out in the context of work processes, through the call centre, personal visits to clients, e-mail info@elektro-maribor.si, website www.elektro-maribor.si, eStoritve (e-Services) web portal, and the social network Facebook.

In line with requirements of system users and the applicable legislation, we carried out the following activities:

- communicated the information on failures, interruptions and planned works on the network;
- recorded and forwarded information on failures on metering devices;
- provided information on the quality of the supplied electricity and on efficient electricity use;
- provided information about connecting customers to the network;
- entered metering data;
- explained billing data;
- received and redirected calls at the relay station (02) 220 00 00.

In 2017, we recorded at the blue free-toll line used to report failures and interruptions (080 21 05) 57,247 calls, while the indicator of the service level showed 69%, which means that the said percentage of customers reached the operator in less than 1 minute. The number of calls mainly depend on weather conditions and shut downs due to urgent maintenance works.

In 2017, we recorded at the blue free-toll line used for general information (080 21 01) 16,996 calls, while the indicator of the service level showed 88%, which means that the said percentage of customers reached the operator in less than 1 minute.

In accordance to the requirements set out by the laws, we kept our customers informed on planned supply interruptions, including through the website www.elektro-maribor.si . System users have also a web application available for notifications about planned power supply interruptions (through SMS, e-mail).

In 2017, compared to the previous year, the number of SMS-notification requests increased by 31%, and the number of requests for notification by e-mail by 24%.

Table 57: Contacts with system users

Type of contact	2017	2016	2015
Number of all calls to the tel. no. 080 21 05 – reporting failures and interruptions	57,247	47,324	42,557
Number of all calls to the tel. no. 080 21 01 – general information	16,996	17,119	18,668
Number of requests to SMS-notifications	1,462	1,117	863
Number of requests to be notified by e-mail	3,152	2,532	2,197

The company Elektro Maribor d.d. is transitioning to the new comprehensive personal way of information about planned and unplanned interruptions of electricity supply, which is friendlier to an individual user. For users, we have prepared a renewed web and new mobile application, which also enables free information about possible interruptions in electricity supply. The login is possible for all users in the supply area of Elektro Maribor.

The online application is available at the website of the company Elektro Maribor d.d. or at the following link https://em-eracun.informatika.si/eRacun/prijava.jsf.

The mobile application is available in Google Play or at the following link https://play.google.com/store/apps/details?id=si.informatika.ELMBapp (the application is designed for Android, the publication of the version for iOS is under development).

Figure 97: Mobile application e-Services of Elektro Maribor d.d.

The application allows:

- Insight into the general and technical data of the metering point;
- Overview of the meter readings and electricity consumption at the metering point;
- Submission of meter readings for metering points on annual accounts;
- Application for receiving notifications of planned and unplanned interruptions of electricity distribution: by e-mail and/or by SMS. Application to several e-mail addresses and several GSM numbers is possible;
- Overview of invoices and payments issued, as well as access to the archive of debits and payments;
- Sending a message about network failure.

The application also contains special services designed exclusively for users who participate in the Move Consumption project. These users have at their disposal an overview of consumption for the previous day, a calculation of savings, and an archive of KKT (critical peak tariffs) forecasts and a levelling system.

18.3 Respect for human rights (G4 56, HR3)*

The company Elektro Maribor d.d. has merged the function of the proxy for the code of ethics and the corporate integrity. There is an ongoing revision of the Code of Ethics to be aligned with the SSH guidelines. We strive to continuously raise employees' awareness about the ethical business operations and the conduct of employees in accordance with the Code of Ethics. The efforts of each individual for mutual cooperation, respect, consideration and ethical action mean creating a favourable climate or culture within the company itself and externally. In compliance therewith, discussions are conducted based on written notices, where the principle of four eyes is taken into account (confrontation of the notifier and the violator). All employment contracts include a provision on compliance with the Code of Ethics.

In 2017, we addressed 11 applications for issuing a consent to participate in management and supervisory bodies, supplementing works, and a notice of business unethical situation in mutual relations. There were no cases of discrimination. In 2017, no violation under the Code of Ethics has been detected.

18.4 Matters related to anti-corruption and anti-bribery (G4 SO3, SO4, SO5)*

We are a signatory of the Declaration on Fair Business (since 2013). In 2014, we were among the first of the electricity distribution companies which signed the Slovenian Corporate Integrity Guidelines and thus approached into the circle of corporate integrity ambassadors.

Mreža Global Compact Slovenija

Figure 98: UN Global Compact Slovenia

SLOVENSKA KORPORATIVNA INTEGRITETA

Figure 99: Slovenian Corporate Integrity

We have an elaborated Integrity Plan of Elektro Maribor d.d., the main purpose of which is to strengthen the integrity and transparency, and to prevent and eliminate corruption, conflicts of interests, unlawful or other unethical practices. The integral parts of the Integrity Plan are:

- Risk register of corrupt, unlawful or other unethical conduct,
- Rules on opening boxes and handling notices addressed to the corporate integrity officer, and
- Rules on handling received gifts.

In 2017, there were no corruption-related risks found in the company Elektro Maribor d.d. All contracts concluded in the company, include an anti-corruption clause. For this reason, no cases of corruption have been identified. The company has not organised an anti-corruption training course.

III. Financial Report of the company Elektro Maribor d.d.

1 INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the company
ELEKTRO MARIBOR d.d.

Opinion

We have audited the financial statements of the company Elektro Maribor d.d., which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity, statement of other comprehensive income and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. We also reviewed the business report.

In our opinion, the financial statements in all material aspects present a true and fair financial position of the company Elektro Maribor d d.d., as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Basis for the opinion

The audit was conducted in compliance with International Standards on Auditing. Our responsibilities based on these rules are described in the present report in paragraph Aud*itor's responsibility for the audit of financial statements*. In compliance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code) and ethic requirements referring to the audit of financial statements in Slovenia, we hereby confirm our independence from the company, and that we complied with all other ethic requirements in accordance with these requirements and the IESBA Code.

We believe that obtained audit evidence is sufficient and adequate as a basis for our audit opinion.

Other information

Other information includes the business report, which is an integral part of Elektro Maribor d.d.'s Annual Report, however it does not include financial statements and our auditor's report on them. These other information are the responsibility of the management.

Our opinion on financial statements does not refer to other information and we do not express any form of guarantee about them.

In connection with the performed audit of financial statements, it is our responsibility to read other information and thus assess, whether other information are significantly non-compliant with financial statements, statutory requirements or our knowledge obtained in auditing, or they prove to be significantly false in any other way. In addition, it is our responsibility to assess, whether the other information was prepared in all significant aspects in compliance with the applicable law and above all if these other information are in significant aspect compliant with the law and if non-compliance with these requirements could affect assessments based on these other information. Based on procedures performed, we report, as far as we can assess that:

- Other information describing facts presented in financial statements are in all significant aspects compliant with financial statements; and
- That these other information were prepared in accordance with the applicable law.

Moreover, it is our responsibility that based on our knowledge and understanding of the company that we obtained during the audit, we report about the fact, whether other information include a significantly false statement. Based on procedures performed in relation to other information, we have not established any significantly false statements.

Responsibility of the management and those in charge of management for the financial statements

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

When preparing financial statements of the company, the management is responsible to assess its ability to continue on a going concern basis, disclosure of matters related to going concern and the use of going concern assumption as basis for accounting, unless it intends to liquidate the management, or suspend business operation, or if it does not have any other alternative than to do one or the other.

The Audit Committee and the Supervisory Board are responsible to supervise the preparation of financial statements and to confirm the audited Annual Report.

Auditor's responsibility for the audit of financial statements

Our objectives are to obtain an acceptable guarantee on the fact if the financial statements as a whole bear no significantly false statements due to fraud or error, and to issue an auditor's report, which includes our opinion. An acceptable guarantee is a high-level guarantee; however, it is not an insurance that the audit performed in compliance with the International Standards on Auditing shall always discover a significantly false statement, if any. False statements may arise from fraud or error, and are considered significant if it can be reasonably expected that individually or jointly they affect users' economic decisions adopted based on these financial statements.

During the implementation of the audit in compliance with the International Standards on Auditing, we apply professional discretion and maintain occupational distrust. In addition, we:

- Recognize and assess risks of a significantly false statement in financial standards, either due to error or fraud, create and implement audit procedures as responses to assessed risks and obtain sufficient and adequate audit evidence that provide the basis for our opinion. The risk that we shall not detect a false statement originating from fraud is higher than the one related to an error, since fraud may include secret agreements, forgery, intentional omission, false interpretation or avoidance of internal controls;

- Carry out procedures of verification and comprehension of internal controls significant for the audit with the purpose to create audit procedures that are appropriate to the circumstance, however not with the intention to express an opinion about the effectiveness of internal controls of the company;

- Assess adequacy of applied accounting guidelines and acceptability of accounting prices and related disclosures of the management;

- Based on obtained audit evidence about the existence of significant uncertainty with regard to events or circumstances that raise doubt in the ability of the organisation to continue on a going concern basis, we adopt a decision on the adequacy of management's use of the going concern assumption as the basis of accounting. If we adopt a decision on the existence of significant uncertainty, we are obliged to draw the attention in the auditor's report to corresponding disclosures in financial statements or if such disclosures are inadequate, to adjust the opinion. The auditor's decisions are based on audit evidence obtained up to the date of the issue of the auditor's report. However, later events or circumstances may cause termination of organisation as a going concern.

- Evaluate general presentation, structure, contents of financial statements including disclosures and, whether financial statements present relevant business transactions and events in a way that a fair presentation is achieved;

- Those in charge of management are among other things informed about the planned scope and time of auditing and significant audit findings including deficiencies of internal controls that we detected during our audit.

Celje, 12 April 2018

Certified Auditor
Marija Kozmus Pusar, M.Sc.
[signature]

Rating d.o.o. Celje
Družba za revizijske storitve
in ekonomsko sodelovanje
3000 CELJE, Gosposka 7

[stamp – RATING d.o.o. CELJE]

2 MANAGEMENT BOARD'S STATEMENT OF RESPONSIBILITY

The Management Board of Elektro Maribor d.d. endorses the financial statements presented in this Annual Report, as well as all other integral parts of this Annual Report for the financial year 2017.

The Management Board is responsible for keeping proper accounting records, which represent the company's financial position with reasonable accuracy and for the implementation of measures, intended to keep the value of the company's assets and for the prevention and identification of irregularities in the company's operations at any given time.

The Management Board hereby declares that:

- All financial statements have been prepared in line with professional standards and the legislation pertaining to operations, accounting, taxes and finance,
- The financial statements of the company have been prepared in accordance with the Slovenian Accounting Standards with relevant views and notes, and in accordance with the Companies Act,
- The financial statements have been prepared under the going concern assumption,
- The selected accounting policies are being applied consistently and any changes in the accounting policies are disclosed,
- The accounting estimates have been prepared in accordance with the principles of prudence and good management,
- The financial statements do not include any material or non-material errors made in order to achieve a particular presentation of operations.

Maribor, 12 April 2018

President of the Management Board
Boris Sovič, M.Sc.

3 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Conformity statement

The financial statements of the company have been prepared in accordance with accounting and reporting requirements set by the Slovenian Accounting Standards 2016 (hereinafter also SAS), Rules on prudent accounting (hereinafter also RPA), in accordance with the Companies Act (ZGD-1), the requirements of the Energy Act (EZ-1), and the legislation on taxes and finance.

Management Board's statement of responsibility

On 12 April 2018, the Management Board approved and adopted the financial statements and notes, as well as the accounting policies to the financial statements and the presented Annual Report for 2017.

Functional currency

The financial statements have been prepared in Euros, rounded to unit, and for the financial year that equals the calendar year. Slight differences in addition may have resulted from rounding.

Changes in accounting policies

There were no changes in accounting policies in 2017.

Fundamental accounting assumptions and quality features of financial statements

The financial statements have been prepared on the following two fundamental accounting assumptions:

- Accrual, and
- Going concern,

in addition, the following required quality features:

- Comprehensibility,
- Relevance,
- Reliability,
- Comparability.

The same accounting policies have been applied to all the periods presented in the financial statements.

The items in the balance sheet and the income statement are presented separately and in the same order as defined by the Companies Act. The values of individual items that are irrelevant for true and fair presentation of the company's assets and operational result have been joined and explained appropriately in the appendices to the financial statements.

Financial records are kept in accordance with the double-entry accounting system, using the chart of accounts as adopted by the Slovenian Institute of Auditors in agreement with the ministers responsible for the economy and finance.

Elektro Maribor d.d. is liable to make monthly VAT calculations in accordance with the Value Added Tax Act, as well as for corporate income tax in accordance with the Corporate Income Tax Act.

Bases for the preparation of financial statements

The bases for the preparation of financial statements are the legislative and professional accounting rules and the guidelines, policies and rules mentioned below, which have been applied consistently in all reporting periods.

In 2017, the value of investment in the Alfa investment fund did not change by more than 10%; therefore, the changes are not presented in the comprehensive income statement.

The information presented refers to the current business year and the previous business year.

Relevance of disclosure

The company has adopted internal acts to determine the significance of disclosures to financial statements, for each category of assets and liabilities and revenue and expenditure items separately.

Accounting standards

In recording and valuation of items in the financial statements, the company directly applied the SAS provisions, except in the valuation of items, where these give a choice between different valuation types. In such cases, the company has defined valuation methods in the Rules on Accounting or the Management Board decided on the methods to be applied.

In line with the principle of prudence, the preparation of the financial statements for the year included provisions for all potential liabilities, which are anticipated with more than 50 % certainty to be settled in the future.

Comparability of information

The information in the financial statements for the reporting business year is comparable to the information from the previous business year.

Events after the balance sheet date

In 2017, the company Družba Elektro Maribor d. d. applied for tender for the co-financing of the purchase and installation of smart electricity meters for the 2017–2022 period. Succeeding in their attempt, on 4 December 2017, the company and the Ministry of Infrastructure signed a Contract on the co-financing of the project to replace old electricity meters with smart meters. The Contracts binds the Ministry of Infrastructure to co-finance eligible expenditures in the amount of 33% of expenditure incurred and eligible expenditures actually paid. Already at the end of 2017, the company Elektro Maribor d.d. for these purpose installed EUR 941,795 worth of meters. The request for co-financing will be given in 2018, which is why the receivables in this respect can only be recognized in accounting ledgers in 2018, in accordance with the SAS provisions.

In financial statements for 2017, the preliminary settlement for the regulatory year 2017, which discloses a deficit of received assets over the recognised contractual values of lease and services in the amount of EUR 1,680.815, mostly from services and accrued final settlement of 2015 in the amount of EUR 8,901 and accrued final settlement of 2016 in the amount of EUR 93,985.

The given values are treated in accordance with Article 60a, Paragraphs 4 and 5 of the Contract on the lease of the electricity distribution infrastructure and the provision of services for the electricity distribution system operator, and therefore impact cash flow in the next regulatory period.

The events after the balance sheet date have no significant impact on financial statements for 2017, which would require additional disclosure in the financial report.

Relations with affiliated companies

Elektro Maribor d.d. holds long-term financial investments with over 20-percentage stake in the following companies:

- the company Elektro Maribor Energija plus d.o.o., Vetrinjska ul. 2, Maribor 100.00%,
- the company OVEN Elektro Maribor d.o.o., Vetrinjska ul. 2, Maribor 100.00%,
- the company Moja energija d.o.o., Jadranska cesta 28, Maribor 33.33%,
- the company Eldom d.o.o., Obrežna ulica 170, Maribor 25.00%,
- the company Informatika d.d., Vetrinjska ul. 2, Maribor 21.96%.

Table 58: Operations of affiliates in 2017

In Euros	Capital	Total assets	Net profit or loss	Total revenue
Energija plus d.o.o., Vetrinjska ul. 2, Maribor	19,086,688	37,213,844	95,890	76,381,841
OVEN Elektro Maribor d.o.o., Vetrinjska ul. 2, Maribor	4,602,366	4,690,713	158,480	1,161,058
Moja energija d.o.o., Jadranska cesta 28, Maribor	2,767,278	4,593,228	-909,578	2,262,756
Eldom d.o.o., Obrežna ulica 170, Maribor	278,192	426,964	7,847	641,301
Informatika d.d., Vetrinjska ulica 2, Maribor	1,403,077	8,743,444	71,650	12,783,873

Elektro Maribor company prepares the consolidated financial statements and the consolidated Annual Report for the parent company, and the companies Energija plus and OVEN Elektro Maribor.

4 RELEVANT ACCOUNTING POLICIES

Intangible assets

Intangible assets are stated at cost less the accumulated amortisation.

On initial recognition, an item of intangible assets is measured at cost, which comprises its purchase duties and directly attributable costs until they are made available for use.

Long-term property rights are amortised individually using the straight-line amortisation method. The amortisation begins as soon as they are made available for use. Items of long-term property rights are amortised by amortisation rates, which are defined on the basis of their respective useful lives for an individual type of long-term property right.

In case of comprehensive software solutions, the company applies a single amortisation rate of 10% and for software solutions in the period of contract validity. For all other software solutions, the amortisation rate of 33.3% is applied.

Property, plant and equipment

Property, plant and equipment are parts of the company's fixed assets used to carry out the activities of the company.

Items of property, plant and equipment are stated at cost less the accumulated depreciation. The cost comprises the purchase price, duties and costs directly attributable to bringing the asset to the condition necessary for the intended use. The cost of those items of property, plant and equipment for which the period until their availability for use is longer than one year and the amounts of which are significant, is increased by interest on loans raised in order to bring such items of property, plant and equipment to the condition necessary for their availability for us. The cost does not include the costs of removal and renovation, since the management believes that they are of no significant value. The significance is determined in the Rules on Accounting.

The company performs the activity of the construction of facilities and equipment and records it in its books after they have been constructed. Assets are recorded in the books at the value that corresponds to SAS 1.12. The cost of purchase of a self-constructed item of property, plant and equipment includes costs that are directly related to it, as well as the share of the company's general overhead expenses incurred during construction or manufacture that are directly associated with it. It does not include the expenditures that are not related to its construction or manufacture, or expenditures that the market is not willing to recognise as such; it is, however, possible to include the cost related to borrowings made to finance the construction or manufacture of an item of property, plant and equipment incurred and its bringing to the condition necessary for the intended use. The cost of such item of property, plant and equipment cannot exceed the cost determined in the SAS 1.10.

The company values items using the full unit cost method. Full unit cost based on which the self-constructed items of property, plant and equipment are recorded does not include the profit for which the full unit cost of production hour is increased and which is accounted for on the market when the same type of service is offered on the market.

Items of property, plant and equipment with different useful lives are considered as separate items of property, plant and equipment.

Subsequent expenditures related to an item of property, plant and equipment increase its cost if the future benefits from such item of property, plant and equipment increase beyond their previously assessed benefits.

Investments in items of property, plant and equipment are accrued based on systemic instruction on the accrual of investments in property, plant and equipment and maintenance costs, forming an appendix to the Rules on Accounting.

Items of property, plant and equipment are depreciated individually using the straight-line depreciation method.

The company has no items of property, plant and equipment that were acquired under finance lease. All property, plant and equipment are owned by the company and are not pledged as collateral for debts.

The Management Board of the company has actively monitored the events on the market. It has estimated that in 2017 there was no objective evidence on factors pointing to the need for the impairment of fixed assets.

Investment property
Investment property is held to earn rentals or increase the value of a long-term investment.

Investment property is stated at cost less the accumulated depreciation. Holiday homes and owned apartments are disclosed in investment property.

The depreciation is applied individually using the straight-line depreciation method. The estimated useful life is 50 years.

The Management Board of the company has actively monitored the events on the market. It has estimated that in 2017 there was no objective evidence on factors that would point to the need for the impairment of investment property.

Depreciation
The carrying amount of an item of property, plant and equipment, intangible assets and investment property is amortised/depreciated.

All of the company's fixed assets are classified in amortisation/depreciation groups. The company applies amortisation/depreciation rates that are harmonised with other distribution companies in Slovenia. Items of property, plant and equipment are depreciated individually using the straight-line depreciation method.

Fixed assets being acquired, land and works of art are not depreciated.

The company independently determines useful life periods for individual tangible assets that are harmonised with other electricity distribution companies in Slovenia. The company defines useful lives of individual fixed assets shown in the table below.

Table 59: Useful lives of fixed assets

	2017	2016
Buildings	50 years	50 years
Cable underground system, HV overhead power lines, HV cable lines, MV overhead power lines	40 years	40 years
Construction part of STS, SS and TS	40 years	40 years
MV cable lines with XHP and EHP, LV overhead power line and CR with wooden poles, TS on wooden pole	33 years	33 years
STS and secondary SS equipment	15 years	15 years
STS, SS and primary DCS equipment	30 years	30 years
Energy transformer HV/MV	35 years	35 years
Energy transformer MV/LV	30 years	30 years
Measuring and control devices (meters)	5–24 years	5–24 years
Motor vehicles	7–12 years	7–12 years
Computer equipment	2–5 years	2-5 years
Intangible assets (application software)	2–10 years	2-10 years
Servitude	1–100 years	1–100 years

Changes in accounting estimates

In 2017, the company verified useful lives of fixed assets and determined that no changes thereof are required.

Financial investments

In the balance sheet, financial investments are stated as long-term financial investments and current financial investments. Long-term financial investments are held in possession over a period longer than one year and are not held for trading.

At initial recognition, financial investments are measured at cost that equals the paid amount of cash or cash equivalents.

In financial statements, non-current financial investments in subsidiaries and affiliated companies are stated at cost.

The company's other financial investments are classified as available-for-sale financial investments.

On each balance sheet date, the company assesses whether there is objective evidence on potential impairment of a financial investment. Should such evidence exist, the revaluation of a financial investment is required.
Changes in the fair value of financial investments resulting from revaluation are recognised in the company's equity as increases or decreases in revaluation surplus.

Inventories

An inventory unit of materials is measured at cost, which comprises the purchase price, import duties and direct cost of purchase reduced by any discounts.

Inventories of material are carried at the floating average prices method.

Inventories of material are revaluated due to impairment if the carrying amount exceeds the net market value.

Receivables

Initially, all types of receivables are recognised at amounts recorded in the relevant documents under the assumption that the amounts owed will also be collected. Original receivables can subsequently be directly increased by or, outside the payment received or another form of collection, decreased by each amount justified by a contract.

The company regularly checks the suitability of disclosed receivables. The amounts of receivables that are believed to be uncollectible by their due date should be recorded as doubtful receivables or as disputable receivables.

Due to impairment, the company adjusts the value of receivables when there is objective evidence that a current carrying amount of a receivable exceeds the present value of expected future cash flows.

In forming revaluation adjustments for doubtful or disputable receivables, the company uses the approach of a 100 % value adjustment of a receivable due from a client, no matter the degree of recoverability, namely for receivables, for which an insolvency proceeding or a civil action has been instituted, and for receivables, which are not settled within 90 days from the maturity date. The value adjustment of receivables is being formed individually per individual business partner.

In the balance sheet, receivables are stated in the net value, meaning they are decreased by the revaluation adjustments for disputable or doubtful receivables.

Cash and cash equivalents

Cash is the company's cash in transaction accounts with banks, and cash equivalents – investments, which may quickly be transformed into a predetermined cash amount.

At initial recognition, cash is stated in amounts based on appropriate documentation, after such nature of the document has been confirmed.

Short-term accrued revenues and deferred expenses
Short-term accrued revenue and deferred expenses include receivables and other assets, which are assumed to appear within a year from the balance sheet date and are probable, with their size assessed reliably.

Initially, these are amounts that do not affect the company's activity nor do they affect its result. In the balance sheet, these items are shown in real amounts without any hidden reserves.

Short-term accrued expenses and deferred revenue include all costs calculated in advance (expenses) and short-term deferred revenue. These may only be used for items, which have been initially recognised. In the balance sheet, they are presented in amounts assessed reliably without any hidden reserves.

Capital/equity
The total equity of the company is represented by the amounts invested by owners, and amounts from operations, which belong to the owner.

The share capital is recorded in domestic currency and is entered in the court register. It is divided in 33,495,324 ordinary no-par value shares. All shares are a part of one class and have been paid-in in full. They were issued as dematerialised securities and kept with KDD – centralna klirinško depotna družba d.d. (Central Securities Clearing Corporation) in line with the regulations.

Own shares shall be acquired based on the authorisation of the General Meeting.

Reserves for own shares are being formed in the amounts, which were paid for their acquisition.

Revenue reserves are recognised by a decision adopted by the Management Board, Supervisory Board and the General Meeting.

Reserves arising from the valuation at fair value, recognised based on the revaluation of investments at the end of the financial year and based on recording of actuarial gains/losses arising from the actuarial calculation of provisions for service awards and severance payments.

The net profit or loss is the undistributed part of the net profit or loss of the current year.

The company records changes in equity items in equity changes statement.

Provisions and long-term accrued expenses and deferred revenues
The company forms provisions for the liabilities that are, based on data from past events, expected to occur in the following periods. Their amount is based on the estimated current amount of expenditures, which will be necessary to settle these liabilities.

Provisions are made for severance payments and service awards for employees. They are based on the calculation of a certified actuary as at the start and end of a business year. The actuarial calculation is based on the provisions of SAS10, International Accounting Standards (hereinafter referred to as the IAS) IAS 19 and IAS 26, and performed at the end of each financial year when the company adjusts the value and balance of provisions. They were calculated by the Projected Unit Credit method based on a multiple decrement model taking into account the following decrements: mortality probability, retirement probability, employee turnover probability, and disability probability. The most important assumptions used in the actuarial calculation are:

- Mortality probability (SLO2007; selection factor for active population 75%);
- Disability probability (in accordance with the model based on BUZ/BV1990x, BUZ/BV1990y);
- Retirement in accordance with the model based on the Pension and Disability Insurance Act (ZPIZ-2A; Official Gazette of the Republic of Slovenia, no. 96/2012);
- Staff turnover:
- 5.0 % at an interval of up to 35 years;
- 4.0 % at an interval ranging from 36 to 45 years;
- 3.0 % at an interval of 46 years and above;
- Discount rate 1.3 %;
- Growth of salaries and wages in the Republic of Slovenia 2.0;
- Growth of wages in the company 2.0%;
- Growth of wages in the electricity sector 2.0%;

- Employer's contribution rate: 16.1 % (in case of payments higher than amounts as stipulated by the Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base (Official Gazette of the Republic of Slovenia, no. 76/08));
- Growth of amounts referred to in the Decree 0.5%;
- Provisions of the Corporate collective agreement.

The carrying amount of a provision equals its historical cost less the amounts spent, until the need for their increase or decrease arises.

The company forms long-term accrued expenses and deferred revenue from accrued costs and from contributions for pension and disability insurance of disabled employees. The company uses this income to cover the actual salaries of disabled employees.

The company also makes long-term accrued revenues and deferred expenses from deferred revenue for fixed assets acquired free of charge and from contributions for co-financing, which are intended to cover for depreciation of such assets.

Debts

In terms of the content, liabilities are categorised in financial and operating, and in terms of maturity, they are classified as current and long-term.

All liabilities are initially recognised in amounts arising from the relevant documents based on the assumption that the creditors require these to be repaid. Liabilities are later increased by attributed returns (interest, other compensation), for which there is an agreement with the creditor. They are decreased by the amounts paid and any other settlements in agreement with the creditor.

The carrying amount of liabilities equals their original value decreased by their repayments.

In the balance sheet, long-term liabilities and short-term liabilities are presented separately, and they are further broken down to financial and operating liabilities.

The company evaluates the fair value of liabilities at least once a year upon the preparation of the financial statements. Impairment of liabilities is not made or disclosed.

Off-balance sheet records

Commitments and contingent liabilities show the amounts of bills of exchange given for loans received, guarantees given and received, potential payment liabilities, amounts pertaining to small tools in use, and values of fixed assets transferred to SODO d.o.o.

Recognition of revenue

Revenue is recognised if the increase of economic benefits in an accounting period is connected with the increased value of an asset or decreased liability, and if such increase can be measured reliably. Revenue is recognised when it is reasonable to expect it to result in receipts, if these are not already realised at inception.

Revenue comprises of operating, financial, and other revenue.

Operating revenue is revenue from sales and it represents the sales values of products, services and material sold in an accounting period. It is measured based on sales prices stated in invoices or other documents, decreased by amounts that the company charges for a third party account (duties), discounts granted at the sale, and subsequently also by the value of returned quantities and any subsequent discounts.

The revenue from rendered services is measured at sales prices of performed services considering the level of their completion, indicated in invoices or other documents.

Revaluation operating revenue is generated upon the disposal of property, plant and equipment and intangible assets, and also after the payment of receivables, which were revaluated in previous years.

Financial revenue is revenue from investment activities and also arise in connection with current and non-current financial investments, and in connection with receivables in the form of interest charged and as revaluation finance income.

This income is recognised at settlement, regardless of the receipts, if there is no reasonable doubt as to its size, maturity and probability to be paid. Interest is attributed in proportion to the elapsed period and in relation to the unpaid part of the principal and the applicable interest rate.

Other revenue pertains to non-recurring items and other income that increases the operating result.

Recognition of expenses

Expenses are recognised if the decrease in economic benefits in an accounting period is connected with the decreased value of an asset or increased liability, and if such decrease can be measured reliably.

Expenses include operating, finance and other expenses.

Operating expenses are recognised when the amount of costs no longer corresponds to the value of inventories. In general, they equal the accrued expenses in an accounting period.

Revaluation operating expenses are recognised when an adequate revaluation is completed and they appear in connection with items of property, plant and equipment, intangible non-current and current assets due to their impairment.

Finance expenses are expenses from financial and operating liabilities. They are recognised in settlement, regardless of the related payments.

Other expenses include non-recurring items and other expenses that decrease the operating result.

Labour costs and costs of reimbursement to employees

The company discloses the following items in labour costs:

- Salaries and wages;
- Salary and wage compensation;
- Additional pension insurance costs;
- Contributions and other taxes;
- Other costs such as pay for annual leave, reimbursement of material costs, solidarity aid and other.

Labour costs and reimbursements are calculated and paid in accordance with the legislation, the Collective Agreement pertaining to the energy sector and the Corporate Collective Agreement.

Labour costs also include accrued costs from unused annual leave of employees.

Taxes

The company is liable for payment of taxes in accordance with the Value Added Tax Act and the Corporate Income Tax Act.

The corporate income tax is calculated based on revenue and expenses such as stated in the income statement, taking into account the provisions of the Corporate Income Tax Act.

The tax calculated this way is the tax paid by the company from the taxable profit for the year, using tax rates applicable on the date of the statement of financial position, taking into consideration any adjustments to tax liabilities arising from previous business years.

The company discloses deferred tax using the method of liabilities in accordance with the balance sheet based on temporary differences between book and tax values of individual assets and liabilities. The amount of deferred tax is based on the expected method of return or settlement of the book value of assets and liabilities, using the tax rates applicable on the balance sheet date.

Deferred tax assets are recognised only to the extent for which it is probable that the future taxable profit, from which deferred taxes can be used in the future, will be available.

Cash flow statement

The cash flow statement has been prepared using the direct method. In the cash flow statement, cash and cash equivalents are represented by cash in accounts and deposits with maturity up to three months.

Segment reporting

The company is in accordance with the Energy Act-1 bound to report by activities (segments). Two activities are defined for that purpose:

- The contract with SODO which sets forth the tasks performed by the company in accordance with the Contract on the lease of the electricity distribution infrastructure and provision of services for SODO d.o.o., and
- The services, which include other market activities performed by the company.

5 FINANCIAL STATEMENTS OF THE COMPANY ELEKTRO MARIBOR D.D.

Table 60: Balance sheet

in EUR

	Item	Note	31 Dec 2017	31 Dec 2016
A.	**Long-term assets (I–VI)**		**339,762,965**	**329,174,538**
I.	**Intangible assets and long-term accrued revenues and deferred expenses (1 through 6)**	**1**	**1,983,941**	**1,117,515**
	1. Long-term property rights		1,835,917	1,117,515
	3. Advances for intangible assets		148,024	0
II.	**Property, plant and equipment (1 through 6)**	**2**	**318,606,382**	**308,797,468**
	1. Land and buildings (a through c)		237,310,647	231,476,544
	a. Land		9,835,184	9,320,587
	b. Buildings		227,475,463	222,155,957
	2. Production equipment and machinery		73,282,078	72,301,463
	4. Property, plant and equipment under acquisition (a + b)		8,013,657	5,019,461
	a. Property, plant and equipment under construction		7,978,290	5,008,831
	b. Advances for acquisition of property, plant and equipment		35,367	10,630
III.	**Investment property**	**3**	**659,422**	**646,998**
IV.	**Non-current financial investments (1 through 2)**	**4**	**17,541,680**	**17,541,680**
	1. Non-current financial investments excluding loans (a through d)		17,541,680	17,541,680
	a. Shares and stakes of companies in the group		16,983,478	16,983,478
	b. Shares and stakes of associated companies		349,854	349,854
	c. Other shares and stakes		56,594	56,594
	d. Other non-current financial investments		151,754	151,754
V.	**Long-term operating receivables (1 through 3)**	**5**	**68,242**	**330,447**
	3. Long-term operating receivables due from others		68,242	330,447
VI.	**Deferred tax assets**	**6**	**903,298**	**740,430**
B.	**Current assets (I–V)**		**24,265,439**	**23,164,378**
II.	**Inventories (1 do 4)**	**7**	**1,719,670**	**1,390,498**
	1. Material		1,719,670	1,390,498
IV.	**Current operating receivables (1 through 3)**	**8**	**12,961,865**	**11,010,736**
	1. Current operating receivables due from companies in the group		16,818	23,232
	2. Current operating receivables due from clients		12,164,701	10,482,518
	3. Current operating receivables due from others		780,346	504,986
V.	**Cash and cash equivalents**	**9**	**9,583,904**	**10,763,144**
C.	**Short-term deferred items**	**10**	**915,696**	**245,790**
	A S S E T S (A + B + C)		**364,944,100**	**352,584,706**
	Off-balance sheet assets		49,451,750	48,345,355

in EUR

	Item	Note	31 Dec 2017	31 Dec 2016
A.	**Capital**	**11**	**269,381,842**	**260,251,694**
I.	**Called-up capital (1 through 2)**		**139,773,510**	**139,773,510**
	1. Share capital		139,773,510	139,773,510
II.	**Capital reserves**		**75,121,586**	**75,121,586**
III.	**Revenue reserves (1 through 5)**		**51,018,469**	**41,830,071**
	1. Legal reserves		4,510,810	3,836,913
	2. Reserves for treasury shares and own business shares		154,539	150,599
	3. Treasury shares and own business shares		-154,539	-150,599
	5. Other revenue reserves		46,507,659	37,993,158
V.	**Fair value reserves**		**-876,458**	**-543,309**
VI.	**Net profit or loss brought forward**		**59,128**	**0**
VII.	**Net profit or loss for the financial year**		**4,285,607**	**4,069,836**
B.	**Provisions and long-term accrued expenses and deferred revenues (1 through 3)**	**12**	**40,086,984**	**39,159,423**
	1. Provisions for pensions and similar liabilities		5,603,543	4,923,751
	2. Other provisions		1,523,747	1,269,830
	3. Long-term accrued expenses and deferred revenue		32,959,694	32,965,842
C.	**Non-current liabilities (I through III)**	**13**	**30,971,748**	**29,239,605**
I.	**Non-current financial liabilities (1 through 4)**		**30,917,857**	**29,185,714**
	2. Long-term financial liabilities to banks		30,917,857	29,185,714
II.	**Non-current operating liabilities**		**53,891**	**53,891**
	2. Long-term operating liabilities to suppliers		53,891	53,891
D.	**Current liabilities (I through III)**	**14**	**23,507,956**	**22,969,641**
II.	**Current financial liabilities (1 through 4)**		**7,297,125**	**8,799,574**
	2. Current financial liabilities to banks		7,267,857	8,757,143
	4. Other current financial liabilities		29,268	42,431
III.	**Current operating liabilities (1 through 8)**		**16,210,831**	**14,170,067**
	1. Current operating liabilities to companies in the Group		68,278	60,411
	2. Current operating liabilities to suppliers		7,398,885	6,418,466
	3. Other current financial liabilities		8,743,668	7,691,190
E.	**Short-term accrued items**	**15**	**995,570**	**964,342**
	LIABILITIES (A through D)		**364,944,100**	**352,584,706**
	Off-balance-sheet liabilities	16	49,451,750	48,345,355

Table 61: Income statement

in EUR

	Item	Note	I–XII 2017	I–XII 2016
1.	**Net sales revenues**	**17**	**60,476,292**	**57,941,225**
	a. in the domestic market		60,476,292	57,941,225
3.	**Capitalized own products and services**	**18**	**18,821,162**	**18,090,408**
4.	**Other operating revenues (with revaluated operating revenues)**	**19**	**2,753,389**	**3,314,265**
5.	**Costs of goods, material and services**	**20**	**18,073,684**	**18,054,933**
	a. Cost of goods and material sold and costs of material used		10,819,298	11,084,414
	b. Costs of services		7,254,386	6,970,519
6.	**Labour costs**	**21**	**29,444,776**	**28,444,372**
	a. Costs of salaries and wages		20,525,072	20,010,833
	b. Costs of social insurances		4,449,862	4,304,004
	- of which costs of pension insurance		2,940,404	2,842,331
	c. Other labour costs		4,469,842	4,129,535
7.	**Write-offs**	**22**	**19,728,458**	**19,215,765**
	a. Depreciation		19,272,945	18,633,737
	b. Revaluation operating expenses for intangible assets and property, plant and equipment		265,652	411,332
	c. Revaluation operating expenses for current assets		189,861	170,696
8.	**Other operating expenses**	**23**	**853,289**	**625,877**
9.	**Financial revenues from stakes**	**24**	**1,774,792**	**1,370,000**
	a) Financial income from stakes in companies of the Group		1,710,000	1,270,000
	b) Financial revenues from stakes in associated companies		64,792	100,000
10.	**Financial revenues from loans granted**	**25**	**341**	**4,481**
	b. Financial revenues from loans granted to others		341	4,481
11.	**Financial revenues from operating receivables**	**26**	**24,859**	**53,940**
	b. Financial revenues from operating receivables due from others		24,859	53,940
13.	**Financial expenses from financial liabilities**	**27**	**416,251**	**434,613**
	b. Financial expenses from loans received from banks		393,031	431,977
	d. Financial expenses from other financial liabilities		23,220	2,636
14.	**Financial expenses from operating liabilities**	**28**	**59,789**	**104,828**
	b. Financial expenses from liabilities to suppliers and liabilities pertaining to bills of exchange		401	149
	c. Financial expenses from other operating liabilities		59,388	104,679
15.	**Other revenue**	**29**	**13,437**	**16,940**
16.	**Other expenses**	**30**	**135,103**	**107,023**
17.	**Income tax**		**1,837,846**	**1,304,449**
18.	**Deferred taxes**		**162,869**	**286,620**
19.	**NET PROFIT/LOSS FOR THE PERIOD (1 ± 2 +3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 17 + 18)**	**31**	**13,477,945**	**12,786,019**

Table 62: Statement of other comprehensive income

in Euro

	Item	Note	I–XII 2017	I–XII 2016
19.	Net profit/loss for the period		13,477,945	12,786,019
23.	Other items of comprehensive income		-333,149	-213,010
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19 + 20 + 21 + 22 + 23)**		**13,144,796**	**12,573,009**

Table 63: Cash flow statement

in EUR

Item	Note	I–XII 2017	I–XII 2016
A. Cash flows from operating activities			
a) Cash receipts from operating activities	***32***	***106,667,833***	***105,051,043***
Cash receipts from sales of products and services		104,724,154	102,786,098
Other cash receipts from operating activities		1,943,679	2,264,945
b) Cash disbursements from operating activities	***33***	***-95,506,277***	***-94,903,397***
Cash disbursements from the purchase of material and services		-57,736,970	-57,845,354
Cash disbursements from salaries and employees' participation in profit		-28,154,868	-27,662,741
Cash disbursements from taxes		-7,536,146	-7,573,491
Other cash disbursements from operating activities		-2,078,293	-1,821,811
c) Positive cash result in operating activities (a + b)		***11,161,556***	***10,147,646***
B. Cash flows from investing activities			
a) Cash receipts from investing activities	***34***	***1,885,359***	***1,467,218***
Interest received and shares in profit received, relating to investment activities		1,775,218	1,375,110
Cash receipts from disposal of tangible fixed assets		110,141	92,108
b) Cash disbursements from investing activities	***35***	***-10,033,904***	***-9,864,250***
Cash disbursements from acquisition of intangible assets		-1,653,408	-1,297,265
Cash disbursements from acquisition of property, plant and equipment		-8,380,496	-8,566,985
c) Negative cash result in investing activities (a + b)		***-8,148,545***	***-8,397,032***
C. Cash flows from financing activities			
a) Cash receipts from financing activities	***36***	***9,000,000***	***8,000,000***
Cash receipts from increase of financial liabilities		9,000,000	8,000,000
b) Cash disbursements from financing activities	***37***	***-13,192,251***	***-15,241,875***
Cash disbursements from interest paid on financing		-407,469	-423,244
Cash repayments of equity		-3,716	-150,599
Cash disbursements from repayment of financial liabilities		-8,757,143	-8,757,143
Cash disbursements from dividends and other participation in profit		-4,023,923	-5,910,890
c) Negative cash result in financing activities (a + b)		***-4,192,251***	***-7,241,875***
D. Closing balance of cash and cash equivalents		**9,583,904**	**10,763,144**
x) Cash flow result for the period (sum of cash results Ac, Bc and Cc)		**-1,179,240**	**-5,491,261**
+			
y) Opening balance of cash and cash equivalents		**10,763,144**	**16,254,405**

Table 64: Statement of changes in equity 2017

in EUR

Item		Called-up capital	Capital reserves	Legal reserves	Revenue reserves			Fair value reserves	Retained net profit or loss	Net profit/loss for the period	Total
		Share			Reserves for own shares	Own shares	Other revenue reserves		Net profit brought forward	Net profit	
		I/1	II	III/1	III/2	III/3	III/5	V	VI/1	VII/1	
A.1.	**Closing balance as at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**-150,599**	**37,993,158**	**-543,309**	**0**	**4,069,836**	**260,251,694**
b.	Retroactive adjustments						1		0		1
A,2	**Opening balance for the reporting period**	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**-150,599**	**37,993,159**	**-543,309**	**0**	**4,069,836**	**260,251,695**
B.1	**Changes in equity – transactions with owners**	**0**	**0**	**0**	**0**	**-3,940**	**0**	**0**	**-4,010,709**	**0**	**-4,014,649**
d.	Purchase of own shares				0	-3,940					-3,940
g.	Payment of dividend								-4,010,709		-4,010,709
B.2	**Total comprehensive income for the reporting period**	**0**	**0**	**0**	**0**	**0**	**0**	**-333,149**	**0**	**13,477,945**	**13,144,796**
a.	Entry of net profit/loss for the period									13,477,945	13,477,945
d.	Other items of comprehensive income							-333,149			-333,149
B.3	**Changes in equity**	**0**	**0**	**673,897**	**3,940**	**0**	**8,514,500**	**0**	**4,069,837**	**-13,262,174**	**0**
a.	Allocation of the remaining part of the net profit for the compared reporting period to other items of equity								4,069,837	-4,069,837	0
b.	Allocation of the remaining part of the net profit for the compared reporting period pursuant to the decision by the Management and Supervisory Boards			673,897			8,514,500			-9,188,397	0
d.	Building up reserves for own shares				3,940					-3,940	0
C.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**4,510,810**	**154,539**	**-154,539**	**46,507,659**	**-876,458**	**59,128**	**4,285,607**	**269,381,842**
	DISTRIBUTABLE PROFIT								**59,128**	**4,285,607**	**4,344,735**

Table 65: Statement of changes in equity 2016

in EUR

	Item	Called-up capital	Capital reserves	Revenue reserves				Fair value reserves	Retained net profit or loss	Net profit/loss for the period	Total
		Share		Legal reserves	Reserves for own shares	Own shares	Other revenue reserves		Net profit brought forward	Net profit	
		I/1	II	III/1	III/2	III/3	III/5	V	VI/1	VII/1	
A.1.	**Closing balance as at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**3,198,981**	**0**	**0**	**30,607,636**	**-330,299**	**0**	**5,455,522**	**253,826,936**
	Retroactive adjustments								**-27,383**		**-27,383**
A.2	**Opening balance for the reporting period**	**139,773,510**	**75,121,586**	**3,198,981**	**0**	**0**	**30,607,636**	**-330,299**	**-27,383**	**5,455,522**	**253,799,553**
B.1	**Changes in equity – transactions with owners**	**0**	**0**	**0**		**-150,599**	**-517,231**	**0**	**-5,453,039**	**0**	**-6,120,869**
d.	Purchase of own shares					-150,599					-150,599
g.	Payment of dividend						-517,231		-5,453,039		-5,970,270
B.2	**Total comprehensive income for the reporting period**							**-213,010**		**12,786,019**	**12,573,009**
a.	Entry of net profit/loss for the period									12,786,019	12,786,019
d.	Other items of comprehensive income							-213,010			-213,010
B.3	**Changes in equity**	**0**	**0**	**637,932**	**150,599**	**0**	**7,902,753**	**0**	**5,480,422**	**-14,171,705**	**0**
a.	Allocation of the remaining part of the net profit for the compared reporting period to other items of equity								**5,453,039**	**-5,453,039**	**0**
b.	Allocation of the remaining part of the net profit for the compared reporting period pursuant to the decision by the Management and Supervisory Boards			637,932			7,900,270			-8,538,202	**0**
c.	Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting resolution						2,483			-2,483	**0**
č.	Settlement of loss as a deduction component of equity								27,383	-27,383	**0**
d.	Building up reserves for own shares				150,599					-150,599	**0**
C.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**-150,599**	**37,993,158**	**-543,309**	**0**	**4,069,836**	**260,251,694**
	DISTRIBUTABLE PROFIT								**0**	**4,069,836**	

Table 66: Appendices to the financial statements – performance indicators in compliance with the Good accounting practices (PSR

Item	2017	2016
I. CORE FINANCING INDICATORS (in accordance with PSR 8.26)		
Participation rate of capital in % = capital/liabilities	73.81	73.81
Long-term financing ratio in % = assets + long-term debt + provisions + long-term accrued items/liabilities	93.29	93.21
II. CORE INVESTMENT INDICATORS (in accordance with PSR 8.27)		
Fixed assets investment ratio in % = Fixed assets/assets	87.85	87.90
Long-term investment ratio in % = fixed assets and long-term deferred items + long-term financial investment + investment property + long-term operating receivables/assets	92.85	93.15
III. HORIZONTAL FINANCIAL STRUCTURE INDICATORS (in accordance with PSR 8.28)		
Equity to fixed assets ratio = equity/fixed assets	0.84	0.84
Quick ratio = liquid assets/short-term liabilities	0.41	0.47
Accelerated liquidity ratio = liquid assets + short-term receivables/short-term liabilities	0.96	0.95
Short-term ratio = current assets/short-term liabilities	1.03	1.01
IV. CORE EFFICIENCY INDICATORS (in accordance with PSR 8.30)		
Operating efficiency ratio = operating revenues/operating expenses	1.20	1.20
V. CORE PROFITABILITY INDICATORS (in accordance with PSR 8.31)		
Net return on equity in % = net profit or loss/average assets (excluding net profit or loss)	5.17	5.07
Payout ratio = dividend for the financial year (*accumulated profits)/net profit/loss	0.32*	0.31

6 NOTES AND DISCLOSURES TO FINANCIAL STATEMENTS

6.1 Notes to the balance sheet

The balance sheet is the basic financial statement presenting the assets and liabilities that refer to the company's operations.

In accordance with SAS 20.4 it is drawn up in the running form with values shown for the current and past periods.

Items in the balance sheet are presented at their carrying amounts as the difference between the cost and the deducted value adjustment. The balance sheet has been prepared taking account of the principle of individual asset and liability valuation.

The company is not possession of any additional information significant for a fair presentation of the company's financial position; such items are not mandatory parts of the balance sheet.

Information constituting the basis for the preparation of the balance sheet and information about special accounting policies and methods used in recording the company's business events are presented in the following notes to individual balance sheet items.

The notes constitute an integral part of the financial statements and should be read in conjunction with them.

Intangible assets

Note 1

Intangible assets comprise of property rights from the use of licenses, and application software, which are classified as assets with the finite useful life between 2 and 10 years. The depreciation rates used range between 10% and 50%, and they are subject to straight-line method of depreciation.

The intangible assets also include servitudes for the use of the land under the routes of the company's distribution network, which in accordance with the provisions of Article 65 of the Companies Act (ZGD-1) are shown in the balance sheet between items land and buildings.

Intangible assets are not pledged for the repayment of debts and the company does not dispose with assets acquired through government grant.

At the end of financial year, the company shows EUR 1,114,413 of financial liabilities regarding the acquisition of licences for the use of information technology. The company has been settling its obligations monthly based on the invoices received.

Major acquisitions of intangible assets relate to the acquisition of licenses for information technology use.

Table 67: Changes in intangible assets in 2017

in EUR	Intangible assets	Current investments	Advances given	Total
Purchase value				
As at 1 January 2017	5,685,224			5,685,224
Increase	*1,325,269*	*0*	*148,024*	1,473,293
- New purchases		1,325,269	148,024	1,473,293
- Activation	1,325,269	-1,325,269		0
As at 31 December 2017	7,010,493	0	148,024	7,158,517
Write-offs				
As at 1 January 2017	4,567,710			4,567,710
Disposals	76,486			76,486
Depreciation	683,352			683,352
As at 31 December 2017	5,174,576			5,174,576
Carrying amount				
As at 1 January 2017	1,117,514			1,117,514
As at 31 December 2017	1,835,917	0	148,024	1,983,941

Property, plant and equipment

Note 2

Table 68: Changes in property, plant and equipment in 2017

in EUR	Land	Buildings	Servitudes	Equipment	Current investments	Advances given	Total property, plant and equipment
Purchase value							
As at 1 January 2017	7,738,239	703,945,451	1,615,180	175,726,022	5,008,831	10,630	894,044,354
Acquisitions, of which:					28,646,547	29,733	28,676,280
- Acquisitions (new purchases)					27,313,048		27,313,048
- Acquisitions (free of charge acquisition)					1,333,499		1,333,499
Activation	20,782	17,630,526	509,339	7,515,950	-25,676,596	0	0
- Activation (new purchases)	20,782	16,309,752	509,339	7,503,224		0	24,343,097
- Activation (free of charge acquisition)		1,320,773		12,726			1,333,499
Decrease		7,577,187		4,416,543	492	4,996	11,999,218
Transfers	1,426	-961		-465			0
As at 31 December 2017	7,760,448	713,997,828	2,124,519	178,824,963	7,978,290	35,368	910,721,416
Write-offs							
As at 1 January 2017	0	481.789.494	32.833	103.424.559	0	0	585.246.886
Disposals		7.355.615		4.342.151			11.697.766
Depreciation		12.088.485	16.950	6.460.478			18.565.913
Transfers							
As at 31 December 2017	0	486.522.365	49.783	105.542.885	0	0	592.115.033
Carrying amount							
As at 1 January 2017	7.738.239	222.155.957	1.582.347	72.301.463	5.008.831	10.630	308.797.468
As at 31 December 2017	7.760.448	227.475.463	2.074.736	73.282.078	7.978.290	35.368	318.606.382

Major acquisitions of items of property, plant and equipment in 2017 refer particularly to:

Table 69: Major acquisitions of items of property, plant and equipment

	2017	2016
LV power lines	8,500,241	7,002,202
Metering equipment and instruments	1,827,665	2,650,123
TS MV/HV	1,923,932	1,938,452
MV power lines (connecting)	4,868,854	4,936,409
DL HV new	36,271	1,987,452
MV power lines (joining)	1,482,254	1,346,621

Decrease in property, plant and equipment refers to buildings in the amount of EUR 7,577,187 and equipment in the amount of EUR 4,416,543, mostly due to write-offs resulting from destruction and replacement.

The items of property, plant and equipment not yet available for use (current investment) totalled at EUR 7,978,290.

No items of property, plant and equipment were acquired under finance lease. All assets are owned by the company and have not been pledged as collateral for debts. In 2017, the company applied for the invitation to tender to obtain funds of the European cohesion policy for the "Project of replacement of electricity meters with smart meters", but the respective funds have not yet been received.

The company still has some contractual commitments for the acquisition of tangible fixed assets, but these are concluded for successive supply of equipment by the contract in accordance with the time schedule.

All long-term borrowings are intended to finance investments in property, plant and equipment of the company.

The company signed Annex No. 4 to the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for the period 2016–2018 with the company SODO, which defines the amount of rent and the services supplied to SODO.

The amounts of future leases cannot be presented reliably, since the price and scope of the lease change over the years. The rent for the electricity infrastructure for the financial year 2017 amounts to EUR 29,249,690.

The book value for the leased electricity distribution infrastructure as at 31 December 2017 amounts to EUR 285,106,116.

Table 70: Changes in electricity distribution infrastructure in 2017

in EUR	Land	Buildings	Servitudes	Equipment	Total property, plant and equipment
Purchase value					
As at 1 January 2017	4,929,617	676,959,676	1,615,180	151,108,312	834,612,784
Transfers					
As at 1 January 2017	4,929,617	676,959,676	1,615,180	151,108,312	834,612,784
Increase, of which:	20,722	16,791,785	509,339	5,352,891	22,674,737
- Activation	20,722	16,791,785	509,339	5,352,891	22,674,737
Disposals		-7,524,751		-3,513,518	-11,038,269
Transfers	1,426	-961		-465	0
As at 31 December 2017	4,951,765	686,225,748	2,124,519	152,947,220	846,249,252
Write-offs					
As at 1 January 2017	0	469,023,574	32,833	86,128,781	555,185,187
Transfers					
As at 1 January 2017	0	469,023,574	32,833	86,128,781	555,185,187
Decrease		7,328,421		3,452,129	10,780,550
Depreciation		11,562,687	16,949	5,158,863	16,738,499
Transfers					0
As at 31 December 2017	0	473,257,840	49,782	87,835,515	561,143,136
Carrying amount					
As at 1 January 2017	4,929,617	207,936,102	1,582,347	64,979,531	279,427,597
As at 31 December 2017	4,951,765	212,967,908	2,074,737	65,111,706	285,106,116

Investment property

Note 3

The Management Board of the company has actively monitored the events on the market. It has estimated that there was no objective evidence on factors pointing to the need for the impairment of fixed assets in 2017.

Table 71: Changes in investment property in 2017

in EUR	31 Dec 2017
Purchase value	
As at 1 December 2017	1,454,170
Increase	39,391
Decrease	13,949
As at 31 December 2017	1,479,612
Write-offs	
As at 1 January 2017	807,171
Disposals	10,663
Depreciation	23,681
As at 31 December 2017	820,189
Carrying amount	
As at 1 January 2017	646,998
As at 31 December 2017	659,422

Table 72: Investment property in 2017

in EUR	Value	Revenue	Cost
Holiday facilities	621,096	108,021	127,835
Apartments	38,326	7,572	1,747
Total	**659,422**	**115,593**	**129,582**

All the investment property is owned by the company and is not pledged as collateral for debts.

Non-current financial investments

Note 4

Table 73: Non-current financial investments

in EUR	As at 31 Dec 2017	As at 31 Dec 2016
Investments in stakes of the companies in the group:	16,983,478	16,983,478
- Energija plus d.o.o.	15,291,511	15,291,511
- OVEN Elektro Maribor d.o.o.	1,691,967	1,691,967
Investments in shares and stakes of associated companies:	349,854	349,854
- Informatika d.d.	299,478	299,478
- Eldom d.o.o.	50,376	50,376
- Moja energija d.o.o.	0	0
Other non-current financial investment in stakes	56,594	56,594
Other non-current financial investments	151,754	151,754
Total	**17,541,680**	**17,541,680**

Table 74: Changes in non-current financial investments

in EUR	Investments in stakes of the companies in the group	Investments in shares and stakes of associated companies	Other non-current financial investment in stakes	Other non-current investments	Total
As at 1 January 2017	16,983,478	349,854	56,594	151,754	17,541,680
Decrease	0	0	0	0	0
As at 31 December 2017	**16,983,478**	**349,854**	**56,594**	**151,754**	**17,541,680**

In 2017, the company has not impaired any investments in the associated companies.

The Management Board estimates, that non-current financial investments as at 31 December 2017 are not exposed to risks or they are exposed to risk equal to the amount of the investments in the capital of these companies.

The company has all long-term investments, other than investments in subsidiaries and associated companies, classified as held for sale.

Other long-term investments primarily disclose the investment in the Alfa financial fund.

Non-current operating receivables

Note 5

Long-term operating receivables due from buyers show mainly receivables from the final cost estimates of the regulatory framework for 2013 and 2014 and the preliminary cost estimates for 2014 in the amount of EUR 22,463. The part, which falls due in the current financial year, is transferred to short-term receivables.

Other long-term operating receivables include receivables from the collection of assets to the reserve fund of owner-occupied residential buildings.

Receivable due from SODO d.o.o. is secured with bills of exchange. Non-current receivables are not pledged as collateral for liabilities.

Deferred tax assets
Note 6

In 2017, the Company recognised the increase in deferred tax assets for temporary deductible tax differences based on past and current formed provisions for long-service bonuses and severance pays of employees and for formed adjustments of receivables.

The tax rate used in the calculation of deferred tax assets was 19%. The same rate is also expected to be applied in the future business years.

In 2017, the Company increased deferred tax assets relating to provisions for long-service bonuses and severance pays by a total of EUR 169,762, while deferred tax assets relating to adjustments of receivables decreased by EUR 6,893. Net profit or loss for 2017 increased by EUR 162,868. The balance of deferred tax assets as at 31 December 2017 amounted to EUR 903,298.

Table 75: Changes in deferred tax assets

in EUR	As at 31 Dec 2016	Decrease	Increase	As at 31 Dec 2017
Deferred tax assets				
- relating to adjustments of receivables	*377,855*	*6,893*	*0*	*370,962*
- relating to provisions for service awards and severance pays	*362,575*	*0*	*169,762*	*532,337*
Total	**740,430**	**6,893**	**169,762**	**903,298**

Inventories
Note 7

Inventory is comprised predominantly of inventory of material for use in own investments, material for the provision of services on the market, and spare parts for the maintenance of tangible fixed assets.

The Management Board of the company estimates that the carrying amount of the inventory is below the level of the net realisable value, except the inventory determined as inventory of operating reserves for which the company made an adjustment to the level of the net realisable value.

Table 76: Inventories

in EUR	31 Dec 2017	31 Dec 2016
Raw material and material	1,617,122	1,350,903
Fuel and lubricants	14,029	11,978
Office supplies	8,383	5,924
Small tools and packaging inventories	80,136	21,693
Total	**1,719,670**	**1,390,498**

As at 31 December 2017, the company showed inventories valued at EUR 105,997; there were no changes in the period from 1 January 2015 to 31 December 2017; however, the inventory is determined as current reserve inventory. The Management Board of the company estimates that the net realisable value was lower, thus the company made a value adjustment of the inventory in 2017 in the amount of EUR 4,327.

The Management Board estimates that the net realisable value of obsolete inventories amounted to 50%, therefore, these inventories were impaired in the same proportion.

Table 77: Value of inventories

in EUR	31 Dec 2017	31 Dec 2016
Gross value of inventories	1,772,669	1,439,169
Value adjustment	52,998	48,671
Net value of inventories	**1,719,670**	**1,390,498**

During the regular annual stock-taking, the company found no deficit nor surplus. In 2017, EUR 162 in material was written off due to damage, destruction and obsolescence and the same amount was recognised in the company's expenses.

All items of inventory are owned by the company and not pledged as collateral for debts.

Current operating receivables

Note 8

Table 78: Current operating receivables

in EUR	31 Dec 2017	31 Dec 2016
Current operating receivables due from Group companies, of which:	16,818	23,232
- receivables due from Energija plus d.o.o.	14,452	17,248
- receivables due from OVEN Elektro Maribor d.o.o.	2,366	5,984
Current operating receivables due from customers for network use	3,647,497	3,474,638
Current operating receivables due from customers for services	8,512,260	7,001,142
Current operating receivables for interest	4,944	6,738
Other current receivables	780,345	504,986
Total	**12,961,865**	**11,010,736**

Clients usually settle their receivables on time or in slight defaults. Default interest is charged in accordance with the contract.

In 2017, the company made a value adjustment for disputable and doubtful receivables and for receivables that were more than 90 days due, in accordance with the Rules on the management of receivables.

Table 79: Value of receivables

in EUR	31 Dec 2017	31 Dec 2016
Gross receivables	15,079,381	13,179,038
Value adjustment	2,117,516	2,168,302
Net receivables	**12,961,865**	**11,010,736**

Table 80: Changes in adjustments of receivables

in EUR	As at 1 Jan 2017	Decrease	Increase	As at 31 Dec 2017
Value adjustments of current operating receivables:				
- Decrease in value adjustments due to payments		71,957		
- Decrease in value adjustments due to write-offs		164,201		
Total	**2,168,302**	**236,158**	**185,372**	**2,117,516**

Accounts receivable for network use amount to EUR 3,647,497 and mostly are not secured by instruments for insurance of payments, as this is not foreseen in the Decree on general conditions and the supply of electricity.

The company's receivables due from SODO d.o.o. for the lease of the electricity distribution infrastructure are secured with bills of exchange. The balance of current receivables due from SODO as at 31 December 2017 stood at EUR 2,747,653 for lease and EUR 4,869,647 for services.

As at the end of 2017, the company had no receivables due from the Management Board or the members of the Supervisory Board.

Table 81: Breakdown of current operating receivables by maturity

in EUR	31 Dec 2017	Structure in %	31 Dec 2016	Structure in %
Claims not yet fallen due	12,195,128	94.08	10,285,469	93.41
Past due up to 30 days	590,884	4.56	471,652	4.28
Past due 31–60 days	55,177	0.43	96,112	0.87
Past due 61–90 days	9,958	0.08	21,333	0.19
Past due over 90 days	110,718	0.85	136,170	1.24
Total	**12,961,865**	**100**	**11,010,736**	**100**

Cash and cash equivalents

Note 9

Table 82: Cash and cash equivalents

in EUR	31 Dec 2017	31 Dec 2016
Cash at bank	733,904	673,144
Deposits redeemable	8,850,000	10,090,000
Total	**9,583,904**	**10,763,144**

Deposits redeemable represent cash and cash equivalents that fall due in no more than three months.

Current deferred items

Note 10

Table 83: Current deferred items

in EUR	31 Dec 2017	31 Dec 2016
Current non-accrued revenue	911,508	240,266
Current deferred expenses	4,188	5,524
Total	**915,696**	**245,790**

Current accrued revenues and deferred expenses include mostly the amounts of current non-accrued revenues resulting from damage in electricity network, which are the result of a higher number of loss events at the end of 2017, and the lease of bases.

Table 84: Changes in current deferred items

in EUR	As at 1 Jan 2017	Increase	Decrease	As at 31 Dec 2017
Current non-accrued revenue	240,266	911,508	240,266	911,508
Current deferred expenses	5,524	1,542,751	1,544,087	4,187
Total	**245,790**	**2,454,259**	**1,784,354**	**915,696**

Capital/equity

Note 11

The company's share capital totals at EUR 139,773,510 and is divided into 33,495,324 ordinary registered no-par value shares.

Table 85: Capital/equity

in EUR	31 Dec 2017	31 Dec 2016
Share capital	139,773,510	139,773,510
Capital reserves	75,121,586	75,121,586
Legal reserves	4,510,810	3,836,913
Reserves for own shares and participating interests	154,539	150,599
Own shares and own participating interests	-154,539	-150,599
Other profit reserves	46,507,659	37,993,158
Fair value reserves	-876,458	-543,309
Net profit brought forward	59,127	0
Net profit or loss for the business year	4,285,607	4,069,836
Total	**269,381,842**	**260,251,694**

Capital reserves result entirely from the general equity revaluation adjustment.

In 2017, in accordance with the powers of the Assembly, the company obtained 1,534 own shares in the amount of EUR 3,940. In the same amount, it formed reserves for own shares.

Legal reserves and other profit reserves are formed from net profit or loss of the business periods since 2003. Reserves for own shares are formed from net profit or loss for 2016 and 2017.

Reserves from fair value include the value of non-current financial investments and the amount of actuarial loss arising from the actuarial calculation of provisions for severance pays.

Table 86: Changes in fair value reserves

in EUR	As at 31 Dec 2016	Formation	Spent	As at 31 Dec 2017
Reserves from revaluation of non-current financial investments	105,184			105,184
Actuarial gains/losses from severance pays	-648,492	-347,960	14,810	-981,642
Total	**-543,308**	**-347,960**	**14,810**	**-876,458**

In 2017, the company generated a net profit of EUR 13,477,945. In accordance with the responsibilities defined in the Companies Act-1, the Management Board used part of net profit in the amount of EUR 673,897 for legal reserves, part in the amount of EUR 3,940 for the formation of own shares reserve and part in the amount of 8,514,500 for the formation of other profit reserves.

The distributable profit amounted to EUR 4,344,735 and is presented in the appendix to the statement of changes in equity and will be subject to distribution at the General Meeting of shareholders in 2018.

As at 31 December 2017, the book value of one share, taking into account own shares of the company Elektro Maribor d.d., totalled at EUR 8.04; while the book value of one share as at 31 December 2016, taking into account own shares of the company Elektro Maribor d.d., totalled at EUR 7.77.

In 2017, net profit per share, taking into account own shares of the company Elektro Maribor d.d., amounted to EUR 0.40.

Provisions and non-current accrued costs and deferred revenues

Note 12

Table 87: Provisions

in EUR	As at 31 Dec 2017	As at 31 Dec 2016
Provisions for long-service bonuses	1,747,309	1,482,552
Provisions for severance benefits paid upon retirement	3,856,235	3,441,199
Provisions for guarantees issued	35,566	22,654
Provisions for non-current accrued costs	1,488,180	1,247,176
Total	**7,127,290**	**6,193,581**

Provisions for severance benefits paid upon retirement and long-service bonuses are formed on basis of a calculation of a certified actuary. The methodology underlying their calculation is presented in the chapter Relevant accounting policies.

Provisions for guarantees issued are formed for cases when the company grants a warranty period for the elimination of possible errors in the construction of buildings to foreign clients, and this period lasts about five years. The Group formed these provisions in the estimated amount of 10% of the total exposed contractual value.

The amount of provisions based on legal obligations totals at EUR 783,374 and is the best estimate of expenses needed for their settlement.

The amount of provisions based on obligations stemming from the cost estimates of the regulatory framework for 2014 totals at EUR 704,806.

In making the best estimate, we observed risks and uncertainties which inevitably accompany the legal proceedings for which provisions were formed.

The company estimates that no provision type is exposed to risks.

The amount of provisions equals the current value of expenses, which are expected to be needed for the settlement of such commitments.

Table 88: Changes in provisions

in EUR	As at 31 Dec 2016	Formation	Spent	Removed	As at 31 Dec 2017
Provisions for long-service bonuses	1,482,552	530,376	246,848	18,772	1,747,309
Provisions for severance benefits paid upon retirement	3,441,199	554,571	124,724	14,811.27	3,856,235
Provisions for guarantees issued	22,654	12,913	0	0	35,567
Provisions for non-current accrued costs	1,247,176	292,204	31,200	20,000	1,488,180
Total	**6,193,581**	**1,390,064**	**402,772**	**53,583**	**7,127,290**

Non-current accrued costs and deferred revenues are formed from fixed assets acquired free of charge and from co-financing. The company uses these non-current accrued costs and deferred revenues to cover the cost of their depreciation using the annual depreciation rate of 2,93 %.

Since 2010, the amounts used to cover the depreciation costs for the formed non-current accrued costs and deferred revenue have been those that match the actual depreciation rate of an individual fixed asset.

The company uses the total non-current accrued costs and deferred revenue from contributions for disabled employees to settle the cost of their salaries and wages.

Table 89: Changes in non-current accrued costs and deferred revenue

in EUR	As at 31 Dec 2016	Decrease	Increase	As at 31 Dec 2017
Non-current deferred revenues from house connections acquired free of charge	17,301,959	719,787	1,110,420	17,692,592
Non-current deferred revenues from fixed assets acquired free of charge	8,369,478	293,697	223,079	8,298,860
Non-current deferred revenues from average connection costs	3,831,897	174,357	0	3,657,539
Non-current deferred revenues from co-financing	3,439,666	148,963	20,000	3,310,703
Non-current deferred revenues from contributions for disabled employees	0	120,273	120,273	0
Non-current deferred revenues from EU projects	22,843	22843	0	0
Total	**32,965,842**	**1,479,920**	**1,473,772**	**32,959,694**

Non-current liabilities

Note 13

Non-current financial liabilities completely refer to received non-current loans from banks.

In 2017, the company raised a non-current loan in the amount of EUR 9,000,000 entirely intended for finance investments.

The maturity of loans is 5 to 11 years. Interest rate is between 1-and 6-month EURIBOR, with 1.0 to 1.65% profit margin or a fixed interest rate with 0.721 to 1.072% annually.

The carrying amount of non-current liabilities equals their fair value. Non-current liabilities of the company are not exposed to any special exchange and credit risks. Exposure to interest rate risk represents a potential negative change in EURIBOR.

All loans are secured with bills of exchange.

Principals in the amount of EUR 9,125,000 fall due within five years from the balance sheet date. The company duly pays the matured instalments of the principal and interest.

Table 90: Non-current financial liabilities to banks

in EUR	31 Dec 2017	31 Dec 2016
Non-current financial liabilities to banks	38,185,714	37,942,857
Current part of non-current financial liabilities to banks	-7,267,857	-8,757,143
Total	**30,917,857**	**29,185,714**

Non-current operating liabilities include non-current securities received as a supplier's performance bond.

As at the end of 2017, the company had no non-current liabilities to the Management Board or the members of the Supervisory Board of the company.

Current liabilities

Note 14

Current financial liabilities stood at EUR 7,297,125 and included amounts of the current part of non-current borrowings in the amount of EUR 7,267,857, falling due within one year from the balancing date, and liabilities to shareholders regarding the distribution of profit in the amount of EUR 29,268.

Current operating liabilities totalled EUR 16,210,831 and indicate the amount as shown in the table below. In particular, they include trade payable for fixed assets, liabilities to employees, which relate to wages and salaries for December and end-of-year bonuses, and liabilities to the company SODO d.o.o.

Table 91: Current operating liabilities

in EUR	31 Dec 2017	31 Dec 2016
Current operating liabilities to companies in the Group, of which:	68,278	60,411
- liabilities to Energija plus d.o.o.	68,278	60,411
Current operating liabilities to associated companies	182,066	189,819
Current operating liabilities to suppliers for fixed assets	4,395,238	3,941,398
Current operating liabilities to suppliers for current assets	2,821,580	2,287,249
Current operating liabilities to SODO d.o.o.	3,318,821	3,223,512
Current operating liabilities to employees	3,684,005	3,246,453
Current operating liabilities to state and other institutions	832,915	187,231
Current operating liabilities from advance payments	714,913	818,915
Other current operating liabilities	193,014	215,080
Total	**16,210,831**	**14,170,067**

The company duly settles its current liabilities on maturity dates.

As at 31 December 2017, the company discloses EUR 84,829 worth of trade payables, secured by instruments for insurance of payments.

As at 31 December 2017, the company has a liability to the President of the Management Board for the salary and reimbursement of travel cost of December 2017 in gross amount of EUR 8,669.

Current accrued costs and deferred revenue
Note 15

Current accrued costs and deferred revenues include current accrued expenses and current deferred revenue. They include receivables and liabilities, which are assumed to appear within a year from the balance sheet date and are probable, with their size assessed reliably.

Table 92: Current accrued costs and deferred revenue

in EUR	31 Dec 2017	31 Dec 2016
Calculated costs for unused annual leave	810,001	843,276
Current accrued costs for legal matters	0	79,817
Current accrued depreciation costs	95,608	19,122
Current accrued costs for interests from non-current borrowings	27,546	22,127
Accrued costs of services (SE)	62,414	0
Total	**995,570**	**964,342**

Table 93: Changes in current accrued costs and deferred revenue

in EUR	As at 31 Dec 2016	Formation	Spent	Removed	As at 31 Dec 2017
Calculated costs for unused annual leave	843,276	810,001	749,273	94,003	810,001
Current accrued costs for legal matters	79,817	0	0	79,817	0
Current accrued depreciation costs	19,122	76,486	0	0	95,608
Current accrued costs for interests from non-current borrowings	22,127	166,024	160,605	0	27,546
Accrued costs of services (SE)	0	62,414	0	0	62,414
Total	**964,342**	**1,114,926**	**909,879**	**173,820**	**995,570**

Off-balance sheet assets/liabilities

Note 16

Table 94: Off-balance sheet assets/liabilities

in EUR	31 Dec 2017	31 Dec 2016
Securities for insurance of payments – guarantees	434,918	236,878
Securities for insurance of payments – bills of exchange	38,185,714	37,942,857
Receivables for provided bank guarantees	4,240,044	3,405,778
Enforcement drafts received	113,512	113,512
Enforcement drafts given	149,968	132,082
Potential liabilities for damages	17,112	9,631
Small tools in use	1,510,530	1,510,319
Average cost of connection SODO d.o.o. transfer of assets 1 July to 31 Dec 2009	3,594,136	3,751,974
Average cost of connection SODO d.o.o. transfer of fixed assets as of 1 January 2010	1,020,945	1,057,453
Assets for holiday facilities – Eldom d.o.o.	184,870	184,870
Total	**49,451,750**	**48,345,355**

The company estimates that the probability of receipts and expenditures from the above-mentioned receivables and liabilities is very small, therefore the amounts disclosed are merely informative.

6.2 Notes to the Income statement

The income statement includes the income and expenses that occurred in the accounting period.

The income statement has been compiled using version I determined in point 21.6 of SAS.

Information concerning the basis for compilation of the income statement and about special accounting policies applied by the company is presented in disclosures to individual significant items.

Revenue

The amount of revenue is affected by methods, policies and estimates explained in notes to the balance sheet.

The company did not change the methods and accounting estimates in 2016.

Table 95: Revenue

in EUR	2017	2016
Operating revenue	82,050,843	79,345,897
Financial revenue	1,799,992	1,428,422
Other revenue	13,438	16,940
Total	**83,864,273**	**80,791,259**

Table 96: Revenue generated in relation to companies in the Group in 2017

in EUR	Energija plus d.o.o.	OVEN Elektro Maribor d.o.o.
Revenue from the sale of services	104,445	6,920
Revenue from the rent of office buildings	78,616	9,084
Total	**183,061**	**16,004**

The revenue from the sale of services to Energija plus d.o.o. refers primarily to the charged accounting services and IT services.

Net sales revenues

Note 17

Table 97: Net sales revenues

in EUR	2017	2016
Charged rents	29,735,213	28,788,331
- SODO d.o.o. – rent	*29,249,690*	*28,322,032*
- other	*485,523*	*466,299*
SODO d.o.o. contract services	26,468,386	25,822,675
Charged services	4,184,441	3,220,217
Sale of waste material	88,251	110,001
Total	**60,476,292**	**57,941,225**

Net sales revenues accounted for 72% of total operating revenues generated by the company. Net sales revenues include settlements of SODO d.o.o. in regulatory years 2015, 2016 and 2017.

Table 98: Considered settlements of SODO d.o.o. in regulatory years 2015, 2016 and 2017

in EUR	Actual revenue 2017	Preliminary balance 2017	Elimination of accrued final settlem. 2015	Final 2015	Prelim 2016 (settlement of losses)	Elimination of accrued final settlem. 2016	Final 2016	Total 2017
Rent	29,437,961	-142,358	0	-46,418	0	0	505	29,249,690
Services	24,754,209	1,823,173	-41,624	37,517	-191	-10,208	-94,490	26,468,386
Total	**54,192,170**	**1,680,815**	**-41,624**	**-8,901**	**-191**	**-10,208**	**-93,985**	**55,718,076**

Capitalised own products and services

Note 18

Capitalised own products and services include own construction of investments and revenues from internal services (finalisation of equipment).

Table 99: Capitalised own products and services

in EUR	2017	2016
Capitalised products	18,204,907	17,723,798
Capitalised services	616,255	366,610
Total	**18,821,162**	**18,090,408**

Other operating revenue

Note 19

Table 100: Other operating revenue

in EUR	2017	2016
Reversal of provisions	212,592	1,163,609
Derecognition of non-current accrued costs and deferred revenue	1,467,077	1,549,147
Indemnifications received from the insurance company	794,524	421,200
Profit from the sale of fixed assets	91,428	78,785
Recovered receivables from previous years	99,833	101,523
Other operating revenue	87,935	0
Total	**2,753,389**	**3,314,265**

Costs by functional groups

Table 101: Costs by functional groups

in EUR	2017	2016
Production costs of products sold	62,243,303	60,020,437
Sales costs	1,805,276	1,912,957
General and administrative costs	3,596,115	3,825,525
Total	**67,644,694**	**65,758,919**

Costs of goods, materials and services

Note 20

Table 102: Costs of materials

in EUR	2017	2016
Costs of material, of which:	8,659,056	8,900,931
- material for investments	6,574,451	7,501,792
- material for damage remedy	524,369	283,441
- material for services	1,545,657	1,103,384
- other costs of material	14,578	12,314
Costs of spare parts for fixed assets	762,253	846,717
Costs of energy	955,267	865,063
Write-off of small tools and packaging	220,476	264,603
Cost of office supplies and technical literature	216,380	204,752
Other costs of material	5,867	2,348
Total	**10,819,299**	**11,084,414**

In transactions with companies in the Group, the company recorded the cost of electricity purchase for own use in the amount of EUR 52,726 and the cost of gas purchase in the amount of EUR 29,527. All the costs were incurred in transactions with Energija plus d.o.o.

Table 103: Costs of services

in EUR	2017	2016
Costs of services for further settlement	780,799	455,088
Costs of maintenance-related services	1,969,039	1,848,692
Costs of rents	327,627	480,435
Reimbursement of costs to employees	89,151	79,138
Costs of payment transactions and bank services	1,745,340	1,608,654
Costs of intellectual and personal services	346,391	339,026
Costs of fairs, advertisements and representation costs	46,428	42,972
Costs of services of natural persons	189,795	203,249
Postal, telecommunications and internet services	144,747	143,826
IT services	1,242,067	1,381,274
Other costs of services	373,002	388,165
Total	**7,254,386**	**6,970,519**

Labour costs

Note 21

Labour costs include costs of wages and salaries and other employees' receipts, including employer contributions.

Labour costs include accrued costs in the amount of EUR 2,226,347, and they refer to:

- unused holiday leave;

- Additional liabilities to employees based on the Corporate Collective Agreement that relate to the end-of-year bonus.

Table 104: Labour costs

in EUR	2017	2016
Costs of wages and salaries	20,525,072	20,010,833
Cost of supplemental pension insurance for employees	1,031,086	981,992
Employer contributions and other salary duties	3,418,776	3,322,011
Other labour costs	4,469,842	4,129,536
- Holiday allowance	1,450,286	1,454,844
- Travel allowance	1,056,971	996,676
- Meal allowance	1,062,696	1,072,355
- Collective accident insurance	110,489	109,373
- Provisions for long-service bonuses and severance pays	677,599	391,024
- Other labour costs	111,801	105,265
Total	**29,444,776**	**28,444,372**

Data by groups of persons – Management Board of the company

The cost of salaries is represented by the salary of the President of the Management Board.

As at 31 December 2017, the company had a liability to the President of the Management Board for the December 2017 salary in the net amount of EUR 4,567.

Table 105: Paid assets – Management Board

in EUR	Gross 2017
Gross salaries	98,746
- base gross salary – fixed amount	98,746
Reimbursement of business travel expenses	293
Reimbursement of other material costs	2,037
Voluntary supplemental pension insurance	2,819
Holiday allowance	1,705
Total	**105,600**

The President of the Management Board received perks in the net amount of EUR 291. In 2017, the President of the Management Board received no payment from variable part of his salary.

Data by groups of persons – other employees with individual employment contracts

In 2017, a total of eight employees were employed based on individual employment contracts. In the same period, the cost of their salaries including material costs amounted to EUR 750,214. Those expenses are composed of the following costs:

Table 106: Calculated assets – other employees with individual employment contracts

in EUR	2017
Gross salaries to other employees on individual employment contracts	681,641
- base gross salary	579,084
- calculated service award	66,927
- end-of-year bonus	28,330
- performance bonus	7,300
Reimbursement of business travel expenses	617
Reimbursement of other material costs	22,718
Voluntary supplemental pension insurance	28,190
Holiday allowance	17,049
Total	**750,214**

The employees under the individual contract received perks in net amount of EUR 2,075.

Employees on individual contracts have been given bonuses at the end of the financial year in a total amount of EUR 14,629, salary based on performance in a total amount of EUR 8,321, and holiday allowance in a total amount of EUR 17,049.

The company has a liability to this group of persons for their December salaries and rewards at the end of the year.

Data by groups of persons – Supervisory Board and its committees

In accordance with the resolution of the 15th session of the General Meeting of the limited company Elektro Maribor d.d. of 31 August 2011, the Supervisory Board and its committees are entitled to attendance fees at sessions and pay for the performance of their function.

Table 107: Attendance fees and payments for the performance of Supervisory Board function

in EUR	2017 Gross	2016 Gross
Regular and extraordinary session		
Attendance fee for the President of the Supervisory Board	275	275
Attendance fee for members of the Supervisory Board	275	275
Correspondence session		
Attendance fee for the President of the Supervisory Board	220	220
Attendance fee for members of the Supervisory Board	220	220
Payment for the performance of function		
To the President of the Supervisory Board	16,950	16,950
To the Deputy President of the Supervisory Board	12,430	12,430
To the members of the Supervisory Board	11,300	11,300

Table 108: Gross receipts of the members of the Supervisory Board from sessions and other reimbursements in 2017

in EUR

Name and surname	Gross	10%	6.36% health insurance contribution	Income tax base 90%	25%	Payment	8.85% contrib. for pension and disability insurance	0.53% flat rate contr. for injury at work and occupational diseases
Tomaž Orešič	2,475	248	157	2,070	518	1,800	219	13
Mateja Čuk	3,228	323	205	2,700	675	2,347	286	17
David Klarič	1,198	120	76	1,002	251	872	106	6
Roman Ferenčak	1,307	131	83	1,093	273	951	116	7
Ciril Pucko	3,427	343	218	2,867	717	2,493	303	18
Darko Nemec	2,841	284	181	2,376	594	2,066	251	15
Dušan Kovačič	2,475	248	157	2,070	518	1,800	219	13
Total	**16,951**	**1,695**	**1,078**	**14,178**	**3,545**	**12,329**	**1,500**	**90**

Gross receipts of the members of the Supervisory Board from sessions and attendance fees amounted to EUR 16,951, from which the gross receipts from sessions amount to EUR 14,300 and additional cost of travel to meetings and educational events were recorded in the gross amount of EUR 2,651.

Remunerations from employment of Supervisory Board members, who are representatives of employees amounted to EUR 81,931.

Table 109: Payment for the performance of the function of the Supervisory Board (SB)

Name and surname	Gross in EUR
Tomaž Orešič (SB Chairman)	16,950
Mateja Čuk (SB Deputy Chairperson)	12,430
Roman Ferenčak (SB member until 31 August 2017)	8,475
David Klarič (SB member from 1 September 2017)	2,825
Ciril Pucko (SB member)	11,300
Dušan Kovačič (SB member – workers' representative)	11,300
Darko Nemec (SB member – workers' representative)	11,300
Total	**74,580**

The Audit Committee (AC) works as a committee of the Supervisory Board.

Table 110: Attendance fees and payments for the performance of the Supervisory Board's Audit Committee function

in EUR	2017 gross	2016 gross
Regular and extraordinary session		
Attendance fee for the President of the AC	220	220
Attendance fee for members of the AC	220	220
Correspondence session		
Attendance fee for the President of the AC	176	176
Attendance fee for members of the AC	176	176
Payment for the performance of function		
To the President of AC	4,238	4,238
To the Deputy President of AC	2,825	2,825
To the members of AC	2,825	2,825

Table 111: Calculated and paid attendance fees and reimbursement of costs to the members of the Audit Committee in 2017

Name and surname	Gross in EUR
Ciril Pucko (President of AC)	3,372
Roman Ferenčak (AC member until 31 August)	1,035
Mateja Čuk (AC member from 1 September)	607
Ivana Kuhar (AC member)	2,442
Total	**7,457**

Table 112: Calculated and paid cost for performance of function to the members of the Audit Committee in 2017

Name and surname	Gross in EUR
Ciril Pucko (President of AC)	4,238
Roman Ferenčak (AC member until 31 August)	2,119
Mateja Čuk (AC member from 1 September)	651
Ivana Kuhar (AC member)	2,825
Total	**9,833**

The company did not give any advances or loans to employees under individual contracts, the Management Board or the members of the Supervisory Board and its committees.

Write-offs

Note 22

Table 113: Depreciation

in EUR	2017	2016
Depreciation of intangible assets	683,352	439,121
Depreciation of intangible assets – servitudes	16,949	12,954
Depreciation of property, plant and equipment, of which:	18,548,963	18,157,655
- building part	12,088,485	11,917,968
- equipment	6,460,478	6,239,687
Depreciation of investment property	23,681	24,007
Total	**19,272,945**	**18,633,737**

The revaluation operating expenses totalled at EUR 455,513.

Table 114: Revaluation operating expenses

in EUR	2017	2016
Revaluation operating expenses in intangible assets and property, plant and equipment	265,652	411,332
Revaluation operating expenses pertaining to inventories	4,489	11,922
Revaluation operating expenses pertaining to receivables, of which:	170,524	153,516
- from the use of network	154,254	117,326
- from rendered services	13,429	10,738
- from interest	2,841	25,452
Other revaluation operating expenses	14,847	5,258
Total	**455,513**	**582,028**

Operating expenses from revaluation of tangible fixed assets relate primarily to write-offs of damaged and destroyed parts of buildings and equipment due to renovation or compensations.

The company makes value adjustments of receivables in accordance with the adopted accounting policy, individually for each business partner.

Other operating expenses

Note 23

Table 115: Other operating expenses

in EUR	2017	2016
Provisions for securities	12,913	2,485
Provisions for legal proceedings	292,204	128,320
Construction land compensation	270,001	273,812
Other duties and expenses	278,171	221,260
Total	**853,289**	**625,877**

Other duties and expenses include expenditures that relate mainly to costs of holiday stays, judicial costs and scholarships.

Financial revenue from participating interests

Note 24

In 2017, based on the owners' resolutions, the company received profit from the associated company Moja energija d.o.o. in the amount of EUR 58,000, from the associated company Eldom d.o.o. in the amount of EUR 6,792, and from Group companies Energija plus d.o.o. in the amount of EUR 1,370,000 and OVEN Elektro Maribor d.o.o. in the amount of EUR 340,000.

Financial revenue from loans granted

Note 25

Financial revenues from loans granted were recorded in the amount of EUR 341 and relate to the revenues from deposited cash in commercial banks.

Financial revenue from operating receivables

Note 26

Table 116: Financial revenues from operating receivables

in EUR	2017	2016
Interest income for the use of network	20,496	25,705
Interest income from services	2,262	3,878
Interest income from lawsuits	2,101	24,358
Income	**24,859**	**53,940**

Financial expenses from financial liabilities

Note 27

Table 117: Financial expenses from financial liabilities

in EUR	2017	2016
Financial expenses from borrowings from banks	403,002	431,977
Financial expenses from other financial liabilities	13,249	2,636
Total	**416,251**	**434,613**

Financial expenses from operating liabilities

Note 28

Table 118: Financial expenses from operating liabilities

in EUR	2017	2016
Financial expenses from liabilities to suppliers and liabilities pertaining to bills of exchange	401	149
Financial expenses from other operating liabilities	59,388	104,679
Total	**59,789**	**104,828**

Financial expenses from other operating liabilities disclose the amount of default interest from the actuarial measurement of provisions for long-service bonuses and retirement benefits.

Other revenue

Note 29

Other revenue in the amount of EUR 13,437 disclose mostly the amounts of the calculated contractual penalties.

Other expenses

Note 30

Table 119: Other expenses

in EUR	2017	2016
Penalties and fines	0	3,622
Damages from annuity	12,963	11,716
Deductibles and other expenses	15,212	19,758
Donations	37,789	41,380
Other expenses	69,139	30,547
Total	**135,103**	**107,023**

Net profit or loss for the accounting period

Note 31

The net profit for the period before tax stood at EUR 15,152,922.

Table 120: Profit or loss before tax

in EUR	2017	2016
Operating result	13,950,635	13,004,950
Financial result	1,323,953	888,981
Result from other revenue and expenditure	-121,666	-90,083
Profit or loss before tax	**15,152,922**	**13,803,849**

Income tax

In 2017, the company's liability for the payment of corporate income tax was established based on the tax return and totalled EUR 1,837,846.

Adjustment of expenses for tax calculated based on reported profit before taxation is shown in the table below.

Table 121: Adjustment of levied tax with tax calculated on the basis of reported profit before tax

	2017	
	Rate	Amount
Profit before tax		15,152,922
Income tax (official rate)	19.00%	2,879,055
Amounts that have negative impact on tax base		335,888
- amount for reducing expenses to the level of taxable expenses		335,888
- amount for increasing revenues to the level of taxable revenues		0
Amounts that have positive impact on tax base (+)(-)		444,102
- amount for increasing expenses to the level of taxable expenses		66,498
- amount for decreasing revenues to the level of taxable revenues		377,604
Tax relief		918,206
- used to impact the reduction of tax		918,206
Change in tax base		-31,649
Increase in tax base		16,861
Calculated tax for the period	**12.13%**	**1,837,846**
Increase/decrease of deferred tax		-162,869
Tax in the Income statement	**11.05%**	**1,674,977**

6.3 Notes to the Cash flow statement

The cash flow statement has been prepared in accordance with SAS 22.2 under the direct method – Variant I. The data used to prepare the cash flow statement were obtained from records on receipts and disbursements of cash from the company's transaction accounts.

In 2017, the company generated EUR 117,553,192 in receipts and EUR 118,732,432 in disbursements. Cash flow in this period was negative and totalled EUR 1,179,240, mostly due to increased expenses from liabilities to suppliers because of increased investments. The final balance of cash and cash equivalents in the company's accounts as at 31 December 2017 amounted to EUR 9,583,904 and it is harmonised with the amounts on the balance sheet.

Cash receipts from operating activities
Note 32

In 2017, cash receipts from operating activities amounted to EUR 106,667,833, which is EUR 1,616,790 or 2% more than the year before.

Table 122: Cash receipts from operating activities

in EUR	2017	2016
Receipts from lease and services according to SODO contract	64,550,399	62,399,453
Receipts from billed network charge and contributions	32,774,409	32,955,509
Receipts from operating for third-party account – SODO	0	668,055
Cash receipts from other service buyers	4,087,445	3,700,536
Other cash receipts from operating activities	3,311,901	3,062,545
Other cash receipts from operating activities	1,943,679	2,264,945
Total	**106,667,833**	**105,051,043**

Cash disbursements from operating activities
Note 33

In 2017, cash disbursements from operating activities amounted to EUR 95,506,277, which is EUR 602,880 or 0.6% more than in 2016.

Table 123: Cash disbursements from the purchase of material and services

in EUR	2017	2016
Cash disbursements from liabilities to SODO d.o.o.	-32,972,936	-32,786,510
Cash disbursements from liabilities to suppliers	-19,369,969	-18,413,007
Disbursements form current liabilities to companies in the Group	-2,191,904	-4,078,719
Other cash disbursements	-3,202,161	-2,567,118
Total	**-57,736,970**	**-57,845,354**

In 2017, cash disbursements for employees' salaries and contributions amounted to EUR 28,154,868, which is EUR 492,127 or 1.8% more than in 2016.

Table 124: Cash disbursements for charges of all kinds

in EUR	2017	2016
Liabilities for charged VAT	-5,459,072	-5,309,261
Liabilities for taxes and contributions from and on salaries	-1,596,855	-1,849,912
Other liabilities to the state	-480,219	-414,318
Total	**-7,536,146**	**-7,573,491**

Other cash disbursements from operating activities amounted to EUR 2,078,293, which is EUR 256,482 or 14% more than in the previous year.

Surplus of cash receipts from operating activities in the amount of EUR 11,161,556 is by EUR 1,013,910 or 10% higher than in 2016.

Cash receipts from investing activities

Note 34

Cash receipts from investing activities amounted to EUR 1,885,359, which is by EUR 418,141 or 28% more than in 2016, mostly due to higher receipts from shares in profit received.

Cash disbursements from investing activities

Note 35

Cash disbursements from investing activities amounted to EUR 10,033,904, which is EUR 169,654 or 2% more than in 2016.

Cash proceeds from financing activities

Note 36

Cash receipts from financing activities represent a long-term loan in the amount of EUR 9,000,000, which the company raised for a period of 8 years for financing the construction of electricity facilities.

Cash disbursement from financing activities

Note 37

In 2017, cash disbursement from financing activities amounted to EUR 13,192,251, which is EUR 2,049,624 or 13% less than in 2016. Lower disbursements result mainly from lower liabilities related to profit distribution. In 2017 and 2016, we paid dividends in the amount of EUR 4,023,923 net and EUR 5,910,889 net, respectively.

The largest share of disbursements from financing activities represents expenditure for repayment of principals from long-term loans, which in 2017 amounted to EUR 8,757,143, which is the same as in 2016.

In 2017, we reduced cash disbursements from financing paid for long-term loans to the amount of EUR 407,469, which is by EUR 15,775 or 4% less than in the previous year. Lower interest results from lower margins achieved by the company through negotiations with banks.

6.4 Notes to the Statement of Changes in Equity

The statement of changes in equity presents changes in individual items of equity in a business year. The statement is broken down into items, showing changes in items of equity and trends that would cause changes in items of equity.

Statutory provision (Article 11 of the Articles of Association of Elektro Maribor d.d.) enables the company to form other profit reserves in the share of up to two thirds of net profit, which remains after being used for the purposes referred to in Article 230, Paragraph 1 of the Companies Act (ZGD-1).

Table 125: Distributable profit and proposal for its allocation

in EUR	2017	2016
a) Net profit/loss for the financial year	13,477,945	12,786,019
b) Net profit/loss brought forward	59,128	-27,383
d) Increase in revenue reserves as decided by the Management Board	**677,837**	**788,531**
Legal reserves	673,897	637,932
Reserves for own shares	3,940	150,599
d) Increase in revenue reserves as decided by the Management Board	**8,514,500**	**7,900,270**
Other profit reserves	8,514,500	7,900,270
DISTRIBUTABLE PROFIT (a + b - č - d)	**4,344,735**	**4,069,836**

At its session held on 30 June 2017, the General Meeting of Elektro Maribor decided on the allocation of the distributable profit for 2016. It was decided to allocate EUR 4,010,709 as dividend to shareholders. The rest of the distributable profit in the amount of EUR 59,128 will be transferred to the following year, on the basis of the decision of the General Meeting.

The Management Board and the Supervisory Board proposed to the Annual General Meeting to allocate the distributable profit for 2017, amounting to EUR 4,344,735, for the payment of a dividend in the amount of EUR 0.13 gross per share, which amounts to a total of EUR 4,344,735.

6.5 Segment reporting in accordance with SAS and with provisions of the Energy Act (EZ-1)

6.5.1 Segment reporting

Table 126: Balance sheet by segments

in EUR	As at 31 Dec 2017			As at 31 Dec 2016		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
A. Non-current assets	**328,265,149**	**11,497,815**	**339,762,965**	**318,353,500**	**10,821,038**	**329,174,538**
I. Intangible assets and long-term accrued revenues and deferred expenses	1,875,154	108,787	**1,983,941**	1,072,647	44,868	**1,117,515**
II. Property, plant and equipment	313,163,492	5,442,890	**318,606,382**	303,774,488	5,022,980	**308,797,468**
III. Investment Property	0	659,422	**659,422**		646,998	**646,998**
IV. Non-current financial investments	12,616,466	4,925,214	**17,541,680**	12,735,259	4,806,421	**17,541,680**
V. Non-current operating receivables	41,397	26,845	**68,242**	320,925	9,522	**330,447**
VI. Deferred tax assets	568,641	334,657	**903,298**	450,181	290,249	**740,430**
B. Current assets	**22,150,274**	**2,115,165**	**24,265,439**	**21,481,700**	**1,682,678**	**23,164,378**
II. Inventories	803,512	916,158	**1,719,670**	568,468	822,030	**1,390,498**
IV. Current operating receivables	11,962,134	999,731	**12,961,865**	10,522,885	487,851	**11,010,736**
V. Cash and cash equivalents	9,384,628	199,276	**9,583,904**	10,390,347	372,797	**10,763,144**
C. Current accrued revenues and deferred expenses	**767,513**	**148,182**	**915,695**	**221,641**	**24,149**	**245,790**
A S S E T S (A + B + C)	**351,182,937**	**13,761,163**	**364,944,100**	**340,056,841**	**12,527,865**	**352,584,706**
Off-balance sheet assets	46,351,319	3,100,431	**49,451,750**	46,071,757	2,273,598	**48,345,355**
A. Capital/equity	**262,404,381**	**6,977,460**	**269,381,841**	**253,216,041**	**7,035,653**	**260,251,694**
I. Called-up capital	138,213,759	1,559,751	**139,773,510**	137,766,397	2,007,113	**139,773,510**
II. Capital reserves	74,283,294	838,292	**75,121,586**	74,042,858	1,078,728	**75,121,586**
III. Profit reserves	46,068,095	4,950,373	**51,018,468**	37,499,625	4,330,446	**41,830,071**
V. Fair value reserves	-212,364	-664,094	**-876,458**	-48,249	-495,060	**-543,309**
VI. Net profit/loss brought forward	55,139	3,989	**59,128**	0	0	**0**
VII. Net profit/loss for the financial year	3,996,458	289,149	**4,285,607**	3,955,410	114,426	**4,069,836**
B. Provisions and non-current accrued revenues and deferred expenses	**37,804,621**	**2,282,363**	**40,086,984**	**37,282,158**	**1,877,265**	**39,159,423**
C. Non-current liabilities	**30,917,857**	**53,891**	**30,971,748**	**29,185,714**	**53,891**	**29,239,605**
I. Non-current financial liabilities	30,917,857	0	**30,917,857**	29,185,714		**29,185,714**
II. Non-current operating liabilities	0	53,891	**53,891**		53,891	**53,891**
D. Current liabilities	**19,421,368**	**4,086,590**	**23,507,958**	**19,742,913**	**3,226,729**	**22,969,642**
II. Current financial liabilities	7,295,151	1,974	**7,297,125**	8,798,428	1,146	**8,799,574**
III. Current operating liabilities	12,126,217	4,084,616	**16,210,833**	10,944,485	3,225,583	**14,170,068**
E. Current accrued costs and deferred revenues	**634,710**	**360,860**	**995,570**	**630,015**	**334,327**	**964,342**
LIABILITIES (A + B + C + Č + D)	**351,182,937**	**13,761,163**	**364,944,100**	**340,056,841**	**12,527,865**	**352,584,706**
Off-balance sheet assets	46,351,319	3,100,431	**49,451,750**	46,071,757	2,273,598	**48,345,355**

Table 127: Income statement

in EUR	I–XII 2017			I–XII 2016		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
Net sales revenue	56,439,614	4,036,678	**60,476,292**	54,762,292	3,178,933	**57,941,225**
Capitalised own products and services	0	18,821,162	**18,821,162**	0	18,090,408	**18,090,408**
Other operating revenue (including operating revenue from revaluation)	2,586,392	166,997	**2,753,389**	2,847,862	466,403	**3,314,265**
Costs of goods, materials and services	7,806,273	10,267,411	**18,073,684**	7,431,370	10,623,563	**18,054,933**
Labour costs	17,950,982	11,493,795	**29,444,776**	17,823,473	10,620,899	**28,444,372**
Write-offs	19,208,854	519,604	**19,728,458**	18,745,654	470,111	**19,215,765**
Other operating expenses	582,127	271,161	**853,289**	411,810	214,067	**625,877**
Financial revenue from participating interests	1,380,788	394,004	**1,774,792**	1,048,050	321,950	**1,370,000**
Financial revenue from loans granted	265	76	**341**	3,428	1,053	**4,481**
Financial revenue from operating receivables	23,183	1,676	**24,859**	46,953	6,987	**53,940**
Financial expenses from financial liabilities	414,854	1,397	**416,251**	433,039	1,574	**434,613**
Financial expenses from operating liabilities	39,997	19,792	**59,789**	72,524	32,304	**104,828**
Other revenue	11,914	1,523	**13,438**	13,543	3,397	**16,940**
Other expenses	113,621	21,483	**135,103**	66,164	40,859	**107,023**
Income tax	1,847,919	-10,073	**1,837,846**	1,535,427	-230,978	**1,304,449**
Deferred taxes	91,299	71,570	**162,869**	233,588	53,032	**286,620**
NET PROFIT/LOSS FOR THE PERIOD	**12,568,829**	**909,116**	**13,477,945**	**12,436,256**	**349,763**	**12,786,019**

Table 128: Cash flow statement

in EUR	I–XII 2017			I–XII 2016		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
A. Cash flows from operating activities						
a) Cash receipts from operating activities	***102,147,894***	***23,139,014***	***125,286,908***	***100,968,308***	***4,082,735***	***105,051,043***
Cash receipts from sales of products and services	100,888,738	22,454,491	**123,343,229**	99,316,858	3,469,240	**102,786,098**
Other cash receipts from operating activities	1,259,156	684,523	**1,943,679**	1,651,450	613,495	**2,264,945**
b) Cash disbursements from operating activities	***-72,117,791***	***-23,388,486***	***-95,506,277***	***-90,828,661***	***-4,074,736***	***-94,903,397***
Cash disbursements from the purchase of material and services	-45,668,999	-12,067,971	**-57,736,970**	-56,867,002	-978,352	**-57,845,354**
Cash disbursements from salaries and employees' participation in profit	-17,304,903	-10,849,965	**-28,154,868**	-24,635,657	-3,027,084	**-27,662,741**
Cash disbursements for charges of all kinds	-7,507,557	-28,589	**-7,536,146**	-7,858,695	285,204	**-7,573,491**
Other cash disbursements from operating activities	-1,636,332	-441,961	**-2,078,293**	-1,467,307	-354,504	**-1,821,811**
c) Positive cash result in operating activities (a + b)	***30,030,103***	***-249,472***	***29,780,631***	***10,139,647***	***7,999***	***10,147,646***
B. Cash flows from investing activities						
a) Cash receipts from investing activities	***1,484,160***	***401,199***	***1,885,359***	***1,090,438***	***376,780***	***1,467,218***
Interest received and shares in profit received, relating to investment activities	1,374,019	401,199	**1,775,218**	998,330	376,780	**1,375,110**
Cash proceeds from disposal of tangible fixed assets	110,141		**110,141**	92,108	0	**92,108**
b) Cash disbursements from investing activities	***-28,440,453***	***-212,526***	***-28,652,979***	***-9,710,915***	***-153,335***	***-9,864,250***
Cash disbursements to acquire intangible assets	-1,608,491	-44,917	**-1,653,408**	-1,289,569	-7,696	**-1,297,265**
Cash disbursements to acquire tangible fixed assets	-26,831,962	-167,609	**-26,999,571**	-8,421,346	-145,639	**-8,566,985**
c) Negative cash result in investing activities (a + b)	***-26,956,293***	***188,673***	***-26,767,620***	***-8,620,477***	***223,445***	***-8,397,032***
C. Cash flows from financing activities						
a) Cash receipts from financing activities	***9,000,000***	***0***	***9,000,000***	***8,000,000***	***0***	***8,000,000***
Cash receipts from increase of financial liabilities	9,000,000		**9,000,000**	8,000,000	0	**8,000,000**
b) Cash disbursements from financing activities	***-13,079,529***	***-112,722***	***-13,192,251***	***-15,080,775***	***-161,100***	***-15,241,875***
Interest paid on financing activities	-407,469		**-407,469**	-423,244	0	**-423,244**
Cash repayments of equity	-3,664	-52	**-3,716**	-149,093	-1,506	**-150,599**
Cash disbursements from repayment of financial liabilities	-8,757,143		**-8,757,143**	-8,757,142	0	**-8,757,142**
Dividends and other participation in profit	-3,911,253	-112,670	**-4,023,923**	-5,751,296	-159,594	**-5,910,890**
c) Negative cash result in financing activities (a + b)	***-4,079,529***	***-112,722***	***-4,192,251***	***-7,080,775***	***-161,100***	***-7,241,875***
Č. Closing balance of cash	**9,384,628**	**199,276**	**9,583,904**	**10,390,347**	**372,797**	**10,763,144**
x) Cash flow result for the period (sum of cash results Ac, Bc and Cc)	**-1,005,719**	**-173,521**	**-1,179,240**	**-5,561,605**	**70,344**	**-5,491,261**
+						
y) Opening balance of cash and cash equivalents	**10,390,347**	**372,797**	**10,763,144**	**15,951,952**	**302,453**	**16,254,405**

Note: Cash flow statement by activities, under cash receipts from operating activities and cash disbursements from investing activities, takes into accounts the transactions relating to self-managed investments in the amount of EUR 18,619,075.

Table 129: Net sales revenue by segments

in EUR	I–XII 2017			I–XII 2016		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
Sale of electricity for losses	0	0	**0**	0	0	**0**
Charged rents	29,700,889	34,324	**29,735,213**	28,751,266	37,065	**28,788,331**
- SODO d.o.o. – rent	29,249,690	0	**29,249,690**	28,322,032	0	**28,322,032**
- other	451,199	34,324	**485,523**	429,234	37,065	**466,299**
Sodo d.o.o. contract services	26,468,386	0	**26,468,386**	25,822,675	0	**25,822,675**
Charges services	239,109	3,945,332	**4,184,441**	100,432	3,119,786	**3,220,218**
Sale of waste material	31,229	57,022	**88,251**	87,919	22,082	**110,001**
Total	**56,439,614**	**4,036,678**	**60,476,292**	**54,762,292**	**3,178,933**	**57,941,225**

Table 130: Net profit/loss by segments

in EUR	I–XII 2017			I–XII 2016		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
Operating result	13,477,770	472,865	**13,950,635**	13,197,848	-192,898	**13,004,950**
Financing result	949,385	374,567	**1,323,953**	592,868	296,113	**888,981**
Result from other revenue and expenditure	-101,706	-19,959	**-121,666**	-52,621	-37,462	**-90,083**
Total	**14,325,449**	**827,473**	**15,152,922**	**13,738,095**	**65,753**	**13,803,848**

Table 131: Costs by functional groups

in EUR	I–XII 2017			I–XII 2016		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
Production costs of products sold	41,733,668	20,509,635	**62,243,303**	40,280,134	19,740,303	**60,020,437**
Sales costs	0	1,805,276	**1,805,276**	0	1,912,957	**1,912,957**
General administrative activities costs	3,371,019	225,096	**3,596,115**	3,575,586	249,939	**3,825,525**
Total	**45,104,687**	**22,540,007**	**67,644,694**	**43,855,720**	**21,903,199**	**65,758,919**

In accordance with Article 109 of the Energy Act (EZ-1), the company keeps separate accounts for distribution activities and other activities. In accordance with Article 110 of EZ-1, in the Rules on the criteria for separate accounting monitoring and reporting of the company Elektro Maribor d.d., the company defines the criteria for the allocation of assets, liabilities, revenue, costs and expenses, receipts and expenditures.

The following activities were defined for the requirements of segment reporting:
- Distribution (which mostly includes the tasks performed by the company in accordance with the Contract on the lease of electricity distribution infrastructure and provision of services for SODO); and
- Services (which include other services provided by the company).

The financial statements for individual activities are compiled on the basis of the following assumptions:
- Business events for which it can, beyond any doubt, be determined which activity they refer to, are recorded to the relevant activity already at the time when they occur;
- Business events with common character or which cannot be properly defined at the moment of recording, are recorded at the level of support processes;
- Balance of assets and liabilities, and revenue, expenses and costs, which are recorded at the level of support processes, are broken down to activities in accordance with the criteria determined in the Rules on separate business accounts and reporting of the Elektro Maribor d.d. company;
- Sub-balance sheets are subject to the selection of suitable criteria and their limited scope.

6.5.1.1 Criteria for distribution of assets and liabilities

K-1 Percentage of average monthly employees by each activity is used for the allocation of non-current accrued costs, intangible assets, non-current financial investments, non-current receivables, deferred tax assets relating to provisions for long-service bonuses and pensions, receivables for reimbursement and advance payment of daily allowances, health insurance, liabilities to suppliers for intangible assets, small tools inventory, liabilities from salaries and wages, liabilities to government and other institutions, liabilities relating to employees' deductions, revaluation surplus, provisions for pensions and similar liabilities, other provisions and long-term operating liabilities, and small tools in use. In terms of their contents and volume, these assets and liabilities are associated with the number of employees.

K-2 Share of the current value of fixed assets as at the balance sheet date by individual activity is used for the distribution of tangible fixed assets, receivables for tangible fixed assets sold, advance payments given, tangible fixed assets under construction, and for liabilities to suppliers for fixed assets. Fixed assets that are used within Support processes by several activities are proportionately charged to each individual activity based on the volume of tangible fixed assets used by that activity.

K-3 Share of total revenues by individual activity is used to distribute current receivables, current financial investments other than loans, deferred tax assets relating to formed allowances for receivables, current advances and securities received, and deferred and accrued items. The balance of these assets is subject to the volume of invoicing and related total revenues.

K-9 Share of the current value of fixed assets by individual activity is used for the distribution of tangible fixed assets, receivables for tangible fixed assets sold, advance payments given, and for liabilities to suppliers for fixed assets. Fixed assets that are used within the scope of Support processes used by several activities are proportionately charged to each individual activity based on the volume of tangible fixed assets used by that activity.

K-10 Share of net profit/loss (by transfers) is used to distribute current liabilities related to distribution of profit/loss.

K-11 Share of costs of material and services (excluding use of material) is used to distribute current advance payments and securities received and other operating liabilities.

K-12 Share of costs of material and services, excluding material for investment is used to distribute input VAT receivables, since these receivables are directly related to costs incurred.

K–13 Share of cost of material and services is used to distribute liabilities to suppliers for current assets. Since these liabilities result from incoming invoices for material and services, which are recorded at the level of Support processes upon occurrence and then distributed in accordance with the criterion of the material and services used by individual activity that are reasonably assumed to have caused those liabilities.

6.5.1.2 Criteria for distribution of revenue, costs and expenses

K-1 Percentage of average monthly employees by an individual activity is used to distribute revenues, costs and expenses of the common professional services.

K-2 Share of the current value of tangible fixed assets as at balance sheet date by an individual activity is used for the distribution of revenues, costs and expenses of the Finance and economics department.

K-3 Share of total revenue by an individual activity is used to distribute revenues, costs and expenses in the area of administration.

Based on these criteria, individual shares for the distribution are calculated based on which the average proportion for the distribution is calculated, which presents a foundation for attribution of revenues, costs and expenses of the support processes to individual activity.

Depreciation costs of the support processes are distributed by the same criterion that is applied for the preparation of the balance sheet by activities, namely for the distribution of tangible and intangible fixed assets.

6.5.1.3 Criteria for distribution of inflows and outflows

The company prepares the cash flow statement by segments using the direct method.

K-2 Share of the current value of tangible fixed assets as at balance sheet date by an individual activity is used to distribute cash disbursements to acquire tangible fixed assets.

K-4 Share of net profit or loss for the previous year by an individual activity is used for distribution of cash disbursements on the payment of dividends and other shares of net profit.

K-5 Share of opening balance of share capital by activities at the end of the previous year is used to distribute cash disbursement for capital repayments.

K-6 Share for the distribution of revenues, costs and expenses of support processes is used for cash disbursements for salary, contributions, taxes, refunds, cash disbursements for the purchase of material and services, other operating expenses, fees, judicial costs, shares in profit received, operating receipts (no refunds and receipts arising from supplementary pension insurance) and cash receipts from investment activities.

K-7 Share of current value of intangible fixed assets of the previous year is used to distribute cash disbursements to acquire intangible fixed assets.

6.5.2 Transactions with associated persons

In 2017, the company Elektro Maribor d.d. conducted business with its subsidiaries Energija plus d.o.o. and OVEN Elektro Maribor d.o.o., and with associate companies Eldom d.o.o., Moja energija d.o.o. and Informatika d.d.

Contractual prices have been formed in accordance with the conditions applying to business with non-associated entities.

Table 132: Transactions with associated persons in 2017

in EUR	Eldom d.o.o.	Energija plus d.o.o.	Informatika d.d.	Moja energija d.o.o.	OVEN Elektro Maribor d.o.o.	Total associate companies
REVENUES	**6,792**	**1,553,061**	**5,973**	**61,704**	**356,004**	**1,983,534**
Net sales revenue		183,061	5,973	3,704	16,004	208,742
Financial revenues from stakes	6791.78	1,370,000	0	58,000	340,000	1,774,792
COSTS AND EXPENDITURE	**240,523**	**95,990**	**1,291,445**	**0**	**0**	**1,627,958**
Costs of material	70,049	82,253	8,998	0	0	161,300
Costs of services	163,727	13,737	1,282,447	0	0	1,459,911
Other operating expenses	6,747	0	0	0	0	6,747
ASSETS	**715**	**14,452**	**148,024**	**0**	**2,366**	**165,557**
Current operating receivables	715.2	14,452	148,024	0	2,366	165,557
LIABILITIES	**97,261**	**68,278**	**1,088,583**	**0**	**0**	**1,254,122**
Current operating liabilities	97,261	68,278	1,088,583	0	0	1,254,122

6.5.3 Reporting in accordance with provisions of Article 69 of the Companies Act (ZGD-1)

The Elektro Maribor d.d. company as the parent company prepares the consolidated accounting statements and the consolidated annual report. Both subsidiary companies Energija Plus d.o.o. and OVEN Elektro Maribor d.o.o. are included in the consolidation.

The consolidated annual report of the group is an integral part of the Annual Report of the parent company and can be obtained at the headquarters of the Elektro Maribor company, Vetrinjska ul. 2, 2000 Maribor, and at the company's website.

The Notes in the appendix to the Financial Statements are shown in the same order as the items in the statements.

The adopted accounting guidelines are presented in the accounting report.

The company also included any contingent financial liabilities in the Financial Statements, and the liabilities to the group companies are shown separately.

The company has no liabilities from the payments of pensions.

The company has no liabilities which would be insured by security.

The company has not authorised any advances or loans to the Management Board, other workers and contractual employees, for which the tariff part of the collective agreement does not apply.

Revenue and expenses of great importance or scope are shown between individual types.

In the period of over 5 years, EUR 29,060,714 liabilities fall due.

The data on the employees is specified in the business section of the annual report.

As at 31 December 2017, the company holds 74,287 own shares. The total value of own shares the company holds as at 31 December 2017 amounts to EUR 154,539, which represents a 0.11-percent share of the share capital. In 2017, the company obtained 1,534 own shares in the amount of EUR 3,940. From the total number of shares, which the company could obtain by 31 December 2017 on the basis of the decision of the General Meeting, the share of the redeemed shares would amount to 7.44% of all shares of the company Elektro Maribor d.d. The lowest issue price equalled EUR 2.07 per share, while the highest issue price equalled EUR 2.70 per share. Redemption of own shares took place via the Ilirika d.d. brokerage house by days as shown in the table below.

Table 133: Redemption of own shares by days

Date of redemption	No. of shares	Value in EUR	Date of payment	Purchase value in EUR
28 Sep 2017	320	662.40	28 Sep 2017	2.07
18 Dec 2017	855	2,308.50	20 Dec 2017	2.70
20 Dec 2017	137	369.90	22 Dec 2017	2.70
27 Dec 2017	139	375.30	29 Dec 2017	2.70
28 Dec 2017	83	224.10	3 Jan 2018	2.70
Total	**1,534**	**3,940.20**		

The value of all the revenue of the Management Board and other employees, for which the tariff part of the collective agreement does not apply, has been disclosed within the framework of the notes on labour costs.

The Management Board suggested the profit to be distributed as shown in the notes to the statement of changes.

The data on the company's business, in the capital of which the company has at least 20%, have shown within the framework of the chapter Bases for the Composition of Financial Statements.

There have been no significant business events after the end of the business year which were not included in the financial statements.

All transactions between the undertakings are shown in a special chapter of the accounting part of the report. All transactions have been done under normal market conditions.

All the amounts of the reservations shown in the financial statements are detailed in the framework of the notes to the balance sheet.

Capital reserves result entirely from the general equity revaluation adjustment.

Deferred tax assets and changes in these are presented in the notes to the balance sheet.

Net income breakdown by individual business areas is shown in chapter Segment reporting.

An audit contract for the Annual Report in the amount of EUR 12,120 was concluded for the business year 2017. This amount also includes the cost of the consolidated Annual Report audit in the amount of EUR 1,640. In 2017, the Company performed and produced a report on the agreed procedures, in accordance with the provisions of the Energy Act (EZ-1), the costs of which amounted to EUR 1,400. In 2017, we had no other jobs for the selected auditor.

IV. Financial report of the Elektro Maribor Group

1 INDEPENDENT AUDITOR'S REPORT

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders of the company
ELEKTRO MARIBOR d.d.

Opinion

We audited the consolidated financial statements of Elektro Maribor d.d. company and its subsidiaries (the Group), comprising the balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of changes in equity, other comprehensive income, consolidated statement of cash flows for year then ended, the summary of the significant accounting principles and other explanatory notes. We reviewed also the business report.

In our opinion the consolidated financial statements are in all important aspects a real and fair presentation of Elektro Maribor Group the balance sheet as at 31 December 2017 as well as its income statement and cash flows for the year then ended and are in compliance with the International Financial Reporting Standards.

Basis for the opinion

We carried out the audit in accordance with the International Auditing Standards. Our responsibilities on the basis of these rules are presented in this report in the paragraph of Auditor's responsibility for auditing financial statements. We confirm, in line with the Ethics Code for financial experts, which was issued by the Internatioanal Ethics Standards Board of Accountants (IESBA Code) and ethical requirements which are related to the audit of financial statements in Slovenia, that we realized all other ethical requirements in compliance with the requirements of the IESBA Code.

We believe that the acquired audit proofs are a sufficient and relevant basis for our audit opinion.

Other information

Other information comprises the financial report which is an integral part of the annual report of Elektro Maribor Group, however, it doesn't comprise the financial statements and our auditor's report about it. The management is responsible for the other pieces of information.

Our opinion about financial statements is not related to the other information and we don't express any form of assurance.

It is our responsibility in terms of the audited financial statements, to read other pieces of information and to judge whether other information is significantly noncompliant with the financial statements, lawful requirements or our knowledge acquired in auditing, or they are presented in other ways as significantly wrong. In addition, it is our responsibility to assess if other information was prepared in all important aspects in compliance with the the existing law, and mostly, if other information is in line with the law, and/or the noncompliance with these requirements would affect the judgement based on that other information. On the basis of the processes implemented we propose that:

- other information, which describes the facts in the financial statements, in all important aspects, is in line with the financial statements; and
- other information is prepared in line with the existing law.

In addition, it is our responsibility that, on the basis of our knowledge and the understanding of the company, which were acquired during the audit, we report if other information consist of a significant wrong statement. On the basis of the implemented processes related to the other information, we didn't find out any significant wrong statement.

Management responsibility for financial statements

The management bears overall responsibility for the preparation and fair representation of the financial statements in accordance with the International Financial Reporting Standards and in accordance with the internal control as deemed necessary by the Management Board to ensure the preparation of financial statements free of any material misstatement due to fraud or mistake.

In preparation of the financial statements, the management is responsible for the assessment of the economic ability of the Group so that it can continue as an active company and disclose the issues related to the active company and the use of the assumptions of the active company as a basis for accountancy unless the management intends to liquidate the Group or cease trading, or if it has no other alternative but to do so.

The Audit Committee and the Supervisory Board are responsible for the control over the preparation of consolidated financial statements as well as for the confirmation of the annual report.

Author's responsibility

Our aim is to obtain reasonable assurance as to whether the financial statements are free of material misstatement due to fraud or mistake as well as to issue an audit report which includes our opinion. A reasonable assurance is a high level of assurance, however, there is no guarantee that the audit will find out, in line with the International Auditing Standards, a significant wrong statement if available. Misstatements can derive from a fraud or mistake and are considered as significant if it is reasonable to expect, that they individually or in a combination affect the economic decisions of users, adopted on the basis of those financial statements.

In carrying out the audit in accordance with the International Auditing Standards, we use expert judgement and we preserve a professional distance. Also:

- we recognize and assess the risks of a significant wrong statement in the consolidated financial statements due to mistake or fraud and we form and carry out auditing processes as reactions on the assessed risks and we obtain sufficient and relevant proofs which ensure the basis of our opinion. The risk, which we won't disclose any wrong statement which originate from a fraud, is higher than the one linked with a mistake, as the fraud involves secret agreements, counterfeiting, voluntary omission, wrong notes and avoidance from internal controls;

- we perform procedures of a verification and understanding of internal controls, important for an audit in order to express an opinion about the efficiency of the internal control of the Group;

- we judge the relevance of used accounting policies and the acceptance of accounting assessments and the related disclosures of the management;

- on the basis of obtained auditing proofs about a significant uncertainty related to events or circumstances which lead to doubts about the capability of the Group to be active, we adopt a conclusion about the relevance of the management use of assumptions of an active company as a basis for an accountancy. If we adopt a conclusion of a significant uncertainty, we therefore must signal the importance in the auditing report of relevant disclosures in the consolidated financial statements or if such disclosures are irrelevant, we must adapt our opinion. The auditor's conclusions are founded on the auditor's proofs obtained until the date of the issue of the auditor's report. However, supplementary events or circumstances can lead to a termination of the Group as an active company;

- we estimate a general presentation, structure, contents of the consolidated financial statements including the disclosures and/or consolidated financial statements present the operations in questions and events in a way that a fair presentation is obtained;

- in auditing we obtain sufficient and appropriate auditing proofs related to financial information of the company or business activities in the Group in order to express an opinion about consolidated financial statements. We are responsible for an appropriate guideline, control and the performance of the audit of the company. At the same time, it is our responsibility for an audit opinion.

- we would like to inform the responsible persons of the management about the amount and time of the audit and important audit conclusions including the deficiencies of internal controls which we detected during the audit.

Celje, 12 April 2018

[stamp: RATING d.o.o. Celje]

Rating d.o.o. Celje
Družba za revizijske storitve
in ekonomsko svetovanje
3000 CELJE, Gosposka 7

Authorized auditor
Marija Kozmus Pintar, M. Sc.
[signature]

2 STATEMENT OF RESPONSIBILITY BY THE MANAGEMENT BOARD OF ELEKTRO MARIBOR D.D. FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Elektro Maribor d.d. is responsible for the preparation of consolidated financial statements and presentation thereof to the interested public. The financial statements provide a true and fair presentation of the Group's financial position and its results for the year 2017.

The Management Board is responsible for keeping proper accounting records, which represent the Group's financial position with reasonable accuracy and for the implementation of measures, intended to keep the value of the Group's assets and for the prevention and identification of irregularities in the Group's operations at any given time.

The Management Board hereby declares that:

- All financial statements of the Group have been prepared in line with professional standards and the legislation pertaining to operations, accounting, taxes and finance,
- The financial statements of the Group have been prepared in accordance with all requirements set by the International Accounting Standards, with relevant views and notes,
- The financial statements have been prepared under the going concern assumption,
- The selected accounting policies are being applied consistently and any changes in the accounting policies are disclosed,
- The accounting estimates have been prepared in accordance with the principles of prudence and good management,
- The Group's Annual Report represents a true and fair view of its operational results and financial position,
- The financial statements do not include any material or non-material errors made in order to achieve a particular presentation of operations.

Maribor, 12 April 2018

President of the Management Board
Boris Sovič, M. Sc.

3 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Reporting company

In compliance with ZGD-1 for the business years that start on 1 January 2016, the consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (hereinafter: IFRS) which provide hereinafter the detailed bases, important financial guidelines and Notes for the use of standards which are valid in the current period.

The valuation of individual items of consolidated financial statements is based on unified and joint accounting policies of the Elektro Maribor Group determined in the Rules of Accounting. All financial items are taken into consideration as well as IFRS and Companies Act.

The consolidated financial statements of Elektro Maribor are in line with IFRS and International Financial Standards (hereinafter IFS) as they were adopted by the EU and with the Notes that are adopted by the Board for Note of International Financial Reporting Standards (hereinafter: BEIFRS) and were adopted also by the EU, and in line with the provisions of the Companies Act (ZGD-1).

The company Elektro Maribor d.d. as the parent company composes consolidated financial statements and a consolidated report. Both subsidiaries Energija Plus d.o.o. and OVEN Elektro Maribor are involved in the consolidation.

Like the parent company, both subsidiaries prepare their annual business reports which comprise financial statements of each company.

Below are presented the consolidated financial statements for the year that ended on 31 December 2017. Consolidated financial statements include the controlling entity and its subsidiaries as well as the share of the group in the associated companies.

A more detailed overview of the group's composition is presented under Chapter 5 Presentation of the Group and the company Elektro Maribor d.d.

3.1 Basis for the preparation of consolidated financial statements

- Conformity statement

The group financial statements of the company have been prepared in accordance with IFRS as are adopted by the EU and with the notes adopted by the Board for Note of International Financial Reporting Standards and in accordance with the requirements of the Companies Act (ZGD-1).

- Basis for measurement

Consolidated financial statements are prepared by observing the historical cost.

- Functional currency and reporting currency

The attached consolidated financial statements have been prepared in Euros, which is a functional currency of the group. All financial information have been prepared in Euros and rounded to unit. Slight differences in addition in the tables may have resulted from rounding.

- Use of evaluation and estimation

In composing the financial statements the group must carry out an assessment, estimation and assumptions which influence on the use of financial guidelines and stated values of assets, liabilities, revenues and expenses. The assessments, estimations and assumptions are regularly examined. All changes in financial assessments, estimations and assumptions are recognized in the period when the assessments were changed if the change influenced that period or the period of change in the following periods if the change influences the following periods.

The assessments and assumptions in the group are used mostly in the following areas:

- The assessment of useful life of depreciated assets.
  In assessing the useful life of depreciated assets in the group, the expected physical exploitation, technical and economic obsolescence and expected lawful and other limited use are taken into account.

- The estimation of influence in jointly controlled entities.
  The examination of the rise of influence change is carried out for a parent company and associated companies in the group, thus it provides relevant treatment of investments in financial statements. For the investor’s relevant influence the following facts are important:
  - The agency in management bodies and control in companies in which a company holds an investment.
  - Cooperation in the procedures of forming a policy and cooperation in decisions about dividends or shares.
  - Essential transactions between the investor and a company in which a company holds an investment.

- Assessment of provisions for filing a suit
  Companies in the group have filed several legal claims, which are 50% or more likely to be repaid, and thus result in the outflow of cash.

  Other contingent liabilities are recognized in the financial statements off balance sheet. The management of individual companies is regularly controlled in case that the payment for possible liabilities derives from cash drains. If cash drains are probable, the possible liability is distributed by forming provisions in financial statements as soon as the probability level changes.

- Assessment of provisions for post-employment and other long-term benefit obligations of employees
  Obligations of post-employment benefit assets are stated obligations for retirement grants and long-service bonuses. They are recognized on the basis of actuarial calculation which is approved by the management of individual companies. The actuarial calculation is based on assumptions and assessment that were valid at the time the calculation was made. In the future, the calculation may differ from actual assumptions that will be valid then. This is mostly related to the definition of discount rate, assessment of employees fluctuation, assessment of mortality and assessment of salary growth in the company. This assessment is sensitive for the changes of the above mentioned assessment due to the complex actuarial calculation and its long-term characteristic.

- Assessment of possible use of deferred tax assets
  The company forms deferred tax assets as regards the formation of provisions for long-service bonuses and retirement grants and for receivables which are impaired due to a doubt about their payment.

  The Group checks the amount of deferred tax assets on the day of the final financial statements. A deferred tax is recognized in the Group, since an available net profit may exist in the future, to which the deferred assets could be charged in the future.

- Changes of financial guidelines
  In 2017, the Group did not change financial guidelines.

3.2 New standards and notes which have not been valid yet

Standards and notes, which are presented hereunder, have not yet been valid until the date of consolidated financial statements or the EU hasn't confirmed them yet. The Group will use the relevant standards for the preparation of its own financial statements when they are adopted if this is related to the management of the Group.

The standards which we estimate that won't be used in the management of the Group, we don't include and will not be included in the future.

MSRP 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new standard for insurance Contracts, which is under preparation instead of IFRS 4. The entities, which issued insurance contracts, are thus given two options, i.e. temporary exemption from the application of IFRS 9, which will be used for the first time for the reporting period on or after 1 January 2018, and an overlay approach of the first application of IFRS 9 and to use the approach retroactively. In this case, the company adjusts comparative information, which indicate simultaneous application only when comparative information under IFRS 9 application is adjusted.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

IFRS 9 – Financial instruments

The IFRS 9 renewed standard applies to the financial year on or after 1 January 2018. It introduces new requirements related to categorizations and measurements of financial resources and liabilities, the recognition of their impairment and financial protection against risks.

The Group doesn't expect that the standard will have a significant impact on consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board published IFRS 15, which introduces a new five stage model of recognizing revenues that the company achieves on the basis of contracts with customers. In line with the provisions of IFRS 15, an entity recognizes the revenue in the amount that reflects the amount of the purchase consideration for which the entity believes it belongs to them as regards the transfer of goods and trade services to a customer. The new standard is applicable for all companies and replaces the current IFRS requirements related to the recognition of revenue. The complete application of the standard comes into force in the periods that begin on 1 January 2018 or any subsequent date, the adapted form of the standard must be applied retrospectively by the companies.

The Group doesn't expect that the standard will have a significant impact on consolidated financial statements.

Notes to IFRS 15 – Revenue from Contracts with Customers

In April 2016, the International Accounting Standards Board published amendments to IFRS 15, which discuss several matters. The amendments address the following issues:

- when the promised good or services do not match the content of the job,
- how the company should apply principal versus agent considerations,
- when the company's activities have a significant impact on intellectual property, which is the right of the buyer,
- scope of application of exceptions for royalties arising from the sale or use of licences for intellectual property in relation to other promised goods or services under the contract,
- two practical aids to meet transitional provisions of IFRS 15 for completed contracts within the full transition approach and recognition for previous periods and adjustment of contracts upon the transition to the new standard.

The amendments enter into force on 1 January 2018 and do not alter the IFRS 15, but additionally explain them.

The Group doesn't expect that the standard will have a significant impact on consolidated financial statements.

IFRS 16 – Leases

The scope of application of IFRS 16 specifies leases of all assets, but with some exceptions. In accordance with the standard, the lessee is required to calculate all leases according to the single accounting model within the balance sheet, which is similar to the method used for financial leases. The standard provides the lessees with two recognition exemptions, i.e. leases where the underlying asset has a low value and leases with a lease term of 12 months or less. On the day the lease begins, the lessee recognizes a liability to pay the rent and an asset that represents the right to use an underlying asset throughout the duration of the lease.

Lessees are required to recognize interest expenses related to the liability arising from lease and costs of depreciation in the an asset from the right to use. Accounting by a lessor does not significantly differ from the currently valid accounting. The IFRS standard applies to annual reporting periods beginning on or after 1 January 2019.

The Group examines the impact of a new standard and will be used, if required, when enforced.

3.3 New standards and notes not yet adopted by the European Union

Amendment to the IFRS 10 and IAS 28 standards – sales or contributions of assets between an investor and its associate/joint venture

The amendments discuss an issue whether the measurement of non-current financial investments falls under the scope of IFRS 9, IAS 28 or a combination of both. The amendments explain that in recognizing non-current investments not calculated according to the equity method the company must apply the provisions of IFRS 9 before applying IAS 28.

The profit or losses on disposal or financing which don't represent the management must be recognized by the company only in the amount of a share of unrelated investors in an associate. The beginning date of the application of this standard is postponed for an indefinite period of time.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

Amendment to IAS 40 – Transfer of investment property

The amendments explain the requirements for the transfer of investment property and from them. They are applied for the changes of intended purpose, which occur at the beginning of the annual reporting period. The amendments apply for the periods on or after 1 January 2018.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

Amendments to IFRS 2 – Classification and measurement of share-based payment transactions

The amendments relate to the following areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction and explain that the manner of accounting vesting conditions in the measurement of capital-settled share-based payment transactions is also used for equity-settled share-based payment transactions.
- The classification of share-based payment transactions with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from "cash-settled" to "equity-settled".

The amendment apply to the periods beginning on or after 1 January 2018, and apply retroactively.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

Amendments to IFRS 9 – Prepayment features with negative compensation

The amendments allow financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract to be measured at amortised cost or at fair value through other comprehensive income. Amendments apply since 1 January 2019.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

Note IFRIC 23 – Uncertainty over Income Tax Treatments

The note discusses accounting of income tax, when the tax treatment includes uncertainty, which impacts the application of IAS 12 Income taxes. The note introduces the guidelines for calculating uncertain tax treatments separately or together, inspections of tax authorities, use of the appropriate method, which indicates such uncertainties, and simultaneously considers the changes of facts and circumstances. The amendments apply for the periods beginning on 1 January 2019.

The Group doesn't expect that the amendments will have a significant impact on consolidated financial statements.

3.4 Standard amendments and notes adopted in the 2014–2016 period

Amendments to IAS 28 – Investments in Associates and Joint Ventures

The amendments clarify that the measurement in investments in associates and joint ventures are undertaken by an entity that deals with risk capital or any other authorized company, and could be chosen at fair value through profit or loss upon initial recognition for each investment in an associate or joint venture, where each investment is considered separately. The amendments apply to annual periods beginning on 1 January 2018.

The Group controls the impact of the standard amendments and will apply them, if necessary, when they come into force. Considering the performance of Group companies, the change has no consequences for the Group (it relates to the entities that deal with risk capital).

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendments deleted short-term exemptions in articles E3-E7 of IFRS 1. The amendments are applicable to annual periods beginning on or after 1 January 2018.
Amendments to the IAS 1 standard clarify:

- requirements of IAS 1 relating to relevance;
- that companies can disregard individual items in income statement, comprehensive income statement and statement of financial position;
- that the company can freely select the order of presentation of notes to financial statements, and
- that the share of other comprehensive income arising from investments accounted for under the equity method is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Additionally, the amendments clarify the requirements in additional presentation of subtotals in the statement of financial position, income statement or statement of comprehensive income.

The Group doesn't expect that the amendments will have a significant impact on consolidated financial statements.

New adopted standard and notes that entered into force on 1 January 2017

Below are presented the standards that entered into force on 1 January 2017; only the standards applied by the Group in its business operations are discussed in more detail.

Amendments to IAS 7 – Disclosure initiative

According to the amendments, entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as foreign exchange gains or losses.

The amendments did not have a significant impact on consolidated financial statements.

Amendments IAS 12 – Recognition of deferred tax assets for unrealised losses

The amendments clarify that an entity must examine whether the tax legislation limits the resources of a taxable profit against which it can use the deduction in the annulment of this deductible temporary difference. It also clarifies how the company should define the future taxable profit and circumstances in which the taxable profit means a reimbursement of some assets in the amount that they exceed their carrying amount.

At the initial stage of the use of the amended standard, the change of the initial capital of the nearest comparative period may recognize the initial retained profit without distributing the change among the initial retained net profit and other contents of capital.

The amendments did not have a significant impact on consolidated financial statements.

Amendments to IFRS 12 – Disclosure of Interests in Other Entities

The amendments clarify the scope of application of the standard by specifying that disclosure requirements in the standard apply to an entity's interests, which are classified as held for sale and discontinued operations, as held for sale, as held for distribution or as discontinued operations, in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operation.

The amendments did not have a significant impact on consolidated financial statements.

4 ACCOUNTING POLICIES

In 2017, Group companies consistently applied the accounting policies and guidelines defined hereunder, which are presented in consolidated financial statements for the reporting period. Equal policies and guidelines will be applied by the Group in the future.

- Basis for consolidation

  Subsidiaries are companies, which are controlled by the Group. Financial statements of subsidiaries are included in the consolidated financial statements as at the date, when the control begins, until the date it terminates.

- Subsidiaries

  Subsidiaries are companies, which are controlled by the Group. A control occurs, when:
  - An investor is exposed or entitled to variable-yield securities from involvement or a company in which he/she invested.
  - The investor can influence upon the yield on the basis his/her control over a company in which he/she invested or over the investee.
  - There is a link between the power and the yield.

  The accounting policies of subsidiaries comply with the policies of the Group.

- Investments in associates and joint ventures

  Investments in associates are calculated according to the equity method and are recognized as a purchase value. Consolidated financial statements include a share of the Group in profit and losses and other comprehensive income. If the share of the Group in losses of companies is larger than its share, the carrying amount of the Group share reduces to zero, however, the share in the following losses stops being recognized, but only in the scope that the Group can control.

- Businesses, excluded from the consolidated financial statements

  In composing consolidated financial statements, balance sheet and circulation, unrealized gains and losses, which result from transactions inside the Group, are excluded. Unrealized gains from transactions of associates are excluded only in the scope of the share of the Group in this company. Unrealized losses are excluded in the same way as gains, providing that there is no proof of impairment.

- Financial statements of companies in the Group

  Consolidated financial statements of the Group are presented in Euros. Items of each entity in the Group, which is involved in financial statements, are presented in the same way and in Euros for the purposes of consolidated financial statements.

- Financial instruments

  Non-derivative financial assets such as loans, receivables and deposits are recognized by the Group as at the day of their occurrence. Non-derivative financial instruments of the Group are the liabilities and receivables, financial assets, available for a sale and financial assets and cash equivalents.

  Liabilities and receivables are financial assets with definite or particular payments which don't quote in the active market. These assets are recognized initially at an amount of a fair value increased by a direct cost of a transaction. After the initial recognition, the liabilities and receivables are measured on amortized cost applying the effective interest method and impairment losses.

  Cash and cash equivalents consist of money on a current account and an investment (deposit, if it fall due within a period of three months).

  Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale. After the initial recognition these investments are measured on a fair value, increased with ancillary costs. Changes of the fair value are recognized in the category of a reserve due to a fair value exercise.

- Non-derivative financial liabilities

  The Group recognizes financial liabilities as at the date of trading, when the Group becomes a contract customer related to the instrument. The Group discloses loans, business and other liabilities as other financial liabilities.

- Nominal capital

  Called-up capital of the controlling company Elektro Maribor d.d. occurs as share capital which is designated as a nominal capital in the company statute, registered at the court and paid by its owners.

  Dividends are recognized as liabilities in the period in which a decision about the payment of the dividends is adopted by the General Meeting.

  Statutory reserves are amounts which are purposely retained earnings from previous years mostly to pay potential future losses. They are recorded on the basis of a decision of the company Management Board on amounts of net profit of the current year.

  Fair value reserves show effects of the evaluation of the available-for-sale financial assets on fair values and the actuarial gains and losses linked to provisions for post-employment and other long-term revenue of employees.

  Reserve for own shares include a paid amount of own shares including transaction costs without tax. Reserve for own shares are deducted from the entire capital as own shares until these shares are withdrawn, reissued or sold. If own shares are subsequently sold or reissued, all the received payments without transaction costs and related tax effects are included in the capital reserve.

- Property, plant and equipment

  Property is carried at its own purchase value, reduced accumulated depreciation and accumulated impairment losses. The purchase value comprises costs which are directly attributed to assets purchase. The purchase value does not include costs of removal and renewal for the Group assesses that it is not about important values. The costs in their own framework of assets include costs of material, direct labour costs and other costs which may be directly attributed to commissioning an asset for the intended use. Items of property, plant and equipment with different useful lives are considered as separate items of property, plant and equipment. Gain or loss recognized on immovable property, plant and equipment are defined as a difference between the disposal revenue of its carrying amount and is recorded in the financial statements among other income and other expense.

  Items of property, plant and equipment are depreciated individually using the straight-line depreciation method, which reflects the assessment of the usefulness of assets. Useful lives are estimated annually by responsible persons and are coordinated on the level of a working group in the scope of the GIZ distribution of electricity.

- Reallocation to investment property

  The Group reallocates the owner-occupied property into investment property. The Group evaluates the investment property according to a model of a purchase value. The depreciation method and depreciation rates are equal as other property, plant and equipment.

- Subsequent costs

  Costs of the replacement of some part of property, plant and equipment are recognized as carrying values of this asset. If it is possible that the Group will obtain future economic benefits related to a part of this asset, the fair value can be measured with sufficient reliability. The recognition of carrying values of the replaced part is eliminated. All other costs (e.g. maintenance, servicing, etc.) are recognized in the operating result as immediate expenses when they occur.

- Depreciation

  Items of property, plant and equipment are depreciated individually using the straight-line depreciation method. The land is not depreciated.

Table 134: Estimated useful lives

	2017	2016
Property – construction part	20–50 years	20–50 years
Plant and equipment	2–33 years	3–33 years

- Intangible assets

  Other intangible assets, which the Group obtained, are related to the application software and have final useful lives, reduced for an accumulated depreciation and possible impairment loss. Items of property, plant and equipment are depreciated individually using the straight-line depreciation method considering useful lives of intangible assets. An item of property, plant and equipment starts being depreciated when it has been made available for use.

Table 135: Estimated useful lives

	2017	2016
Application software	2–10 years	3–10 years
Servitude and building title	1–100 years	1–100 years

- Inventories

  An inventory unit of materials is measured at cost, which comprises at the lower of historical cost or a net realizable value. The Group evaluates the inventories using the moving weighted average method.

  The write-offs of damaged and useless inventories are carried out regularly during a year according to individual items. At the end of the financial year, the inventories as at 31 December abate related to their immobility in the period of three years. The assessment of inventories values is carried out at least once a year, namely, as at the day of the preparation status of annual financial statements of the Group.

- Impairment of assets

  Losses due to impairment of assets available for sale are recognized in the way that the loss, carried at a reserve of fair value, is transferred to profit or loss.

- Impairment of receivables

  The Group checks the suitability of disclosed receivables on a regular basis. The amounts of receivables that are believed to be uncollected are recorded as doubtful or disputable receivables.

  Due to impairment, the Group adjusts the value of receivables when there is objective evidence that a current carrying amount of a receivable exceeds the present value of expected future cash flows. In forming revaluation adjustments for doubtful or disputable receivables, the Group uses the approach of a 100 % value adjustment of a receivable due from a client, no matter the level of recoverability. The Group also forms revaluation adjustments for receivables when it disposes with data on initiated insolvency proceedings or legal actions and for receivables which are not paid within 90 days from the maturity date. Value adjustments are also made individually for those receivables due from individual partners.

  In the balance sheet, receivables are shown in the net value, meaning they are decreased by the revaluation adjustments for disputable or doubtful receivables.

- Employees' earnings

  Short-term earnings of employees are measured without discounting and are carried at expenses when the work of an employee, connected with short-term earnings, is carried out.

- Provisions

  Provisions are recognized if the Group has legal or indirect liabilities due to the previous event, which can be assessed with sufficient reliability and it is possible that an outflow of resources, which ensures economic benefits, will be necessary for payment of liability.

  Provisions for guarantees for products and services are carried at the sale of products or services for which the guarantee is granted. A provision is formed on the basis of initial data of a guarantee and on the estimation of possible results related to their probability. The Group has chosen a policy related to the amount for which it guarantees and the amount is 10 % on the amount of a granted guarantee in a contract.

  Provisions for severance payments and service awards for employees are formed in the amount of assessed future payments, discounted as at the day of a balance sheet. The calculation is made for each individual employee by considering the costs of severance payment and the costs of expected service awards until the retirement. The status is checked every year on the basis of the calculation which is prepared by an authorized actuary. Actuarial profits and losses in provisions for severance payment are recognized in the revaluation reserve.

- Long-term deferred revenue

  Long-term deferred revenue presents a deferred income as regards the obtained fixed assets free of charge. The deferred revenue is transferred among income pursuant to the calculated depreciation of thus received assets.

- Revenue

  Revenue from sales of products, goods and material are recognized relating to the fair value of a received payment or receivables, namely reduced for recovery, rebate and quantity discount. The revenue appears when a buyer takes all important risks and benefits related to ownership of assets, when a certainty of payment exists and when the Group ceases the future decisions about sold products.

The revenue from provided services is recognized in financial statement according to the degree of the transaction completion as at the date of reporting. The degree of completion is assessed by checking individual contracts.

Lease revenue is recognized as revenue on a straight-line basis over the lease term.

- Revenue and expenses

  Financial revenue comprises revenue from interests, investments, dividends and from transfers of available-for-sale financial assets. The revenue from interests is recognized in the results after their creation by using the method of the effective interest rate. The revenue from dividends is recognized in the results after their creation as at the day, when a shareholder’s right is established.

  Expenses comprise the costs of borrowings, losses due to impairment of assets. The costs from borrowings are recognized in the results according to a method of effective interests.

- Income tax

  Tax from profit or losses of the financial year comprises an amount of current and deferred tax. Income tax is shown in the income statement and is determined by the Group as at the end of the financial year.

  Current tax is the tax, which is expected to be paid from taxable profit for the financial year by using the rate of tax that came into force as at the date of reporting, and probable adjustment of tax liabilities connected to the previous financial years.

  Deferred tax is recognized by considering temporary differences between carrying and tax values of assets and liabilities. The amount of the tax is founded on the expected way to recover or settle the carrying amount of its assets by using the tax rate, determined as at the reporting date. The company forms deferred tax assets as regards the formation of provisions for severance payment and service awards as regards the tax non-recognized corrections of the value of receivables. The current receivables from a tax are calculated only at the end of the financial year.

- The basic earnings per share

  The nominal capital of the Group comprises the share capital of the parent company, which is divided into registered shares. The basic profitability of a share is calculated by the weighted average number of ordinary shares in the financial year.

- Comparative information

  Comparative information mostly matches the presentation of information in the current year.

- Segment reporting

  Business segment is an integral part of the Group performing business activities that generate revenues and incur expenses. The Group's segments consist of:

  - Distribution of electricity, which also includes market activities of the company Elektro Maribor d.d.;
  - Purchase and sale of electricity and other energy products;
  - electricity production.

The Group reports by segments only at the end of the financial year.

Definition of fair value

A fair value of individual groups of assets for the needs of measurement or reporting is defined by the Group according to methods which are described hereinafter.

The fair value of property, plant and equipment is their market value and is equal to the estimated value according to which the property, as at the date of the assessment and according to a relevant marketing, could exchange in an arm's length transaction between a willing seller and a willing buyer, while clients are well informed and act reasonably, independently and in an unforced manner.

The fair value of intangible assets is based on the method of discounted cash flows for which it is expected that they will derive from the use and probable sale of assets.

The fair value of investment property is based on the market value which is equal to the estimated value according to which the property, as at the date of the assessment and according to a relevant marketing, could exchange in an arm's length transaction between seller and a buyer. The Group actively monitors market developments and assesses at the end of every financial year if there were/were not any objective proofs about elements which would indicate the need for impairments of investment property.

The fair value of debt and equity securities is defined according to their offered price at the end of the trading day as at the date of reporting and is concluded at the end of the financial year.

The fair value of long-term operating receivables and other receivables are calculated as the present value of the future cash flows, discounted at the current market rate as at the date of reporting.

The short-term operating receivables aren't discounted due to the short-term nature, however, the impairment of fair values is taken into account.

Capital management

The solvency is the basic intention of the capital management in the Group. Besides capital adequacy, the objectives of capital management are as follows: a long-term payment capability, high financial stability and reaching the highest possible values for shareholders of the Group.

Cash flow statement

The cash flow statement has been prepared using the direct method on the basis of the revenue and expenses on the transaction accounts of companies in the Group.

Composition of the Elektro Maribor Group

In accordance with MSRP, the consolidated financial statements of Elektro Maribor Group included the financial statements of the parent company Elektro Maribor and the subsidiaries Energija plus and OVEN.

Associates

In 2017, the share of profit/losses of associates amounted to EUR -285,466.

Table 136: Overview of assets, liabilities, revenues and expenses of associates for the I–XII 2017 period

in EUR

Company	Non-current assets	Current assets	Long-term liabilities	Short-term liabilities	Revenue	Expenses	Profit/loss
Moja energija d.o.o.	3,907,258	685,957	1,100,324	725,627	2,262,756	3,172,334	-909,578
Eldom d.o.o.	143,426	281,322	17,287	131,047	641,301	633,454	7,847
Informatika d.d.	2,744,653	5,558,545	763,887	3,661,088	12,859,310	12,778,328	71,650

Table 137: Overview of assets, liabilities, revenues and expenses of associates for the I–XII 2016 period

in EUR

Company	Non-current assets	Current assets	Long-term liabilities	Short-term liabilities	Revenue	Expenses	Profit/loss
Moja energija d.o.o.	1,527,842	3,056,506	4,884	713,121	3,521,412	3,409,025	355,197
Eldom d.o.o.	161,815	294,110	23,148	137,516	723,452	694,855	28,597
Informatika d.d.	2,451,563	3,376,765	511,991	2,254,334	12,814,295	12,708,142	59,344

Consolidated financial statements are made according to the method of complete consolidation which means that the following policies are considered:

- Uniform accounting policies are used in individual financial statements for similar transactions;
- Items in individual financial statements of subsidiaries are equally and formally presented;
- Individual financial statements of consolidated companies are composed for the same period which ends on the same day.

Consolidated financial statements are composed on the basis of individual financial statements of consolidated companies with relevant consolidation corrections which have not been made subject to financial statements of consolidated companies.

5 CONSOLIDATED FINANCIAL STATEMENTS OF THE ELEKTRO MARIBOR GROUP

Table 138: Consolidated statement of financial position

in EUR	Note	31 Dec 2017	31 Dec 2016
Non-current assets		**331,887,683**	**321,887,342**
Intangible assets	1	4,336,173	3,555,435
Property, plant and equipment	2	323,466,712	313,683,177
Investment property	3	659,422	646,998
Financial investments	4	208,348	208,348
Investments in associated companies	5	1,136,226	1,486,481
Operating receivables	6	68,242	330,447
Deferred tax assets	7	2,012,560	1,976,456
Current assets		**58,611,496**	**59,776,912**
Inventories	8	1,739,527	1,449,420
Trade receivables	9	39,557,116	39,854,023
Income tax receivable	10	739,971	139,708
Other assets	11	2,848,495	1,827,564
Cash and cash equivalents	12	13,726,387	16,506,197
TOTAL ASSETS		**390,499,179**	**381,664,254**
Off-balance-sheet assets		69,057,266	70,356,100
Capital/equity	**13**	**276,873,788**	**269,533,189**
Called-up capital		139,773,510	139,773,510
Capital reserves		75,121,586	75,121,586
Profit reserves		55,794,088	46,606,839
Fair value reserves		-905,167	-588,357
Profit or loss from previous years		4,608,902	3,834,504
Profit or loss for the financial year		2,480,869	4,785,107
Long-term liabilities		**71,578,443**	**68,989,105**
Provisions	14	7,530,653	6,587,684
Deferred revenue	15	32,959,694	32,965,842
Financial liabilities	16	30,917,857	29,185,714
Operating liabilities	17	170,239	249,865
Short-term liabilities		**42,046,948**	**43,141,960**
Financial liabilities	18	7,297,125	8,799,574
Operating liabilities	19	32,719,605	32,354,062
Income tax liabilities	20	501,404	563,033
Other liabilities	21	1,528,814	1,425,291
TOTAL CAPITAL AND LIABILITIES		**390,499,179**	**381,664,254**
Off-balance-sheet assets	22	69,057,266	70,356,100

Table 139: Consolidated income statement

in EUR	Note	I–XII 2017	I–XII 2016
Net sales revenue	23	136,344,167	147,986,222
Capitalized own products and services	24	18,821,162	18,090,408
Other operating revenues	25	3,512,133	3,819,086
Gross return on sales		**158,677,462**	**169,895,716**
Cost of goods, material and services	26	90,014,503	99,022,971
Labour costs	27	32,221,344	31,258,272
Depreciation	28	20,189,799	19,549,298
Revaluation operating expenses	29	1,115,487	1,616,217
Other operating expenses	30	971,745	1,601,984
Operating profit or loss		**14,164,584**	**16,846,974**
Financial revenue	31	211,409	272,172
Financial expenses	32	483,133	549,476
Share in profit (losses) of associates	33	-285,466	138,568
Other revenue	34	34,066	23,679
Other expenses		158,066	139,695
Profit or loss before tax		**13,483,394**	**16,592,222**
Income tax	35	1,847,441	2,026,709
Deferred taxes	36	36,105	526,841
Tax		1,811,336	1,499,868
Net profit or loss	**37**	**11,672,058**	**15,092,354**
Net profit or loss belonging to owners of the controlling company		11,672,058	15,092,354
Basic and diluted earnings per share (EUR/share)		0.35	0.45

Table 140: Consolidated statement of comprehensive income

in EUR	I–XII 2017	I–XII 2016
Net profit or loss for the accounting period	11,672,058	15,092,354
Other items of comprehensive income	-316,810	-252,786
Total comprehensive income for the accounting period	**11,355,248**	**14,839,568**

Table 141: Consolidated cash flow statement

in EUR	Note	I–XII 2017	I–XII 2016
Cash flows from operating activities	**38**		
Cash receipts from operating activities		**291,852,484**	**306,949,841**
Cash receipts from sales of products and services		289,600,199	304,565,816
Other cash receipts from operating activities		2,252,285	2,384,025
Cash disbursements from operating activities		**-279,320,025**	**-291,819,186**
Cash disbursements from the purchase of material and services		-230,491,980	-243,439,602
Cash disbursements from salaries and employees' participation in profit		-30,951,473	-30,246,280
Cash disbursements from taxes		-15,590,500	-16,269,312
Other cash disbursements from operating activities		-2,286,072	-1,863,992
Positive cash result in operating activities		**12,532,459**	**15,130,655**
Cash flows from investing activities	**39**		
Cash receipts from investing activities		**175,830**	**266,128**
Cash receipts from interest and shares in profit received from others		797	8,140
Cash receipts from stakes received in profit of others relating to investment activities		64,792	100,000
Cash receipts from disposal of tangible fixed assets		110,241	92,108
Cash receipts from disposal of short-term financial investments		0	65,880
Cash disbursements from investing activities		**-11,295,848**	**-11,110,763**
Cash disbursements from acquisition of intangible assets		-2,286,626	-1,997,753
Cash disbursements from acquisition of property, plant and equipment		-9,009,222	-9,113,010
Negative cash result from investing activities		**-11,120,018**	**-10,844,635**
Cash flows from financing activities	**40**		
Cash receipts from financing activities		**9,000,000**	**8,000,000**
Cash receipts from increase of long-term financial liabilities		9,000,000	8,000,000
Cash disbursements from financing activities		**-13,192,251**	**-15,241,875**
Cash disbursements from interest paid on financing		-407,469	-423,244
Cash repayments of equity		-3,716	-150,599
Cash disbursements from repayment of financial liabilities		-8,757,143	-8,757,142
Cash disbursements from dividends and other participation in profit		-4,023,923	-5,910,890
Negative cash result from financing activities		**-4,192,251**	**-7,241,875**
Closing balance of cash and cash equivalents		**13,726,387**	**16,506,197**
Cash flow result for the period	41	-2,779,810	-2,955,857
Opening balance of cash and cash equivalents		**16,506,197**	**19,462,054**

Table 142: Consolidated statement of changes in equity 2017

in EUR

	Item	Called-up capital	Capital reserves	Profit reserves				Fair value reserves	Retained net profit or loss	Net profit/loss for the period	Total
		Share capital		Legal reserves	Reserves for own shares	Own shares	Other profit reserves		Net profit brought forward	Net profit	
		I/1	II	III/1	III/2	III/3	III/5	IV	V/1	VI/1	
A.1.	**Closing balance as at the end of the previous reporting period**	139,773,510	75,121,586	3,836,913	150,599	-150,599	42,769,926	-588,357	3,834,504	4,785,107	269,533,189
A.2	**Opening balance for the reporting period**	139,773,510	75,121,586	3,836,913	150,599	-150,599	42,769,926	-588,357	3,834,504	4,785,107	269,533,189
B.1	**Changes in equity – transactions with owners**	0	0	0	0	-3,940	0	0	-4,010,709	0	-4,014,649
d.	Purchase of own shares					-3,940					-3,940
g.	Payment of dividend								-4,010,709		-4,010,709
B.2	**Total comprehensive income for the reporting period**	0	0	0	0	0	0	-316,810	0	11,672,058	11,355,248
a.	Entry of net profit/loss for the period									11,672,058	11,672,058
d.	Other items of comprehensive income							-316,810			-316,810
B.3	**Changes in equity**	0	0	673,897	3,940	0	8,513,352	0	4,785,107	-13,976,296	0
a.	Allocation of the remaining part of the net profit for the compared reporting period to other items of equity			0			0		4,785,107	-4,785,107	0
b.	Allocation of the remaining part of the net profit for the compared reporting period pursuant to the decision by the Management and Supervisory Boards			673,897			8,513,352			-9,187,249	0
d.	Building up reserves for own shares				3,940					-3,940	0
C.	**Closing balance for the reporting period**	139,773,510	75,121,586	4,510,810	154,539	-154,539	51,283,278	-905,167	4,608,902	2,480,869	276,873,788

Table 143: Consolidated statement of changes in equity 2016

in EUR

Item	Called-up capital	Capital reserves	Profit reserves				Fair value reserves	Retained net profit or loss	Net profit/loss for the period	Total
	Share capital		Legal reserves	Reserves for own shares	Own shares	Other profit reserves		Net profit brought forward	Net profit	
	I/1	II	III/1	III/2	III/3	III/5	IV	V/1	VI/1	
Closing balance as at the end of the previous reporting period	**139,773,510**	**75,121,586**	**3,198,981**	**0**	**0**	**33,793,342**	**-335,571**	**3,421,282**	**5,868,744**	**260,841,874**
a) Retroactive adjustments								**-27,383**		**-27,383**
Opening balance for the reporting period	**139,773,510**	**75,121,586**	**3,198,981**	**0**	**0**	**33,793,342**	**-335,571**	**3,393,899**	**5,868,744**	**260,814,491**
Changes in equity – transactions with owners	**0**	**0**	**0**		**-150,599**	**-517,232**	**0**	**-5,453,039**	**0**	**-6,120,870**
Purchase of own shares					-150,599					**-150,599**
Payment of dividend						-517,232		-5,453,039	0	**-5,970,271**
Total comprehensive income for the reporting period							**-252,786**	**0**	**15,092,354**	**14,839,568**
Entry of net profit/loss for the period									15,092,354	**15,092,354**
Other items of comprehensive income							-252,786			**-252,786**
Changes in equity	**0**	**0**	**637,932**	**150,599**	**0**	**9,493,816**	**0**	**5,893,644**	**-16,175,991**	**0**
Allocation of the remaining part of the net profit for the compared reporting period to other items of equity								5,866,261	-5,866,261	**0**
Allocation of the remaining part of the net profit for the compared reporting period pursuant to the decision by the Management and Supervisory Boards			637,932			9,491,333			-10,129,265	**0**
Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting resolution						2,483			-2,483	**0**
Settlement of loss as a deduction component of equity								27,383	-27,383	**0**
Building up reserves for own shares				150,599					-150,599	**0**
Closing balance for the reporting period	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**-150,599**	**42,769,926**	**-588,357**	**3,834,504**	**4,785,107**	**269,533,189**

6 SEGMENT REPORTING

The Group's segments consist of:

- Distribution of electricity,
- Purchase and sale of electricity, and
- Electricity production.

Table 144: Key performance indicators by segments

	Electricity distribution		Purchase and sale of electricity		Electricity production		Consolidation eliminations		Elektro Maribor Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net profit in EUR	13,477,945	12,786,019	95,890	3,182,124	158,480	355,641	-2,060,257	-1,231,430	11,672,058	15,092,354
Return on assets (ROA) in %	3.8	3.7	0.2	8.3	3.3	7.3			3.0	4.0
Net return on equity (ROE) in %	5.1	5.0	0.5	18.0	3.5	8.1			4.3	5.7
EBIT (operating profit or loss) in EUR	13,950,635	13,004,950	43,574	3,439,489	170,376	402,533			14,164,584	16,846,974
Total all revenues in EUR	83,864,273	80,791,259	76,381,841	90,114,125	1,161,058	1,489,296	-2,466,539	-2,064,545	158,940,633	170,330,135
Operating revenue in EUR	82,050,843	79,345,897	76,179,637	89,900,354	1,156,424	1,482,577	-709,442	-833,112	158,677,462	169,895,716
Net sales revenues in EUR	60,476,292	57,941,225	75,420,893	89,405,971	1,156,424	1,472,139	-709,442	-833,113	136,344,167	147,986,222
Added value in EUR	63,123,870	60,665,087	3,783,826	7,567,858	783,520	1,037,815			67,691,214	69,270,761
Added value per employee based on hours in EUR	75,055	73,702	56,165	113,004	153,631	203,493			74,100	77,552
All costs and expenses total in EUR	68,711,350	66,987,411	76,159,187	86,496,471	992,983	1,087,145	-406,281	-833,114	145,457,239	153,737,913
Operating costs and expenses in EUR	68,100,207	66,340,947	76,136,063	86,460,866	986,048	1,080,044	-709,440	-833,115	144,512,878	153,048,742
Assets as at 31 December – in EUR	364,944,100	352,584,706	37,213,844	40,190,319	4,690,713	4,866,463	-16,349,478	-15,977,234	390,499,179	381,664,254
Equity as at 31 December – in EUR	269,381,842	260,251,694	19,086,688	20,344,460	4,602,366	4,783,886	-16,197,108	-15,846,851	276,873,788	269,533,189
Investments in EUR	28,655,344	27,673,982	484,939	497,009	361,280	397,722	0	0	29,501,563	28,568,713
Number of employees as at 31 December	752	755	70	68	5	5			827	828
Average number of employees related to working hours	841.04	823.11	67.37	66.97	5.10	5.10			913.51	893.22

7 NOTES AND DISCLOSURES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

7.1 Notes to the consolidated balance sheet

The consolidated balance sheet is the basic financial statement which presents real and fair assets and liabilities of the Group at the end of the financial year on 31 December 2017.

Items in the balance sheet are presented at their carrying amounts as the difference between the cost and the deducted value adjustment. In the preparation of the consolidated balance sheet we considered the principle of individual asset and liability valuation.

No significant adjustments were made in any of the balance sheets.

Intangible assets

Note 1

Intangible assets comprise property rights from the use of licenses and application software. The intangible assets also include servitudes for the use of the land under the routes of the company's distribution network, which are shown in the balance sheet between items land and buildings, in accordance with the provisions of Article 65 of the Companies Act (ZGD-1).

Intangible assets are not pledged for the repayment of debts and the company does not dispose with assets acquired through government grant.

Table 145: Changes in intangible assets

in EUR	Intangible assets	Current investments	Advances given	Total
Purchase value				
As at 1 January 2017	9,141,869			9,141,869
Increase	1,451,021	0		1,451,021
- New purchases	1,656,966	1,325,268	148,025	2,982,234
Eliminations	-205,945	-1,325,268		-1,531,213
As at 31 December 2017	10,592,890	0	148,025	10,592,890
Write-offs				
As at 1 January 2017	5,586,435			5,586,435
Eliminations	-282,432			-282,432
Depreciation	1,100,739			1,100,739
As at 31 December 2017	6,404,742			6,404,742
Carrying amount				
As at 1 January 2017	3,555,435	0	0	3,555,435
As at 31 December 2017	4,188,148	0	148,025	4,336,173

Major acquisitions relate to the acquisition of licences for the introduction of the new ERP system in the parent company and the modernization and upgrade of IIS and the introduction of the new information system SAP in the Energija plus d.o.o. company.

At the end of the financial year, the Group discloses long-term operating liabilities regarding the acquisition of intangible assets in the amount of EUR 108,088.

Property, plant and equipment

Note 2

In recognizing property, plant and equipment the Group applies the cost model.

In 2017, depreciation of property, plant and equipment in the Group amounted EUR 19,065,380.

The Group does not possess tangible assets that would be acquired by financial lease. All fixed assets in the Group are owned by the individual companies and are not pledged as collateral for debts.

In 2017, the parent company applied for the public invitation to tender for the co-financing of the purchase and installation of smart electricity meters for the 2017–2022 period. The request for co-financing will be given in 2018, which is why the receivables in this respect can only be recognized in accounting ledgers in 2018, in accordance with the SAS provisions.

The Group still has some contractual commitments for the acquisition of tangible fixed assets, but these are concluded for successive supply of equipment by the contract in accordance with the time schedule.

Table 146: Property, plant and equipment

in EUR	31 Dec 2017	31 Dec 2016
Land and buildings	239,282,908	233,488,335
- Land	10,036,916	9,522,319
- Buildings	229,245,992	223,966,016
Production machinery	75,893,194	75,137,652
Property, plant and equipment under construction and in production	8,255,243	5,040,948
Advance payments for acquisition of property, plant and equipment	35,367	16,242
Total	**323,466,712**	**313,683,177**

Table 147: Changes in property, plant and equipment in 2017

in EUR	Land and rights	Building	Equipment	Investments in foreign property, plant and equipment	Current investments	Advance payments	Total property, plant and equipment
Purchase value							
As at 1 January 2017	9,555,151	707,351,156	180,885,482	367,643	5,040,948	16,242	903,216,622
Increase, of which:	0	0	0	0	29,166,350	223,110	29,389,460
- Acquisitions	0	0	0		29,166,350	223,110	29,389,460
Activation	530,121	17,683,448	7,732,713	0	-25,837,559	-4,996	103,727
- Activation (new purchases)	530,121	17,683,448	7,732,713		-25,837,559	-4,996	103,727
Disposals		-7,579,113	-4,479,849			0	-12,058,962
Transfers	1,426	-961	-465		-114,496	-198,989	-313,485
As at 31 December 2017	10,086,698	717,454,530	184,137,881	367,643	8,255,243	35,367	920,337,362
Write-offs							
As at 1 January 2017	32,833	483,385,140	106,056,121	59,352			589,533,446
Disposals		-7,356,743	-4,371,433				-11,728,176
Depreciation	16,949	12,180,141	6,847,031	21,259			19,065,380
Transfers							0
As at 31 December 2017	49,782	488,208,538	108,531,719	80,611	0	0	596,870,650
Carrying amount							
As at 1 January 2017	9,522,318	223,966,016	74,829,361	308,291	5,040,948	16,242	313,683,176
As at 31 December 2017	10,036,916	229,245,992	75,606,162	287,032	8,255,243	35,367	323,466,712

Major purchases relate primarily to the purchase of electricity facilities and equipment in the company Elektro Maribor.

The parent company Elektro Maribor as the owner of the electricity distribution infrastructure for 2011 concluded a new Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator with the company SODO d.o.o., which is the sole concessionaire for performing the public utility service of a distribution network system operator in the Republic of Slovenia. In accordance with this contract, annexes are concluded for each year, stipulating the amount of lease and services which Elektro Maribor performs for SODO, and the amount of assets for covering losses in the Elektro Maribor distribution network.

Table 148: Balance and changes in electricity distribution infrastructure in 2017

in EUR	Land and rights	Buildings	Equipment	Total intangible and intangible fixed assets
Purchase value				
As at 1 January 2017	6,544,797	676,959,676	151,108,312	834,612,784
Increase, of which:				0
- Activation	530,061	16,791,785	5,352,891	22,674,737
Disposals		-7,524,751	-3,513,518	-11,038,269
Transfers	1,426	-961	-465	0
As at 31 December 2017	7,076,284	686,225,748	152,947,220	846,249,252
Write-offs				0
As at 1 January 2017	32,833	469,023,574	86,128,781	555,185,187
Decrease		-7,328,421	-3,452,129	-10,780,550
Depreciation	16,949	11,562,687	5,158,863	16,738,499
Transfers				0
As at 31 December 2017	49,782	473,257,840	87,835,515	561,143,136
Carrying amount				0
As at 1 January 2017	6,511,964	207,936,102	64,979,531	279,427,597
As at 31 December 2017	7,026,502	212,967,908	65,111,706	285,106,116

The amounts of future leases cannot be presented reliably, since the price and scope of the lease change in accordance with the planned regulatory framework for each year.

The book value for the leased electricity distribution infrastructure as at 31 December 2017 amounted to EUR 285,106,116.

Investment property

Note 3

The Group owns investments in apartments that are leased, as well as holiday facilities which are marketed. The purchase value method is used for assessing investment property. The applied depreciation method is the method of straight-line depreciation method and is calculated individually, based on each item of property.

Persons in charge in each Group company actively monitor the events on the market and assess that there was no objective evidence in 2017 on the facts that would point to the need for impairment of investment property.

Table 149: Balance and changes in investment property

in EUR	31 Dec 2017
Purchase value	
As at 1 January 2017	1,454,170
Increase	39,391
Disposals	-13,949
As at 31 December 2017	1,479,612
Write-offs	
As at 1 January 2017	807,171
Eliminations	10,663
Depreciation	23,681
As at 31 December 2017	820,189
Carrying amount	
As at 1 January 2017	646,998
As at 31 December 2017	659,422

Table 150: Investment property in 2017

in EUR	Value	Revenue	Costs
Holiday facilities	621,096	108,021	127,835
Apartments	38,326	7,572	1,747
Total	**659,422**	**115,593**	**129,582**

Financial investments

Note 4

All companies in the Group have classified financial investments as held for sale.

Table 151: Long-term financial investments of the Group

in EUR	31 Dec 2017	31 Dec 2016
Long-term financial investments excluding loans	208.348	208.348
- other long-term financial investments in shares and stakes	56.594	56.594
- other financial investments in the Investment Fund	151.754	151.754

Investments in associates

Note 5

In individual financial statement, the financial investments of subsidiaries, jointly controlled entities and associates are calculated according to the purchase value.

In consolidated financial statements, the investments in group companies are excluded while the investments in associates demonstrate the equity method.

Table 152: Balance and changes in investments in associates

in EUR	As at 1 January 2017	Payment of participations in profit	Attribution of profit/loss	As at 31 December 2017
Investment in Informatika d.d.	181,059	0	15,735	196,794
Investment in Eldom d.o.o.	22,083	6,792	1,963	17,254
Investment in Mojo energijo d.o.o.	1,283,339	58,000	-303,162	922,177
Total	**1,486,481**	**64,792**	**-285,464**	**1,136,226**

Long-term operating receivables

Note 6

Long-term operating receivables are recognized in the total amount of EUR 68,242, and receivables due from clients mainly disclose receivables due from the company SODO relating to the final settlement of SODO for the regulatory years 2013 and 2014 and the preliminary settlement of 2014 in the amount of EUR 22,463, and receivables from the collection of assets to the reserve fund of owner-occupied residential buildings.

Receivables in the Group are not secured and not pledged as collateral for liabilities.

Deferred tax assets

Note 7

In 2017, the Group recognised an increase in deferred tax assets for temporary deductible tax differences based on past and current formed expenses not recognized for tax purposes, i.e. on the basis of formed provisions for service awards and severance pays, as well as for revaluation operating expenses for receivables, which are not recognized for tax purposes.

The tax rate used in the calculation of deferred tax assets was 19 %. The same rate is also expected to be applied in the future business years.

In 2017, the Group increased deferred tax assets in the amount of EUR 36,105. Net profit or loss for 2017 increased by the same amount. The balance of deferred tax assets as at 31 December 2017 amounted to EUR 2,012,560.

Inventories

Note 8

Table 153: Inventories

in EUR	31 Dec 2017	31 Dec 2016
Raw material and material	1,617,122	1,350,903
Fuel and lubricants	14,029	11,978
Office supplies	8,383	5,924
Small tools and packaging inventories	80,136	21,693
Products and merchandise	19,857	58,922
Total	**1,739,527**	**1,449,420**

Inventories consist of inventories of material for use in own investments, material for provision of services on the market and spare parts for the maintenance of fixed assets.

The management has assessed that the book value of inventories is under the level of net marketable value, excluding inventories which are determined as current reserve inventories, for which the parent company has made adjustments to net marketable value.

On 31 December 2017, the Group reported inventories with no changes in the period from 1 January 2015 to 31 December 2017, in the amount of EUR 105,997, wherein this is determined as the current reserve. The management assessed that the net marketable value of these inventories is lower; therefore in 2017, the management adjusted the value for these inventories in the amount of EUR 4,327.

Table 154: Value of inventories

in EUR	31 Dec 2017	31 Dec 2016
Gross value of inventories of material and merchandise	1,792,525	1,498,091
Value adjustments	52,998	48,671
Net value of inventories of material and merchandise	1,739,527	1,449,420

Merchandise inventories include inventories of wood pellets and other merchandise at the Energija plus d.o.o., and are intended for further sale.

In 2017, upon stocktaking of material and merchandise, no deficit or surplus were established. In the same period, EUR 162 worth of material was written of due to damage, destruction and obsolescence.

All inventories are owned by the Group and are not pledged as collateral for debts.

Accounts receivable

Note 9

Table 155: Accounts receivable

in EUR	31 Dec 2017	31 Dec 2016
Current operating receivables due from clients, of which:	**39,557,116**	**39,854,023**
- receivables for sold energy products	30,981,058	32,501,647
- receivables for the lease and services according to the SODO d.o.o. contract	7,617,300	6,472,590
- receivables for other charged services	913,113	695,881
- receivables for charged interest	45,645	183,904

Customers usually settle their receivables in due time or with minor delays. In the event of delays customers are charged default interest in accordance with the contract.

The Group's receivables are mostly insured with bills of exchange. No receivables are pledged as collateral for guarantee.

The Group forms adjustments of receivables in accordance with the uniform accounting policy. For doubtful, disputable receivables and those with maturity over 90 days, value adjustments are made.

In Group companies, adjustments are considered only if the company is in bankruptcy or compulsory settlement, i.e. in the total value.

At the end of business year, the Group has no receivables due to the Management Board and members of the Supervisory Board, except for the regular receivables for sold electricity.

Table 156: Value of accounts receivable

in EUR	31 Dec 2017	31 Dec 2016
Gross receivables	47,994,405	48,959,767
Value adjustment	8,437,289	9,105,744
Net receivables	**39,557,116**	**39,854,023**

Table 157: Changes in value adjustments of receivables

in EUR	As at 1 January 2017	Decrease	Increase	As at 31 December 2017
Value adjustments of current operating receivables				
- decrease in value adjustments due to payments		530,627		
- decrease of value adjustments due to write-offs		950,798		
Total	**9,105,744**	**1,481,425**	**812,970**	**8,437,289**

Table 158: Breakdown of current operating receivables upon maturity

in EUR	31 Dec 2017	Structure in %	31 Dec 2016	Structure in %
Receivables not due	35,819,226	90.55	36,383,447	91.29
Past due up to 30 days	2,901,288	7.33	2,450,959	6.15
Past due up to 31–60 days	375,780	0.95	461,216	1.16
Past due up to 61–90 days	147,872	0.37	190,937	0.48
Past due over 90 days	312,950	0.79	367,464	0.92
Total	**39,557,116**	**100**	**39,854,023**	**100**

Income tax receivables

Note 10

Income tax receivables of the Group amount to EUR 739,971 and disclose overpayment of income tax prepayments for 2017, particularly with regard to the company Energija plus.

Other assets

Note 11

Other assets state in particular the amounts of receivables for input VAT and short-term accrued revenues and deferred expenses. These include mostly the amounts of short-term non-accrued revenues resulting from damage in electricity network, which are the result of a higher number of loss events at the end of 2017, and the lease of bases.

Table 159: Short-term accrued revenues and deferred expenses

in EUR	31 Dec 2017	31 Dec 2016
Short-term deferred expenses	16,736	17,580
Short-term non-accrued revenue	913,048	241,766
VAT in received advances	43,708	63,369
Total	**973,492**	**322,715**

Table 160: Changes in short-term accrued revenues and deferred expenses

in EUR	As at 1 January 2017	Increase	Decrease	As at 31 December 2017
Short-term deferred expenses	17,580	1,736,241	1,737,085	16,736
Short-term non-accrued revenue	241,766	911,858	240,576	913,048
VAT in received advances	63,369	472,757	492,418	43,708
Total	**322,715**	**3,120,855**	**2,470,079**	**973,492**

Cash and cash equivalents

Note 12

Table 161: Cash

in EUR	31 Dec 2017	31 Dec 2016
Assets on accounts	1,302,683	2,078,950
Deposits redeemable	12,423,704	14,427,247
Total	**13,726,387**	**16,506,197**

Capital/equity

Note 13

The share capital of the Group is the equity of the parent company, and is distributed to 33,495,324 ordinary no-par shares.

Capital reserves show the fully paid-up surplus of capital.

Table 162: Capital/equity

in EUR	31 Dec 2017	31 Dec 2016
Share capital	139,773,510	139,773,510
Capital reserves	75,121,586	75,121,586
Legal reserves	4,510,810	3,836,913
Reserves for own shares	154,539	150,599
Own shares	-154,539	-150,599
Other profit reserves	51,283,278	42,769,926
Fair value reserves	-905,167	-588,357
Retained net profit or loss	4,608,902	3,834,504
Net profit or loss for the financial year	2,480,869	4,785,107
Total	**276,873,788**	**269,533,189**

In 2017, in accordance with the powers of the Assembly, the company obtained 1,534 own shares in the amount of EUR 3,940. In the same amount, it formed reserves for own shares.

Fair value reserves disclose actuarial loss relating to the calculation of provisions for long-service bonuses and severance pays in companies in the Group.

Legal reserves and other profit reserves are formed from net profit or loss of the business periods since 2003. Reserves for own shares are formed from net profit or loss for 2016 and 2017.

In 2017, the Group generated net profit in the amount of EUR 11,672,058.

Net profit per share in the Group amounts to EUR 0.35.

The book value of a share in the Group amounts to EUR 8.27.

Provisions

Note 14

Table 163: Provisions

in EUR	As at 1 January 2017	Spent	Increase	Release	As at 31 December 2017
Provisions for long-service bonuses	1,632,473	279,639	575,101	18,772	1,909,163
Provisions for pensions	3,685,381	124,724	568,236	31,149	4,097,743
Provisions for guarantees issued	20,169	0	2,485	0	22,654
Provisions for non-current accrued costs	1,249,661	31,200	302,632	20,000	1,501,093
Total	**6,587,684**	**435,563**	**1,448,454**	**69,921**	**7,530,653**

Provisions for guarantees issued are formed for cases when the company grants a warranty period for the elimination of possible errors in the construction of buildings to foreign clients, and this period lasts about five years. The Group formed these provisions in the estimated amount of 10% of the total exposed contractual value.

The amount of provisions from legal liabilities equals EUR 783,374 and is the best evaluation of costs required for their settlement. In making the best estimate, we observed the risks and uncertainties, which inevitably accompany the legal proceedings for which provisions were formed.

The amount of provisions based on obligations stemming from the cost estimates of the regulatory framework for 2014 totals EUR 704,806.

The amount of provisions equals the current value of expenses, which are expected to be needed for the settlement of such commitments.

Deferred income

Note 15

The deferred revenue discloses the balance of tangible fixed assets acquired free of charge, and the balance of co-financing assets. The Group uses these long-term accrued expenses and deferred revenues in order to cover the cost of the depreciation thereof using the annual depreciation rate of 2.93%.

Since 2010, the amounts used to cover the depreciation costs for the formed non-current accrued costs and deferred revenue have been those that match the actual depreciation rate of an individual fixed asset.

Table 164: Changes in non-current accrued costs and deferred revenue

in EUR	As at 31 December 2016	Decrease	Increase	As at 31 December 2017
Non-current deferred revenues from house connections acquired free of charge	17,301,959	719,787	1,110,420	17,692,591
Non-current deferred revenues from fixed assets acquired free of charge	8,369,478	293,697	223,079	8,298,860
Non-current deferred revenues from average connection costs	3,831,897	174,357		3,657,540
Non-current deferred revenues from co-financing	3,439,666	148,963	20,000	3,310,703
Non-current deferred revenues from contributions for disabled employees	0	120,273	120,273	0
Non-current deferred revenues from EU projects	22,843	22,843		0
Total	**32,965,842**	**1,479,920**	**1,473,772**	**32,959,694**

Financial liabilities

Note 16

Non-current financial liabilities completely refer to received non-current loans from banks. In 2017, the Group raised a non-current loan with a maturity of 8 years, in the total value of EUR 9,000,000.

The maturity of loans ranges between 5 and 11 years. Interest rate is between 1-and 6-month EURIBOR, with 1.0 to 1.65% profit margin or a fixed interest rate with 0.721 to 1.072% annually.

The carrying amount of non-current liabilities equals their fair value. Non-current liabilities of the company are not exposed to any special exchange and credit risks. Exposure to interest rate risk represents a potential negative change in reference interest rate EURIBOR.

The majority of loans in the Group is secured will bill of exchange and are taken for the purposes of financing investments. The principal and interests are paid regularly and within due date. In a deadline, longer than five years, principals in the amount of EUR 29,060,714 fall due.

Table 165: Non-current financial liabilities to banks

in EUR	31 Dec 2017	31 Dec 2016
Non-current financial liabilities to banks	38,185,714	37,942,857
Current part of non-current financial liabilities to banks	-7,267,857	-8,757,143
Total	**30,917,857**	**29,185,714**

Operating liabilities

Note 17

Non-current operating liabilities of the group disclose mainly the amounts of long-term part for the repayment of liabilities for the supplied application equipment in the amount of EUR 108,088.

Financial liabilities

Note 18

Current or short-term financial liabilities amount to EUR 7,297,125 and include amounts of the current part of long-term loans falling due within one year from the balance sheet date and amount to EUR 7,267,857, and liabilities to shareholders related to the distribution of profit in the amount of EUR 29,268.

Operating liabilities

Note 19

Current operating liabilities are disclosed in the amount of EUR 32,719,605.

Table 166: Current operating liabilities

in EUR	31 Dec 2017	31 Dec 2016
Current operating liabilities to suppliers for fixed assets	4,436,921	3,744,603
Current operating liabilities to suppliers for current assets	10,790,955	10,926,450
Current operating liabilities to SODO d.o.o.	11,029,004	11,665,952
Current operating liabilities to employees	4,001,981	3,615,491
Current operating liabilities to state and other institutions	1,216,299	936,913
Current operating liabilities from advance payments	1,039,901	1,236,752
Other current operating liabilities	204,545	227,901
Total	**32,719,605**	**32,354,062**

Income tax liability

Note 20

Liabilities for income tax of the Group show the calculated liabilities based on the tax return for 2017, which have been offset against paid advanced payments. The group discloses EUR 501,404 of liabilities for corporate income tax, which falls due in April 2018.

Other liabilities

Note 21

Other liabilities show short-term accrued expenses and deferred revenues related to short-term accrued expenses and short-term deferred revenue. They include receivables and liabilities, which are assumed to appear within a year and are probable, with their size assessed reliably.

Table 167: Current accrued costs and deferred revenue

in EUR	31 Dec 2017	31 Dec 2016
Accrued costs for unused annual leave	900,681	949,327
Current accrued costs for legal matters	0	79,817
Current accrued costs of deviations	442,563	347,273
Other accrued costs	185,569	48,874
Total	**1,528,814**	**1,425,291**

Table 168: Changes in current accrued costs and deferred revenue

in EUR	As at 31 Dec 2016	Formation	Spent	Elimination	As at 31 Dec 2017
Accrued costs for unused annual leave	949,328	900,680	851,642	97,686	900,682
Current accrued costs for legal matters	79,817			79,817	0
Current accrued costs of deviations	347,272	502,860	407,570	0	442,563
Other accrued costs	48,874	335,931	199,236	0	185,569
Total	**1,425,291**	**1,739,472**	**1,458,447**	**177,503**	**1,528,814**

Off-balance sheet assets/liabilities

Note 22

Table 169: Off-balance sheet assets/liabilities

in EUR	31. 12. 2017	31. 12. 2016
Securities for insurance of payments – guarantees	19,855,588	22,047,938
Securities for insurance of payments – bills of exchange	38,185,714	37,942,857
Receivables for provided bank guarantees	4,356,384	3,588,985
Enforcement drafts received	113,512	113,512
Enforcement drafts given	149,968	132,082
Potential liabilities for damages	17,112	9,631
Small tools in use	1,510,530	1,510,319
Potential liabilities for payment due to leasing	68,507	0
Average cost of connection SODO d.o.o. transfer of assets 1 July to 31 Dec 2009	3,594,136	3,751,974
Average cost of connection SODO d.o.o. transfer of fixed assets as of 1 January 2010	1,020,945	1,057,453
Assets for holiday facilities – Eldom d.o.o.	184,870	184,870
Other		16,479
Total	**69,057,266**	**70,356,100**

The management estimates that the probability of receipts and expenditures from the above-mentioned receivables and liabilities is very small, therefore the amounts disclosed are merely informative.

7.2 Notes to the items of the consolidated Income statement

Table 170: Types of revenues

in EUR	2017	2016
Operating revenue	158,677,462	169,895,716
Financial revenue	211,409	410,740
Other revenue	34,066	23,679
Total	**158,922,937**	**170,330,135**

Net sales revenues

Note 23

Table 171: Net sales revenue

in EUR	2017	2016
Sale of electricity and other energy products	75,512,894	89,811,151
- SODO d.o.o. – Sale of electricity for losses	0	0
- Other	75,512,894	89,811,151
Charged rents	29,550,229	28,691,930
- SODO d.o.o. – rent	29,249,690	28,322,032
- other	300,539	369,898
SODO d.o.o. contract services	26,468,386	25,822,675
Charged services	4,724,405	3,550,465
Sale of waste material	88,252	110,001
Total	**136,344,167**	**147,986,222**

Table 172: Considered settlements of SODO d.o.o. in regulatory years 2015, 2016 and 2017

in EUR	Actual revenue 2017	Preliminary balance 2017	Elimination of accrued final settlem. 2015	Final 2015	Prelim 2016 (settlement of losses)	Elimination of accrued final settlem. 2016	Final 2016	Total 2017
Rent	29,437,961	-142,358	0	-46,418		0	505	**29,249,690**
Services	24,754,209	1,823,173	-41,624	37,517	-191	-10,208	-94,490	**26,468,386**
Total	**54,192,170**	**1,680,815**	**-41,624**	**-8,901**	**-191**	**-10,208**	**-93,985**	**55,718,076**

Net sales revenue account for 86% of total revenues achieved in the Group.

Capitalised own products and services

Note 24

Capitalised own products and services

in EUR	2017	2016
Capitalised products	18,204,907	17,723,798
Capitalised services	616,255	366,610
Total	**18,821,162**	**18,090,408**

Capitalised own products and services include own construction of investments and revenues from internal services (finalisation of equipment).

Other operating revenue

Note 25

Table 173: Other operating revenue

in EUR	2017	2016
Reversal of provisions and accrued costs and deferred revenue	216,275	1,203,453
Drawing of non-current accrued costs and deferred revenue	1,467,077	1,549,147
Indemnifications received from the insurance company	794,524	431,388
Profit from the sale of fixed assets	91,510	79,035
Recovered receivables from previous years	782,793	472,481
Other operating revenue	159,954	83,582
Total	**3,512,133**	**3,819,086**

Other operating revenue relates primarily to the revenue from drawing long-term accrued costs and deferred revenue for amounts covering the cost of depreciation of tangible fixed assets acquired free of charge, and co-financing of power plants, compensation received from insurance companies for damage to the electricity network, and recovered receivables for electricity and network usage.

Costs by functional groups

Table 174: Costs by functional groups

in EUR	2017	2016
Production costs of products sold	62,080,897	60,455,349
Purchase value of sold merchandise	68,622,151	77,797,963
Sales costs	6,095,386	6,376,924
General and administrative costs	6,598,957	6,802,288
Total	**143,397,391**	**151,432,524**

Purchase value of merchandise sold in the Group includes mainly the sum for the purchase of electricity in the amount of EUR 66,380,796 and the purchase of gas in the amount of EUR 2,180,976.

Costs of goods, materials and services

Note 26

Table 175: Costs of goods, materials and services

in EUR	2017	2016
Costs of material	10,523,744	10,648,676
Costs of services	10,868,607	10,532,648
Total	**21,392,351**	**21,181,324**

Costs of material mainly include the costs of material in investment and construction works in the parent company.

Costs of services are disclosed in the amount of EUR 10,868,607 and contain mainly the amounts of maintenance services of fixed assets, insurance premiums and IT.

An auditing contract was concluded for the auditing of financial statements and the annual report of the Group for 2017 in the amount of EUR 19,280. This amount also includes the costs of auditing of the consolidated annual report in the amount of EUR 1,640. There were no other transactions with the selected auditor in 2017.

Labour costs

Note 27

Table 176: Labour costs

in EUR	2017	2016
Costs of wages and salaries	22,517,155	22,058,166
Cost of supplemental pension insurance for employees	1,136,506	1,061,739
Employer contributions and other salary duties	3,735,188	3,644,931
Other labour costs	4,832,495	4,493,436
Total	**32,221,344**	**31,258,272**

Salaries were paid on the basis of the provisions of the general and Corporate Collective Agreement and individual employment contracts.

Other labour costs also include pay for annual leave, reimbursement to employees for material costs, and the amount of formed provisions for long-service bonuses and severance pays upon retirement.

Table 177: Gross receipts of special groups of employees

	2017		2016	
in EUR	Number	Amount	Number	Amount
Members of Management Boards and the management		277,114		254,188
- mag. Boris Sovič, President of Elektro Maribor d.d.	1	105,600	1	101,486
- Bojan Horvat, director of Energija plus d.o.o.	1	120,936	1	104,074
- Miroslav Prešern, director of OVEN Elektro Maribor d.o.o.	1	50,578	1	48,628
Other employees under individual contracts	13	976,350	11	771,232
Members of the Supervisory Board of the Elektro Maribor d.d. Group companies	7	91,531	6	94,916
Audit Committee	4	17,290	3	19,158
Human Resources Committee	0	0	3	4,507
Total	**27**	**1,362,285**	**26**	**1,144,001**

Only the parent company of the Group, Elektro Maribor, has a Supervisory Board, and the members' names are disclosed in Chapter II. Business Report of the company Elektro Maribor d.d., which also discloses the names of the members of Management Boards of companies in the Group.

The companies in the Group have no receivables and liabilities to the members of the Management and Supervisory Boards, except for December salaries which were paid in January 2018.

The Group did not give any advances or loans to employees under individual contracts, Management Boards of individual Group companies, or the members of the Supervisory Board and its committees.

Depreciation

Note 28

Table 178: Depreciation

in EUR	2017	2016
Depreciation of intangible assets	1,100,739	847,281
Depreciation of intangible assets – servitudes	16,949	12,954
Depreciation of property, plant and equipment	19,048,430	18,664,172
Depreciation of investment property	23,681	24,891
Total	**20,189,799**	**19,549,298**

Revaluation operating expenses

Note 29

Value adjustments of receivables refer to receivables, where there was doubt about their payment with regard to the sale of electricity and use of network, as well as the services rendered.

Table 179: Revaluation operating expenses

in EUR	2017	2016
Revaluation operating expenses in intangible assets and property, plant and equipment	300,472	471,372
Revaluation operating expenses pertaining to inventories	4,489	11,922
Revaluation operating expenses pertaining to receivables, of which:	795,678	1,127,665
- from the use of network and sale of electricity	758,586	1,056,603
- from services rendered	13,429	10,738
- from interest	23,663	60,324
Other revaluation operating expenses	14,848	5,258
Total	**1,115,487**	**1,616,217**

Other operating expenses

Note 30

Table 180: Other operating expenses

in EUR	2017	2016
Provisions for securities	12,913	2,485
Provisions for legal proceedings	292,204	247,076
Construction land compensation	287,965	293,380
Other duties and expenses	378,663	1,059,043
Total	**971,745**	**1,601,984**

Financial revenue

Note 31

Table 181: Financial revenue

in EUR	2017	2016
Financial revenue from loans granted	**441**	**7.326**
Financial revenue from loans granted to others	441	7.326
Financial revenues from operating receivables	**210,968**	**264,846**
Financial revenue from operating receivables due from others	210,968	264,846
Total	**211,409**	**272,172**

Financial expenses

Note 32

Table 182: Financial expenses

in EUR	2017	2016
Finance expenses from financial liabilities	**423,337**	**444,587**
Financial expenses from loans received from others	403,002	431,977
Financial expenses from other financial liabilities	20,335	12,610
Financial expenses from operating liabilities	**59,796**	**104,889**
Financial expenses from liabilities to suppliers	408	165
Financial expenses from other operating liabilities	59,388	104,724
Total	**483,133**	**549,476**

Share in profit (loss) of associates

Note 33

Table 183: Share in profit (loss) of associates

in EUR	2017	2016
Share in profit (loss) of associates	-285,466	138,568

The table shows the attribution of profits of associates in the amount of EUR 17,696 and the attribution of losses of associates in the amount of EUR 303,162.

Other revenue and expenses

Note 34

Table 184: Other revenue and expenses

in EUR	2017	2016
Other revenue	34,066	23,679
Other expenses	158,066	139,695

Other expenses in the Group mainly represent the amounts of donations in the amount of EUR 49,058.

Income tax

Note 35

In 2017, the Group reported liability for the payment of corporate income tax in the amount of EUR 1,847,441 determined by individual companies on the basis of the tax return.

Table 185: Adjustment of levied tax with tax calculated on the basis of reported profit before tax

	2017	
	Rate	in EUR
Profit before tax		13,483,394
Income tax (official rate)	19.00 %	2,561,845
Amounts that have negative impact on tax base		485,171
- amount for reducing expenses to the level of taxable expenses		485,171
- amount for increasing revenues to the level of taxable revenues		
Amounts that have positive impact on tax base (+)(-)		342,006
- amount for increasing expenses to the level of taxable expenses		195,177
- amount for decreasing revenues to the level of taxable revenues		146,828
Tax relief		944,305
- used to impact the reduction of tax		944,305
Change in tax base due to transition		-31,649
Increase in tax base		168
Calculated tax for the period	**13.70 %**	**1,847,441**
Increase/decrease of deferred tax		-36,105
Tax in the Income statement	**13.43 %**	**1,811,336**

Deferred taxes

Note 36

Table 186: Deferred taxes

in EUR	2017	2016
Deferred tax for provisions for long-service bonuses and severance pays	165,974	56,232
Deferred tax from formed revaluation adjustments of receivables	-129,869	470,609
Total	**36,105**	**526,841**

In 2017, the Group recognised the increase in deferred tax assets for temporary deductible tax differences based on past and current expenses not recognised for tax purposes, i.e. on the basis of formed provisions for long-service bonuses and severance pays upon retirement, as well as for revaluation operating expenses for receivables, which are not recognised for tax purposes. The tax rate used in the calculation of deferred tax assets was 19%. The same rate is also expected to be applied in the future financial years.

In 2017, such receivables increase the Group's profit or loss by EUR 36,105.

Net profit or loss
Note 37

Table 187: Profit or loss before tax

in EUR	2017	2016
Operating result	14,164,584	16,846,974
Financial result	-557,190	-138,736
Result from other revenue and expenditure	-124,000	-116,016
Profit or loss before tax	**13,483,394**	**16,592,222**

Table 188: Net profit or loss in 2017

in EUR	Elektro Maribor d.d.	Energija plus d.o.o.	Oven Elektro Maribor d.o.o.	Associated companies	Total
Profit or loss before tax	15,152,922	222,654	168,076	-285,466	15,258,186
Elimination of profits within the Group				-1,710,000	-1,710,000
Elimination of associate's profits				-64,792	-64,792
Corporate income tax	1,837,846		9,595		1,847,441
Deferred taxes	-162,869	126,764			-36,105
Net profit or loss	**13,477,945**	**95,890**	**158,481**	**-2,060,258**	**11,672,058**

Participations in profits paid within the Group amounted to EUR 1,710,000 and were eliminated. Attributed profit in the amount of EUR 64,792 results from the transfer of participation in profit by Moja energija and Eldom.

7.3 Notes to the items of the consolidated cash flow statement

The consolidated cash flow statement was compiled according to the direct method based on turnover and bank account data of individual companies in the Group.

The consolidated cash flow statement does not include receipts and disbursements among companies in the Group.

Cash flows from operating activities
Note 38

Table 189: Cash flows from operating activities

in EUR	I–XII 2017	I–XII 2016
Cash receipts from operating activities	**291,852,484**	**306,949,841**
Cash receipts from sales of products and services	289,600,199	304,565,816
Other cash receipts from operating activities	2,252,285	2,384,025
Cash disbursements from operating activities	**-279,320,025**	**-291,819,186**
Cash disbursements from purchases of material and services	-230,491,980	-243,439,602
Cash disbursements from salaries and employees' participation in profit	-30,951,473	-30,246,280
Cash disbursements for charges of all kinds	-15,590,500	-16,269,312
Other cash disbursements from operating activities	-2,286,072	-1,863,992
Positive cash flow from operating activities	**12,532,459**	**15,130,655**

Cash flows from investing activities

Note 39

Table 190: Cash flows from investing activities

in EUR	I–XII 2017	I–XII 2016
Cash receipts from investing activities	**175,830**	**266,128**
Interest received and shares in profit received, relating to investment activities	797	8,140
Cash receipts from received participation in profit of others relating to investment activities	64,792	100,000
Cash receipts from disposal of property, plant and equipment	110,241	92,108
Cash receipts from disposal of investment property	0	65,880
Cash disbursements from investing activities	**-11,295,848**	**-11,110,763**
Cash disbursements from acquisition of intangible assets	-2,286,626	-1,997,753
Cash disbursements from acquisition of property, plant and equipment	-9,009,222	-9,113,010
Negative cash flow from investing activities	**-11,120,018**	**-10,844,635**

Cash flows from financing activities

Note 40

Table 191: Cash flows from financing activities

in EUR	I–XII 2017	I–XII 2016
Cash receipts from financing activities	**9,000,000**	**8,000,000**
Cash receipts from increase in non-current financial liabilities	9,000,000	8,000,000
Cash disbursements from financing activities	**-13,192,251**	**-15,241,875**
Cash disbursements from interest paid on financing	-407,469	-423,244
Cash repayments of equity	-3,716	-150,599
Cash disbursements from repayment of non-current financial liabilities	-8,757,143	-8,757,142
Cash disbursements from dividends and other participation in profit	-4,023,923	-5,910,890
Negative cash flow from financing activities	**-4,192,251**	**-7,241,875**

Net cash flow

Note 41

Net cash flow in the Group for the period is negative, amounting to EUR -2,779,810.

Table 192: Net cash flow

in EUR	I–XII 2017	I–XII 2016
Closing balance of cash	**13,726,387**	**16,506,197**
Net cash flow for the period	-2,779,810	-2,955,857
Opening balance of cash	**16,506,197**	**19,462,054**

V. Contact information

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LIST OF ABBREVIATIONS

AČR	Accrued revenues and deferred costs
AMI	Advanced Metering Infrastructure
BDP	Gross domestic product
CAPEX	Capital Expenditure
DDV	Value added tax
DEEO	Electricity distribution network
DKS	Remotely controlled switch
DLMS	Device Language Message Specification
DMR	Digital Mobile Radio
DMS	Distribution Management System
DNA	Information support in operation
DV	Electric line
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EDP	Electricity distribution networks
EEN	Electric device
EFQM	European Foundation for Quality Management
EIB	European Investment Bank
EKS	Energy Concept of Slovenia
ELES	Elektro Slovenija d.o.o.
EMAG	Designation for Elektro Maribor d.d. shares
EMS	Electromagnetic radiation
ERP	Enterprise Resource Planning
EURIBOR	Euro Interbank Offered Rate)
EZ-1	Energy Act
GIS	Geographical information system
GIZ	Economic Interest Grouping
GRI	Global Resource Planning
GSM	Global System for Mobile Communications
GWh	Gigawatt hours
HE	Hydroelectric power plant
IIS	Integrated information system
IKT	Information communication technology
IP	Internet Protocol
IS	Information system
ISO	International Organization for Standardization
KDD	Centralna klirinško depotna družba d.d. (clearing company)
kV	Kilovolt
LTE	Long Term Evolution
M2M	Machine to Machine
MAIFI	Momentary Average Interruption Frequency Index
MFE	Small photo-voltaic power plant
MHE	Small hydroelectric power plant

MM	Metering point
MOW	Commercial name for the information solution of Erpo sistemi d.o.o.
MPLS	Multi Protocol Label Switching
MRS	International accounting standards
MSRP	International Financial Reporting Standards
MVA	Mega Volt Ampere
MW	Mega Watt
MWh	Megawatt hours
NEDO	New Energy and Industrial Technology Development Organization
NN	Low voltage
NNO	Low voltage network
NS	Supervisory Board
OE	Regional unit
OHSAS	Occupational Health and Safety Advisory Services
OPEX	Operating expense
OVE	Renewable source of energy
PČR	Accrued costs and deferred revenue
PLC	Power Line Carrier
ROA	Return On Assets
ROE	Return On Equity
RP	Switching station/substation
RS	Republic of Slovenia
RTP	Switching transformer station
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SDH	Slovenian Sovereign Holding
SHE	Medium-sized hydroelectric power plant
SIST	Slovenian Institute for Standardization
SN	Medium voltage
SODO	Slovenian distribution network system operator
SPTE	Heat and Power Cogeneration
SRS	Slovenian accounting standards
TP	Transformer station
TR	Transformer
TRR	Transaction account
TWh	Terawatt hours
UMAR	Institute of the Republic of Slovenia for Macroeconomic Analyses and Development
URE	Energy efficiency
VN	High voltage
VOR	Maintenance operating reserve
ZGD-1	Companies Act

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ELEKTRO MARIBOR

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