ELEKTRO MARIBOR

Annual Report 2011

Maribor, April 2012

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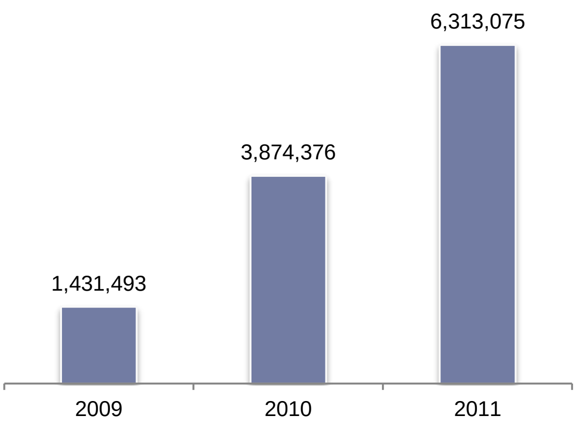
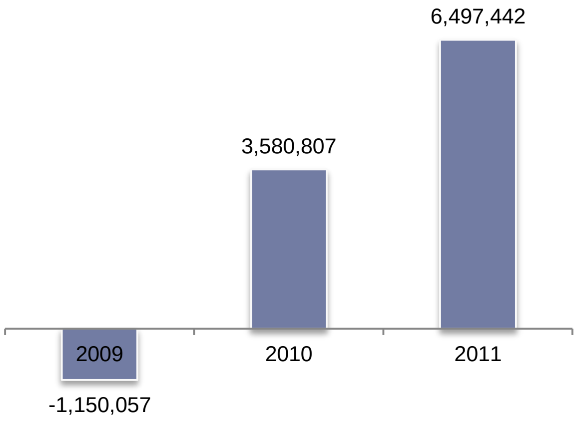
I. INTRODUCTION

1 PERFORMANCE HIGHLIGHTS OF ELEKTRO MARIBOR D.D.

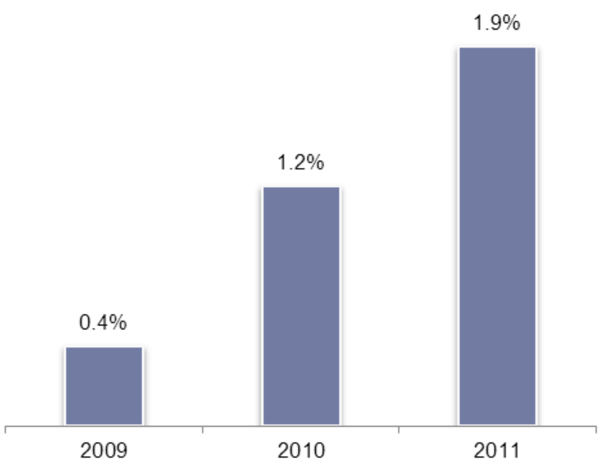
Net profit or loss (in EUR)



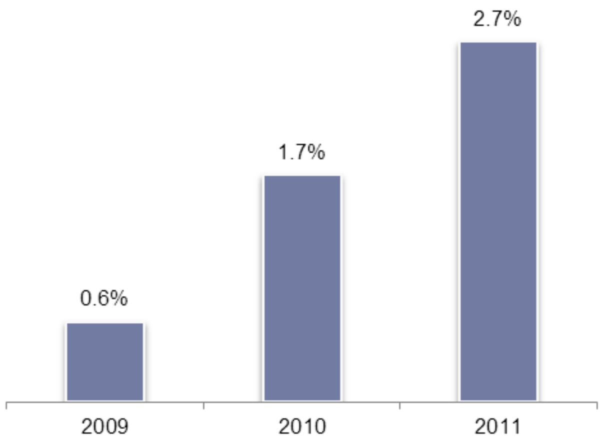
Profit or loss from operating activities (in EUR)



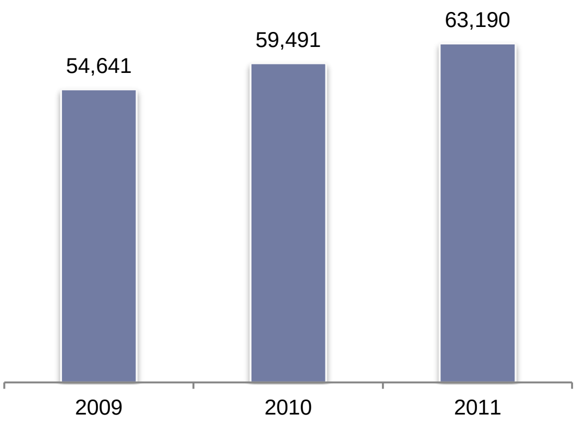
Return on assets (ROA) in %



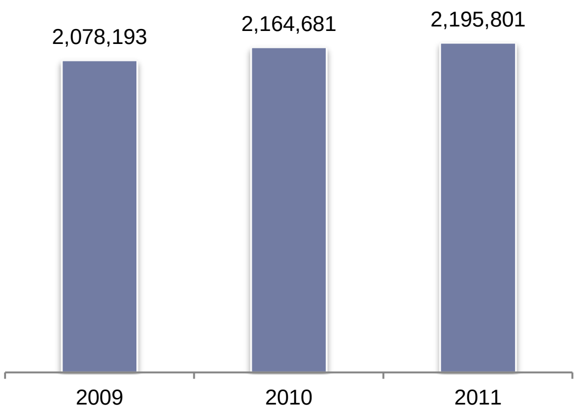
Return on equity (ROE) in %



Added value per employee (in EUR)



Distributed electricity (in MWh)



2011 was marked by the spin-off of purchase and sale of electricity to the subsidiary company Elektro Maribor Energija plus d.o.o.

Key performance indicators

Data	Elektro Maribor 2009	Elektro Maribor 2010	Elektro Maribor 2011*	The Elektro Maribor Group 2011**
Net profit or loss in EUR	1,431,493	3,874,376	6,313,075	4,568,748
Return on assets (ROA) in %	0.4%	1.2%	1.9%	1.3%
Return on equity (ROE) in %	0.6%	1.7%	2.7%	2.0%
EBIT (profit or loss from operating activities) in EUR	-1,150,057	3,580,807	6,497,442	4,209,828
EBITDA (profit or loss from operating activities + amortisation and depreciation) in EUR	20,756,088	23,818,580	25,854,180	25,547,421
Total revenue in EUR	202,359,760	210,662,826	75,193,463	188,692,425
Operating revenues in EUR	198,719,695	209,128,687	74,385,976	187,237,192
Net sales revenue in EUR	185,014,426	192,605,068	62,443,092	174,597,054
Net sales revenue per FTE in EUR	226,862	237,562	81,512	214,667
Value added in EUR	44,561,955	48,232,422	48,407,351	50,137,675
Value added per employee from hours in EUR	54,641	59,491	63,190	61,644
Total costs and expenses in EUR	200,928,267	206,788,450	68,880,388	184,123,677
Operating costs and expenses in EUR	199,869,752	205,547,880	67,888,534	183,027,364
Assets as at 31 Dec - in EUR	325,829,965	339,678,973	325,272,964	344,134,458
Equity as at 31 Dec - in EUR	223,996,963	227,856,970	232,970,045	233,562,687
Investments in EUR	21,322,048	27,058,937	22,897,795	23,298,614
Dividend per share in EUR	0.00	0.00	0.0358	0.0358
Distributed electricity in MWh	2,078,193	2,164,681	2,195,801	2,195,801
Number of electricity consumers	210,434	211,633	212,418	212,418
Distributed electricity in MWh per number of consumers	9.88	10.23	10.34	10.34
Number of employees as at 31 Dec	821	819	771	817
Average number of employees based on working hours	815,54	810,76	766,06	813,34
Percentage of women in the total number of employees as at 31 Dec	15.1%	15.1%	12.5%	15.8%
Average monthly gross salary per employee	1,675	1,721	1,678	1,729

* The data refer to the company Elektro Maribor d.d. and are comparable with data from previous years only to a limited extent due to the spin-off of the market activity.

** The data refer to the Elektro Maribor Group.

2 PRESENTATION AND ORGANISATION OF THE COMPANY ELEKTRO MARIBOR D.D.

2.1 Company Profile

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

Company name:	Elektro Maribor, podjetje za distribucijo električne energije, d.d.
Abbreviated name:	Elektro Maribor d.d.
Registered office:	Vetrinjska ulica 2, 2000 Maribor
Registration number:	5231698
Tax number:	46419853
Current account:	SI56 0451 5000 0570 965
Share capital as at 31 December 2011:	EUR 139,773,510.27
Court registry entry number:	District Court of Maribor, No. 1/00847/00
Number of employees as at 31 December 2011:	771
Distribution area:	NE Slovenia
Size of distribution area:	3,992 km^2

The activity of the company is defined in Article 2 of the Articles of Association of Elektro Maribor, podjetje za distribucijo električne energije, d.d., dated 25 August 2010. The provision of the company's Articles of Association is compliant with the Decree on standard classification of activities (Official Gazette of the Republic of Slovenia, nos. 69/2007, 17/2008).

The main activities of the company are:

- Distribution of electricity (35.130),
- Construction of utility projects for electricity and telecommunications (42.220).

The company's core activities are:

- Operation and technological development: reliable supply of electricity with minimum interruptions due to own reasons.
- Maintenance: maintaining the quality of the electricity distribution network, which enables the operational capacities and electricity supply to consumers, as determined by project parameters during the construction of machinery and buildings.
- Distribution network services: the professional business relationship with consumers must be built on equal partnership in all public utility services. It must be based on transparent, legal and flexible procedures where the consumer has the option to influence and co-create decisions.
- Transformer installation services and measurement laboratory: providing transformer installation services for foreign clients and the realisation of investments in electricity facilities.

The company has implemented the following quality systems and certificates:

- Quality management system pursuant to the SIST ISO 9001:2008,
- Environmental management system pursuant to the SIST EN 14001:2005,
- Measurement laboratory management system pursuant to the SIST EN ISO/IEC 17020:2004,
- Safety and health at work management system pursuant to the OHSAS 18001:2007,
- Family friendly company certificate.

2.2 Organisation

Elektro Maribor d.d. is a joint-stock company that operates in accordance with the Companies Act.

At its 15th regular session dated 31 August 2011, the General Meeting of Elektro Maribor d.d. agreed to the contract for the spin-off and acquisition between the transferring company Elektro Maribor d.d. and the acquiring company Elektro Maribor Energija plus d.o.o. dated 28 June 2011 and concluded in the form of a notarial record, and agreed to the spin-off based on the above mentioned contract. The balance sheet cut-off date for the spin-off of a part of the company was set to 31 December 2010 in accordance with the division plan. The spin-off was entered into the court register and register of companies register on 1 December 2011.

On the basis of the contract concluded with SODO d.o.o., the transferring company Elektro Maribor d.d. also indirectly performs the tasks of a distribution operator (in the sense of Directive 2009/72/EC of the European Parliament and Council dated 13 July 2009). The Directive 2009/72/EC requires that a distribution operator is independent from activities which are not connected with distribution, at least in terms of legal form, the organisation and decision-making process. These rules do not represent the obligation for ownership separation of the distribution system operator's assets from the vertically integrated company.

Furthermore, the basis for the implementation of the spin-off includes findings of the Court of Audit of the Republic of Slovenia stated in its audit report No. 1206-5/2008-29 dated 24 March 2009 and the objectives of the Slovenian government resulting therefrom, which were presented in the response report to the Court of Audit of the Republic of Slovenia's audit report and which are:

- the electricity distribution operator (SODO d.o.o.) must be ensured with the actual (functional) independence in the performance of electricity distribution services,
- the internal subsidisation of marketing activities of electricity companies from an indirectly regulated "distribution network" activity must be prevented,
- the eligible use of network charges and network charges for installed power must be ensured,
- non-discriminatory treatment of electricity consumers must be ensured.

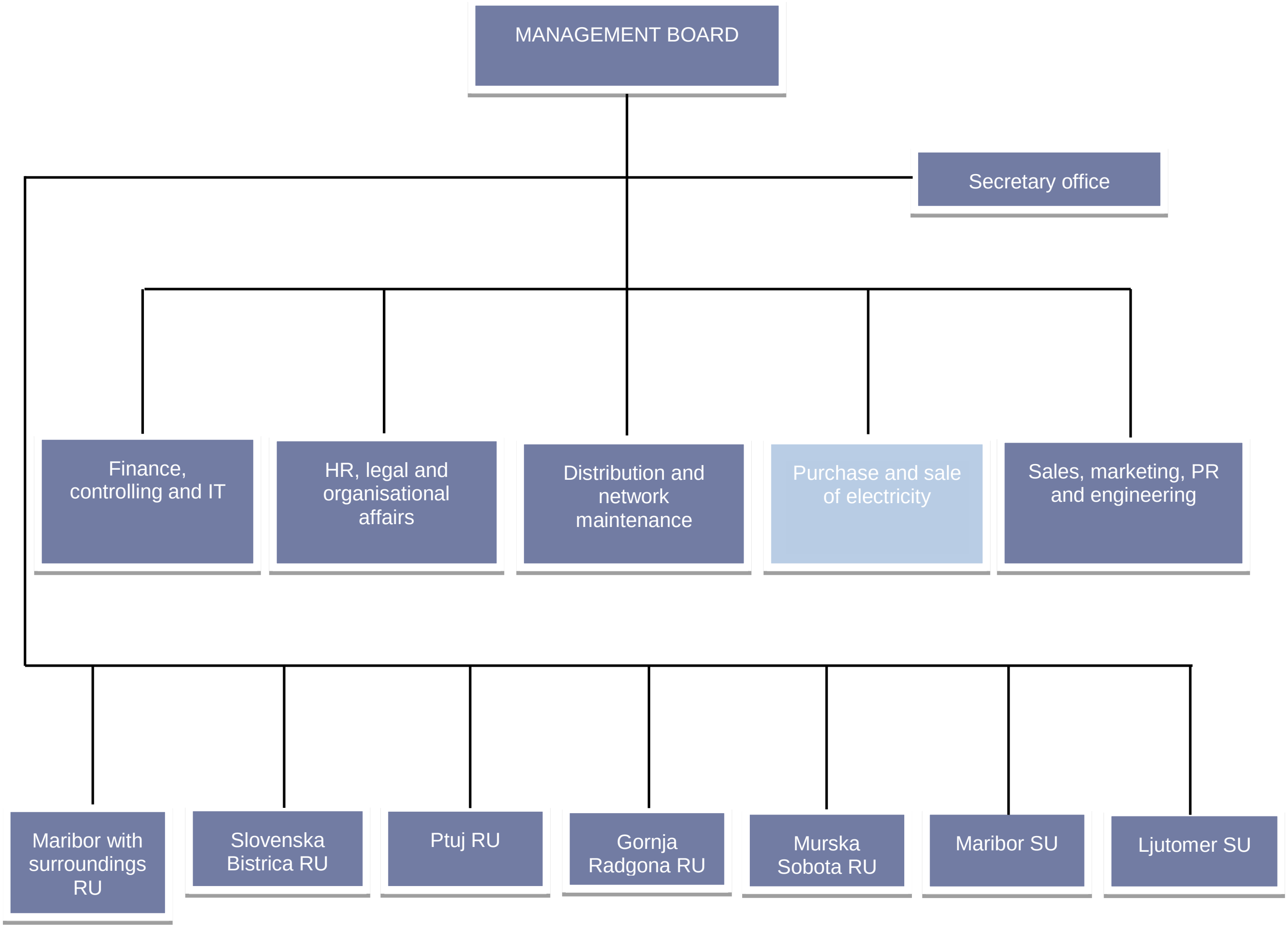
In order to achieve these objectives the Republic of Slovenia, as the majority owner, decided to reorganise all five electricity distribution companies in Slovenia by separating the market activities (including the relevant assets and liabilities) from the indirectly regulated network activity (including the relevant assets and liabilities).

In line with the above-mentioned requirements and taking in account the guidelines of owners (the decision at the 13th regular session of the transferring company's General Meeting dated 28 August 2009) and the Supervisory Board of the transferring company (the decision of the transferring company's Supervisory Board adopted at its 15th regular session dated 16 December 2010), the transferring company's Management Board and the acquiring company management prepared a contract for the spin-off and acquisition, based on which the entire market activity of purchase and sale (supply) of electricity was spun off to a separate legal entity, which has its own organisation and management in the status transformation process and by observing the universal succession rule. Hence the separation of the activities related with the distribution of electricity from other market energy activities at the level of the company Elektro Maribor d.d. The requirement from Article 23.b of the Energy Act (the Official Gazette of the Republic of Slovenia, Nos. 27/2007-UPB2, 70/2008, 22/2010, 37/2011), which sets forth that a distribution network system operator cannot carry out market energy activities referred to in the first, sixth or eighth indent of the first paragraph of Article 5 of the Energy Act, has thus been fully fulfilled.

The spin-off of the activities of purchase and sale of electricity provides better management of business risks at the level of each activity since the (directly regulated) distribution activity and the market activity of the purchase and sale of electricity are performed by separate, individual legal entities. The same reasons also represent the bases for a more transparent monitoring of effectiveness and other business and financial indicators for each activity or each company (the transferring and acquiring company).

The company's organisational structure is based on the applicable Rules of job organisation and systematisation, which were adopted on 5 October 2010. The Rules determine the macro-organisation of Elektro Maribor d. d. and the arrangement of the basic business functions and job systematisation.

Organisational structure of the company Elektro Maribor d.d. as at 31 December 2011



Individual organisational units carry out the following basic business functions and activities: management of the distribution network, distribution of electricity, and provision of services and auxiliary professional services. As of 1 December 2011, the area of the purchase and sale of electricity was spun off to the new daughter company Elektro Maribor Energija plus d.o.o.

The macro level of the company's organisation includes the following organisational units:

Areas:

- Distribution and network maintenance,
- Finance, controlling and IT,
- HR, legal and organisational affairs,
- Sales, marketing, PR and engineering,

Regional and service units:

- Elektro Maribor with surroundings regional unit,
- Slovenska Bistrica regional unit,
- Ptuj regional unit,

- Gornja Radgona regional unit,
- Murska Sobota regional unit,
- Maribor service unit,
- Ljutomer service unit.

In order to achieve the short-term and long-term business goals of the company, the areas and regional and service units are further broken down to lower organisational units: departments and offices with clearly defined tasks, responsibilities, authorities and goals which are determined in the Annual Business Plan. The micro-organisation is adapted to the company's business needs. From these organisational units, tasks and jobs and positions are defined as fundamental organisational units.

2.3 Vision, Mission, Values, and Strategy

Vision

"Extending energy excellence to you!"

Elektro Maribor d.d. focuses its activities on ensuring excellence in relation to everyone involved in its business ecosystem.

Mission

- Reliable and high-quality supply of electricity.
- Aware consumers
- Sustainable development of the environment and corporate social responsibility.
- Creative and safe environment for employees.

Elektro Maribor d.d. has introduced the qualities of modern operations to the environment. The company's systematic communication raises awareness among consumers about the rational use of energy, ecological options, promotes innovative projects in the environment to ensure the development of the social capital and responsible management, and systematically encourages the development of employees in accordance with the needs of the company and the development of the industry.

Values

Expertise, innovativeness, effectiveness, reliability, perseverance, loyalty.

The values of the company are aimed at meeting the owner's expectations. They define the framework for the development of employees and the collective awareness as the foundations for the sustainable development.

Goals for 2011 and their realisation

1. **The separation of the company's activities to the regulated part and the market part.**
   The balance sheet cut-off date for the spin-off of a part of the company was set to 31 December 2010 in accordance with the division plan. The division was entered into the court register and register of companies on 1 December 2011.

2. **82 km of new LV underground cable lines.**

   In 2011 we laid 107 km of LV underground cable lines, exceeding the goal by 30%.

3. **The setup of a traceability system for complaints and applications based on electricity supply quality indicators (requirements of the regulator).**

   The EMIC (Elektro Maribor information centre) program and the EOO (electronic office operations) program were connected with the aim to ensure traceability of documents related to the provision of information and processing of claims.

4. **A 3% increase in the physical implementation of maintenance compared to 2010 by not increasing the available financial assets (replacement of pylons and inspections of transformer stations).**

   We replaced 8,809 pylons in 2011, which is 4.3% more than in 2010, and carried out 953 inspections of transformer stations, thus exceeded the plan by 9%.

5. **The preparation of the technical report for the “Smart Grids” project documentation.**

   The pilot project of Radvanje Smart Grids construction is in progress. It will connect energy facilities in the area of Radvanje (transformer stations, solar power plant, metering infrastructure and also the nearby households in the following year). We built STS Koroška vrata – STS Radvanje optical line for the needs of Smart Grids and the Radvanje zone.

6. **The value of inventories not to exceed EUR 2 million at the end of the year.**

   The value of inventories was EUR 1,994,759 as at the end of the year.

7. **To obtain the “Family Friendly Company” certificate.**

   We were awarded with the basic family friendly certificate at the beginning of May. Based on this certificate and the confirmed project plan we started realising and monitoring measures with the final goal to obtain the full certificate (in a period of three years).

8. **The implementation of the ERP system, project office and innovation platform.**

   In terms of ERP (Enterprise Resource Planning) implementation, the first stage of the call was performed - examining competences of suppliers, and the solution implementation feasibility studies were prepared and presented.

   All the necessary internal acts or elements for the implementation of the innovation platform were finished in 2011. The performed presentation of the scope, content and goals of the innovation platform at an individual regional unit/service unit/management indicates the transition to stage III of the project.

Strategies

- Investments focused on upgrading existing infrastructure, the introduction of new technologies and approaches;
- Promoting actions for efficient energy use and other requirements as determined in national legislation;
- Ensuring appropriate solutions in the environment and obtaining suitable consents;
- Reducing long-term borrowing;
- Analysis of assets that are unnecessary in terms of business and the option of disinvestment;
- Optimisation of operations; ensuring financial resources, rationalisation of operating costs;
- Reducing the number of employees by natural outflow (retirements) and restructuring employees in the company;
- Inventory optimisation;
- Setting up the internal audit and risk management system;
- Upgrading the BSC performance indicators system.

2.4 Management of the Company

Elektro Maribor d.d. has a two-tier management system. The company is managed by the Management Board whose work is overseen by the Supervisory Board. The operation of the company is based on regulatory provisions, the Articles of Association as the fundamental legal act of the company and internal regulations which are prepared in line with the standards of the International Standardisation Organisation (ISO).

Although the shares of Elektro Maribor d.d. are not listed on the stock market, the company observes the provisions of the Corporate Governance Code, which was prepared and adopted by Ljubljanska borza d.d. (Ljubljana Stock Exchange), the Association Manager and the Association of Members of Supervisory Boards on 8 December 2009.

The observation of the unanimously adopted rules on corporate governance and supervision encourages a transparent and effective management that is focused on creating long-term value of the company, increasing the responsibility of individual interest groups, improving the economic environment, and increasing the company's competitiveness.

Management Board

The Management Board manages Elektro Maribor d.d. independently and at its own responsibility and represents the company. The Articles of Association of the company determine that the Management Board is made up of one member who is appointed and dismissed by the Supervisory Board of the company. The member is appointed for four years and may be reappointed.

The task of the Management Board is to achieve the objectives set in the business strategy. It decides on all issues related to the organisation and management of the company and implements the decisions adopted by the General Meeting. The Management Board regularly reports to and consults with the Supervisory Board regarding relevant issues in line with the regulations and provisions laid down in the Articles of Association of the company.

The President of the Management Board (until 18 October 2011): Andrej Kosmačin, MSc.

The representative of the company (from 19 October 2011): Silvo Ropoša, (B.E.E.).

Supervisory Board

The Supervisory Board has six members, four of whom are representatives of shareholders and two representatives of employees. The Supervisory Board is appointed by the General Meeting of Shareholders with an ordinary majority of votes of the present shareholders, with the exception of the members who are appointed by the works council. The Supervisory Board members are appointed for a period of four years with the possibility of reappointment. The Supervisory Board appoints the President and Deputy President among its members.

The Supervisory Board oversees the management of the company's operations. It controls and monitors the work of the Management Board and appoints the President of the Management Board. The Supervisory Board members monitor the company's operations, annual and semi-annual plans and the business strategy. Moreover, they verify the Annual Report and the proposal of the Management Board for the allocation of the distributable profit. They keep employees informed about their work in the report on the work of the Supervisory Board, which is included in the Annual Report.

Representatives of shareholders:

- Matjaž Madžarac, MSc – President until 19 January 2011, member until 30 August 2011,
- Roman Ferenčak – President from 20 January 2011,
- Srečko Kokalj, MSc – Deputy President,

- Peter Grubelnik – Member until 30 August 2011,
- Dr. Matjaž Durjava – Member from 31 August 2011,
- Drago Naberšnik – Member from 31 August 2011,

Representatives of employees:
- Miro Pečovnik,
- Silvo Ropoša (until 18 December 2011),
- Maksimilijan Turin (from 21 December 2011).

General Meeting

Shareholders realise their rights related to the company at the General Meeting, which is convened by the Management Board of the company at its own initiative, by request of the Supervisory Board or by request of the shareholders, who constitute a minimum of 5% of the company's share capital. Shareholders are kept informed on the operation of the company and all important dates on a regular basis through interim reports and the internet.

The shareholders of Elektro Maribor d.d. met at their 15th regular session on 31 August 2011. 84.94% of the share capital was represented.

The General Meeting was informed of the Annual Report for 2010, the auditor's report, and the Supervisory Board's written report about the verification of the Annual Report in accordance with Article 282 of the Companies Act. Pursuant to Article 294 of the Companies Act, the General Meeting endorsed the work of the Management and Supervisory Boards in 2010 and gave them a discharge note for their work in 2010.

The General Meeting adopted a decision to allocate the distributable profit as at 31 December 2010 in the amount of EUR 1,840,328.66 as follows:
- EUR 1,200,000 to the shareholders of the company,
- EUR 640,328.66 among other profit reserves.

Profit was paid out to shareholders by 30 November 2011. Shareholders appointed the audit company for 2011 and determined the payment to members of the Supervisory Board and its committees.

The General Meeting agreed to the contract for division and acquisition between the transferring company Elektro Maribor d.d. and the acquiring company Elektro Maribor Energija plus d.o.o. dated 28 June 2011, which was concluded in the form of a notarial record. Furthermore, it agreed to the division by acquisition based on the abovementioned contract.

The General Meeting adopted a resolution to amend the company's Articles of Association. The General Meeting dismissed two Supervisory Board members and appointed two new members.

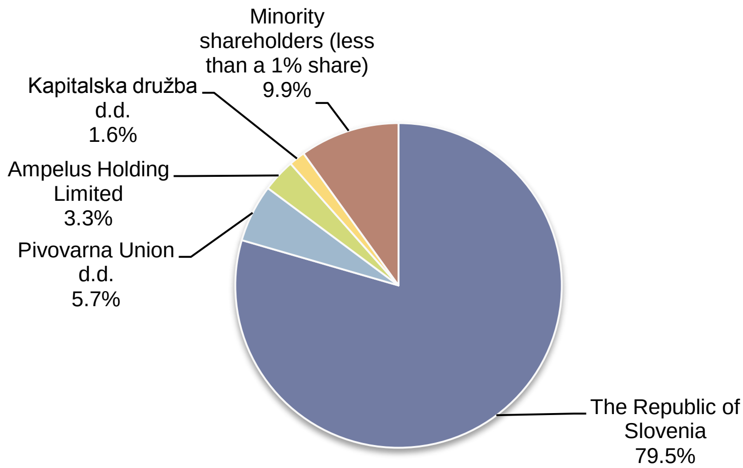
The Management and Supervisory Boards of the company answered to questions of the Small Shareholders' Association of Slovenia.

2.5 Ownership Structure

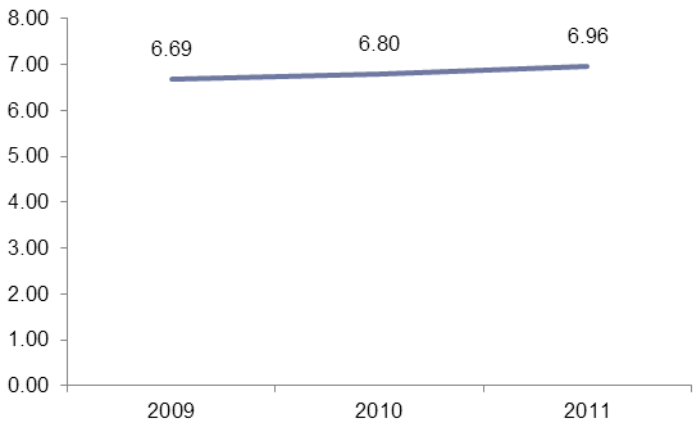
The share capital of Elektro Maribor d.d. amounts to EUR 139,773,510 and it is divided into 33,495,324 ordinary registered no-par value shares. Each share represents an equal stake and corresponding amount of the share capital. The shares of the company are not traded on any regulated market.

As at the end of 2011, the company had 1,360 shareholders, compared to 1,357 at the end of 2010. The majority shareholder in the company is the Republic of Slovenia with a 79.5% share. Four shareholders have a share of more than 1%.

Ownership structure as at 31 December 2011



Changes in the share book value (in EUR)



3 REPORT OF THE PRESIDENT OF THE MANAGEMENT BOARD

In almost a hundred years of Elektro Maribor d.d.'s history, the year 2011 will be remembered as a year of major organisational changes. The operational frameworks were newly determined for the company, as well as for the entire Elektro Maribor Group.

The spin-off, which was completed at the end of 2011 and the subject of which was the transfer of the purchase and sale of electricity and related assets and liabilities from the transferring company (Elektro Maribor d.d.) to the acquiring company (Elektro Maribor Energija plus d.o.o.), marks the end of a process, which was actively started already in mid-2010. Following the important organisational change, the parent company Elektro Maribor d.d. will be forced to make several changes in its approaches aimed at achieving the set results in order to successfully realise the goals. The 2012 business plan of the company was prepared accordingly.

Based on the new Act on the methodology for determining network charges and criteria for establishing eligible costs for electricity networks, and the methodology for charging network charges (the Official Gazette of the Republic of Slovenia No. 59/10 dated 23 July 2010), which became effective on 1 January 2011, the Energy Agency of the Republic of Slovenia issued a Decision determining the regulatory framework for the distribution system operator SODO d.o.o. on 29 December 2010. The regulatory framework of Elektro Maribor d.d.'s operation for 2011 and 2012 is determined in the Decision.

Despite certain less favourable events that occurred in 2011, i.e. the cancellation of two major public procurement procedures, which substantially affected the realisation of the company's investment plan, the search of the company's premises by the National Bureau of Investigation in the middle of the year, the dismissal of the President of the Management Board by the Supervisory Board, and the appointment of the temporary President of the Management Board for a maximum period of one year, the initiation of the review of company operations by request of the Capital Assets Management Agency of the Republic of Slovenia and the Supervisory Board of the company, the company ended 2011 successfully, which may be attributed to great efforts of employees in the last quarter of the year and also to some luck as a result of good weather. Based on the Contract for the lease of electricity distribution infrastructure and the provision of services for the distribution network system operator for 2011, SODO d.o.o. prepared a preliminary balance settlement account for the regulatory year 2011 for Elektro Maribor d.d. based on unaudited data and in accordance with the provisions of the Act. The amount of the preliminary balance is EUR 1,296,606, which the company included in the financial statements for 2011; hence the company's positive result totalled at EUR 6,313,075, considering the income in the amount of EUR 75,193,463.

The company has thus proven its ability to implement its core mission, which is to supply high-quality electricity to the general population and the economy, while at the same time meeting the expectations of its owners. Elektro Maribor d.d. implemented its mission to the maximum possible extent in an environmentally acceptable, price competitive, reliable, sufficient and safe way, thus ensuring a high quality of life and promoting sustainable economic development throughout 2011. The company continued its programmes to promote the sustainable use of energy and invest in development and the application of new technologies.

The company made an important step towards sustainability already in 2010 when we implemented the environmental management system in line with the ISO 14001:2004 standard. The centre for collection and separation of disassembled equipment again showed excellent results in 2011. At the start of 2011, we introduced the e-document system with incoming mail, which is currently being upgraded for outgoing mail. At the same time, the company is in the process of obtaining the ISO/IEC 27001:2005 standard – a system for storing and protecting information. In 2011, the company set up an innovation platform. After the certification procedure was completed, the company was awarded with the basic Family Friendly Company certificate and hence became a part of a group of over sixty Slovenian companies and organisations which have already experienced the advantages of the certificate.

Our main focus in 2012 will be to continue establishing Elektro Maribor d.d. as the leading company, which provides advanced electricity services and is based on excellence and innovativeness of operations, the provision of sustainable and competitive services to consumers, and the responsibility to the social and natural environment, owners and employees. High-quality operations and development play an important part in mitigating business, social, employment and natural risks.

In its 2011 operations, the company endeavoured to observe the recommendations of the Capital Assets Management Agency of the Republic of Slovenia and the Slovenian government. Since 31 August 2011, the company has been committed to observing the recommendations of the above-mentioned agency, as well as of the Slovenian government in accordance with its Articles of Association. The company also complies with the Corporate Governance Code and Reporting guidelines for companies of capital assets of the state.

Close cooperation with the subsidiaries, Oven Elektro Maribor d.o.o. and Elektro Maribor Energija plus d.o.o., will be of paramount importance in 2012. As a group, the company will be able to compete on the market and achieve the results as expected by its owners, while at the same strengthen its position on the Slovenian electricity distribution market. To achieve this, we will need to set up a comprehensive risk management system at the level of the Group and focus even more on the development of our activities.

President of the Management Board:
Boris Sovič, Msc

4 REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of Elektro Maribor d.d. oversaw the management and operations of the company in the 2011 business years on the basis of the Companies Act, the Articles of Association of Elektro Maribor d.d., The Corporate Governance Code, and the applicable legislation.

The composition of the Supervisory Board in 2011 was as follows: Matjaž Madžarac, MSc – President until 20 January 2011 and member until 30 August 2011, Roman Ferenčak – President from 20 January 2011, Srečko Kokalj, MSc – Deputy President, Peter Grubelnik – member until 30 August 2011, Miroslav Pečovnik – member, Silvo Ropoša – member until 18 October 2011, Drago Naberšnik – member from 31 August 2011, Dr. Matjaž Durjava – member from 31 August 2011, Maksimiljan Turin – member from 21 December 2011.

On 20 January 2011, Matjaž Madžarac, MSc, resigned from the function of the President of the Supervisory Board. The function was assumed by Roman Ferenčak.

The following are also members of Management and Supervisory Boards of other companies: the President of the Supervisory Board, Roman Ferenčak, is the President of the Supervisory Board of Nafta Lendava d.o.o., and the Supervisory Board member, Miroslav Pečovnik, is the President of the Supervisory Board of OVEN d.o.o.

The Supervisory Board in the above-mentioned structure performed its activities in 2011 in accordance with the basic function of overseeing the management of company operations and with due diligence and care based on the powers vested in it by the applicable regulations and acts of the company.

The Supervisory Board monitored the company's operations during the year primarily based on periodic reports of the Management Board and the obtained data on operations.

At its 11 regular, 4 extraordinary and 8 correspondence sessions, the Supervisory Board discussed and adopted the following significant decisions:

- it discussed and adopted the economic plan for 2011,
- it discussed and endorsed the Annual Report of the company for 2010,
- it agreed with the proposal of the Management Board for the distribution of net profit for 2010 and distributable profit for 2010,
- it gave its consent to the appointment of the auditor for financial statements for 2011,
- it agreed with the conclusion of business transactions in accordance with the provision of Article 28 of the company's Articles of Association,
- it adopted the Rules on the work of the Supervisory Board,
- it was informed of reports on the company's operations,
- it was informed of public procurements and decided on withdrawals from public procurements,
- it reviewed the debt for electricity, network charge and default interest,
- it appointed a committee to analyse the implementation of the project for the purchase of land - the Pobrežje disposal site and the construction of the solar power plant on the site,
- it monitored the activities in the spin-off procedure,
- it endorsed the prepared division plan,
- it was informed of the Contract for the spin-off and acquisition and all its annexes,
- it adopted the Report of the Supervisory Board of Elektro Maribor d.d. on the review of the planned spin-off,
- it approved the material from the 15th regular session of the company's General Meeting,
- it discussed the letter of intent with HSE d.o.o.,
- it dismissed the President of the Management Board based on the first indent of the second paragraph of Article 268 of the Companies Act (ZGD-1),
- it appointed the representative of the company,

- it announced the call for applications for the position of the Management Board President,
- it endorsed the Annual Business Plan for 2012 with the projection of operations for 2013 and 2014,
- in accordance with the letter from the Capital Assets Management Agency of the Republic of Slovenia (CAMA) no. 4-0027/2011-1804 dated 20 October 2011, it ordered the review of certain transactions of the company from the past two years; the reviewers prepared and submitted the reports on the implemented review in accordance with the above-mentioned letter from the Capital Assets Management Agency in April 2012.

In line with the Recommendation no. 12 of the the Capital Assets Management Agency RS the participation of the Supervisory Board members at individual sessions is as follows:

	Regular session	Extraordinary session	Correspondence session
Roman Ferenčak	16,17,18,19,20,21,22,23,24,25,26	1,2,3,4	18,19,20,21,22,23,24,25
Drago Naberšnik	24,25,26		23,24,25
Srečko Kokalj, MSc	16,17,18,19,20,21,22,23,24,25,26	1,2,4	18,19,20,21,22,23,24,25
Dr. Matjaž Durjava	24,25,26		23,24,25
Miroslav Pečovnik	16,17,18,19,20,21,22,23,24,25,26	1,3,4	18,19,20,21,22,23,24,25
Matjaž Madžarac, MSc	16,17,18,19,20,21,22,23	1,2,4	18,19,20,21,22,
Peter Grubelnik	16,17,18,19,20,21,22	1,2,3,4	18,19,20,21,22
Silvo Ropoša	16,17,18,19,20,21,22,23,24	1,2,3,4	18,19,20,21,22,23

The Audit Committee of the Supervisory Board met at 11 sessions in 2011, discussing the following issues: the business plan for 2011, the selection of auditor, the Annual Report for 2010, the material of the 15th regular General Meeting of the company, it reviewed the selected investment projects, the Annual Business Plan for 2012, determined the projects for the review of individual transactions, and reviewed proposals for performers.

In 2011, the Supervisory Board established two special committees: the committee to analyse the implementation of the project for the purchase of land - the Pobrežje disposal site and the construction of the solar power plant on site, and the committee to review the contract – JN 2918/2011 - Insurance of assets.

In line with Recommendation No. 9 of the Capital Assets Management Agency RS, the Supervisory Board arranged the review of the performance of individual transactions. The review was performed by the audit firm KPMG d.o.o. and the law firm Odvetniška družba Rojs, Peljhan, Prelesnik in partnerji. The recommendations were prepared in April 2012.

The Supervisory Board also oversaw the company's operations in accordance with the expectations of the Capital Assets Management Agency of the Republic of Slovenia.

The main guideline in the work of the Supervisory Board in 2011 was to monitor the company's operations in accordance with the planned results, based on reports prepared by the Management Board of the company. The Supervisory Board found that the reports and information were duly prepared by the representative of the company, Silvo Ropoša, in the period between 19 October 2011 and 31 December 2011, which enabled the Supervisory Board to carry out its work without interruptions and in accordance with the Articles of Association and the Companies Act.

The Annual Report of Elektro Maribor d.d. for 2011 was audited by the audit company ABC revizija, družba za revizijo in sorodne storitve d.o.o., which issued a positive opinion to the Annual Report of Elektro Maribor d.d. on 13 April 2012.

The Supervisory Board did not agree with the proposal for the allocation of the net profit for 2011 and the distributable profit for 2011, as proposed by the Management Board, and adopted a different decision. The proposal will be provided to the General Meeting of Shareholders.

The Supervisory Board discussed the Annual Report of the company for 2011 and the report of the audit firm ABC revizija d.o.o.

In accordance with the provisions of Articles 270 and 294 of the Companies Act, the Supervisory Board arranged that the total remuneration to the Management Board corresponded to the Management Board's tasks and the financial situation of the company and that it was in line with the policy for such remuneration; moreover, the Supervisory Board found that the remuneration to the members of the Management and Supervisory Boards is properly presented in the Annual Report.

The Supervisory Board has established that the content of the company's Annual Report presents the actual operations of the company in 2011, that the content of the report as a developmental strategy matches the Supervisory Board's positions; therefore the Supervisory Board has adopted the following decisions based on the verification of the Annual Report and the review of the auditor's report for 2011:

- The Supervisory Board has established that the Annual Report has been prepared in accordance with the provisions of the Companies Act and accounting standards.

- The Supervisory Board believes that the Annual Report and the information contained herein represent a credible picture of the company operations in the previous business year.

- After the final verification of the Annual Report of the company, the Supervisory Board has no comments and endorses the Annual Report of the company for 2011.

- The Supervisory Board has expressed a positive position on the auditor's report to the company's financial statements and the consolidated financial statements of the company for 2011, having established that the Annual Report has been prepared in accordance with the law and based on a prudent and comprehensive review of the Annual Report and the company's operations.

- The Supervisory Board proposes that the General Meeting adopt a decision to grant a discharge to the Management Board – the representative of the company, Silvo Ropoša, for the period between 19 October 2011 and 31 December 2011, and to the Supervisory Board of the company for 2011, as it believes the company operated in line with the set objectives and the plan for 2011; the Supervisory Board, however, proposes that discharge not be granted to the Management Board – the President of the Management Board, Andrej Kosmačin, for the period between 1 January 2011 and 19 October 2011 since he was dismissed from the function of the President of the Management Board for having seriously violated his obligations in accordance with the first indent of the first paragraph of Article 268 of the Companies Act. The Supervisory Board assesses that the Management Board – the representative of the company, Silvo Ropoša, managed the company successfully, prudently and in accordance with the regulations and acts of the company in the period between 19 October 2011 and 31 December 2011.

Maribor, 15 May 2012

President of the Supervisory Board:
Roman Ferenčak

5 CORPORATE GOVERNANCE STATEMENT

The Management and Supervisory Boards of the company declare that the work of Elektro Maribor d.d. is governed by the provisions of the Corporate Governance Code, which was adopted on 13 January 2011 and published on 18 January 2011, and which is available at the website of the Capital Assets Management Agency of the Republic of Slovenia.

The Supervisory Board of Elektro Maribor d.d. discussed the provisions of the Corporate Governance Code at its 18th regular session on 30 March 2011. The provisions of the Code were presented by the Management Board who chose to observe the Code already when it was published.

Corporate governance framework

Elektro Maribor d.d. is managed effectively and transparently and in accordance with the Code. Supervisory Board members work on the principle of due diligence and care and solely to the benefit of the company. The Management and Supervisory Boards treat all shareholders equally.

Relations with shareholders

In relations with shareholders, Elektro Maribor d.d. responsibly realises its rights and fulfils the assumed liabilities in a way consistent with the company's goals. While in relations with representatives of individual shareholders, it ensures mutual protection of business secrets and the keeping of good business practices.

Transparency of operations and reporting

Elektro Maribor d.d. consistently reports on its work and the realisation of the set goals in accordance with the reporting guidelines.

Supervisory Board with capital assets

The Supervisory Board has powers and competences to objectively and independently implement the supervision function over the Management Board of the company and the company operations. It performs its work honestly and responsibly. The Supervisory Board performs its function in accordance with the law and the Articles of Association of the company. The Supervisory Board members are independent in accordance with Appendix C of the Corporate Governance Code.

Remuneration to Management Board members

Elektro Maribor d.d. is managed by a single member Management Board. The Supervisory Board concluded the employment contract for the President of the Management Board on the basis of legal provisions.

In managing the company, the Management and Supervisory Boards of Elektro Maribor d.d. observe the recommendations and expectations of the Capital Assets Management Agency for companies owned by the State.

Maribor, 29 March 2012

President of the Management Board:	President of the Supervisory Board:
Boris Sovič, Msc	Roman Ferenčak

6 MAJOR EVENTS IN 2011

Energija plus d.o.o. is the new subsidiary of Elektro Maribor d.d.

Following a resolution adopted by the company's General Meeting of Shareholders, Elektro Maribor d.d. carried out the spin-off process, transferring the purchase and sale of electricity to the new company, which was established in June based on the division plan and which is entirely owned by Elektro Maribor d.d. The Supervisory Board and the General Meeting of Shareholders of Elektro Maribor d.d. adopted all the necessary resolutions enabling the subsidiary Energija plus d.o.o. to start operating independently on 1 December 2011 based on the entry in the court register and the capital increase in the company. The operation of the subsidiary Elektro Maribor Energija plus d.o.o. until the spin-off is recorded in line with the resolutions of the General Meeting, the Supervisory Board and the rules of the relevant industry.

In the spin-off process, Elektro Maribor d.d. transferred the activity, employees, processes, assets and liabilities that are functionally connected with the performance of the energy activity of the purchase and sale of electricity, to the company Elektro Maribor Energija plus d.o.o. The subject of spin-off in the division plan was assets and liabilities which, in terms of their function, refer to the performance of the electricity purchase and sale activity. The balance sheet cut-off date for the spin-off was set to 31 December 2010. In accordance with the provisions of the ZGD-1 and the contract for the spin-off and acquisition, the transferring company performed all the transactions related to the assets and the purchase and sale of electricity for the account of the acquiring company Elektro Maribor Energija plus d.o.o. after that date or starting from 1 January 2011. Therefore, pursuant to the provisions of the ZGD-1 and the contract for the spin-off and acquisition, all the costs, expenses, income and other activities related to purchase and sale of electricity have been since 1 January 2011 performed for the account of the acquiring company and on 1 December 2011 also transferred to the acquiring company, which is reflected in the Annual reports of both companies for 2011, as well as in their corporate income tax return for 2011.

New management of the company

At its regular session in October, the Supervisory Board appointed the member of the Supervisory Board, Silvo Ropoša, to temporarily manage Elektro Maribor. Mr Ropoša managed the company until the new President of the Management Board was appointed in 2012.

Supported the humanitarian campaign 'Big Heart for Mammogram'

We joined the extensive humanitarian campaign “Big Heart for Mammogram”, which was organised to collect funds for the purchase of a medical diagnostic device – a digital mammogram – which will contribute to the effective early diagnosis of breast cancer.

Meetings with business partners

Business connections or relations with business partners are important for successful operation of the company. We believe our future depends on our own business skills and abilities, cooperation and common vision. The culture of business partnership increases the development of the company; therefore we have prepared two local meetings with business partners, one in Slovenske Konjice and the other in Mačkovci.

Innovation platform for new creative solutions

The successful performance on the market can only be achieved with creativity and innovativeness. The innovation process is vital for long-term growth and development of the company. We have combined the connection and improvement of innovation processes into the “innovation platform”, which promotes innovative thinking among employees, makes selections and drives useful ideas towards realisation.

The Murska Sobota – Mačkovci overhead power line for quality supply to the Goričko region

Our goal is to ensure a high-quality and reliable electricity supply in our entire area. In Goričko, we are currently implementing the project of the construction of the Murska Sobota-Mačkovci 110 kV overhead power line, which will affect the development of the area, increase the reliability and quality of electricity supply, affect the industry and other infrastructure in the region. In terms of communication, the project was additionally supported through a press conference, an information office and a brochure.

Family friendly company certificate

We decided to pay greater attention to balancing work and personal lives of our employees, which is becoming a challenge these days. We were awarded the basic Family Friendly Company certificate, which has opened us the door to a Group of more than sixty Slovenian companies and organisations who have already experienced the advantages of the certificate.

Electric vehicle charging station for in Maribor
We organised a grand opening of our first EV charging station at the regional unit of Maribor and surroundings. The station is the first step towards implementing our e-mobility project and other activities connected with sustainable development. At the opening, we presented our large-scale production of electric cars.

The 2011 Lent Festival
We sponsored the Lent Festival where we presented our “E-Mobil” trademark, taking an active role in raising awareness among consumers on electricity consumption and environmental protection. We organised free test drives in our electric car and a competition with an electrical scooter as the winning prize.

E-mobility and solar power plants presented at the international Trade Fair
We presented our activities in the area of E-mobility at the International Trade Fair in Celje, Slovenia. Visitors were shown the electric car and electric vehicle charging stations. We also presented photovoltaic modules for the construction of turn-key solar power plants and a package of heat pumps.

European Mobility week
The Elektro Maribor teams of runners and cyclists successfully represented the “colours of our company” at the Eko marathon. We carried out an E-mobility promotion campaign. In cooperation with the Friends of Youth Association we organised an art competition for children.

Work under voltage
A Group of 31 of our employees were trained for work under voltage and they introduced it into their work. Furthermore, we organised an event where our employees gave a practical presentation of work under voltage.

II. BUSINESS REPORT OF THE COMPANY ELEKTRO MARIBOR D.D.

1 DISTRIBUTION OF ELECTRICITY

1.1 Operation of the Distribution Network

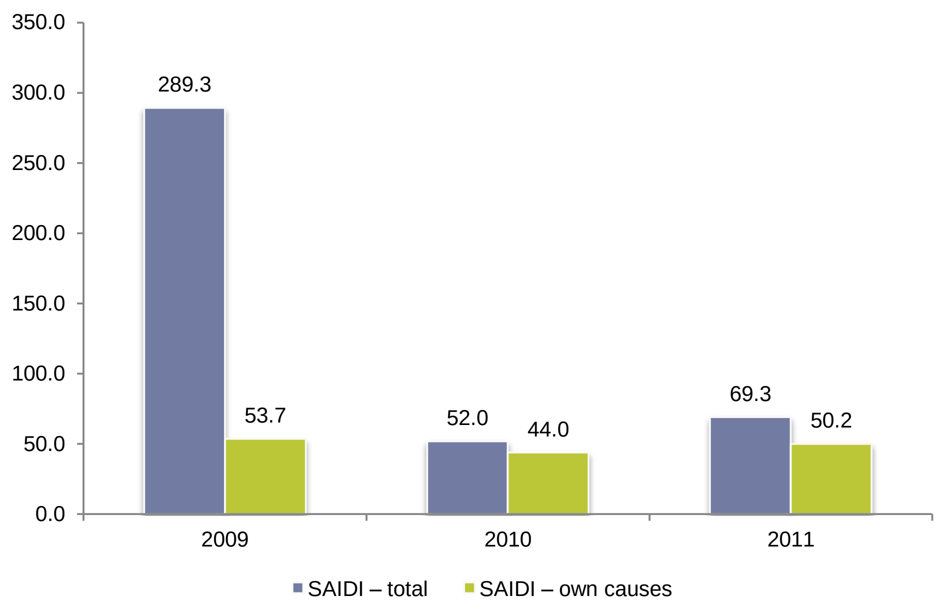
Operation of the distribution network in 2011 took place within set goals in the Business Plan and in accordance with the basic business policies and goals of company operations - ensuring reliable and quality electricity supply to all consumers at the supply area of the company in accordance with the requirements of the standards, increasing consumer satisfaction, optimising operational costs and improving business processes.

In 2011, the reliability of supply (indicators SAIDI and SAIFI) were lower than planned in terms of reliability of supply. At the same time, the Energy Agency RS toughened the conditions for when classifying a failure as force majeure, which reflected in supply indicators from own causes.

The SAIDI indicator (System Average Interruption Duration Index) from own causes was in 2011 higher by 13.2% (weaker) than planned for 2011 and at the same time 28.7% higher (weaker) than that of the previous year. The SAIDI indicator for all factors (made up of own causes, foreign causes and force majeure) was in 2011 69.3 min/consumer.

In 2011, there was one major event concerning power supply failure. On 19 August a heavy storm took place with heavy rain, strong wing and lightning in the area of Slovenska Bistrica RU and Murska Sobota RU and to a certain extent also Maribor and surroundings RU and Ptuj RU.

SAIDI - the average outage duration longer than three minutes for each client served in min/consumer

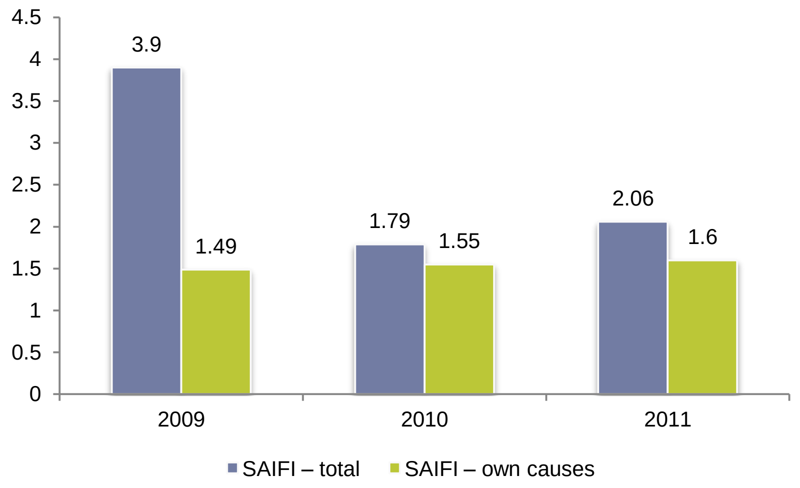


The SAIDI indicator for 2009 stands out because of the natural disaster at the beginning of the year.

The total SAIFI indicator (System Average Interruption Frequency Index) in 2011 was by 15.1% higher (weaker) than in 2010 and the SAIFI indicator from own causes was 8.4% higher (weaker) than in the previous year.

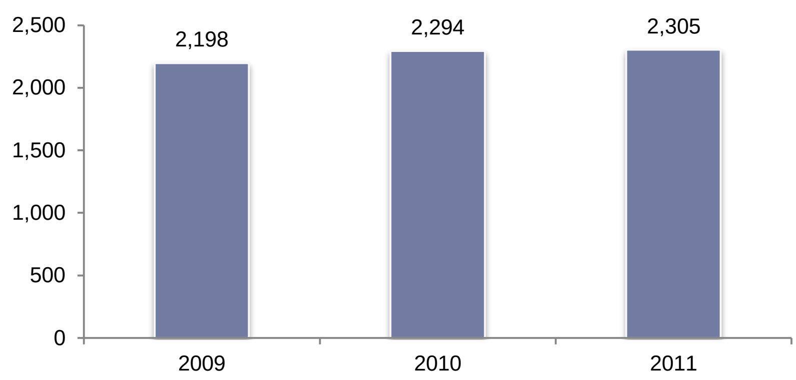
Because of the natural disaster at the beginning of 2009, the value of the indicator for that year stands out.

SAIFI - the average number of interruptions longer than three minutes that a client would experience



In 2011, the consumption of electricity in the distribution network Elektro Maribor d.d. was 0.5% greater than the year before.

Electricity consumption in the Elektro Maribor d.d. distribution network (in GWh)



The quality of voltage, which is followed by stationary monitoring at 110/x kV STS in the last year at the HV level fully complied with the SIST EN 50160, while at the MV only STS Slovenska Bistrica experienced voltage deviations from the standard in 4 weeks.

To ensure safe and reliable operation in 2011 we may point out:

- operation of OPL kV Ljutomer (from STS Radenci) improved compared to 2010 by 100%, because there were no failures on it; OPL Gaberje (from STS Lendava) had a SAIDI from own causes in 2011 at 0.32 minutes, which is 82.2% better than the value of the same indicator in 2010, which was 1.8 minutes. This is substantial improvement with regard to the set goal, which required at least a 5% improvement,
- completion of the upgrade of hardware and software equipment of the management distribution centre,

- construction of the system, which enables management of central records by authorised personnel for information on readings of the quality of electric voltage,
- we also equipped the new STS Mačkovci with a constant quality control of voltage, which means that all facilities have the noted control,

1.2 Settlement of Network Use

Implementing the settlement of network use includes:

- billing network charges, surcharges to network charges and contributions for all network users, connected to the network of Elektro Maribor,
- billing emergency supply, unjustified supply, and irregular registration of metering information,
- controlling accounting and billing for network users,
- management of sales statistics for reporting to external and internal users of information,
- development and management with the online portal e-Services, which is intended for managing bills for network use, issued by the company Elektro Maribor d.d. and
- providing accounting information to suppliers.

Accounting is a complex process in all areas and this is why it is important that we follow the requirements of the market and legislation through development. In line with that, we can list the following major achievements in 2011:

- enabling billing of network and electricity use at metering stations with remote readings of power according to the actual state of the meter for the period from the first to the last day of the month. On 31 December 2011 there were 46,243 metering points for remote data acquisition in the accounting system. Because these metering stations have enabled daily remote data acquisition, consumers receive and pay bills according to the actual amount of supply on the meter. Monitoring costs at metering points is consequently much easier for clients. In addition, users now avoid potential underpayments and overpayments and can better plan efficient energy use.
- Introduction of sending e-bills to e-bank. This is a modern, simple and environmentally friendly operation. Clients by receiving the electronic bill in their online bank may review the bill at one place and with a few simple clicks and without copying information settle their obligations. E-bills are signed with a safe electronic certificate and authenticated with a qualified digital signature. As of September 2011 almost all Slovenian banks participate in the e-bill system,
- We successfully completed the project of all EDP and information technology concerning the IT support at the spin-off of purchase and sale (accounting, enforcement, eServices), which occurred on 1 December 2011,
- The project of introducing the universal payment order (UPN in Slovenian), which replaces the special money order form (PP02 in Slovenian).

1.3 Access to Network

We provide and maintain access to distribution network for electricity producers and end users based on applicable legislation and above all the provisions of the Energy Act (OG RS, no. 27/2007 – official consolidated text, No. 70/2008 and No. 22/2010 and the General terms and conditions for supply and consumption of electricity from the distribution network (OG RS, no. 126/2007).

The network access services include:

- providing access to the distribution network for electricity producers,
- providing access to the distribution network for end consumers,
- implementing procedures concerning changing the electricity supplier,
- data exchange with suppliers concerning implementation of tasks for SODO d.o.o, which are necessary for the operation of the electricity market,

- development and management of the web portal Perun, which provides data exchange among suppliers and operators for SODO d.o.o., such as:
  - changing electricity suppliers,
  - forwarding information to suppliers for preparing offers,
  - notifications on acquired and lost metering points when changing suppliers (monthly),
  - review of information from the supplier for a metering post, where the supplier has an applicable contract or authorisation from the network user and
  - notifying suppliers in accordance with provisions of General terms and conditions for the supply and consumption of electricity.

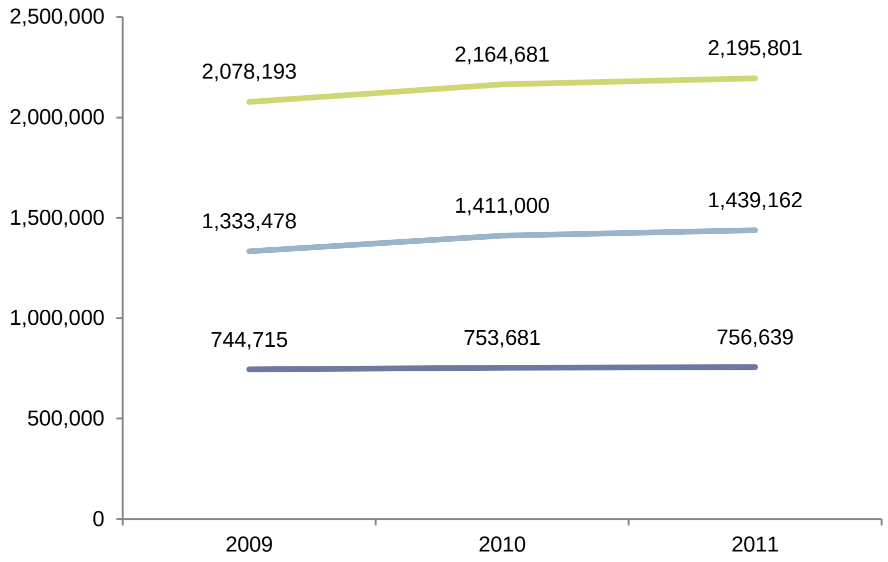
The following functionalities were added in terms of development of the web portal Perun:

- data exchange with the Energy Agency RS on changes of suppliers (monthly reporting),
- enabling access to notes, entries on total charging of network use and electricity consumption in requests for changing electricity suppliers and access to information,
- automatic notifications of users when reading meters at changing electricity suppliers and all other participants in the process of changing electricity suppliers,
- introducing data exchange with suppliers for changing clients/owners and other changes at metering points,
- withdrawals from contracts (suppliers) and automatic printouts of notifications on the cessation of electricity distribution.

Network use

In 2011, there was 2,195,801 MWh of electricity distributed at 212,418 metering points connected to the network of Elektro Maribor, which is 1.4% less than planned and 1.4% more than in the previous year. The reason behind lower values than planned is the lesser consumption of electricity by large industrial consumers, mostly in October, November and December

Changes in the amount of distributed electricity (in MWh)



Network losses

Purchase for losses

The Act on the methodology for determining network charges and criteria for establishing eligible costs for electricity networks and methodology for charging network charges determines that the acknowledged price for purchases for losses for 2011 is 56.32 EUR/MWh. Purchase of electricity for losses was performed for our company in line with the contract with the company Elektro Ljubljana d.d. at the price achieved at auction and lower than the acknowledged 51.61 EUR/MWh.

The Energy Agency RS recognises 5.86% of distributed energy to end users as eligible costs for purchasing of electricity for network losses.

The actual purchase of electricity for losses in 2011 was 108,832 MWh, which is 4.72% of predicted network amounts (or 4.95% of distributed energy) in the amount of EUR 5,616,835.88.

The smaller percentage of actual losses than those recognised is the result of the increased scope of systematic controls at metering points, greater expansion of smart metering and specific requirements of the annual account compared to the season.

Purchase of electricity for losses in 2011

Elements	in MWh	in EUR	EUR/MWh
Purchase of electricity for losses	108,832	5,616,836	51.61

Other purchase of electricity for the requirements of SODO

In terms of purchase of electricity for the requirements of SODO, the company Elektro Ljubljana d.d. carried out purchases for emergency supply, urgent supply, unjustified consumption and purchase for registered incorrect metering data. The noted purchase amounted to 399 MWh.

Other purchase of electricity for the requirements of SODO

Elements	in MWh	in EUR	EUR/MWh
Purchase of electricity for losses	399	20,600	51.61

In total in 2011, 109,231 MWh of electricity was bought for EUR 5,637,436. In 2011, the company also received and accounted losses for 2010 in the amount of EUR 107,984 and the purchase costs for losses amounted to EUR 5,745,421.

Changes of electricity suppliers

From a total of 212,418 metering points connected to the network Elektro Maribor d.d. in 2011, 6,688 metering points changed supplier, of which 5,344 households and 1,344 business consumers.

1.4 Electricity Metering and Data Provision

Metering electricity at metering points of network users and exchange points in the distribution network system operator (SOPO) includes:

- capturing and providing metering data to electricity suppliers, billing network use and determining the energy balance of Elektro Maribor d.d.,
- determining actual consumption and actual delivery for individual balance groups or balance subgroups for the requirements of determining deviations from schedules and balance account,
- maintenance of metering and other equipment at metering stations,
- introducing system solutions and modern metering systems of electricity.

The advanced metering system is a major milestone in smart grids. For a speedier introduction of advanced metering, the European Commission in the third energy package recommended the Member States that they complete a cost analysis by 3 September 2012, as well as consider the benefits of introducing the advanced metering system for electricity and natural gas. In the area of electricity the Directive 2009/72/EC imposes on Member States to equip at least 80% of consumers with system meters by 2020, if they opt for introducing advanced metering system. Based on Directive's recommendation, the National action plan for energy efficiency and requirements of the Metrology Act, we carried out the following tasks in the first quarter of 2011:

- In accordance with the time schedule for construction of advanced metering system, in 2011 we worked intensely on installing system meters. During this time we installed 12,286 system meters, which is 122.9% with regard to the planned quantities for 2011.
- We included a little over 10,880 households and business users in the advanced metering system and enabled them to pay for consumed electricity according to the actual metered amounts. We will include the rest of the users, who will have the system meters installed in 2011 in the advanced metering system after a three-month trial transition period.
- Based on provisions of the Regulation on mandatory readings at production facilities, which receive certificates of origin and support for produced electricity, we additionally included 293 new dispersed sources. Therefore, we reported the amounts of monthly produced energy to the producers, suppliers, the Support Centre and the Energy Agency RS.
- For the requirements of billing network charges, contributions and energy we provided 510,438 readings with the AMI system or more than 63% of all readings for accounting and control calculations;
- By order of the manufacturer of the metering equipment Landis+Gyr and Iskraemeco d.d. we completed repair services of system meters. In this year we replaced a little over 2,020 meters, which we sent to the manufacturers for repair.
- In terms of effective implementation of the "National action plan for energy efficiency" we repeated the activities of encouraging efficient energy use for larger users. For this purpose we offered those larger interested consumers a one-month test monitoring of the quarterly dynamic of electricity consumption online.
- We also implemented a pilot project “Integration AMI in SmartGrids” in the area of three transformer stations, where we included also devices for monitoring electricity quality in the remote metering system.
- We developed a new data service "online energy display of energy consumption” and “display of energy and cost consumption for households” which is used in testing stage by a little over 50 users.
- Based on SONDO provisions we carefully examined 9,321 metering points of business and household consumers, which is 93.2% of those planned for 2011.
- Based on new SONDO provisions we provided 15 MW installed power for metering points and the required metering equipment to carry out the necessary control metering points.
- Within the annual maintenance plan we replaced in total 12,359 metering devices. The annual plan for replacements was at 99.5%.
- Based on the instructions for implementing a statistical sampling of electricity meters, we prepared the first criteria population and reported them to the Metrology Institute of the RS. The first inspection of random samples was performed for the requirements of expanding the accreditation of the measurement laboratory of Elektro Maribor.
- We successfully completed the renovation of the IT system in the metering centre, which has enabled more efficient management of demanding tasks of capturing, processing and exchanging metering and other data.

1.5 Measurements and Protection

In 2011, we performed measurements and reviewed protection on electricity energy facilities. In the area of measurements, we conducted measurements at energy cables, from testing cables to finding faults or defects at cables with a specialised metering vehicle for voltage level up to 35kV. Likewise, we conducted grounding measurements, both on transformer stations (TS) and switching transformer stations (STS), as well as grounding measurements of 110kV overhead power lines or pylons. In the area of protection, we implemented a regular annual periodical review of installed protective devices and cooperated in analysing defects and faults in the energy system together with the DMC and in determining and eliminating faults at energy facilities.

We also worked on investments, where we performed trial runs and launched the Petersen throttle at STS Rače and the new facility STS Mačkovci. We also cooperated in engineering the renovation of STS Radvanje and STS Podvelka.

Services were also performed for foreign clients, especially trial runs at smaller solar power plants (SSPP) and bio power plants (BPP), which are owned by foreigners, as well as protection inspections (3 facilities).

We actively cooperated at the tenth Slovenian Energy Industry Conference CIGRE-CIRED with the article Experiences with shunt breakers in the area of Elektro Maribor.

In 2011, we also actively cooperated in the technological platform SmartGrids at the national level.

1.6 Maintenance

Strategic maintenance is planned maintenance of 110-kilovolt energy facilities and facilities of the highest operating priority. Here we include maintenance works performed by contractors and which take longer or are done periodically, which are financially and organisationally demanding, as well as larger projects in the context of maintenance (inspection of 11kV PL, EMS metering, STS reviews,...)

In 2011 we performed the following strategic maintenance works:

- inspection of PL 110kV,
- review of energy T,
- review of switches,
- oversupply of conduits of power lines 110kV,
- T oil analysis,
- trials of safety equipment,
- partial emptying,
- measuring noise and electromagnetic radiation in TS’s
- review of REC and ACCU,
- measuring grounding systems and lightning conductors in STS’s,
- review of safety equipment.

In 2011 we replaced 8,809 posts, which exceeds the plan by 31% in accordance with the company strategy to replace all critical pylons in the shortest amount of time possible. We conducted 953 reviews of transformer stations, which is 9% more than planned and cleared undergrowth in the total length of 336 km.

There are three projects in place in maintenance service:

- Management of light pollution of Elektro Maribor facilities. The project is currently in the stage of making project documentation.

- MOR – maintenance operation reserve. The project is currently in the stage of making project documentation to begin the project.
- Introducing an investment item for urgent investment projects. The project is currently in the stage of making the start-up study of the project.

We spent EUR 3.8 million and 3% more than planned in 2011 for maintenance of energy and non-energy facilities, mostly because of increased scope. The following works appeared subsequently: Measuring installation and lightning conductors and their repair, partial emptying, and inspection of the 110 kV cable line.

1.7 Telecommunications

In 2011, we performed the following activities in the area of telecommunications:

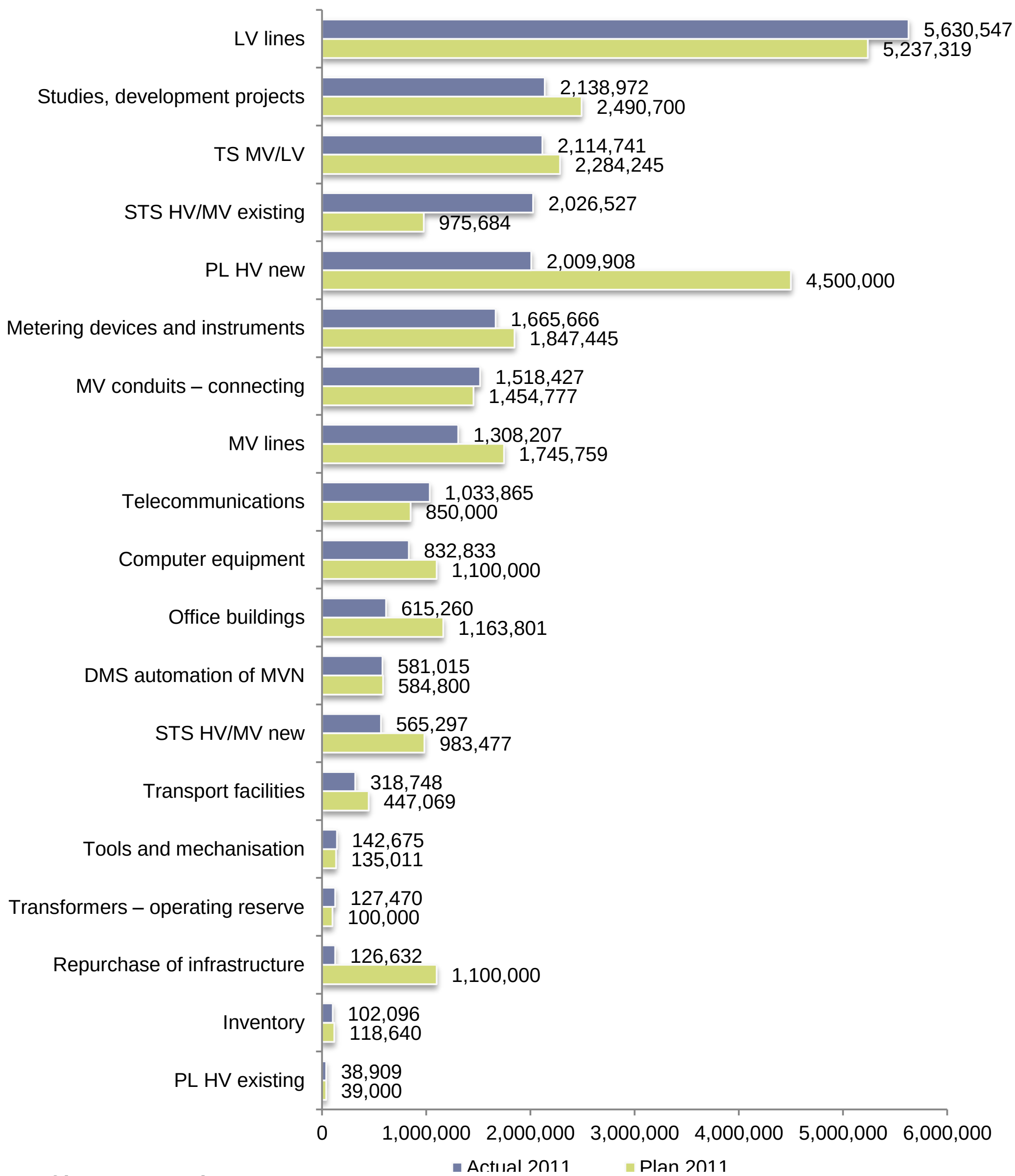
- We built and expanded the network for the requirements of processes and professional IT, which includes business and energy facilities.
- We upgraded and expanded the DMR network (digital mobile radio) and with it fully digitalised the network.
- We built the optical connection with a self-supporting optical cable at the relays STS Rače – STS S. Bistrica – STS S. Konjice – TS464 Rogla 7 and optically connected the TS's in the area.
- We built the optical connection with self-supporting optical cable at distance STS M.Sobota – STS Mačkovci.
- We included new RPS (rechargeable power supply) systems in an upgrade and control system.
- We included users and TS's in the area Radvanje (SU Maribor) in the pilot project SmartGrids Radvanje.
- We implemented the optical connection STS Lendava – control Lendava and included the control in our business network.
- We built the the TC of cable lines DMS – TS Izum and included the relay TS's.
- We performed the optical connection with 288 fibres of RU Maribor and surroundings – STS Melje with branches (we continue towards headquarters – technical issues).

2 INVESTMENTS

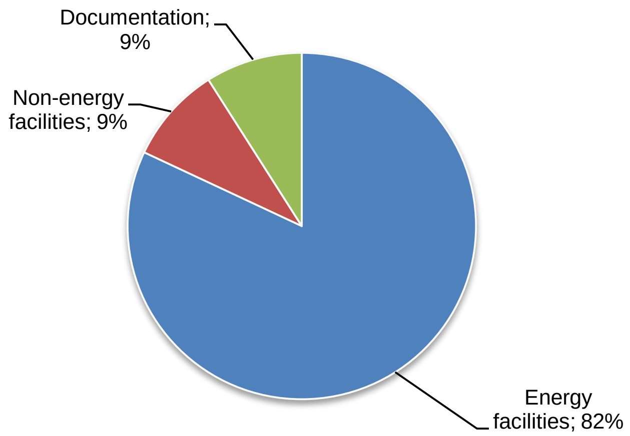
The investment plan for 2011 was prepared according to the Development plan of the electricity distribution network in Republic of Slovenia for a 10-year period – geographical area Elektro Maribor d.d., which was also endorsed by the Ministry of Economy. The document defines investments for the period between 2011 and 2020, based on analyses of the state of equipment, facilities and lines, as well as development studies of the electricity distribution network.

The realisation of investments in 2011 was at EUR 22,897,795, which is 16% lower than planned investments.

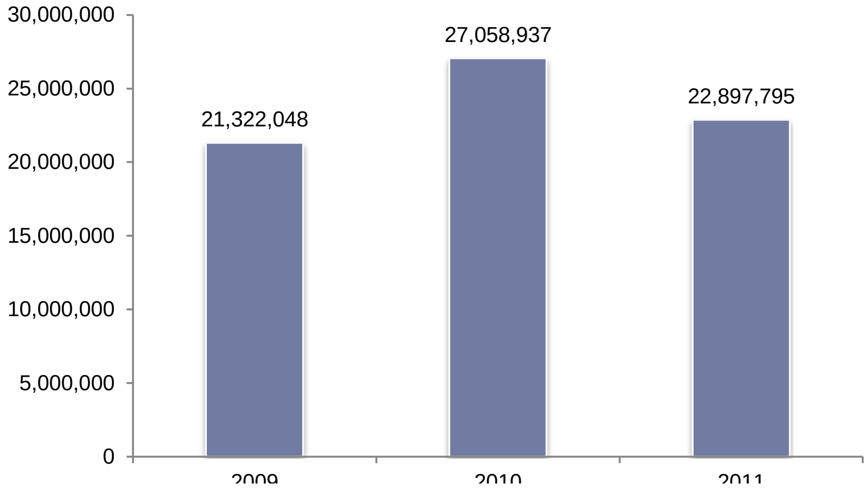
Investments by investment category (in EUR)



Structure of investments in 2011



Investment trend (in EUR)



Strategic facilities planned in 2011

- New OPL/CL HV
  The most important facility, which was planned for execution in 2011, was the single-circuit 110kV cable line between stations STS Koroška vrata and STS Pekre. This new 110kV cable connection would provide double transmission STS Koroška vrata, meet the n-1 standard and conclude the 110 kV loop around the city of Maribor. Complications in construction procurement are setting back the construction of the cable line to 2012.

- Existing HV/MV STS
  We continued with restoration or reconstruction of the switching transformer station Radvanje. All primary and secondary equipment were contracted and supplied. The implementation is oriented to the renovation and reconstruction of the first half of the station, which is one OPL 110 kV field, ½ of merge field, one T 110 kV field and one 20 kV cell system. Reconstruction will continue as planned in 2012.

- STS HV/MV new
  We began working on a provisional switching transformer station STS Podvelka and demolition of the existing facility. The public procurement procedures for strategic equipment of the new STS 110/20 kV Podvelka also began. The projects for acquiring the building permit were obtained and the building permit was acquired. The written agreement between ELES and Elektro Maribor was concluded.

  The construction of STS Mačkovci is in its final stage. Until the power line is built, the 2 x 110 kV Murska Sobota – Mačkovci is adapted to operation at 35/20 kV. There are still finishing construction works to be done at the facility and a technical inspection of the STS and official technical inspection.

Other energy infrastructure facilities and equipment:

- DMS, automation of HV network
  All hardware and software equipment has been supplied for a total renovation of DMS.
  In August we began constructing remote operating switches at 4 locations, which was realised.

- MV lines
  In 2011 we laid app. 25 km of MV cable lines and restored or reconstructed 58.6 km of overhead MV lines. In some cases, the network is decrepit, but there are a lot of new users and we are connecting new TS's for their requirements.

- TS

  In 2011 we built 38 new transformer stations and reconstructed 40 transformer stations.

- LV lines

  In 2011 we laid app. 107 km of LV cable lines. Of this 107 km app. 66 km is re-cabling (from overhead to underground). We exceeded the goal by 30%. We reconstructed app. 61 km of overhead power lines.

Elements		**2011**
MV lines	overhead power line	58.57
	cable line	24.80
TS MV/LV	new construction	38
	restoration	40
LVN	overhead power line	61.17
	cable line	106.94

- Transformers – operating reserve

  Because of a lack in operating reserves in 2011, we additionally purchased some transformers, which would contribute to the uninterrupted electricity supply.

- TC connections of energy facilities

  Two larger public procurements have been implemented. We completed the optical connection at Slov. Konjice towards Rogla and TS's in the area. We also placed the ADSS cable between STS Slov. Bistrica – STS Slov.Konjice.

  The works at the optical connection STS Studenci – STS Radvanje are completed. The optical connection STS Koroška vrata – STS Pekre will be done together with 110 kV cable line (in 2012).

  The project is in place for obtaining servitude rights for the optical connection STS Podvelka - HPP Vuhred.

- Metering devices and instruments

  The AMI project was realised according to plan. All other metering equipment was purchased and is already in use.

- Tools and mechanisation for requirements in energy sector

  We purchased all tools, which are necessary for safety at work. We also purchased tools and safety equipment for working under voltage.

- Transport facilities for requirements in the energy sector

  All personal vehicles were bought according to plan in 2011. We purchased two diggers to facilitate construction works from own funds.

- Inventory and office buildings and energy facilities

  The charging station for electric vehicles at Maribor and surroundings RU is completed. The heating and cooling system at Maribor SU and Radvanje SU and Slovenska Bistrica RU is also completed.

- Documentation for energy facilities

  Overhead power line 2 x 110 kV M. Sobota - Mačkovci

  We need to build a new double-circuit transmission line at 110 kV voltage at the existing station in Murska Sobota for operation of the new switching transformer station 110/20 kV Mačkovci, for improving voltage conditions and reliability of electricity supply in the area Goričko and to provide enough electricity for the electrification of the railway track to Hodoš. The length of the proposed overhead power line is 15 km. The procedure of siting of the power line is completed with the decree of the national spatial plan. Right now, activities for acquiring the building permit are in place and procedures for acquiring environmental consent and certificates of right to construct the corridor and standing pylons of the planned power line, as well as the project to acquire the building permit.

Overhead power line 2 x 110 kV M. Sobota - Lendava

In order to improve the voltage conditions and reliability of electricity supply in the area of Lendava and to comply with the n-1 standard, we need to build a new power line at 110 kV voltage between STS 110/20 kV Murska Sobota and STS 110/20 kV Lendava, which is currently at 110 kV voltage level radially only from STS 110/20 kV Ljutomer. The length of the proposed power line is app. 28 km. The procedure of siting of the power line is completed with the decree of the national spatial plan. Currently taking place are activities to obtain the right to construct the corridor and pylons for the proposed overhead power line and the project for obtaining the building permit, obtaining the building permit and environmental consent.

Electricity facilities of MV and LV

In 2011, we continued with our efforts to obtain investment documentation for the implementation of distribution facilities, which were planned for 2012 and 2013.

- **Computer equipment for communication**

  In the area of IT in 2011, we replaced technologically out-dated equipment, monitors, computers, supplements of equipment for printing out documents in accordance with adopted standardisation and provided support for implementing tasks in the area (handheld PC's and reading equipment) and replaced a few servers.

- **Purchasing of electricity infrastructure**

  In the first quarter of 2011 we purchased the TS from the Sugar Factory in Ormož. Other smaller facilities were purchased during the year. Realisation was lower than planned, because of the cable lines in Talum and Bučečovci, which weren't purchased in 2011.

3 SERVICES FOR FOREIGN CLIENTS

Altered market conditions, which are the result of the economic crisis directly impact results in the area of construction of energy facilities. The challenge nowadays is finding new business opportunities, expanding the offer of our services with new market products and strengthening business relations with our service users.

To ensure reliable and quality supply to distribution network users, we also performed maintenance work in 2011 at electricity facilities in accordance with the planned dynamic of implementing the investment plan of the company Elektro Maribor d.d.

This is how we realised revenue from own investments and internal realisations in the amount of EUR 10,529,632, of which own investments were EUR 10,151,260, which is 11% more than planned.

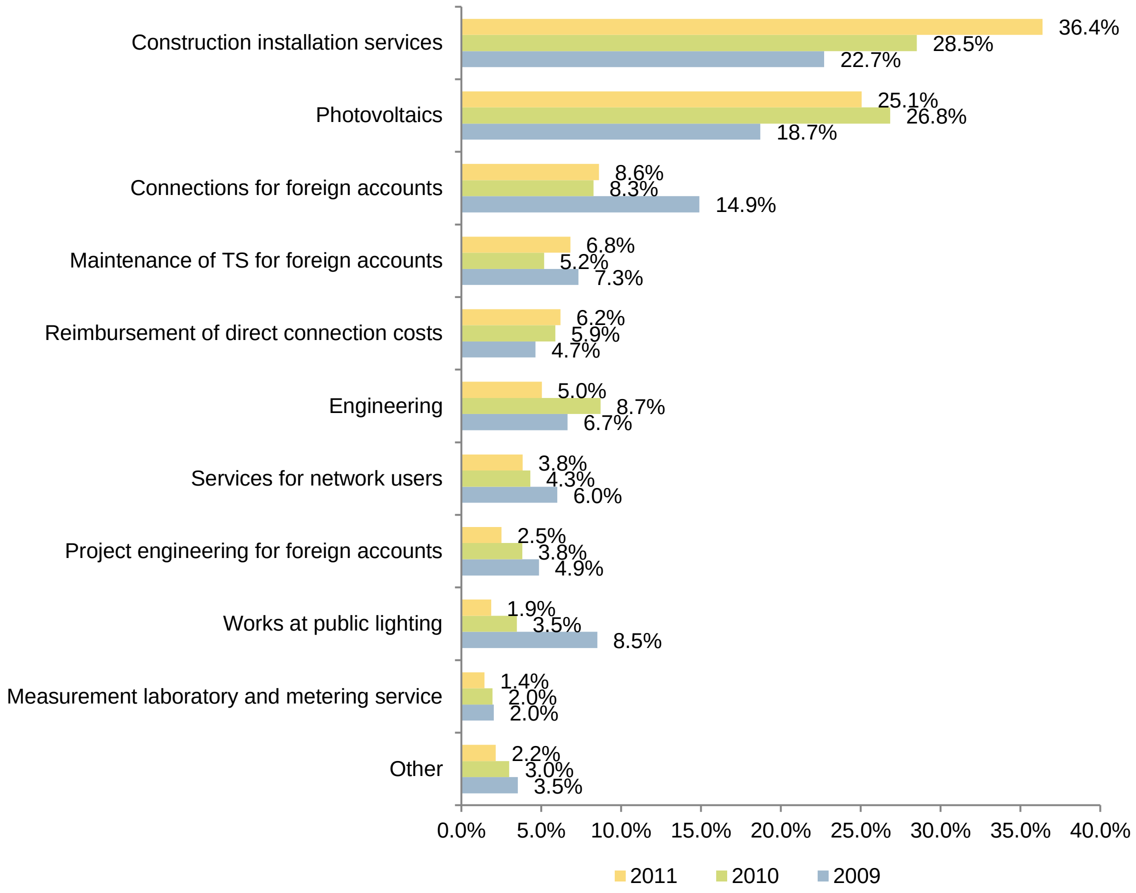
Internal realisation was at EUR 378,372, which exceeds plans by 33%, mostly because of the construction of metal constructions for the restoration of the juncture STS Radvanje, construction of the metal roof for the training centre at Maribor and surroundings RU, the low-voltage switching cabinets, metering cabinets and cabinets for connecting solar power plants.

We also create revenue with services on the market. Revenues from service sales in 2011 were at EUR 5,950,624 and exceeded plans by 1%. Increase in the scope of services is the result of appropriate price policy and an active approach towards potential subscribers of our services by enhancing our competitive advantages, mainly knowledge and experience of the professional personnel both in acquiring clients, as well as implementing works.

As part of the service activity is the measurement laboratory, which performs tasks in the area of control and certification for charging electricity in line with the SIST EN ISO/IEC 17020:2004 standard and acquiring accreditation by the Metrology Institute. Controls and certifications of meters take place in the company for foreign clients.

The metering service apart from regular maintenance of metering devices performs also maintenance work at batteries in TS and STS of Elektro Maribor d.d. In 2011, the metering service and measurement laboratory examined in total 4,618 meters for foreign clients.

Structure of revenue from service sales



4 RESEARCH AND DEVELOPMENT

Development and planning

As part of the project of active network (control and management of dispersed sources and users at the low-voltage distribution network TS MV/0.4 kV), we analysed the LV network TS 10/0.4 kV of the repair workshop (t-092), explored the possibilities of regulating waste electricity from solar power plants, began constructing the substitute transformer station, and TS repair workshop (equipped with LV switches with the possibility of remote control and protection, metering devices for voltage quality at LV and MV of the transformer, metering of electricity consumption of TS).

As part of services of the system operator in 2011, the number of produced analyses of electricity for connections of production facilities was 35% higher than in 2010, as well as the number of issued consents for connections of production facilities.

The number of other issued documents in 2011 in the area of services for the system operator, such as consents for connections of users, connection contracts, project conditions, and consents for project solutions, guidelines and opinions, was lower by 10% to 25% compared to the number of issued documents in 2010.

The planning department produced 224 project documents (159 for own purposes and 65 for third party clients), which is 93% of the planned number.

Development and projects

We set up contact with an investor for cogeneration on wood biomass of 5 MW power at location Kobilje, which also showed interest for cooperation.

We also set up contact with the concession owner for building the small HPP at Dravinja of 78 kW, who was interested in the joint investment in the facility.

The application for notifying users on planned interruptions via e-mail, fax and text messages is being prepared. Testing of sending notifications via e-mail and fax is completed. We still need to carry out testing of sending text messages. We also produced the internet application for data entry for notifications from the users. The application will be fully prepared presumably by March 2012.

Protection and rescue plan (PRP) was amended in accordance with the findings of inspection services and external assessment and updated with organisational and personnel changes.

We issued a useful plan for savings in electricity and heat energy, but it is very complex and includes several items. It can also serve as "a model” for “consulting” services and was forwarded to the project Group RES and EE.

5 IT SUPPORT

The IT service provides IT support for the operations of Elektro Maribor d.d. so that it can pursue the set strategic goals and business vision. The heart of the system is the integrated information system (IIS), which is developed and maintained by the subsidiary Informatika d.d. IIS presents the main IT support for all distribution companies, as well as for the subsidiary spin-off companies for purchase and sale of electricity after the end of 2011.

IIS is under renovation and in 2011 the development of the main modules (in the area of accounting and connecting users) was in its final stage The activities to purchase the ERP system will continue, which will include support to systems, which won’t be renovated in the renovation project IIS.

With our own development team and development of our own software the company provides support to business processes, nonetheless we still have to purchase a certain amount of software on the market. This is the only way for the company to efficiently manage the processes and services, both inside the company and those on the market. This is how the electronic document system came to life, which already reduced the amount of paper in the company and significantly sped up certain processes. The scope of introduction will expand even more in the future.

The spin-off of the area of purchase and sale of electricity to the independent subsidiary company of Elektro Maribor Energija plus d.o.o. presented a large organisational and logistic project in the company. We placed a lot of energy in the information support to the spin-off both in the Information service, as well as in the daughter company Informatika d.d.

6 PERFORMANCE ANALYSIS OF THE COMPANY

2011 was mostly marked by the spin-off of activities of purchase and sales to the daughter company, which is why the data for Elektro Maribor for 2011 are limited in comparison to previous years.

The most important factors, which influenced the company performance in 2011:

- **Spin-off of purchase and sale of electricity**
  An important milestone in company operation of Elektro Maribor d.d. in 2011 was the spin-off of the company Elektro Maribor Energija plus d.o.o. The company Energija plus d.o.o. was established on 15 June 2011 and 100% owned by the company Elektro Maribor d.d. It began operation on 1 December 2011 and the balance sheet cut-off date for the spin-off is 31 December 2010.

- **The Act on the methodology for determining network charges**
  On 1 January 2011 the new Act on the methodology for determining network charges and criteria for determining eligible costs for electricity networks and methodology for accounting network charges (OG 59/10 as of 23.7.2010) – hereinafter referred to as the Act came into force.

- **Decision of the Energy Agency of RS**
  On 29 December 2010 the Energy Agency RS based on the new Act issued the decision, which determined the regulatory framework for system operators of distribution network SODO d.o.o. This decision includes the regulatory framework for operation for the company Elektro Maribor d.d. for 2011 and 2012.

- **Preliminary balance for the regulatory period 2004 to 2009**
  Based on the Act (Article 2.8 in attachment 1), the company Elektro Maribor d.d. is eligible to EUR 6,082,159 revenue from income deficit to eligible costs for the regulatory period 2004 – 2009. In 2010 we were partially reimbursed for 2009 in the amount of EUR 1,650,947. The company is eligible for the remaining amount in 2011 and 2012 (half each year). In that respect the financial statements of the company for 2011 present for lease, services and purchase for losses for SODO d.o.o. the amount of EUR 2,215,606.

- **Completed network balance for regulatory year 2010**
  The company SODO d.o.o. based on the Annex no. 3 to the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for 2010 and based on audited information on operation in 2010 completed the final balance for rent and services of the regulatory year 2010. The difference between the preliminary balance 2010, which we already included in the business year 2010 and the final balance account is a surplus of revenue over eligible costs in EUR 328,290, which the company Elektro Maribor d.d. included in the financial statements for 2011.

- **Completed balance settlement balance for regulatory year 2011**
  The company in 2012 signed the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for 2011 with the company SODO d.o.o. Under Article 60 of the contract and based on unaudited information and in accordance with the provisions of the Act, SODO d.o.o. conducted a preliminary balance of the regulatory year 2011. The revenue deficit to eligible costs was at EUR 1,296,606 and the company Elektro Maribor included it in financial statements for 2011. The company SODO d.o.o. will implement the final balance account based on audited information of company Elektro Maribor d.d.

6.1 Net Profit

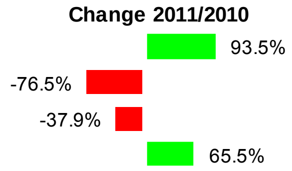
In 2011, the company witnessed the spin-off of purchase and sale of electricity. By analysing the net profit the information for previous years relate only to the activity of the distribution electricity energy system (DEES) and can be for the most part compared by content with the information of the company Elektro Maribor d.d. for 2011.

Net profit of the company totalled at EUR 6,313,075, which is 65.5% more than in 2010 and a consequence of higher revenues from SODO d.o.o.

Net profit

in EUR

Items	2009	2010	2011
Results from operating activi	-1,510,631	3,357,554	6,497,442
Net finance income	-205,877	-409,713	-723,295
Results from other activities	2,489,375	867,223	538,928
Net profit	**772,867**	**3,815,064**	**6,313,075**

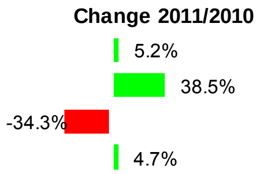


All revenues of company Elektro Maribor d.d. in 2011 amounted to EUR 75,193,463. The greatest share (74%) among revenues represents revenues from SODO d.o.o. for rent, services and purchases for losses.

Company revenue

in EUR

Items	2009	2010	2011
Operating revenues	56,826,735	70,740,485	74,385,976
Financial revenue	258,434	147,319	204,000
Other revenue	2,904,650	918,075	603,487
Total revenues	**59,989,819**	**71,805,879**	**75,193,463**



Net sales revenues of the company amounted to EUR 62,443,092. Among net sales revenues we mainly include:

- **Revenue from SODO d.o.o. (income based on regulatory framework)** amounted to EUR 55,865,045 and was 9% higher than the previous year, mostly because of 1.4% higher amounts of distributed electricity and partial reimbursement for the regulatory period 2004 - 2009 in the amount of EUR 2,215,606 and the preliminary balance for 2011 for EUR 1,296,606.

	2009	2010	2011 without reimbursements	Balance RF 2004-2009	Balance RF 2010	Preliminary balance RF 2011	2011 with reimbursements
Rent	24,113,471	28,318,385	**27,674,700**	1,173,923	2,963	267,315	29,118,901
Service provision	14,331,087	15,399,347	**17,738,901**	321,304	-331,253	1,029,291	18,758,243
Purchase for losses	1,291,333	7,535,167	**7,267,522**	720,379	0	0	7,987,901
Total	**39,735,891**	**51,252,899**	**52,681,123**	**2,215,606**	**-328,290**	**1,296,606**	**55,865,045**

In 2009 we only included in revenues the difference between revenues and costs of purchase of electricity for losses.

- **revenues from service sales on the market,** which were realised in the amount of EUR 5,950,624, which was at the level of 2010.

Revenues from capitalised own products and services were realised in the amount of EUR 10,529,632, which is 4% less than in the previous year and a result of lower investments in 2011.

Other operating revenues, realised in the amount EUR 1,413,253 were 30% lower than the previous year.

Financial revenues totalled at EUR 204,000 and include revenues from granted loans and business claims.

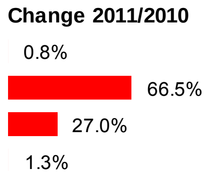
Other revenues of **EUR 603,487** relate mostly to revenues from received insurance premiums for damages of electricity facilities and are 44% lower than the year before.

All cost and expenditure of the company amounted to EUR 68,880,389. The largest share (37%) among costs are material and service costs.

Costs and expenditure of the company

in EUR

Items	2009	2010	2011
Operating costs and expens	58,337,366	67,382,931	67,888,534
Financial expenses	464,311	557,032	927,294
Other expenses	415,275	50,852	64,560
Total costs and expenses	**59,216,952**	**67,990,815**	**68,880,388**



The purchase value of sold goods and costs of used material amounted to EUR 16,647,966. Costs include:

- **Costs of purchase of electricity** amounted to EUR 5,745,421 in 2011 and represent only the costs of purchase of electricity for losses. In 2011, the company received and recorded the balance account for losses for 2010 in the amount of EUR 107,984.
- **Costs of material in investments** amounted to EUR 5,032,328, which is 2% less than in the year before and the result of a smaller scope of investments, which is why material costs were also proportionally lower in investments.

Service costs were in the amount of EUR 8,531,010. The largest share of these costs were service costs concerning maintenance (26%), insurance premiums (19%), service costs for further calculation (14%) and IT costs (13%).

Labour costs amounted to EUR 22,553,171. In 2011 we took into account the provisions of the Collective Bargaining Agreement on mid-year adjustment of salaries with the trend of the cost of living.

Write-offs were in the amount of EUR 19,356,738. The costs included:

- depreciation costs in the amount EUR 18,941,114.
- operating expenses from revaluation of intangible and tangible assets in the amount of EUR 77,340.
- operating expenses from revaluation of current assets in the amount of EUR 338,284, relating to the revaluation of receivables for which payment is doubtful.

Other operating expenses were in the amount of EUR 799,649. Here, we include also costs for provisions for service awards and severance costs, costs of scholarships, costs of compensation for the use of land and other expenses.

Financial expenses amounted to EUR 927,294 and mostly relate to loan interest on long-term borrowings, which are 66% higher than the year before.

Other expenses in the amount of EUR 64,560 are 27% higher than the previous year and relate particularly to compensations.

6.2 Financial Condition

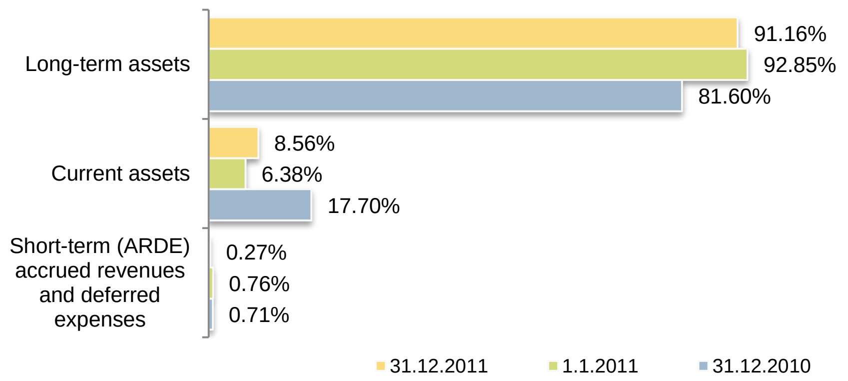
The balance sheet presents the scope and structure of long-term and short-term assets at a given date and their financing scope and structure.

Changes in the balance sheet total (in EUR)

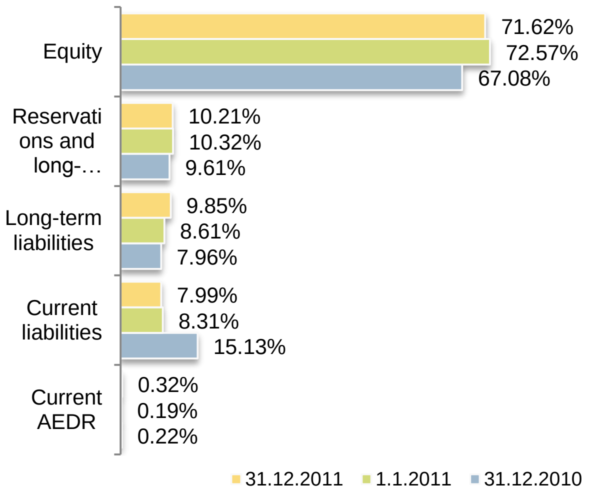
in EUR

	31.12.2010	Spin-off	01.01.2011	31.12.2011
Assets	**339,678,973**	**-25,703,131**	**313,975,842**	**325,272,964**
Long-term assets	277,165,102	14,370,440	291,535,542	296,534,488
Current assets	60,107,580	-40,065,978	20,041,602	27,848,303
Short-term accrued revenue and deferred costs	2,406,291	-7,592	2,398,699	890,173
Liabilities	**339,678,973**	**-25,703,131**	**313,975,842**	**325,272,964**
Equity	227,856,970	0	227,856,970	232,970,045
Reservations and long-term accrued expenses and deferred revenues	32,641,816	-249,912	32,391,903	33,214,740
Long-term liabilities	27,044,258	0	27,044,258	32,041,428
Current liabilities	51,380,594	-25,297,832	26,082,762	26,001,363
Short-term accrued costs and deferred revenues	755,335	-155,387	599,948	1,045,388

Structure of assets



Liabilities



Assets and liabilities of the company as at 31 December 2011 amounted to EUR 325,272,964 and had increased from 1 January 2011 by EUR 11,297,122 or by 4.0%.

In the spin-off procedure of a part of the company, assets reduced by EUR 40,984,641 per items:

- Long-term assets by EUR 911,072, of which
  - intangible assets by EUR 337,151
  - tangible assets by EUR 573,921
- Current assets by EUR 40,065,978, of which
  - Short-term receivables by EUR 36,426,403,
  - Financial assets by EUR 3,639,575
  - Short-term deferred revenues and accrued expenses by EUR 7,592

Long-term assets compared to the state as at 1 January 2011 increased by EUR 4,998,947, mostly because of investments in tangible and intangible fixed assets.

In 2011 we used EUR 22,897,795 for investments in fixed assets of the company. The trend of assets and the amount of investments in the last three years is shown in the table below:

	31.12.2009	31.12.2010	1.1.2011	31.12.2011
Value of assets	269,751,089	274,558,977	273,647,905	277,941,160
The amount of investments in company FA	21,322,048	27,058,937	0	22,897,795
%	7.90	9.86	0.00	8.24

Current assets of the company as at 31 December 2011 amounted to EUR 27,848,303 and increased compared to the state as at 1 January 2011 by EUR 7,806,701.

	31.12.2009	31.12.2010	1.1.2011	31.12.2011
Inventories	2,206,769	2,069,556	2,069,556	1,994,759
Short-term financial investments	0	0	0	8,000,000
Short-term trade receivables	43,824,263	48,433,283	12,006,880	11,656,436
Cash and cash equivalents	7,395,934	9,604,741	5,965,166	6,197,108
Total	**53,426,966**	**60,107,580**	**20,041,602**	**27,848,303**

The relation between current and long-term assets in the structure of assets compared to at the end of 2010 changed somewhat in favour of long-term assets, because the share of current assets reduced by 9% and accounts for 9% in the structure of assets.

Short-term accrued revenues and deferred expenses have fallen by EUR 1,508,526 compared to 1 January 2011, mostly because of eliminating calculated revenue from services, rent and purchase for losses for the system operator SODO d.o.o. based on the preliminary balance for the regulatory year 2010.

Liabilities present the method of financing assets, which the company has at disposal on a given day.

The equity of the company as at 31 December 2011 amounted to EUR 232,970,045 and was higher by EUR 5,113,075 as at 1 January 2011. The profit of the current year had a major impact on this change.

Provisions and long-term accrued expenses and deferred revenues increased by EUR 822,837. The reduction of long-term reservations due to the spin-off of a part of the company is recorded in the amount of EUR 221,582 in reservations for pensions and service awards and in the amount of EUR 28,330 for long-term accrued revenues and deferred expenses.

Long-term liabilities have increased because of the new obtained loan in 2011 for financing of new investments in electricity infrastructure.

Table below presents changes in borrowing in the reporting years

	31.12.2009	31.12.2010	31.12.2011
Loans (short-term+long-term)	26,199,270	37,078,907	42,357,591
Index compared to the year before	121	142	114

Current liabilities have reduced compared to the state on 1 January 2011 by EUR 81,399.

Because of the spin-off of a part of company the short-term business liabilities reduced by EUR 25,297.

The table below presents changes in current operating liabilities for the reporting periods:

	31.12.2009	31.12.2010	1.1.2011	31.12.2011
Current operating liabilities	32,386,924	41,335,195	16,037,363	13,568,647
Index compared to the year before	81	128	39	85

Short-term accrued expenses and deferred revenues are in the amount of EUR 1,045,388 and higher by EUR 445,440 compared to 1 January 2011. The increase mainly relates to the received final balance of the RF for 2010 in the amount of EUR 328,290 and calculated liabilities for unused leave in the amount of EUR 717,098.

6.3 Cash Flow

In analysing cash flow the information for previous years relates only to the activity of the Distribution electricity energy system (DEES) and may be for the most part compared by content with the information of the company Elektro Maribor d.d. for 2011.

The cash flow in 2011 was positive and amounted to EUR 231,942 with the final balance of cash flow at EUR 6,197,108.

Item	2009	2010	2011
Operating cash flows	**10,611,704**	**6,657,509**	**19,579,983**
-operating revenues	93,006,025	88,982,831	106,406,669
-operating expenses	-82,394,321	-82,325,322	-86,826,686
Investment cash flows	**-17,674,619**	**-11,025,641**	**-22,533,809**
-investment revenues	817,801	872,472	1,656,051
-investment expenses	-18,492,420	-11,898,113	-24,189,860
Financing cash flows	**3,468,818**	**10,347,896**	**3,185,768**
-financing revenues	18,700,000	62,498,000	14,500,000
-financing expenses	-15,231,182	-52,150,104	-11,314,232
Cash flow in the financial period	**-3,594,097**	**5,979,764**	**231,942**
Final balance of cash flows	**-14,596**	**5,965,168**	**6,197,108**
Starting balance of cash flows	**3,579,501**	**-14,596**	**5,965,166**

Operating cash flows in 2011 were positive and higher than in 2010 by EUR 12,922,474. They were higher primarily due to:

- higher revenues from rent and service claims under contract with SODO d.o.o. in the amount of EUR 8,278,797 and
- higher revenues from network use.

Investment cash flows show an excess of disbursements over receipts in the amount of EUR 22,533,809 and are higher than in 2010 mostly because of:

- expenses for obtaining short-term financial investments in the amount of EUR 8 million and
- higher investment expenses.

Financing cash flows show an excess of receipts over disbursements by EUR 3,185,768, whereas in 2010 these amounted to EUR 10,347,896. The smaller surplus of receipts from financing in 2011 compared to 2010 is a result of:

- lower long-term loan and
- higher principal repayments.

6.4 Performance Indicators

The company in its performance in 2011 pursued the requirements of the Capital Assets Management Agency of the Republic of Slovenia to annually increase the profitability on assets and achieve a 4.1% return on assets and 1% dividend on total equity in 2015.

Return on assets in 2011 amounted to 2%, which means that the company successfully managed its assets and generated for every EUR 100 of assets EUR 2 profit. Dividend on total equity in 2011 amounted to 0.5%. The value of both indicators is higher than the year before, which means we are approaching the target values for 2015.

The information of performance indicators for previous years relate only to the activity of the Distribution electricity energy system (DEES) and can be for the most part compared by content with the information of the company Elektro Maribor d.d. for 2011.

The successful performance of the company Elektro Maribor is measured by performance indicators:

- financing indicators are focused on the analysis of company financing;
- investment indicators analyse the composition of assets;
- “horizontal financial structure ratios” or leverage ratios, analyse the relation between assets and liabilities;
- efficiency indicators analyse a business result obtained according to the input required to generate it;
- ROI indicators, which determine the relation between certain returns and average investments.

	2009	2010	2011
I. FINANCING RATIOS			
Self-financing ratio in % *= assets/liabilities*	71.84	68.63	71.62
Long-term financing ratio in % *= assets + long-term debts + provisions + DRAE/liabilities*	91.07	88.52	91.68
Fixed assets ratio in % *=share capital/assets*	63.11	61.91	60.00
II. INVESTMENT RATIOS			
Fixed assets investment ratio in % *= fixed assets/assets*	93.60	91.35	85.45
Long-term investment ratio in % *= fixed assets and long-term ARDE + long-term fin. Investments + real-estate investments + long-term receivables/assets*	94.76	92.44	91.16
III. HORIZONTAL FINANCIAL STRUCTURE RATIOS			
Equity to fixed assets ratio *= equity/fixed assets*	0.77	0.75	0.84
Quick ratio *= liquid assets/short-term liabilities*	0.09	0.17	0.55
Accelerated liquidity ratio *= liquid assets + short-term receivables//short-term liabilities*	0.52	0.54	0.99
Short-term ratio *= short-term assets/short-term liabilities*	0.61	0.60	1.07
IV. EFFICIENCY RATIOS			
Operating efficiency ratio *= operating revenues/operating expenses*	0.97	1.05	1.10
Overall efficiency ratio *= revenues/expenses*	1.01	1.06	1.09
V. PROFITABILITY RATIOS			
Net profit on equity (ROE) in % *= net result / average assets*	0.37	1.85	2.88
Net return on equity (ROE) in % *= net profit or loss/average assets (excluding net profit or loss)*	0.38	1.86	2.91
Net return on assets (ROA) in % *= net profit or loss/average assets*	0.27	1.30	2.02
Operating revenue profitability ratio in % *= operating profit or loss/operating revenues*	-2.66	4.75	8.73
Operating revenue profitability ratio in % *= net profit or loss/operating revenues*	1.36	5.39	8.49
Dividend to share capital ratio in % *= dividends paid/average assets*	0.28	0.00	0.54
Dividend to share capital ratio in % *= dividends paid/average share capital*	0.44	0.00	0.88

7 RISK MANAGEMENT

In the company Elektro Maribor d.d. we recognise risks as potential events, which may have a negative impact on achieving the strategic objectives of the company. Through risk management the company is trying to recognise risks on time and take appropriate action to reduce the amount of damage a certain risk may cause.

The risks, which the company is exposed to, are divided into:

- business risks,
- operational risks and
- financial risks.

Risk area	Risk description	Management method	Exposure	Amount of damage
BUSINESS RISKS				
1. Risk of destruction	The assets of the company are exposed to environmental effects and weather conditions.	In 2011 the company insured its assets for a period of 4 years.	High	High
2. Investment risk	Civil initiatives can actively influence the siting of energy facilities, procedures may prolong, leading to a delayed realisation of investments.	Active communication with the civil initiative and other authorities which determine procedures.	High	High
	Increasing awareness of the public on different energy sources (renewable energy sources) presents the pressure for technological upgrades of infrastructure	Introducing projects in the area of renewable sources, waste management and setting up the “smart grid" platform.	Medium	Medium
OPERATIONAL RISKS				
1. Process implementation	Interruptions in process implementation	The company has introduced the quality control system ISO 9001 and carries out internal and external assessments of system operation.	Low	Low
2. Inaccessibility	Problems with enforcements and disconnections at metering points	Actions according to the General terms and conditions for electricity supply and consumption from the distribution network, additional communication with users, installing meters with remote breaker.	Medium	High
	Problems with disconnections and ensuring the operational state of the network at facilities and devices.	Inspection of access to energy facilities and objects and overcoming obstacles in agreement with the owners and inspection services.	High	Medium
3. Managing ownership rights	A number of lines and energy facilities are located in areas, where servitude rights or repurchases from the owners are not settled.	Communication with the owners and determining the construction of facilities based on previous regulations, which allowed such placements, concluding servitude or repurchases in the interest of the company.	High	High
4. Personnel	Lack of appropriate personnel (electric installers) and the risk of personnel leaving.	Scholarships, outsourcing, annual development meetings, measuring the organisational climate, encouraging additional education, appropriate reward system and internal communication.	High	Moderate
	Exposure to work accidents	Insuring personnel with collective accident insurance, education of the OHSAS 18001 for health and safety at work, training for work under voltage.	High	Moderate
	Conduct in conflict with the regulations and internal acts of the company.	Insurance of liability for performance of activity.	High	Moderate

Risk area	Risk description	Management method	Exposure	Amount of damage
5. Regulatory risk	Depending on the basic reference points for economic regulation of network charges and eligible costs, which have a great impact on the company business result.	Rationalisation of service costs and costs of maintenance of the distribution network.	High	Moderate
6. Information risk	Interruptions in IT support for business processes.	Maintenance of the existing IT system and renovation of the system.	High	High
7. Public procurement	Submitted audit claims by the contractors, which may prolong the period before contract conclusion for services or material purchase.	Timely planning of public procurement and well prepared technical specifications, which to the highest extent possible prevent submitting of audit claims.	Medium	High
FINANCIAL RISKS				
1. Credit risk	There is a risk that receivables from clients will be settled late, in part or not settled at all.	Close monitoring of claims, credit ratings of clients, requiring guarantee documents, default recovery, charging default interest.	Medium	Moderate
2. Liquidity risk	Untimely payments of outstanding claims.	Weekly, monthly and annual monitoring of the needs for liquidity assets.	Low	Moderate
3. Interest risk	Growth of financing costs because of unfavourable fluctuations of interest rates on the market.	Close monitoring of interest rates on financial markets and in event of unfavourable fluctuations of interest rates, the possibility of advance payments of loan without additional costs.	Low	Moderate

8 MAJOR EVENTS FOLLOWING THE END OF THE YEAR

Preliminary balance of the regulatory year 2011

In the beginning of March, SODO d.o.o. issued the preliminary balance for the regulatory year 2011, which amounted to EUR 1,296,606 and is included in information for 2011. The final balance account for the regulatory year is not yet known and will be prepared based on audited data.

Appointing the new President of the Management Board

The Supervisory Board of the company Elektro Maribor d.d. on 1 March 2012 at its 29th regular session unanimously appointed as the new President of the Management Board of the company Elektro Maribor d.d. Boris Sovič, MSc. 12. On 12 March Boris Sovič, MSc assumed the position of the President of the Management Board of the company Elektro Maribor. He assumed the function from the company representative Silvo Ropoša.

Revision of determined procedures

In February 2012, the revision of determined procedures began in terms of certain business transactions in 2010 and 2011. According to the order of the Audit Committee of the Supervisory Board of the company Elektro Maribor d.d. in line with the note the Capital Assets Management Agency of Republic of Slovenia No. 4-0027/2011-1804, a report is being prepared on the revision of individual business transactions by a law firm.

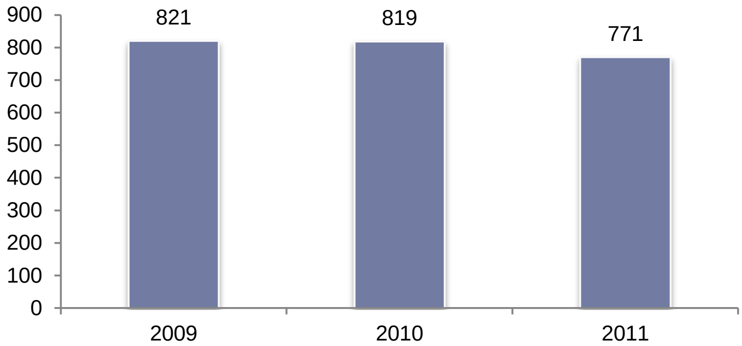
III. SUSTAINABILITY REPORT

1 Responsibility to Employees

1.1 Employees

As at the end of 2011 Elektro Maribor had a total of 771 employees, of which 675 were men and 96 women. Compared to 2010 the number of employees changed significantly, primarily due to the departure of 43 co-workers to the subsidiary Elektro Maribor Energija plus d.o.o.

Changes in the number of employees (as at the end of 2011)

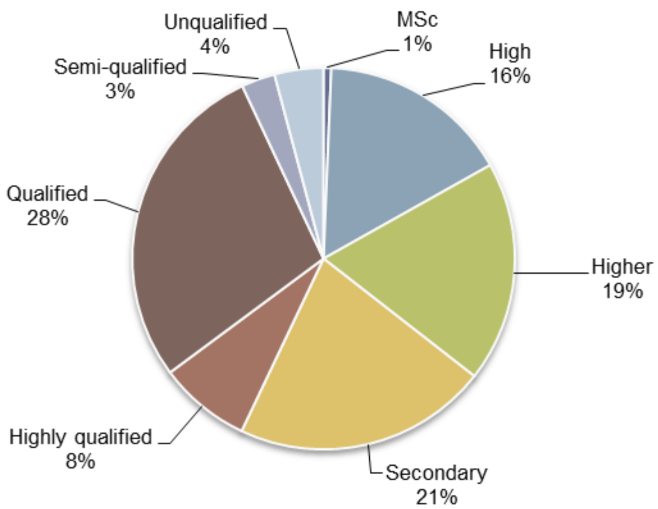


The average age of employees in 2011 was 42.3 years (men: 41.9 years; women: 44.8 years). The average period of employment was 22.6 years. The increase in the average age and employment period in recent years has been minimal.

	2009	2010	2011
Average age of employees (in years)	42.4	41.9	42.3
Average period of employment (in years)	22.0	22.2	22.6

In 2011, the number of employees with university degree or higher increased, while the number of unqualified and semi-qualified workers dropped.

Employee structure according to education level as at 31 December 2011



1.2 Education of Employees

Education and training ensures the development of employees by enabling them to discover and expand their inner potentials. As a result, employees develop in their respective areas of work and personal lives. New and additionally gained knowledge helps employees to improve their professional competences and creativity at work and consequently achieve personal and corporate goals. For this reason our company pays a great deal of attention to the education and training of employees. We carefully plan the education and training events and implement them in accordance with the in-house needs, the set objectives and the development of the company, and adapt them to the current situation on the labour market. It is important to mention that the development of employees is one of the most important motivational factors; therefore we pay much attention to it. We spent EUR 259,588 on the education of employees in 2011.

1.3 Organisational Climate and Satisfaction of Employees

Measuring organisational climate is the practice of successful companies, where the focus is put primarily on the satisfaction connected with job performance.

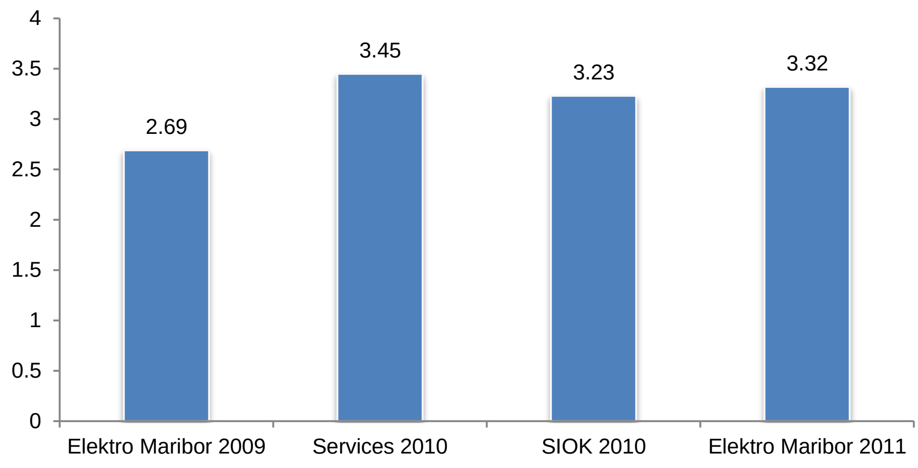
Elektro Maribor d.d. measured the organisational climate and satisfaction of employees for the fourth successive year in March 2011, using the SIOK (Slovenian organisational climate) questionnaire, which was drawn up by the consulting company AT Adria and partners. The questionnaire enables a comparison among Slovenian companies (approx. 380 Slovenian companies were included by 2010) and a comparison with the company's organisational climate measurement results from previous years.

The results show slight changes in the organisational climate and satisfaction of employees of Elektro Maribor d.d. in various periods, but overall, compared to the previous years, the 2011 organisational climate measurement results show the progress of our company in all the measured elements and categories.

Compared to the SIOK 2010 measurement (other Slovenian companies), the measurement of individual categories at Elektro Maribor d.d. is above the Slovenian average, while it is slightly below the average compared to service companies.

This means that we are aware of and follow the requirements of the business sphere, and that we will surpass the current results in the future by engaging each individual employee of our company.

Average values of organisational climate and employee satisfaction categories



1.4 Disability Employment

Elektro Maribor d.d. also employs people who have the status of disability as a result of health issues and associated lower work capabilities. We make sure these employees are properly treated and taken care of in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Act. Based on the rights from disability insurance or decisions on the acknowledged disability and occupational rights, we accordingly assign these employees to job positions that best suit their situation.

In accordance with the Vocational Rehabilitation and Employment of Disabled Persons Act an employer is responsible to hire a certain number (quota) of disabled workers. The company fully meets and even exceeds the quota as disabled persons account to almost 10% of the total number of our employees (the quota being 6%). Having exceeded the quota of employed disabled persons we are entitled to and have been receiving funding or remuneration, which we use to improve the working conditions of our disabled employees and for training and education (retraining) for suitable job positions.

In 2011, we intended funds for training of our disabled employees to enable their personal and job development.

1.5 Scholarships

In 2011 we provided scholarship to 22 students, 18 to secondary vocational program students (electricians), 2 to university students and one to a higher education student (all energy engineering programmes). In the 2011/2012 school year we granted 10 scholarships to future electricians.

1.6 Other Activities for Employees

We inform our employees through various channels, which are tailored to individual groups of employees. For this purpose we issue the internal newsletter *Infotok*, send e-mails, use the intranet and announcement boards.

The loyalty and personal connections in the company are nurtured through sports competitions and work and New Year events.

We organised puppet shows with Santa for our employees’ children.

We provide a healthy and safe working environment to our employees, who can use our holiday houses and exercise in our sports club.

Our innovation platform encourages the employees to provide innovative suggestions.

The company has received the Family Friendly Company certificate, which is based on the implementation of ten selected measures that are implemented into practice over a period of three years.

1.7 Innovation

The project office is a newly introduced part of the Elektro Maribor’s organisational structure. It is a product of the company’s need for systematic monitoring of the development of project work, evaluation of results of approved projects and systematic treatment of employees’ initiatives at all levels and Groups. The project office has the role of project management process administrator and innovation process administrator.

In terms of project management, the project management methodology was completed in 2011 (Rules on project management, System procedure with templates, Intranet), which has enabled a systematic approach to the life span of a project (the initiative for the project, the preparation, implementation and conclusion of the project).

The innovation platform is a key tool in the innovation process to ensure the developmental orientation and adaptability of the company and the comprehensive development of employees and organisation as a whole. We finished all actions or elements necessary for the implementation of the innovation platform in 2011. The presented scope, content and objectives of the innovation platform at an individual regional unit/service unit/management represent the transition to third stage of project implementation – the prototype period or the implementation into the practice, which will last until the end of 2012.

Elektro Maribor's strategic projects

The following strategic projects in 2011 should be illuminated:

- **The introduction of the document system (electronic incoming and outgoing mail and e-archive)**

  The introduction of the document system is divided into three stages: the first one is the electronic incoming mail, the second the electronic outgoing mail, and the third stage is e-archiving. The first two stages have been completed. With the aim to raise awareness about the use, purpose and benefits of the introduction of electronic office operations, a new round of user training was implemented in the second stage of the project. A detailed plan for the project's third stage in connection with the introduction of the information security management system under the requirements of the ISO 27001:2005 standard is in the stage of preparation.

- **The AMI (advanced metering system) project**

  Three pilot projects were implemented:
  - the integration of AMI to smart grids in the area of three transformer stations,
  - the transition to IDIS and open meter compliant equipment in the area of one transformer station,
  - the development of new data services (the web power display and the in-house power display).

- **The introduction of safe work under voltage**

  Within this project, individual project stages have been successfully completed: training for work under voltage, the purchase of suitable tools and the preparation of the necessary instructions. Safe work under voltage has been successfully introduced into regular work processes.

1.8 Safety and Health at Work

The basic aim of safety and health at work is to ensure a safe working environment to our employees. In order to achieve this, we apply the principles of the OHSAS 18001 standard, which we have introduced in the company and integrated in our management system.

The department for safety and health at work and fire safety has performed all legally defined activities in cooperation with the Management Board of the company, the occupational health and safety council that operates within the Works Council, and the trade union. Our fulfilment and implementation of measures in accordance with the policies of the OHSAS 18001 and the relevant legislation in the area of the occupational safety and health and the fire safety was confirmed by several inspections carried out by work and fire inspectors in 2011.

We encourage our employees to act responsibly when it comes to their own safety by providing them suitable working equipment and personal protection equipment, and by organising suitable trainings and education. For this purpose, we organised trainings for workers who perform dangerous work, such as heavy construction mechanisation, the operation of hoisting equipment and motor saws, and we further trained them in the area of occupational health and safety, fire safety, first aid and environmental protection in 2011.

The primary aim of education is to pass on specific knowledge in the area of occupational safety and health. In this area we were the first in Slovenia to start performing work under tension in the distribution network. The preparation of suitable work procedures, documentation and trainings of employees for work under tension has ensured the conditions for occupational safety and health.

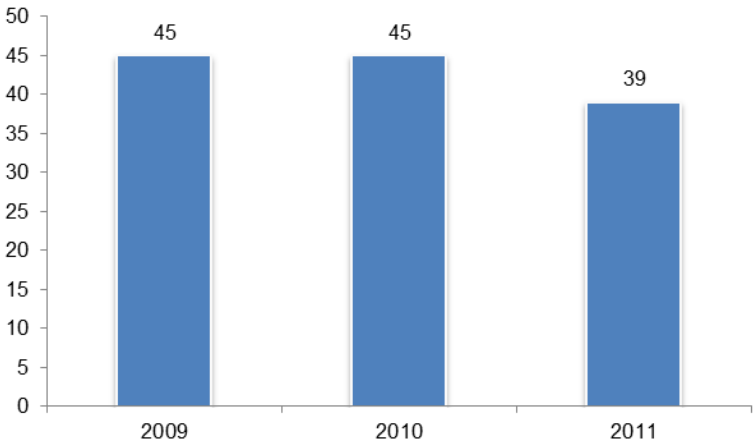
In order to lower absenteeism from work, we organised preventive medical examinations for 51% of employees in 2011. We also referred the students who performed field work to preliminary medical examinations. Moreover, we organised flu and tick-borne encephalitis vaccinations.

The number of work-related accidents in 2011 decreased compared to the previous periods. It is very important to mention that no serious accident at work related to electrical current or caused by the working process occurred in 2011, which shows the awareness of employees and their observation of instructions for safe work.

In 2011, we had 39 minor accidents at work. As a result, we recorded 1,249 days of absence from work, accounting for 0.8% of total working days. In 2010, we dealt with 10 risk cases and 2 fire cases at electricity power facilities.

In order to decrease the number of accidents at work, we regularly implemented preventive medical examinations for work Groups and introduced certain new elements in 2011.

Number of accidents at work



2 RESPONSIBILITY TO THE ENVIRONMENT

2.1 Corporate Environment

Marketing activities and corporate social responsibility

Our slogan “Extending energy excellence to you!” appeared in many communication channels, which helped establish the Elektro Maribor corporate brand as a socially responsible company driven by innovation and focused on the future; the latter was also shown by our activities connected with the “E-mobil” trademark.

We performed various “E-mobil” trademark related activities in the area of sustainable development. All the activities were well communicated and promoted. By opening two charging stations in Maribor, we successfully extended the network of charging stations for electric vehicles, i.e. vehicles of the future.

We pursue the goals set by the European Union and Slovenia in the area of energy sources and mitigation of CO_2 emissions by using two large-scale production electric cars (Mitsubishi i-MiEV and Citroën C-ZERO) and other eco projects.

Within the European Mobility Week and at various other events we organised test drives to promote the “E-mobil” and published a new brochure that includes more information about the “E-mobil” and the charging station.

Being aware of our responsibility to the public and being a responsible partner in the social environment, we give donations to various humanitarian campaigns. We supported the “Big Heart for Mammogram” campaign as well as other projects in the area of sports, culture, energy, social activity and sustainable development. We are aware of the importance of the environment in which we work, as well as our social responsibility to it; therefore we helped support local events in 2011.

The promotion of efficient energy use and renewable energy sources among the broader public.

In cooperation with energy agencies we offered advisory services regarding the effective use of electricity to consumers at our regional units. All participants were also offered free test drives in our “E-mobil”.

Solar power plants were promoted through the “Sonček” (“Sunshine”) package communication campaign. We attended the International Trade Fair in Celje as exhibitors promoting the “Sonček” package.

Relations with network users

Our clients were kept informed through the call centre, client visits at our organisational units and the headquarters, regular mail and e-mail at info@elektro-maribor.si, bills, on the back of bills, brochures and attachments to bills, and through the eServices website at http://www.elektro-maribor.si.

We were available 24/7 to receive reports on failures and interruptions in electricity supply, as well as to receive and forward messages on:

- network defects or interruptions,
- defective measuring equipment used by network users,
- shut-downs due to emergency maintenance works.

We also informed our clients about:

- current prices and the actual electricity consumption,
- prices of other services,
- “eService” options where a client can make a control calculation, report the meter for the calculation according to the actual electricity consumption, obtain information on their consumption, apply for eBill, etc.,
- the quality of electricity supply,
- electricity saving options,
- invoice complaint procedures,
- invoice payment options,
- the efficient energy use by drawing their attention to the Efficient Energy Use booklet,
- a comparison of electricity consumption with the consumption in the same period of the previous year,
- a comparison with the average normalised and reference electricity consumer from the sale consumer category,
- data on legal entities and private individuals offering information on efficient energy use and renewable energy sources.

The service level indicator at the toll-free telephone number for notifications of failures and interruptions (080 21 05) in the period between 1 January 2011 and 31 December 2011 was at 58%, and at 84% for the telephone number for general information (080 2101) in the period between 1 December 2011 and 31 December 2011, meaning that the abovementioned percentages of clients were less than 1 minute on hold before their calls were answered.

The number of calls to the toll-free telephone number for reporting network defects and interruptions increased by 4% in 2011 compared to 2010, and amounted to 45,372 calls.

In accordance with the legal requirements we also informed our consumers on planned power outages through the website at www.elektro-maribor.si.

Significant achievements in 2011:

- the separation of the EMIC call centre and the applications (CRM module) in accordance with the spin-off of the purchase and sale of electricity;
- the coordination of the system instruction and system procedures concerning the management of contacts with network users – PR6;
- a new free telephone number for Elektro Maribor d.d. for general information (080 2101) was introduced on 1 December 2011;
- a toll-free telephone number for reporting defects and interruptions - 080 2105.
- the call centre at the company headquarters was centralised. Operators from the regional units are included only in cases of widespread electricity failures and expected peak times or incidents when the number of calls significantly increases;
- the project called “Integrating the Call Centre and Electro-records programmes” was implemented; the project enables process optimisation and exchange of information between the call centre programme and the Electro-records programme, which is used by the maintenance department;
- the book of complaints and appraisals was introduced in information offices at the headquarters and regional units;
- the brochure called “Connection to the Distribution Network” was prepared; it is available in all information offices and through the website at www.elektro-maribor.si;
- the indicators for commercial quality, which are measured through the call centre programme, were introduced and controlled;
- the EMIC call centre programme and the EOO electronic office operations programme were connected to ensure the traceability of documents which are connected with the information process and the processing of complaints.

2.2 Natural Environment

Elektro Maribor d.d. has systematically implemented the environmental protection measures in accordance with the ISO 14001:2004 standard in order to mitigate potential effects of its operations on the environment. All employees are encouraged to help protect the environment through their actions in and outside of the company.

We identify the effects of Elektro Maribor d.d.’s operation on the environment and endeavour to decrease them through various programmes or actions. Most attention is paid to waste management as waste usually represents the secondary raw material. By establishing the collection centre, separation and processing of disassembled equipment we have increased the sales revenue from waste material.

We endeavour to extend our environmental protection activities also outside of the company; in 2011 we, therefore, organised consulting services and engineering in the area of photovoltaics, built the first EV charging stations in Maribor and enhanced cooperation through various civil initiatives.

Wishing to establish a natural appearance of the environment, Elektro Maribor has set the goal to ensure that underground cable lines account for 48% of the total length at the level of the LV network by 2014; at the level of the entire network the company has been increasing the share of underground cable lines by 0.5% annually, including in 2011.

In addition to being directly engaged in the area of environmental protection, we have also shown our endeavours to protect the environment indirectly by successfully constructing turn-key solar power plants. In 2011, we built 13 solar power plants with a minimum of 6 kWp and a maximum of 115 kWp installed power, in the total amount of 619.22 kWp of peak load, which is 6% more compared to the year before.

The total power of all power plants built by Elektro Maribor d.d. is 1.8 MWp and the expected minimum annual production is 1.9 GWh.

The annually generated electricity covers the needs of 540 average Slovenian households with a monthly consumption of 300 kWh of electricity. This way we decrease the annual CO_2 emissions by 1,260 tonnes.

2.3 Quality Control System

To meet the needs and expectations of our consumers, clients and business partners on the one hand, and to raise the awareness of our employees about the importance of quality assurance on the other, Elektro Maribor d.d. has set up a quality control system in accordance with the ISO 9001:2000 standard (this was subsequently supplemented with the fulfilment of requirements in accordance with the ISO 9001:2008 standard). Quality control requirements were also identified in the measurement laboratory in 2006. We applied the SIST EN ISO 17020:2004 standard to set up the foundation for quality management at the measurement laboratory, and certified it at the Slovenian Accreditation Institute.

We endeavour to manage our environment in a sustainable way. With this aim we implemented the ISO 14001:2004 standard in 2006. We express our responsibility towards the environment by observing legal and other requirements.

In 2008, we set up and certified our safety and health at work system in accordance with the OHSAS 18001:2007 standard, and joined it into a unified management system, which meets the requirements of all the indicated standards.

In terms of the management system, the work performed in 2011 was focused on improving the innovation climate, i.e. acquiring innovation suggestions, by setting up the Innovation Platform to directly improve the management system and the performance of our core activity. We also paid a great deal of attention to completing the planned spin-off of the market activity from the regulated activity.

In order to improve the relationship between the employees and the company, we determined 10 actions, which were necessary to obtain the Family Friendly Company certificate. The actions will increase the level of the company’s corporate social responsibility. We will also improve mutual relationships based on the adopted Code of Ethics and Rules on the prevention of mobbing in the company.

With the aim to further increase the quality and effectiveness of work also in the future, in 2012 we will continue the activities focused on supplementing the existing management system. We will continue implementing the information protection system in accordance with the requirements of the ISO/IEC 27001:2005 standard.

At Elektro Maribor d.d. we believe that upgrading of the quality management system in the sense of introducing the business excellence system with preparations for the setting up of the self-assessment system will help strengthen the company’s competitive advantages.

IV. FINANCIAL REPORT OF ELEKTRO MARIBOR D.D.

1 INDEPENDENT AUDITOR'S REPORT

TO THE GENERAL MEETING OF THE COMPANY

Elektro Maribor d.d., podjetje za distribucijo električne energije, Vetrinjska ulica 2, Maribor

We audited the financial statements of the business company Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vertinjska ul. 2, Maribor, comprising the balance sheet as at 31 December 2011, income statement and the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and the summary of the relevant accounting principles and other explanatory information. We also examined the business report.

Management responsibility for the preparation of financial statements

The management bears overall responsibility for the preparation and fair representation of these financial statements in accordance with the Slovenian accounting standards and in accordance with the internal control as deemed necessary by management to ensure that the accounting process is free of any risk of misstatement or fraud.

Auditor's Responsibility

It is our responsibility to perform the audit and state an opinion about the financial statements on the basis of our auditing process. We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit under ethical requirements to obtain reasonable assurance as to whether the group financial statements are free of material misstatement due to fraud or mistake.

The audit includes examining of the evidence supporting the amounts and disclosures in the financial statements. The auditing processes that are applied depend on the auditor's judgement and include a risk evaluation of misstatement within the financial statements with regard to fraudulent or erroneous activities. Risk evaluation is intended to ensure the reliability of financial reporting and minimise the risk of inaccurate external or internal group reporting; the auditor's aim is thus to establish appropriate auditing procedures, not to assess the effectiveness of the company's internal control procedures. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audited evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the company Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vetrinjska ulica 2, Maribor as of 31 December 2011 and the income statement and cash flows for the year then ended, in accordance with Slovenian accounting standards.

Paragraph on another issue

The business report of the group is in accordance with the audited group accounting statements.

Other important facts

Without providing an opinion with reservation, we would like to stress that the company Elektro Maribor d.d., as stipulated in Article 6.1. of the Business Report considered EUR 2,215,606 revenues from the balance settlement account for the regulatory period 2004 – 2009 based on the provisions of the Act on the Methodology for determining network charges and Article 35 of Annex no. 3 to the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for the period from 1 January 2010 to 31 December 2010 and Article 58 of the Contract on the lease of the electricity distribution infrastructure and provision of services for the distribution network system operator with SODO d.o.o.

ABC revizija d.o.o.

Natalija Pestiček Bohorč
Authorised auditor

Darinka Kamenšek, MSc
Director

Ljubljana, 13 April 2012

2 MANAGEMENT BOARD'S STATEMENT OF RESPONSIBILITY

The Management Board of Elektro Maribor d.d. is responsible for the preparation of financial statements and presentation thereof to the interested public. The financial statements provide a true and fair presentation of the company's financial position and its results.

The Management Board is responsible for keeping proper accounting records, which represent the company's financial position with reasonable accuracy at any given time. Furthermore, it is responsible 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.

The Management Board hereby declares that:

- all financial statements of the company 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 2006 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 company'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.

The Management Board of the company approved and adopted the financial statements and notes as well as the accounting policies to the financial statement and the presented Annual Report for 2011 on 30 March 2012.

Maribor, 30 March 2012

President of the Management Board:
Boris Sovič, Msc

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 determined in the Slovenian Accounting Standards 2006, in accordance with the Companies Act (ZGD-1), the requirements of the Energy Act, and the legislation in the area of taxes and finance.

The Management Board of Elektro Maribor d.d., endorsed the financial statements on 30 March 2012.

Functional currency

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

Changes in accounting policies

No changes in accounting policies occurred in 2011.

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,

and the following required quality features:
- understandability,
- relevance,
- reliability, and
- 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 to a true and fair presentation of the company's assets and operational result have been joined and explained appropriately in appendices to the financial statements.

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

Elektro Maribor d.d. is obliged 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.

The data presented in the income statement for 2010 are not directly comparable due to the partial spin-off of company. Changes in the balance sheet are presented separately due to the exclusion of assets and liabilities as at 1 January 2011.

In 2011, 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.

Relevance of disclosures

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 expenses separately.

Accounting policies

In presenting and valuation of items in the financial statements, the company directly applied the provisions of SAS, 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, the Rules on Fixed Assets and Depreciation or the Management Board decided on the methods to be applied.

In line with the principle of prudence, all potential liabilities, which are expected to be settled in the future, have been included in the financial statements.

Comparability of information

The General Meeting of Elektro Maribor d.d. gave its consent to the division of the company by way of a spin-off on 31 August 2011. Elektro Maribor Energija plus, podjetje za trženje energije in storitev d.o.o. was entered into the register of companies on 20 June 2011. The spin-off cut-off date was 1 January 2011 and the total turnover for the period between 1 January 2011 and 1 December 2011 when the company started operating.

Information on operations in the previous business year is thus not comparable as it was impossible to adjust it to the extent that it would comply with the information presented for 2011. The balance sheet contains an additional column as at 1 January 2011, which presents the opening balance of the transferring company; moreover, amounts of assets and liabilities that were transferred to the acquiring company during the spin-off process are presented in individual notes.

Events after the balance sheet date

Events after the balance sheet date have no effect on the financial statements for 2011, but they are relevant for the presentation of the fair situation of company operations.

The final settlement account for the regulatory year 2011 that will be based on the audited data for 2011 was not available until the completion of financial statements; therefore the preliminary settlement amount for the regulatory year 2011 in the amount of EUR 1,296,606 has been taken into account.

Relations with affiliated companies

Elektro Maribor d.d. holds non-current financial investments with more than a 20% shareholding in the following companies:

- Elektro Maribor Energija plus d.o.o., Veselova ul. 10, Maribor 100.00%,
- OVEN Elektro Maribor d.o.o., Vetrinjska ul. 2, Maribor 100.00%,
- Moja energija d.o.o., Jadranska cesta 28, Maribor 33.33%,
- Eldom d.o.o., Vetrinjska ul. 2, Maribor 25.00%,
- Informatika d.d., Vetrinjska ul. 2, Maribor 22.00%.

Operations of affiliates in 2011

in EUR

	Equity	Total assets	Net profit or loss	Total revenue
Elektro Maribor Energija Plus d.o.o., Veselova ul. 10, Maribor	12,925,781	35,339,999	-2,365,731	112,366,828
OVEN Elektro Maribor d.o.o., Vetrinjska ul. 2, Maribor	3,779,577	4,304,689	237,614	998,497
Moja energija d.o.o., Jadranska cesta 28, Maribor	3,010,993	6,470,373	1,113,557	7,419,729
Eldom d.o.o., Vetrinjska ul. 2, Maribor	223,979	424,773	6,713	1,199,059
Informatika d.d., Vetrinjska ul. 2, Maribor	2,199,907	5,392,111	49,827	11,319,924

Elektro Maribor d.d. carries out the consolidation for the parent company, Elektro Maribor Energija plus d.o.o., and OVEN Elektro Maribor d.o.o.

4 RELEVANT ACCOUNTING POLICIES

Intangible assets

Intangible assets are stated at cost less the accumulated amortisation amount.

At initial recognition, an item of intangible assets is measured at cost, which comprises its purchase duties and costs directly attributable to bringing the asset to the condition necessary for the intended use.

Long-term property rights are amortised individually using the straight-line amortisation method. Items of long-term property rights start being amortised over their expected useful lives as soon as they are made available for use.

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 is increased by interest on loans raised in order to bring an item of property, plant and equipment to the condition necessary for the intended use.

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 market cost of such item.

Parts 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 provided that the future benefits from such item of property, plant and equipment increase beyond their previously assessed benefits.

Investments in fixed assets are accrued on the basis of systemic instruction on the accrual of investments in property, plant and equipment and maintenance costs, forming an appendix to the Rules on property, plant and equipment and depreciation.

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

No items of property, plant and equipment were acquired under finance lease. All items of property, plant and equipment are owned by the company and have not been pledged as collateral for debts.

Investment property

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

Investment property is stated at cost or purchase value less the accumulated depreciation.

The fair value of investment property is established for the purpose of its disclosure. The fair value is based on the market value, which equals the estimated amount for which an asset could be exchanged between a buyer and seller in an arm's length transaction on the day of appraisal based on suitable marketing.

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 2011.

Amortisation and depreciation

The carrying amount of an item of property, plant and equipment, intangible assets and investment property is decreased with amortisation/depreciation.

All of the company's fixed assets are classified in amortisation/depreciation groups. Amortisation/depreciation is calculated individually using the straight-line amortization/depreciation method.

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

The company defines useful lives of individual fixed assets, using the following amortisation/depreciation rates:

	2011	2010
Buildings and constructed parts of buildings	20-50 years	20-50 years
Equipment	5-35 years	5-35 years
Motor vehicles	7-12 years	7-12 years
Computer equipment	3 years	3 years
Intangible assets	3 years	3 years

Financial investments

In the balance sheet, financial investments are stated as long-term or non-current financial investments and current financial investments. Non-current 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 dependent companies and subsidiaries are stated at cost.

All of the company’s financial investments are classified as available-for-sale financial investments.

On each balance sheet date, the company assesses whether there is objective evidence for 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 or purchase value, 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 revalued for impairment if the carrying amount exceeds the net realisable 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 with a contract.

The company verifies the suitability of disclosed receivables on a regular basis. The amounts of receivable that are believed to be uncollectible by their due date or that are overdue should be recorded as doubtful receivables or as disputable receivables.

The company adjusts the value of receivables for impairment 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 individual approach, meaning it forms the adjustment for the total value of a receivable due from a client, no matter the level of recoverability. The company also forms revaluation adjustments for receivables when it disposes with data on initiated insolvency proceedings or legal actions.

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

Deferred taxes

The company does not form receivables and liabilities for deferred taxes as it does not expect any available taxable profit in the future, which would allow for the use of deductible temporary differences.

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 at amounts based on appropriate documentation, after such nature of the document has been confirmed.

Short-term accrued revenue and deferred expenses

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

Initially, these are amounts that do not affect the company's activity nor do they impact 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.

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 euros. It is entered in the register of companies and distributed 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 the KDD – centralna klirinško depotna družba d.d. (Central Securities Clearing Corporation) in line with the regulations.

Revenue reserves are recognised in accordance with the decision of the Management Board, the Supervisory Board, and the General Meeting's resolution.

Revaluation surplus is recognised on the basis of the revaluation of investments at the end of each business year.

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

The company presented the changes in equity in the statement of changes in equity.

Provisions and long-term accrued expenses and deferred revenue

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 Unit Credit method and performed at the end of each business year when the company adjusts the value and balance of provisions.

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 costs of improving the working conditions for the disabled.

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

Debts

Debts may be divided as financial and operating liabilities, as well as short-term and long-term.

All liabilities are initially recognised at the 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 historical 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 assesses 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

Off-balance sheet records or 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, values of fixed assets transferred to SODO d.o.o., and the amount of the 2010 regulatory period offset, which will be settled in the next regulatory period.

Recognition of revenue

The revenue is recognised if the increase in 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. The revenue is recognised when it is reasonable to expect it to result in receipts, if these are not already realised at inception.

The revenue comprises operating revenue, finance income, and other revenue.

Operating revenue is revenue from the sale of own products and services, and revenue from the sale of merchandise, material and rendered services in an accounting period. It is measured based on sales prices stated on invoices or other documents, decreased by the discounts granted at the sale, and subsequently also by the value of returned quantities and any subsequent discounts.

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 revalued in previous years.

Finance income is income from investment activities. It is generated from current and non-current financial investments and from 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 regards its size, maturity and realisability. 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 profit or loss from operating activities.

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 costs in an accounting period.

Revaluation operating expenses are recognised when an adequate revaluation is completed and it appears 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 the settlement, regardless of the related payments.

Other expenses include non-recurring items and other expenses that decrease the operating result.

Labour costs and reimbursements

Elektro Maribor d.d. includes the following items in labour costs:

- salaries and wages,
- salary and wage compensations,
- additional pension insurance,
- contributions and other duties,
- other costs such as: holiday allowance, reimbursement of material costs, solidarity aid and other.

Labour costs and reimbursements are calculated and paid in accordance with the legislation, the Collective Labour Agreement pertaining to the energy sector and the Collective Bargaining Agreement.

Labour costs also include accrued costs from unused annual leave of employees.

Taxes

Elektro Maribor d.d. 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 on the basis of 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 expected to be paid from the taxable profit for the year, using tax rates applicable on the reporting date.

The company is not liable to pay corporate income tax for 2011 since the liability from the calculation was covered using the loss from previous accounting periods.

The management of the company is unable to provide a reliable estimate on whether the company will generate a taxable profit high enough to claim the deferred tax assets, hence they were not recognised in the annual financial statements for 2011.

The company did not recognise deferred tax liabilities in 2011 as these do not represent significant amounts and their elimination does not affect the business decisions of users.

5 FINANCIAL STATEMENTS OF ELEKTRO MARIBOR D.D.

Balance sheet

in EUR

	Item	Note	31 Dec 2011	1 Jan 2011	Transfer	31 Dec 2010
A.	**Long-term assets (I-VI)**		**296,534,488**	**291,535,542**	**14,370,440**	**277,165,102**
I.	**Intangible assets and long-term deferred expenses and accrued revenue (1 to 6)**	**1**	**1,425,755**	**1,323,602**	**-337,151**	**1,660,753**
	1. Long-term property rights		1,425,755	1,323,602	-337,151	1,660,753
II.	**Property, plant and equipment (1 to 6)**	**2**	**276,515,405**	**271,592,712**	**-573,921**	**272,166,633**
	1. Land and buildings (a + b)		204,077,849	203,790,044	-498,723	204,288,767
	a. Land		7,392,527	7,318,843	-128,429	7,447,272
	b. Buildings		196,685,322	196,471,201	-370,294	196,841,495
	2. Production equipment and machinery		66,000,540	62,571,112	-75,198	62,646,310
	4. Property, plant and equipment in acquisition (a + b)		6,437,017	5,231,556	0	5,231,556
	a. Property, plant and equipment under construction		6,437,017	4,713,361	0	4,713,361
	b. Advances for acquisition of property, plant and equipment		0	518,195	0	518,195
III.	**Investment property**	**3**	**709,383**	**731,591**	**0**	**731,591**
IV.	**Non-current financial investments (1 to 2)**	**4**	**17,864,602**	**17,854,603**	**15,281,512**	**2,573,091**
	1. Non-current financial investments excluding loans (a to č)		17,864,602	17,854,603	15,281,512	2,573,091
	a. Investments in shares and shareholdings of Group companies		16,983,478	16,973,479	15,281,512	1,691,967
	b. Investments in shares and shareholdings of associated companies		672,776	672,776	0	672,776
	c. Other non-current investments in shares and shareholdings		56,594	56,594	0	56,594
	č. Other non-current financial investments		151,754	151,754	0	151,754
V.	**Long-term operating receivables (1 to 3)**	**5**	**19,343**	**33,034**	**0**	**33,034**
	3. Long-term operating receivables due from others		19,343	33,034	0	33,034
B.	**Current assets (I - V)**		**27,848,303**	**20,041,602**	**-40,065,978**	**60,107,580**
II.	**Inventories (1 to 4)**	**6**	**1,994,759**	**2,069,556**	**0**	**2,069,556**
	1. Material		1,994,759	2,069,556	0	2,069,556
III.	**Current financial investments (1 to 2)**	**7**	**8,000,000**	**0**	**0**	**0**
IV.	2. Short-term loans (a to c)		8,000,000	0	0	0
	b. Short-term loans to others		8,000,000	0	0	0
V.	**Short-term operating receivables (1 to 3)**	**8**	**11,656,436**	**12,006,880**	**-36,426,403**	**48,433,283**
	1. Short-term operating receivables due from Group companies		313,692	263,109	0	263,109
	2. Short-term accounts receivable		10,024,652	10,200,217	-34,116,773	44,316,990
	3. Short-term operating receivables due from others		1,318,092	1,543,554	-2,309,630	3,853,184
V.	**Cash and cash equivalents**	**9**	**6.197.108**	**5,965,166**	**-3,639,575**	**9,604,741**
C.	**Short-term accrued revenue and deferred expenses**	**10**	**890,173**	**2,398,699**	**-7,592**	**2,406,291**
	ASSETS (A + B + C)		**325,272,964**	**313,975,842**	**-25,703,130**	**339,678,973**
	Off-balance-sheet assets		54,712,019	53,461,065	-1,816,647	55,277,712

	Item	Note	31 Dec 2011	1 Jan 2011	Transfer	31 Dec 2010
A.	**Equity**	**11**	**232,970,045**	**227,856,970**	**0**	**227,856,970**
I.	**Called-up capital (1 to 2)**		**139,773,510**	**139,773,510**	**0**	**139,773,510**
	1. Share capital		139,773,510	139,773,510	0	139,773,510
II.	**Capital reserves**		**75,121,586**	**75,121,586**	**0**	**75,121,586**
III.	**Revenue reserves (1 to 5)**		**14,285,279**	**11,016,361**	**0**	**11,016,361**
	1. Legal reserves		1,455,118	1,139,464	0	1,139,464
	5. Other revenue reserves		12,830,161	9,876,897	0	9,876,897
IV.	**Revaluation surplus**		**105,184**	**105,184**	**0**	**105,184**
VI.	**Net profit for the year**		**3,684,486**	**1,840,329**	**0**	**1,840,329**
	1. Undistributed profit for the year		3,684,486	1,840,329	0	1,840,329
B.	**Provisions and long-term accrued expenses and deferred revenue (1 to 3)**	**12**	**33,214,740**	**32,391,903**	**-249,912**	**32,641,815**
	2. Provisions for retirement benefits and similar liabilities		3,902,508	3,877,155	-221,582	4,098,737
	3. Long-term accrued expenses and deferred revenue		29,312,232	28,514,748	-28,330	28,543,078
C.	**Non-current liabilities (I to III)**	**13**	**32,041,428**	**27,044,258**	**0**	**27,044,258**
I.	**Non-current financial liabilities (1 to 4)**		**32,041,428**	**27,044,258**	**0**	**27,044,258**
	2. Non-current financial liabilities to banks and companies		32,041,428	27,044,258	0	27,044,258
Č.	**Current liabilities (I to III)**	**14**	**26,001,363**	**26,082,762**	**-25,297,832**	**51,380,594**
II.	**Current financial liabilities (1 to 4)**		**12,432,716**	**10,045,399**	**0**	**10,045,399**
	1. Current financial liabilities to Group companies		2,094,987	0	0	0
	2. Current financial liabilities to banks and companies		10,316,163	10,034,649	0	10,034,649
	4. Other current financial liabilities		21,566	10,751	0	10,751
III.	**Current operating liabilities (1 to 8)**		**13,568,647**	**16,037,363**	**-25,297,832**	**41,335,195**
	1. Current operating liabilities to Group companies		2,262,012	0	-83,421	83,421
	2. Current operating liabilities to suppliers		6,935,057	10,646,142	-16,396,370	27,042,512
	4. Current liabilities from operations for third party account		2,151,219	2,454,562	-7,244,272	9,698,834
	5. Current liabilities to employees		1,404,299	2,048,259	-131,007	2,179,266
	6. Current liabilities to state and other institutions		388,514	541,141	-994,420	1,535,561
	7. Current operating liabilities based on advances		111,113	50,345	-427,400	477,745
	8. Other current operating liabilities		316,432	296,915	-20,941	317,856
D.	**Short-term accrued expenses and deferred revenue**	**15**	**1,045,388**	**599,948**	**-155,387**	**755,335**
	LIABILITIES (A to D)		**325,272,964**	**313,975,842**	**-25,703,130**	**339,678,973**
	Off-balance-sheet liabilities	**16**	54,712,019	53,461,065	-1,816,647	55,277,712

Income statement

in EUR

	Item	Note	I-XII 2011	I-XII 2010
1.	**Net sales revenue (a + b)**	17	**62,443,092**	**192,605,068**
	a. Domestic market		62,443,092	192,605,068
3.	**Capitalised own products and services**	18	**10,529,632**	**10,927,155**
4.	**Other operating revenue (including revaluation operating revenue)**	19	**1,413,253**	**5,596,464**
5.	**Cost of goods, material and services (a + b)**	20	**25,178,976**	**159,854,633**
	a. Cost of goods sold and material used		16,647,966	150,390,878
	b. Cost of services		8,531,010	9,463,755
6.	**Labour cost (a + b + c + d)**	21	**22,553,171**	**24,413,842**
	a. Costs of wages and salaries		15,992,906	17,212,055
	b. Cost of additional pension insurance for employees		820,457	905,679
	c Employer contributions and other salary duties		2,628,930	2,882,412
	d. Other labour costs		3,110,878	3,413,696
7.	**Write-offs (a + b + c)**	22	**19,356,738**	**20,237,773**
	a. Amortisation and depreciation		18,941,114	18,509,118
	b. Revaluation operating expenses for intangible assets and property, plant and equipment		77,340	67,360
	c. Revaluation operating expenses for current assets		338,284	1,661,295
8.	**Other operating expenses**	23	**799,649**	**1,041,632**
10.	**Finance income from loans granted (a+b)**	24	**78,901**	**80,767**
	b. Finance income from loans granted to others		78,901	80,767
11.	**Finance income from operating receivables (a + b)**	25	**125,099**	**369,549**
	b. Finance income from operating receivables due from others		125,099	369,549
13.	**Finance expenses from financial liabilities (a + b + c + č))**	26	**924,280**	**565,032**
	a. Finance expenses from borrowings from Group companies		4,644	0
	b. Finance expenses from borrowings		919,451	561,397
	č . Finance expenses from other financial liabilities		185	3,635
14.	**Finance expenses from operating liabilities (a + b + c)**	27	**3,014**	**613,332**
	b. Finance expenses from liabilities to suppliers and liabilities pertaining to bills of exchange		3,014	19,931
	c. Finance expenses from other operating liabilities		0	593,401
15.	**Other revenue**	28	**603,487**	**1,083,823**
16.	**Other expenses (a + b)**	29	**64,560**	**62,206**
19.	**NET PROFIT FOR THE PERIOD**	30		
	(1 ± 2 +3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 17 ± 18)		**6,313,075**	**3,874,376**

Statement of other comprehensive income

in EUR

	Item	Note	I-XII 2011	I-XII 2010
19.	Net profit for the period		6,313,075	3,874,376
21.	Change in revaluation surplus on available-for-sale financial assets		0	-14,369
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19 + 20 +21 + 22 +23)**		**6,313,075**	**3,860,007**

Cash flow statement

in EUR

Item	Note	I-XII 2011	I-XII 2010
A. Cash flows from operating activities			
a) Cash receipts from operating activities	**31**	***106,406,669***	***329,309,635***
aa) Cash receipts from the sale of products and services		104,452,773	327,209,181
ab) Other cash receipts from operating activities		1,953,896	2,100,454
b) Cash disbursements from operating activities	**32**	***-86,826,686***	***-326,651,732***
ba) Cash disbursements from the purchase of material and services		-56,284,014	-290,410,235
bb) Cash disbursements from salaries and employees' s participation in profit		-14,258,118	-14,761,424
bc) Cash disbursements from charges		-13,963,330	-19,114,250
bd) Other cash disbursements from operating activities		-2,321,224	-2,365,824
c) Net cash used in operating activities (a+b)		***19,579,983***	***2,657,903***
B Cash flows from investing activities			
a) Cash receipts from investing activities	**33**	***1,656,051***	***872,472***
aa) Cash receipts from interest and participation in profit of others, pertaining to investing activities		68,424	70,682
ac) Cash receipts from disposal of property, plant and equipment		1,587,627	801,790
b) Cash disbursements from investing activities	**34**	***-24,189,860***	***-11,669,463***
ba) Cash disbursements from acquisition of intangible assets		0	-1,153,109
bb) Cash disbursements from acquisition of property, plant and equipment		-16,179,860	-10,516,354
bc) Cash disbursements from acquisition of non-current financial investments		-10,000	0
bd) Cash disbursements from acquisition of current financial investments		-8,000,000	0
c) Net cash used in investing activities (a+b)		***-22,533,809***	***-10,796,991***
C Cash flows from financing activities			
a) Cash receipts from financing activities	**35**	***14,500,000***	***62,498,000***
ab) Cash receipts from increase of non-current financial liabilities		14,500,000	18,300,000
ac) Cash receipts from increase of current financial liabilities		0	44,198,000
b) Cash disbursements from financing activities	**36**	***-11,314,232***	***-52,150,104***
ba) Cash disbursements from interest paid on financing		-913,818	-531,741
bc) Cash disbursements from repayment of non-current financial liabilities		-9,221,316	-7,420,363
bd) Cash disbursements from repayment of current financial liabilities		0	-44,198,000
be) Cash disbursements from dividends and other participation in profit		-1,179,098	0
c) Net cash used in financing activities (a+b)		***3,185,768***	***10,347,896***
Č Closing balance of cash and cash equivalents		**6,197,108**	**9,604,741**
x) Cash flow result for the period (sum of net cash Ac, Bc and Cc)		**231,942**	**2,208,807**
+			
y) Opening balance of cash and cash equivalents		**5,965,166**	**7,395,934**

Statement of changes in equity

in EUR

	STATEMENT OF CHANGES IN EQUITY FOR 2011	Called-up capital		Revenue reserves			Retained net profit or loss	Net profit or loss for the period	Total
		Share capital	Capital reserves	Legal reserves	Other revenue reserves	Revaluation surplus	Retained net profit	Net profit	
		I/1	II	III/1	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**	**1,139,464**	**9,876,897**	**105,184**	**0**	**1,840,329**	**227,856,970**
A.2	**Opening balance of the reporting period**	**139,773,510**	**75,121,586**	**1,139,464**	**9,876,897**	**105,184**	**0**	**1,840,329**	**227,856,970**
B.1	**Changes in equity – transactions with shareholders**	**0**	**0**	**0**	**0**	**0**	**-1,200,000**	**0**	**-1,200,000**
g.	Payment of dividends						-1,200,000	0	-1,200,000
B.2	**Total comprehensive income for the period**					**0**	**0**	**6,313,075**	**6,313,075**
a.	Entry of net profit or loss for the period							6,313,075	6,313,075
B.3	**Changes in equity**	**0**	**0**	**315,654**	**2,953,264**	**0**	**1,200,000**	**-4,468,918**	**0**
a.	Allocation of the remaining part of the net profit for the period to other items of equity			0	0		1,200,000	-1,200,000	0
b.	Allocation of the remaining part of the net profit for the period to other items of equity pursuant to resolution by the Management and Supervisory Boards			315,654	2,312,935			-2,628,589	0
c.	Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting's resolution				640,329		0	-640,329	0
D.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**1,455,118**	**12,830,161**	**105,184**	**0**	**3,684,486**	**232,970,045**

in EUR

	STATEMENT OF CHANGES IN EQUITY FOR 2010	Called-up capital		Revenue reserves			Retained net profit or loss	Net profit or loss for the period	Total
		Share capital	Capital reserves	Legal reserves	Other revenue reserves	Revaluation surplus	Retained net profit	Net profit	
		I/1	II	III/1	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**	**945,746**	**6,644,715**	**119,553**	**711,894**	**679,959**	**223,996,963**
A.2	**Opening balance of the reporting period**	**139,773,510**	**75,121,586**	**945,746**	**6,644,715**	**119,553**	**711,894**	**679,959**	**223,996,963**
B.2	**Total comprehensive income for the period**					**-14,369**		**3,874,376**	**3,860,007**
a.	Entry of net profit or loss for the period							3,874,376	3,874,376
č.	Change in revaluation surplus of financial investments					-14,369			-14,369
B.3	**Changes in equity**	**0**	**0**	**193,718**	**3,232,182**	**0**	**-711,894**	**-2,714,006**	**0**
a.	Allocation of the remaining part of the net profit for the period to other items of equity			0	0		679,959	-679,959	0
b.	Allocation of the remaining part of the net profit for the period to other items of equity pursuant to resolution by the Management and Supervisory Boards			193,718	1,840,329			-2,034,047	0
c.	Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting's resolution				1,391,853		-1,391,853		0
D.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**1,139,464**	**9,876,897**	**105,184**	**0**	**1,840,329**	**227,856,970**

6 NOTES AND DISCLOSURES TO FINANCIAL STATEMENTS

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.

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. It is drawn up in the running form, itemised in line with SAS 24.4, with values shown for the current period as at 1 January 2011.

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 in 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 the balances and changes in assets and liabilities.

Intangible assets (EUR 1,425,755)
Note 1

	2011
Cost	
As at 31 Dec 2010	4,974,250
Elimination as at 1 Jan 2011	-786,401
As at 1 Jan 2011	4,187,849
Increase	990,095
As at 31 Dec 2011	5,177,944
Accumulated amortisation	
As at 31 Dec 2010	3,313,497
Elimination as at 1 Jan 2011	-449,249
As at 1 Jan 2011	2,864,248
Transfers	0
Amortisation	887,941
As at 31 Dec 2011	3,752,189
Carrying amount	
As at 1 Jan 2011	1,323,601
As at 31 Dec 2011	1,425,755

Intangible assets include long-term property rights arising from investments in licenses for system and application software with the useful life of three years. The balance and changes in such assets are presented in the table.

The increase of EUR 990,095 refers to investments in application software upgrades.

Property, plant and equipment (EUR 276,515,405)

Note 2

Property, plant and equipment accounted for an 86% share of the company's total assets as at 31 December 2011. The company allocated EUR 21,907,700 for investments in property, plant and equipment in 2011. The balance of property, plant and equipment as at 31 December 2011 was 2% higher than that on 1 January 2011.

Balance and changes in property, plant and equipment in 2011

	Land	Buildings	Equipment	Investments in progress	Advance payments made	Total property, plant and equipment
Cost						
As at 31 Dec 2010	7,447,272	630,340,155	146,141,132	4,713,361	518,195	789,160,115
Elimination as at 1 Jan 2011	-128,429	-918,440	-276,299	0	0	-1,323,168
As at 1 Jan 2011	7,318,843	629,421,715	145,864,833	4,713,361	518,195	787,836,947
Increase	73,684	12,532,136	9,289,222	24,618,280	25,059	46,538,380
Decrease	0	254,869	1,422,243	22,894,624	543,254	25,114,989
As at 31 Dec 2011	7,392,527	641,698,982	153,731,812	6,437,017	0	809,260,338
Accumulated depreciation						
As at 31 Dec 2010		433,498,660	83,494,823			516,993,483
Elimination as at 1 Jan 2011		-548,146	-201,101			-749,247
As at 1 Jan 2011		432,950,514	83,293,722			516,244,236
Decrease		228,108	1,348,330			1,576,439
Depreciation		12,291,253	5,785,880			18,077,133
As at 31 Dec 2011		445,013,659	87,731,272			532,744,931
Carrying amount						
As at 1 Jan 2011	7,318,843	196,471,201	62,571,111	4,713,361	518,195	271,592,711
As at 31 Dec 2011	7,392,527	196,685,322	66,000,540	6,437,017	0	276,515,405

Major acquisition of property, plant and equipment in 2011 refers to buildings in the amount of EUR 12,532,136, of which EUR 7,880,619 for the construction of cable lines and EUR 2,717,227 for the construction of overhead power lines, and EUR 9,287,409 for equipment.

A major decrease in property, plant and equipment is a result of permanent derecognition of buildings in the amount of the current value by EUR 28,478 and equipment in the amount of the current value by EUR 81,220.

Property, plant and equipment not yet ready for use was recorded in the amount of EUR 6,437,017.

The accumulated depreciation rate for buildings was 69% and for equipment 57%.

Balance and changes in property, plant and equipment in 2010

in EUR

	Land	Buildings	Equipment	Investments in progress	Advance payments made	Total property, plant and equipment
Cost						
As at 1 Jan 2010	7,397,855	615,674,564	141,977,993	3,709,296		768,759,708
Increase	49,450	16,255,924	10,448,175	28,917,835	518,195	56,189,579
Decrease	33		1,465,253	27,913,770		29,379,056
Elimination (SODO d.o.o.)		1,579,668	4,830,449			6,410,117
Transfer		-10,666	10,666			0
As at 31 Dec 2010	7,447,272	630,340,154	146,141,132	4,713,361	518,195	789,160,114
Accumulated depreciation						
As at 1 Jan 2010		421,427,445	79,511,146			500,938,591
Transfers		-746	746			0
Decrease			1,365,251			1,365,251
Elimination (SODO d.o.o.)		129,977	261,152			391,129
Depreciation		12,201,937	5,609,333			17,811,270
As at 31 Dec 2010	0	433,498,659	83,494,822			516,993,481
Carrying amount						
As at 1 Jan 2010	7,397,855	194,247,119	62,466,847	3,709,296	0	267,821,117
As at 31 Dec 2010	7,447,272	196,841,495	62,646,310	4,713,361	518,195	272,166,633

In accordance with the Contract on the lease of electricity distribution infrastructure and provision of services for the electricity distribution system operator, Elektro Maribor d.d. leased out the electricity distribution infrastructure to SODO d.o.o., which is based on the provision of the Energy Act and the concession agreement the only holder of the concession right for the performance of the public utility service of the electricity distribution system operator.

As at 31 December 2011, the value of the electricity distribution infrastructure rented out totalled EUR 246,603,635.

Balance and changes in electricity infrastructure in 2011

	Land	Buildings	Equipment	Total property, plant and equipment
Cost				
As at 31 Dec 2010	4,527,999	604,569,716	123,475,097	732,572,812
Increase	65,423	12,060,777	7,936,781	20,062,981
Decrease	0	254,869	202,028	456,897
As at 31 Dec 2011	4,593,422	616,375,624	131,209,850	752,178,896
Accumulated depreciation				
As at 31 Dec 2010		423,020,294	66,881,176	489,901,470
Increase		228,760	173,186	401,946
Depreciation		11,814,480	4,261,260	16,075,739
As at 31 Dec 2011		434,606,012	70,969,250	505,575,262
Carrying amount				
As at 31 Dec 2010	4,527,999	181,549,422	56,593,921	242,671,342
As at 31 Dec 2011	4,593,422	181,769,612	60,240,600	246,603,635

Investment property (EUR 709,383)
Note 3

	2011
Cost	
As at 31 Dec 2010	1,412,097
Increase	2,234
As at 31 Dec 2011	1,414,331
Accumulated depreciation	
As at 31 Dec 2010	680,506
Depreciation	24,443
As at 31 Dec 2011	704,949
Carrying amount	
As at 31 Dec 2010	731,591
As at 31 Dec 2011	709,383

Investment property includes holiday homes and residential apartments. In 2011, the company generated revenue of EUR 8,948 by renting out apartments, and EUR 118,040 by renting out holiday homes.

Long-term financial investments (EUR 17,864,602)
Note 4

The company holds long-term or non-current financial investments in shares of Group companies, associated companies and other companies, which are presented under the cost principle.

	As at 31 Dec 2010	Transfer	As at 1 Jan 2011	Increase	As at 31 Dec 2011
Investments in shareholdings of Group companies	1,691,967	15,281,511	16,973,478	10,000	16,983,478
Investment in shareholdings and shares of associated companies	672,776		672,776		672,776
Other long-term investments in shareholdings	56,594		56,594		56,594
Other non-current financial investments	151,754		151,754		151,754
Total	**2,573,091**	**15,281,511**	**17,854,602**	**10,000**	**17,864,602**

Investments in 100% shareholdings of Group companies:

- Elektro Maribor Energija plus d.o.o. in the amount of EUR 15,291,511, and
- OVEN Elektro Maribor d.o.o. in the amount of EUR 1,691,967.

Elektro Maribor d.d. has shareholdings in the following affiliated companies:

- investment in the shareholding of Eldom d.o.o. in the amount of EUR 235,246,
- investment in shares of Informatika d.d. in the amount of EUR 437,530, and
- investment in the shareholding of Moja energija d.o.o. in the amount of EUR 42,158, for which impairment has been made in the full amount.

Long-term operating receivables (EUR 19,343)
Note 5

Long-term operating receivables include primarily receivables from the sale of apartments to employees in accordance with the Housing Act, with maturity of 10 to 15 years.

Long-term operating receivables are decreased by the part that falls due in a period of one year.

	31 Dec 2011	31 Dec 2010
Long-term operating receivables	33,034	41,207
Short-term part of long-term operating receivables	-7,130	-8,173
Total	**19,343**	**33,034**

Inventories (EUR 1,994,759)
Note 6

The inventory of material stands at EUR 1,994,759 and does not exceed the net realisable value. It 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 fixed assets.

Until 31 December 2011, the company wrote off EUR 15,807 worth of material as it no longer had any utility value for the performance of company's activities.

As at 31 December 2011, the value of the company's inventory stood at EUR 28,423 EUR; no changes occurred between 1 January 1995 and 31 October 2011 as the inventory is defined as operating reserves.

No inventory deficit or surplus was found in inventory of material in 2011.

	31 Dec 2011	31 Dec 2010
Material and small tools	1,994,759	2,069,556
Total	**1,994,759**	**2,069,556**

Current financial investments (EUR 8,000,000)
Note 7

Current financial investments are initially carried at cost which corresponds to the invested cash and other assets. Current financial investments include short-term investments in banks with interest rate between 3.95% and 4.15% and a maturity of three months.

	31 Dec 2011	31 Dec 2010
Short-term loans to others	8,000,000	0
Total	**8,000,000**	**0**

Short-term operating receivables (EUR 11,656,436)
Note 8

Changes in short-term operating receivables

	2011	1 Jan 2011	Transfer	2010
Short-term operating receivables due from Group companies	313,692	263,109	0	263,109
Short-term accounts receivable	10,024,652	10,200,217	-34,116,773	44,316,990
Short-term operating receivables due from others	1,318,092	1,543,554	-2,309,630	3,853,184
Total	**11,656,436**	**12,006,880**	**-36,426,403**	**48,433,283**

Changes in revaluation adjustments to short-term operating receivables

	As at 31 Dec 2010	Transfer	As at 1 Jan 2011	Decrease	Increase	As at 31 Dec 2011
Revaluation adjustments to operating receivables	5,690,036	-4,388,964	1,301,072	154,730	322,474	1,468,816

Short-term operating receivables due from Group companies in the amount of EUR 313,692 refer mostly to accounting services and rent for business premises charged to Elektro Maribor Energija plus d.o.o.

Short-term accounts receivable stood at EUR 10,024,652 EUR and refer particularly to receivables for the lease and services under the SODO d.o.o. contract in the amount of EUR 5,855,440, charged network use in the amount of EUR 2,884,761, and receivables for other charged services in the amount of EUR 1,284,450.

Short-term operating receivables due from others include receivables from operations for third party account in the amount of EUR 798,318 and receivables due from state institutions in the amount of EUR 519,774.

Clients usually settle their receivables on time or in with minor delays. Default interest is charged in accordance with the contract.

The company has secured receivables for the lease of infrastructure with bills of exchange.

As at the end of 2011, the company had no receivables due from the Management Board and the members of the Supervisory Board.

In accordance with the Rules, the company made a revaluation adjustment for disputable and doubtful receivables in the amount of EUR 322,476, referring primarily on the charged use of network. Expenses are accordingly presented in the income statement in the same amount.

Breakdown of short-term operating receivables by maturity

	31 Dec 2011	Structure in %	31 Dec 2010	Structure in %
Non-past due	10,610,791	91.03	41,067,758	85.4
Past due up to 30 days	600,597	5.15	5,308,793	9.7
Past due from 31 to 60 days	282,300	2.42	1,212,774	3.1
Past due from 61 to 90 days	58,580	0.50	261,702	0.6
Past due more than 90 days	104,168	0.89	582,256	1.1
Total	**11,656,436**	**100.00**	**48,433,283**	**100.0**

The structure of receivables by maturities including the spin-off presents a significant change in all categories of maturities, hence a limited comparability of the data.

Cash and cash equivalents (EUR 6,197,108)
Note 9

	31 Dec 2011	1 Jan 2011	Transfer	31 Dec 2010
Cash in accounts	113,225	16,387	-15,189	31,576
Call deposits	6,083,883	5,948,779	-3,624,386	9,573,165
Total	**6,197,108**	**5,965,166**	**-3,639,575**	**9,604,741**

The opening balance of cash and cash equivalents as at 1 January 2011 is reduced by the transfer of cash and cash equivalents, determined in the Division Plan, in the amount of EUR 3,639,575 and it totals EUR 5,965,166.

Short-term accrued revenues and deferred expenses (EUR 890,173)
Note 10

Short-term deferred expenses include the accrued credit from the purchase of electricity for network losses in the amount of EUR 832,719.

	2011	1 Jan 2011	Transfer	31 Dec 2010
Short-term deferred expenses	890,173	40,273	-7,274	47,547
Short-term accrued revenue	0	2,356,428	0	2,356,428
Securities	0	1,998	-318	2,316
Total	**890,173**	**2,398,699**	**-7,592**	**2,406,291**

Equity (EUR 232,970,045)
Note 11

The company's share capital totals EUR 139,773,510 and is divided into 33,495,324 ordinary registered no-par value shares.

	31 Dec 2011	31 Dec 2010
Share capital	139,773,510	139,773,510
Capital reserves	75,121,586	75,121,586
Legal reserves	1,455,118	1,139,464
Other revenue reserves	12,830,161	9,876,897
Revaluation surplus	105,184	105,184
Net profit for the year	3,684,486	1,840,329
Total	**232,970,045**	**227,856,970**

The company generated profit in the amount of EUR 6,313,075 in 2011. In accordance with the Management Board's decision the profit was used for the formation of legal reserves in the amount of EUR 315,654 and other revenue reserves in the amount of EUR 2,312,935 on 31 December 2011.

The distributable profit in the amount of EUR 3,684,486 is presented in the appendix to the statement of changes in equity for 2011.

The book value of one share stood at EUR 6.96.

The growth of consumer prices in 2011 stood at 2.0%. Were the company to revaluate the equity using the growth rate of consumer prices for 2011, the net profit would total EUR 1,759,162 (excluding the effect on the corporate income tax return).

Item	Opening balance of equity	Growth in %	Calculated result	Increase/ decrease during the year	Growth in %	Calculated result	Net profit before calculation	Net profit after calculation
EQUITY – all categories excluding current profit	227,856,970	2,00	4,557,139	-1,840,329	0,1753	-3,227	6,313,075	1,759,162

Provisions and long-term accrued expenses and deferred revenue (EUR 33,214,740)

Note 12

Provisions for service awards and severance pay upon retirement are presented in the table below:

	As at 31 Dec 2010	Transfer	As at 1 Jan 2011	Use	Increase	As at 31 Dec 2011
Provisions for service awards	1,433,440	-75,728	1,357,712	168,589	181,471	1,370,594
Provisions for retirement benefit	2,665,297	-145,853	2,519,444	128,480	140,949	2,531,913
Total	**4,098,737**	**-221,582**	**3,877,155**	**285,947**	**322,421**	**3,902,508**

The company decreased the above-mentioned provisions according to the actually paid liabilities to employees, and increased them by the amount of additional liabilities to employees as at 31 December 2011, which were acquired based on the calculation of a certified actuary.

Long-term accrued expenses and deferred revenue stood at EUR 29,312,232 as at 31 December 2011 and were formed from fixed assets acquired free of charge and from co-financing. The company uses these long-term accrued expenses and deferred revenue to cover the costs of depreciation with annual depreciation rate of 3.33%. To cover the cost of depreciation for the provisions pertaining to fixed assets acquired free of charge and co-financing, the amounts used since 2012 are those that match the actual depreciation rate for an individual item of fixed assets.

	As at 31 Dec 2010	As at 1 Jan 2011	Decrease	Increase	As at 31 Dec 2011
Long-term deferred revenue from household connections acquired free of charge	15,004,126		577,119	1,086,794	15,513,800
Long-term deferred revenue from fixed assets acquired free of charge	4,511,095		159,251	633,587	4,985,431
Long-term deferred revenue from average connection costs	4,903,034		178,523	0	4,724,511
Long-term deferred revenue from co-financing	3,987,211		145,296	109,817	3,951,732
Long-term deferred revenue from waived contributions for the disabled	137,612	109,281	69,880	97,356	136,757
Total	**28,543,078**	**109,281**	**1,130,069**	**1,927,554**	**29,312,232**

Long-term liabilities (EUR 32,041,428)

Note 13

Long-term or non-current liabilities comprise non-current financial liabilities to banks for loans.

The company raised a long-term loan in 2011 in the amount of EUR 14,500,000 to finance investments.

The maturity of loans is between 5 and 10 years, and the interest rate is between 1- and 3-month EURIBOR plus bank's mark-up. The borrowings are secured with bills of exchange.

The company duly pays the matured instalments of the principal.

	31 Dec 2011	31 Dec 2010
Long-term financial liabilities to banks	42,357,592	37,078,907
Short-term part of non-current financial liabilities to banks	-10,316,163	-10,034,649
Total	**32,041,428**	**27,044,258**

Short-term liabilities (EUR 26,001,363)
Note 14

Short-term or current liabilities include current financial and current operating liabilities.

Current financial liabilities stood at EUR 12,432,716 and include amounts of the short-term part of long-term borrowings in the amount of EUR 10,316,163; they fall due within one year from the balancing date. Other current financial liabilities amounted to EUR 2,094,987 and include the amount of liabilities for the short-term borrowing from a Group company that refers to the relevant quota of cash of Elektro Maribor Energija plus d.o.o. as at 1 December 2011.

Current operating liabilities to Group companies in the amount of EUR 2,262,012 refer to the consumed electricity and the relevant quota of liabilities to Elektro Maribor Energija plus d.o.o., which were settled in 2012.

Current operating liabilities to other suppliers amount to EUR 11,306,635 and include liabilities to suppliers for fixed assets in the amount of EUR 3,160,165, liabilities to suppliers for current assets in the amount of EUR 3,795,888, and liabilities from operations for third party account in the amount of EUR 2,151,219. Liabilities to employees total EUR 1,404,299 and stand for the amount of salaries paid out in January 2012.

	31 Dec 2011	1 Jan 2011	Transfer	31 Dec 2010
Current operating liabilities to Group companies	2,262,012	0	-83,421	83,421
Current operating liabilities to suppliers	6,935,057	10,646,142	-16,396,370	27,042,512
Current liabilities from operations for third party account	2,151,219	2,454,562	-7,244,272	9,698,834
Current operating liabilities to employees	1,404,299	2,048,259	-131,007	2,179,266
Current operating liabilities to state and other institutions	388,514	541,141	-994,420	1,535,561
Current operating liabilities based on advance payments	111,113	50,345	-427,400	477,745
Other current operating liabilities	316,432	296,915	-20,941	317,856
Total	**13,568,646**	**16,037,363**	**-25,297,832**	**41,335,195**

The company duly settles its liabilities on maturity dates.

Short-term accrued expenses and deferred revenue (EUR 1,045,388)
Note 15

Short-term accrued expenses and deferred revenue include accrued expenses from unused annual leaves in 2011 in the amount of EUR 717,098 and short-term deferred expense from the final preliminary settlement for 2010 in the amount of EUR 328,290.

	31 Dec 2011	1 Jan 2011	Transfer	31 Dec 2010
Accrued costs for unused annual leave	717,098	597,448	-30,387	627,835
Other accrued costs	0	2,500	-125,000	127,500
Short-term deferred expenses	328,290			
Total	**1,045,388**	**599,948**	**-155,387**	**755,335**

Off-balance-sheet assets/liabilities (EUR 54,712,019)

Note 16

The off-balance-sheet assets and liabilities include the bills of exchange given for loans, guarantees given and received, potential liabilities for payments related to lawsuits, small tools in use and the values of fixed assets transferred to SODO d.o.o., and the partial amount of the 2004-2009 regulatory period offset, a part of which falls due in 2012.

The company estimates that the probability of outflows and inflows from the above-mentioned receivables and liabilities is very small, therefore the amounts disclosed are merely informative.

	31 Dec 2011	1 Jan 2011	Transfer	31 Dec 2010
Securities for the insurance of payments – guarantees	180,312	431,683	-1,816,647	2,248,330
Securities for the insurance of payments – bills of exchange	42,357,592	37,078,908		37,078,908
Receivables for given bank guarantees	1,740,545	3,864,336		3,864,336
Potential liabilities for damages	1,212,765	523,824		523,824
Small tools in use	1,224,044	115,599		1,155,599
Average cost of connection SODO d.o.o. transfer of assets 1 July to 31 December 2009	4,541,165	4,699,003		4,699,003
Average cost of connection SODO d.o.o. transfer of fixed assets from 1 January 2010	1,239,992	1,276,500		1,276,500
2004-2009 regulatory period offset	2,215,604	4,431,212		4,431,212
- recognised in 2011	0	2,215,606		2,215,606
- recognised in 2012	2,215,604	2,215,606		2,215,606
Total	**54,712,019**	**52,421,065**	**-1,816,647**	**55,277,712**

6.2 Notes to the Income Statement

The income statement includes the income and expenses that occurred in the accounting period.

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 revenue and expenses.

The income statement has been compiled using version I from SAS 25.5. Amounts from the previous accounting period are presented in the notes, yet the comparability is limited due to the spin-off.

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 2011.

Types of revenue

	2011	2010
Operating revenue	74,385,976	209,128,687
Finance income	204,000	450,316
Other revenue	603,487	1,083,823
Total	**75,193,463**	**210,662,826**

Appendix to the income statement

	2011	2010
Net sales revenue	62,443,092	192,605,068
Capitalised own products and services	10,529,632	10,927,155
Production costs of products and services sold	62,508,661	195,094,063
Gross profit	**10,464,062**	**8,438,160**
Selling costs	1,073,271	3,617,222
General and administrative costs	4,306,602	6,836,595
- normal general and administrative expenses	3,890,978	5,107,940
- revaluation operating expenses pertaining to intangible fixed assets and property, plant and equipment (7201, 7200)	77,340	67,360
- revaluation operating expenses for current assets (7210,11)	338,284	1,661,295
Other operating revenue	1,413,253	5,596,464
Profit from operating activities	**6,497,442**	**3,580,807**

Net sales revenue (EUR 62,443,092)
Note 17

Net sales revenue from products and services amounted to EUR 62,443,092 in 2011.

	2011	2010
Sale of electricity to clients	0	134,696,768
Sale of electricity for loss	7,987,901	7,535,167
Rent income	29,520,539	28,739,808
- Sodo d.o.o. - rent	29,118,903	28,318,385
- other	401,636	421,423
Sodo d.o.o. services as per contract	18,758,242	15,399,347
Services charged	6,068,663	6,142,521
Sale of waste material	107,747	91,457
Total	**62,443,092**	**192,605,068**

Sales revenue accounted for 83.9% of the total operating revenue generated by the company in 2011.

Capitalised own products (10.529.632 EUR)
Note 18

Capitalised own products include building parts of own investments performed by the company itself, and revenue from internal services.

	2011	2010
Capitalised products	10,151,260	10,570,427
Capitalised services	378,372	356,728
Total	**10,529,632**	**10,927,155**

Other operating revenue (EUR 1,413,253)
Note 19

	2011	2010
Derecognition of provisions and accrued expenses and deferred revenue	65,372	2,913,642
Drawing of long-term accruals and deferrals	1,172,590	1,252,996
Cash receipts from sale of fixed assets	25,363	54,311
Collected receivables from previous years	149,928	1,375,514
Total	**1,413,253**	**5,596,464**

Cost of goods, material and services (EUR 25,178,976)
Note 20

	2011	2010
Cost of material	16,647,966	150,390,878
Cost of services	8,531,010	9,463,755
Total	**25,178,976**	**159,854,633**

The purchase of electricity for losses in the amount of EUR 5,745,421 accounted for a majority part of the cost of material, directly followed by the cost of material for investments in the amount of EUR 5,032,328, cost of material used in services in the amount of EUR 2,326,778 and cost of material for current maintenance of fixed assets in the amount of EUR 1,583,281.

Cost of services includes the cost of services for the current maintenance of fixed assets in the amount of EUR 2,224,416, cost of services for further clearance in the amount of EUR 1,229,683, cost of insurance premiums in the amount of EUR 1,591,460 and cost of Informatika d.d. in the amount of EUR 1,099,697.

In 2011, the company spent EUR 27,810 on audit fees, as follows:

- regular audit of financial statements: EUR 12,850,
- extraordinary audit due to the spin-off: EUR 1,750,
- tax consulting services: EUR 7,010,
- internal audit of electricity bookkeeping: EUR 6,200.

Labour costs (EUR 22,553,171)

Note 21

Labour costs include costs of wages and salaries and other employees' receipts, including employer contributions.

No additional requests of employees for payments based on legislation, or Collective Bargaining Agreement were addressed to the company.

	2011	2010
Costs of wages and salaries	15,992,906	17,212,055
- of which accrued labour costs for unused annual leave	717,829	*627,835*
Costs of additional pension insurance of employees	820,457	905,679
Employer contributions and other tributes from salaries	2,628,930	2,882,412
Other labour costs	3,110,878	3,413,696
Total	**22,553,171**	**24,413,842**

Other labour costs include holiday allowance in the amount of EUR 1,072,185 and the reimbursement of material costs to employees in the amount of EUR 1,780,369.

Data by groups of persons – the Management Board

Gross remuneration to the Management Board in 2011 stood at EUR 86,927, of which receipts from the refund of material costs totalled EUR 12,018.

	Gross	Net
Gross salaries to the Management Board	**74,910**	**41,436**
- base salary	74,910	41,436
- bonus for years of service	0	0
- Christmas bonus or "13th salary"	0	0
Reimbursement of travel expenses	**5,826**	**5,826**
Reimbursement of other costs (food allowance, commute)	**1,900**	**1,900**
Voluntary additional pension insurance	**2,913**	**2,913**
Holiday allowance	**1,379**	**856**
Accrued labour costs from unused annual leave	**1,277**	**1,277**

The cost of gross salaries to the Management Board includes the salary of the Management Board President, Mr Andrej Kosmačin, in the period from 1 January 2011 to 18 October 2011 in the amount of EUR 59,118, and the salary of the representative of the company, Mr Silvo Ropoša, in the period from 19 October 2011 to 31 December 2011 in the amount of EUR 15,792. Net remuneration to the Management Board totalled EUR 41,436. In 2011, the company settled the cost for a foreign language course to the Management Board President, Mr Andrej Kosmačin, in the amount of EUR 2,671.

As at 31 December 2011, the company had a net liability of EUR 3,566.32 to the representative of the company.

Data by groups of persons – other employees on individual employment contracts

In 2011, a total of 10 employees had individual employment contract, of which 6 employees as at 31 December 2011. Their gross remuneration including material costs totalled EUR 443,282, and it comprises the amounts such as presented in the table.

The company has no liabilities or receivables to this group of persons.

	2011
Gross salaries to other employees on individual employment contracts	**399,810**
- base gross salary	360,230
- bonus for years of service	34,386
- Christmas bonus or "13th salary"	5,194
Reimbursement of travel expenses	**7,140**
Reimbursement of other costs (food allowance, commute)	**10,653**
Voluntary additional pension insurance	**17,070**
Holiday allowance	**8,608**
Accrued labour costs from unused annual leave	**6,162**

Data by groups of people – the Supervisory Board and its committees

Gross remuneration to the members of the Supervisory Board in 2011 amounted to EUR 42,790. Additional costs of transportation to meetings and educational events were recorded in the amount of EUR 1,615.

	Gross attendance fee excl. cost of transportation	Net attendance fee excl. cost of transportation	Gross cost of transportation	Net cost of transportation	Total gross attendance fee	Total net attendance fee
Madžarac Matjaž	4,521	3,504			4,521	3,504
Grubelnik Peter	5,795	4,491	734	569	6,529	5,060
Dr. Marjaž Durjava	1,485	1,151			1,485	1,151
Ferenčak Roman	7,564	5,862	881	682	8,444	6,544
Kokalj Srečko	7,280	5,642			7,280	5,642
Ropoša Silvo	6,083	4,714			6,083	4,714
Miro Pečovnik	6,963	5,396			6,963	5,396
Naberšnik Drago	1,485	1,151			1,485	1,151
Total	**41,175**	**30,760**	**1,615**	**1,251**	**42,790**	**32,011**

The company paid the cost of education at the Slovenian Directors' Association for the Supervisory Board member Mr Peter Grubelnik in the amount of EUR 360.

In accordance with the General Meeting's resolution, the Supervisory Board is entitled to a performance bonus. In 2011, the company paid EUR 22,573 gross (EUR 16,347 net) worth of such bonuses to the Supervisory Board.

Name and surname	Gross	Net
Roman Ferenčak (President)	5,650	4,379
Srečko Kokalj, MSc (Deputy President)	4,143	3,211
Dr. Matjaž Durjava (member)	3,767	2,919
Drago Naberšnik (member)	3,767	2,919
Miroslav Pečovnik (member	3,767	2,919
Silvo Ropoša (member)	1,480	1,147
TOTAL	**22,573**	**16,347**

The audit committee operates under the Supervisory Board. The audit committee's attendance fee and cost of transportation in 2011 totalled EUR 8,820, of which attendance fees EUR 7,821 and cost of transportation EUR 999.

Attendance fees in 2011

	Gross	Net
Madžarac Matjaž	1,716	1,330
Kokalj Srečko	2,640	2,046
Podboršek Brane	2,585	2,003
Naberšnik Drago	880	682
Total	**7,821**	**6,061**

Write-offs (EUR 19,356,738)
Note 22

	2011	2010
Amortisation and depreciation	18,941,114	18,509,118
Revaluation operating expenses for intangible assets and PPE	77,340	67,360
Revaluation operating expenses for current assets	15,807	56,799
Value adjustments of receivables	322,476	1,604,496
Total	**19,356,738**	**20,237,773**

Amortisation and depreciation which account for 97.8% of total write-offs include:
- depreciation of building parts of property, plant and equipment in the total amount of EUR 12,264,432,
- depreciation of equipment in the amount of EUR 5,754,882,
- amortisation of intangible assets in the amount of EUR 887,941,

The company formed value adjustments of receivables for disputable and doubtful receivables pertaining to the use of network and other services in the amount of EUR 322,476.

Other operating expenses (EUR 799,649)
Note 23

	2011	2011
Provisions for retirement benefits, service awards and severance pay	304,848	384,567
Other duties and expenses	494,801	300,282
Other expenses	0	356,783
Total	**799,649**	**1,041,632**

The company additionally formed provisions for service awards in the amount of EUR 172,114 and provisions for severance pay upon retirement in the amount of EUR 132,734, which had to be aligned with the certified actuary's calculation.

Finance income from loans granted (EUR 78,901)
Note 24

Finance income from loans to others was generated from deposits with commercial banks.

Finance income from operating receivables (EUR 125,099)
Note 25

Finance income from operating receivables is primarily a result of default interest charged on the use of network in the amount of EUR 64,987, rendered services in the amount of EUR 20,587, and interest obtained from legal actions in the amount of EUR 39,483.

Finance expenses from financial liabilities (EUR 924,280)
Note 26

	2011	2010
Finance expenses from loans from Group companies	4,644	0
Finance expenses from loans from others	919,451	561,397
Finance expenses from other financial liabilities	185	3,635
Total	**924,280**	**565,032**

Finance expenses from borrowings from Group companies refer to interest charged on a short-term borrowing from Elektro Maribor Energija plus d.o.o., relating to the balance of cash that was owned by the subsidiary as at 1 December 2011.

Finance expenses from borrowings from others refer to interest on long-term borrowings.

Finance expenses from operating liabilities (EUR 3,014)
Note 27

Finance expenses from operating liabilities represent the amount of default interest to suppliers for the liabilities settled by the company after the maturity date.

Other revenue (EUR 603,487)
Note 28

Other revenue includes primarily amounts of damages received from insurance company in the amount of EUR 534,291.

Other expenses (EUR 64,560)
Note 29

Other expenses include amounts of damages paid to natural persons for damage on private property in the amount of EUR 53,114.

Net profit or loss for the period
Note 30

Net profit for the period stands at EUR 6,313,075.

Due to the loss from previous years, the company does not report liabilities for corporate income tax.

	2011	2010
Profit or loss from operating activities	6,497,442	3,580,807
Profit or loss from finance activities	-723,295	-728,048
Profit or loss from other revenue and expenses	538,928	1,021,617
Total	**6,313,075**	**3,874,376**

6.3 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 movements in items of equity and movements that would cause changes in items of equity.

Distributable profit and proposal for its allocation

DISTRIBUTABLE PROFIT	2011	2010
a) Net profit for the period	6,313,075	3,874,376
č) Increase in revenue reserves as decided by the Management Board	315,654	193,719
Legal reserves	315,654	193,719
d) Increase in revenue reserves as decided by the Management and Supervisory Boards	2,312,935	1,840,328
Other revenue reserves	2,312,935	1,840,328
DISTRIBUTABLE PROFIT (a+b-č-d)	**3,684,486**	**1,840,329**

At its session held on 31 August 2011, the General Meeting of Elektro Maribor d.d. decided on the allocation of the distributable profit for 2010 and adopted a resolution to allocate EUR 1,200,000 as dividend for shareholders, and EUR 640,329 as other reserves.

Elektro Maribor d.d. continuously adapts its business policy to meet the needs and expectations of its owners, clients, suppliers and the general public.

In agreement with the Supervisory Board, the Management Board allocated the net profit of EUR 6,313,074.64 among legal reserves in the amount of EUR 315,653.73 and other revenue reserves in the amount of EUR 2,312,935.27 already in the annual financial report. The 2011 distributable profit totalled EUR 3,684,485.64; its allocation will be decided at the General Meeting of Shareholders.

The proposal has been prepared in accordance with the recommendation of the Capital Assets Management Agency and anticipated the payment of dividends to shareholders in the amount of EUR 3,684,485.64 (EUR 0.11 /share).

6.4 Notes to the Cash Flow Statement

The cash flow statement has been prepared under the direct method, version 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.

Cash receipts from operating activities

Note 31

The disclosed receipts from the sale of products and services, which account for a majority of total receipts from operating activities, for 2011 are not directly comparable with those for 2010 when a majority share of receipts from the sale of products and services was represented by receipts from the sale of electricity and use of network, which has changed due to the spin-off of the subsidiary Elektro Maribor Energija plus d.o.o.

A majority part of receipts from operating activities in 2011 is comprised of receipts from rent and services in accordance with the SODO d.o.o. contract totalling EUR 56,632,515, and receipts from the use of network (only the use of network when a client receives a separate invoice), which on the other hand represent cash disbursements from operating activities as the network charge represents revenue of SODO d.o.o.

Cash disbursements from operating activities

Note 32

Cash disbursements from operating activities include cash disbursements from the purchase of material and services, salaries, wages, contribution benefits and taxes.

Cash disbursements from operating activities in 2011 are also not comparable with the 2010 disbursements due to the spin-off of the subsidiary. The major difference was recorded in cash disbursements from the purchase of material and services – in the item of purchase of electricity and use of network and in the item of cash disbursements from all types of charges where a large difference is a result of the payment of excise duties for electricity and higher liabilities from value added tax in 2010.

The net cash from operating activities totalled EUR 19,579,983, meaning the company operated in positive figures in performing its basic activity, and that it was able to settle all liabilities referring to the payment of principals and interest connected with long-term borrowings in 2011. From this, the company also partly settled the cash disbursements from the acquisition of property, plant and equipment.

Cash receipts from investing activities

Note 33

Cash receipts from investing activities include receipts from interest and receipts from disposal of property, plant and equipment.

Cash disbursements from investing activities

Note 34

A majority part of this type of disbursement comprises cash disbursements from the acquisition of property, plant and equipment in the amount of EUR 16,179,860 and cash disbursements from the acquisition of current financial investments in the amount of EUR 8,000,000.

Cash receipts from financing activities
Note 35

Cash receipts from the increase in long-term financial liabilities are made up of long-term borrowing in the amount of EUR 14.5 million, raised in order to finance investments.

Cash disbursements from financing activities
Note 36

Cash disbursements from financing activities include cash disbursements from interest paid totalling EUR 913,818, disbursements referring to repayments of long-term financial liabilities in the amount of EUR 9,221,316 and cash disbursements from payments of dividends in the amount of EUR 1,179,098.

The net cash flow for the period totalled EUR 231,942 EUR, and the closing balance of cash and cash equivalents stood at EUR 6,197,108 (cash on transaction accounts and call deposits).

V. BUSINESS REPORT OF THE ELEKTRO MARIBOR GROUP

1 PRESENTATION OF THE ELEKTRO MARIBOR GROUP

The Elektro Maribor Group was established with the spin-off of a part of the company as at 1 January.2011.

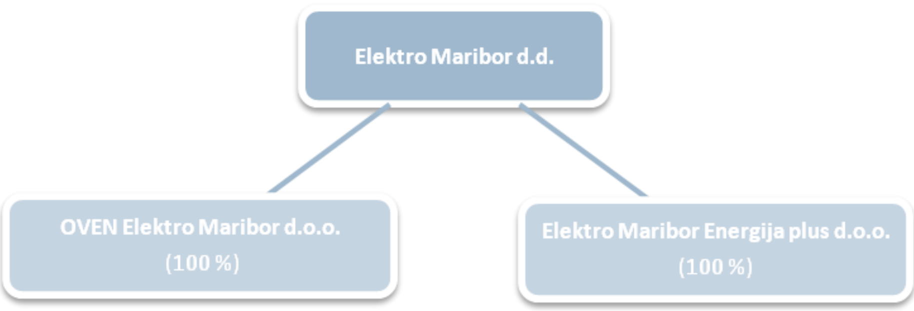
The Elektro Maribor Group is composed of the controlling company Elektro Maribor d.d. and two dependent companies, which are 100% owned by the controlling company:

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

The company Elektro Maribor d.d. as the controlling company prepares the consolidated financial statements and the consolidated Annual Report. Both dependent companies Energija Plus and OVEN Elektro Maribor are included in the consolidation.

The consolidated Annual Report of the Group is a component part of the Annual Report of the controlling company Elektro Maribor and may be obtained at the headquarters of the company Elektro Maribor, Vertinjska ul. 2, 2000 Maribor and at the company's website.

Elektro Maribor Group



2 BUSINESS REPORT OF THE COMPANY ELEKTRO MARIBOR D.D.

The business report of the company Elektro Maribor d.d. is presented in Chapter II of the Annual Report.

3 BUSINESS REPORT OF THE COMPANY ELEKTRO MARIBOR ENERGIJA PLUS D.O.O.

3.1 Introduction

2011 was a turning point for the area of purchase and sale of electricity because according to the Directive 2009/72EC, which requires independence of the operator of the distribution network from production and supply of electricity, a new company came to life on 1 December 2011, Elektro Maribor Energija plus d.o.o.

The company Elektro Maribor d.d. changed its legal form and established the dependent company 100% in the process of universal succession and transferred the activities of purchase and sale of electricity.

Key performance data

	2011
Net profit in EUR	-2.365.730
Net return on assets (ROA) in %	-6,2%
Net return on equity (ROA) in %	-16,8%
Assets as at 31. 12. in EUR	35.339.998
Equity as at 31. 12. in EUR	12.925.781
Revenues in EUR	112.366.828
Costs and expenditure in EUR	114.732.559
Number of employees on 31. 12.	42
Revenues per employee in EUR	2.546.268
Net profit per employee in EUR	-53.608
Added value per employee from hours in EUR	22.122
Percentage of labour costs in added value in % in EUR	193,9%
Sold electricity in MWh	1.684.256

Basic information of the company

Name:	Elektro Maribor Energija plus podjetje za trženje energije in storitev, d.o.o.
Abbreviated name:	Elektro Maribor Energija plus d.o.o.,
Registered office:	Veselova ulica 10, 2000 Maribor, Slovenija
Registration number:	3991008000
Tax number:	88157598
CA/IBAN	SI56 04515 00018 53305
SWIFT CODE:	KBMASI2X
Share capital:	EUR 8,000,000.00
Entry in the register:	District Court of Maribor
Date of entry in the register:	No. 2011/23297 20.6.2011, No. 2011/36929 1 December 2011
Founder:	Elektro Maribor d.d.
Company Director:	Bojan Horvat
Toll-free number:	080 21 15
General e-mail:	info@energijaplus.si
Website:	www.energijaplus.si
Number of employees on 31 December 2011:	42

2011

The performance of companies in distribution and marketing of electricity in 2011 was greatly affected by the spin-off of purchase and sale of electricity, the pressure of competition, who offer low electricity prices and great uncertainty on world energy markets.

Spin-off of purchase and sale of electricity

By the decision of the General Meeting of the company Elektro Maribor d.d., began the procedure of division of the company by a spin-off of purchase and sale of electricity. Based on the draft terms of division in June a new company was established and Elektro Maribor d.d. was appointed as the sole partner. The Supervisory Board and the General Meeting of Elektro Maribor d.d. adopted all the required resolutions so that the subsidiary Energija plus d.o.o. following the entry in the register of companies and an increase in capital began independent operation on 1 December 2011.

In the spin-off procedure the company Elektro Maribor d.d. transferred the activity, employees, processes, assets and liabilities, which were functionally connected to the implementation of the activity of purchase and sale of electricity to the company of Elektro Maribor Energija plus d.o.o. In the draft terms of division or division plan the purpose of division were assets and liabilities, which according to their functional affiliation relate to activities of purchase and sale of electricity. The cut-off date of the spin-off is the same as the balance cut-off date, the 31 December 2010. According to the provisions of the Companies Act, the transferred company already conducted all activities linked to the purchase and sale of electricity after this date or from 1 January 2011 on behalf of the acquiring company Elektro Maribor Energija plus d.o.o.. This is why Elektro Maribor d.d. according to the provisions of the Companies Act as of 1 January 2011 fully implemented all activities in the area of purchase and sale of electricity, all costs, expenditure, revenues and other related activities on behalf of the acquiring company, followed by the annual reports for both companies for 2011 and the tax return on tax on income of legal persons for both companies for 2011.

Correction of sale prices for households

In April the Management Board of Elektro Maribor d.d. adopted the resolution to correct the retail prices of electricity for households by an average of 6%. The correction didn't follow the dynamic of adapting the sale prices to the the business plan for 2011 and the consequences reflected in smaller revenues, lower margin and negative business result.

Marketing of heating pumps and consulting on efficiency energy use

The area of efficient energy use presents new business opportunities, which we took advantage of in two ways. Throughout the year we participated in marketing of heating pumps and energy for them by a special offer, which was fairly successful. We organised for all our clients consulting on efficient energy use at various locations in NE Slovenia in June together with local energy agencies.

E-mobility promotion

The adopted commitments in sustainable development require from us new, innovative approaches in different areas. This is why in the previous year we placed special attention to renewable energy sources (RES) and finding modern technological solutions in the area. Endeavours for concrete changes in sustainable mobility, taking place at different levels, opened up new opportunities for development of infrastructure and marketing activities. Promotional activities linked with the use of electric cars and pilot installations of charging stations are the first step on the path of greater use of electric vehicles. In combination with RES and active networks, e-mobility is becoming one of the important development opportunities for Elektro Maribor Energija plus d.o.o..

Strengthening price competition

Price competition in electricity sale additionally increased with a new supplier of electricity to end users on the market. The dynamic of client migration consequently increased again and had a somewhat negative effect on the business result.

Mission, Vision, Values, Strategy and Goals

Mission

The new established company Energija plus d.o.o. in its mission pursues to present clients a wide range of products and services based on the highest value for them. Knowledge and motivation of the employees are key founding stones, based on which we can professionally satisfy the needs of our clients and at the same time contribute to greater quality of life and sustainable development.

Vision

To become a reliable partner for all organisations, young people and our employees in developing and achieving sustainable future.

Values

- excellence,
- creativity,
- diversity and
- sustainable development.

Strategies

The company pursues the strategy of actively acquiring new clients with a comprehensive offer of of products and services, through development of new products in the area of renewable energy sources and development of services for efficient energy use (consulting).

Through optimising operation, controlling risks, providing funding, and introducing modern management tools we are adapting our organisational structure to market conditions.

We offer our employees: targeted education through enabling internal transfer of knowledge and proactive development of motivating and rewarding employees.

Because of our commitment to sustainable development we prepare calls and projects in the area of efficient energy use financed by the ECO Fund.

Company activity

The main pillars of the company Energija plus are the areas of purchase and sale of electricity. Balancing both activities is becoming an increasingly important factor on the competitive electricity energy market of Slovenia.

The area of purchase of electricity combines concluding purchase and sale contracts with other balance groups and concluding repurchase agreements with smaller electricity producers. An important part of our operation is predicting the amount of energy portfolio and managing the energy portfolio according to the predicted consumption of electricity through purchase and sale of electricity. We constantly manage the energy portfolio by concluding long-term and mid-term futures contracts and by monthly, weekly, and daily trading.

Sale of electricity takes place in all segments on the Slovenian market, both to large business systems, as well as to households. At the same time we provide our clients services, which the users have at disposal at developed electricity markets. We provide clients with electricity, which is proportional with their consumption and at the same time offer individual treatment. With professional consulting and offering information we achieve an optimal development of the portfolio to avoid price fluctuations.

Energija plus d.o.o. offers households and small business clients packages at great prices and occasionally special offers for in advance binding periods of supply.

Company management

The company Energija plus d.o.o. is an independent legal entity in the form of a limited liability company, 100% owned by the parent company Elektro Maribor d.d. as the sole partner and founder. In line with the rules of central governance the supervisory function is performed by the President of the Management Board of the parent company. The company doesn’t have an appointed Supervisory Board or the General Meeting of company, which is represented by the President of the Management Board, that is Elektro Maribor d.d..

Ownership structure

The company Energija plus d.o.o. was established in 2011 as a consequence of universal succession of the spin-off of the area of purchase and sale of electricity from the company Elektro Maribor d.d. The company is 100% owned by the founding company Elektro Maribor d.d. and has a share capital of EUR 8 million.

The spin-off procedure was concluded as at 1 December 2011, when the company began independent operation.

3.2 Business Report of the Company

Report of the Director of the Company

To write the first business report of the company in a time, when it is recording a negative business result is not the most pleasant task, because the plans and expectations in the beginning of 2011 were completely different. We were unfortunately unable to achieve the planned profit in the amount of a little over EUR 660,000, despite all activities directed in achieving the set goals.

Several events took place in the last year, which significantly contributed to not achieving the set results.

At first, the very division procedure from the company Elektro Maribor d.d. with the spin-off and assumption of purchase and sale of electricity to the independent company, where Elektro Maribor d.d. has 100% share, had a significant effect on company performance in 2011. The business plan, the activities of purchase and sale of electricity were planned within one unified company and the estimates of revenues and expenses at the time of making the business plan did not reflect real values. Real values only became evident at the stage of making the division plan, while their influence was felt only after reconstructing all the events in the books of accounts. Here, the company recorded a negative effect on the planned profit in the amount of EUR 1,300,000. We have to stress the area of active monitoring of non-payers and enforcement proceedings, different labour costs, and an increase in expenses of certain services and amortisation.

The second important reason for not achieving the planned profit were certain business decisions of the Management Board of the company Elektro Maribor d.d. at that time, which hadn’t respected the planned dynamic of adapting retail prices for households and which hadn’t followed the Business Plan for 2011. This resulted in a negative financial effect in the amount of EUR 1,600,000.

In spite of intensive and according to results even successful neutralising of variable prices on the purchase market and although we managed to completely neutralise the negative effects on the purchase prices for electricity, we were unfortunately unable to turn around the company’s business result, which ended in loss.

Maribor, 29 March 2012

Director of the Company:
Bojan Horvat, B.E.E.

Business Environment Conditions

Economic trends

Clearly, the global activities in the political and economic area will also in the future mark the energy markets. The debt crisis, unclear economic perspectives and strains among countries, which may trigger military interventions or even war, are crucial factors, which destabilise energy markets. In our region the abovementioned factors are in recent times accompanied by poor weather conditions, which due to lack of precipitation significantly impacts the growth of prices, above all, of electricity. Such market conditions inevitably lead to the fact that in the upcoming months, if not years, managing price risks will be of crucial importance, as well as sound management of the energy portfolio, which expands from one year to three years in advance. According to forecasts the economy should begin to recover in mid-term period, although there is still a great deal of uncertainty present. The GDP growth is the basic indicator of the economic state, whose component part is domestic consumption.

The earthquake in Japan with the nuclear disaster in Fukushima had a major effect on electricity markets all over the world. The decision of the German government to gradually shut down nuclear power plants by 2022 had an additional impact and prices instantly went up by more than 20%.

Effect on electricity prices

The price of electricity on futures markets heavily depends on prices of other energy products. This is how it was substantially influenced by prices of gas, coal and CO_2 coupons. Also oil prices reflect in gas prices. Additional impact stems from the currency ratio between Dollar and Euro, because of prices of oil and coal products, which are traded in Dollars.

The prices of electricity for short-term products depend mostly on weather conditions, as temperature affects electricity consumption. Precipitation, wind and sun influence the production of electricity in hydro power plants, wind farms and solar power plants.

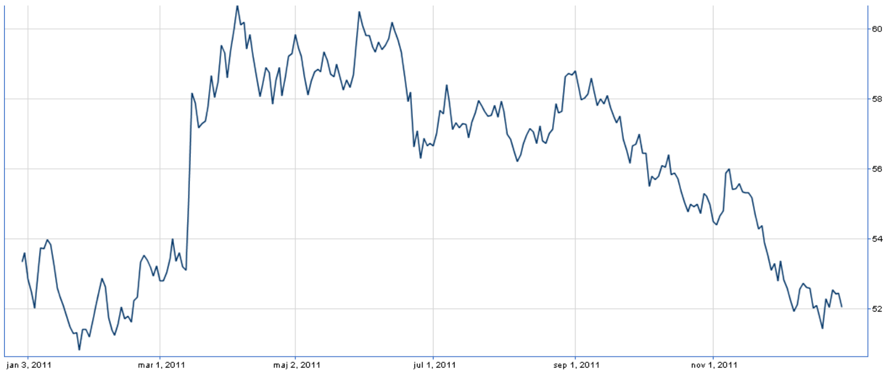
Changes in electricity prices in 2011

For the electricity market it is typical that for a certain year most transactions happen in terms of products of bandwidth electricity for the future years. The most liquid market in the European Union is the German market.

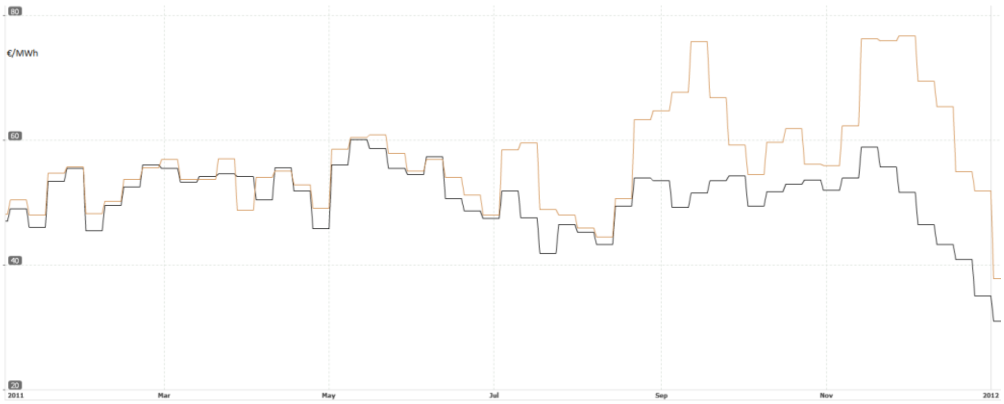
In the first two months of 2011 the prices of electricity on the short-term or current market were as expected. In March, following the nuclear disaster in Japan, Germany stopped 8 nuclear power plants with the combined power of 8 GW and the conditions changed dramatically. The prices of electricity drastically went up both short-term and long-term (from 53 to 60 EUR/MWh). Still, the impact on the current market wasn't so significant, which led to believe that prices could go down in the future.

At the same time the price of electricity on the current market in Slovenia compared to the German market began to rise due to very poor hydrologic conditions in the area of Southeast Europe and where due to the limited transmission capacities from the North, also Slovenia belongs in terms of prices. The new margin in terms of prices on the Slovenian and German market was quickly adopted by the electricity suppliers in Slovenia in their schedule prices in long-term offers.

In autumn the prices of electricity on the futures market in Germany began to drop towards the starting point before the spring nuclear disaster. We estimate that the drop of prices was mostly influenced by the drop of prices of CO_2 coupons and some other primary energy products. Still, the abovementioned add-on on electricity price continued to increase both short-term and long-term in Slovenia until the end of the year.



The price of bandwidth energy for 2012 on EEX



Difference between the prices of Slovenia and Germany in 2011 (SLO brown, G black)

Operation by activities

Performance analysis and achieving goals in 2011

The total amount of sale, which was planned somewhat lower than in 2010, was exceeded with the amounts sold. Still, due to certain decisions of the Management Board of Elektro Maribor d.d. and a reduction of sale to households, we didn't achieve the planned sale values. The expected competition pressure, which even increased during the year with an offer, which marked an under market price, influenced the greater loss of household clients than planned, although we tried to keep up with market conditions and client wishes in all kinds of actions and activities. Despite a number of market activities and greater offer, our market share somewhat lowered and according to estimates at the end of the year amounted to a sound 14%.

We had more success on the purchase side, where we managed in spite of a larger purchase to maintain the average purchase price as planned and conduct some arbitration deals for the period 2012-2014, as well as realise the goals we had set for ourselves on the balanced market; in terms of controlling deviations from predicted consumption to an acceptable extent.

Purchase of electricity

Managing risks, which originate from unpredictable energy requirements of our clients, is an important factor in the successful activity of purchase and sale of electricity. Here, prudent decisions on the amount of forward purchases at an annual level and at the level of amounts of electricity for end clients, which we buy regularly and at current prices and where we buy it, on which market, are of key importance.

Based on futures contracts for 2011 and current purchases, we purchased 1.68 TWh and sold to other balance groups 0.086 TWh of electricity and in this way provided all the energy, which we sold to end clients.

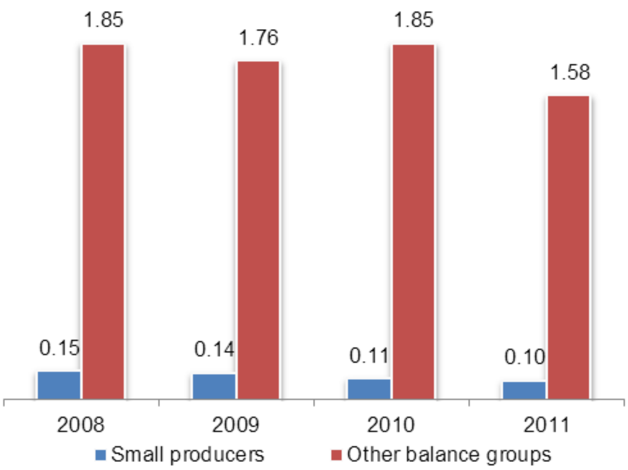
By active management of the purchase portfolio we managed to reduce the average purchase price of energy for end clients by a half of percent, which had a favourable effect on purchase costs despite the growth of prices after the nuclear disaster in Japan.

Discounts and new contracts for purchase from qualified producers (RES), which we managed to arrange at suppliers, also had a favourable effect on purchase costs.

In 2011, the Energy Agency conducted for the first time a balance account for the surplus of revenue over expenses from the balance for 2010, which also contributed to lower purchase costs.

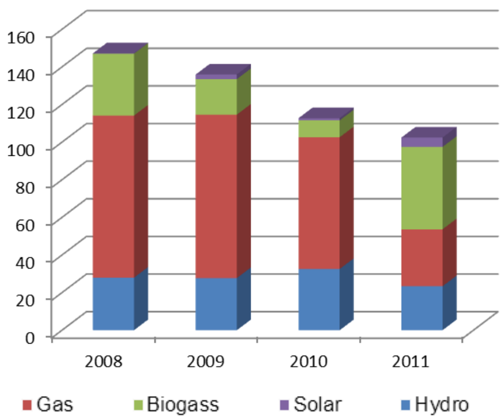
At the end of the year we entered the balance group HSE as a balance subgroup. We founded our decision to enter the balance group HSE on expected additional savings in terms of deviations from schedules, which will show in the upcoming years.

As the balance subgroup we are focused on purchase and sale of electricity with all the suppliers, which are present in Slovenia. In 2011 we concluded agreements with ten electricity suppliers, which are present on the wholesale market. With a large majority we have concluded framework agreements in the form of an EFET agreement, which provides us and our business partners an efficient, flexible and safe conclusion of short-term and futures transactions.

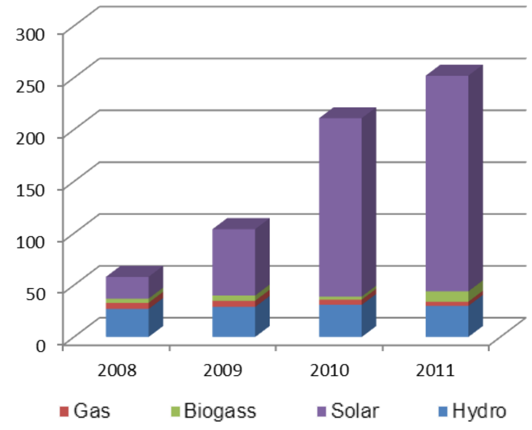


Amount purchase (TWh)

Apart from ten traders of electricity we also repurchase electricity based on annual and multiannual contracts with different price models from over 250 smaller producers. In addition to looking for a favourable purchase price, we also pursue environmental goals and strive for a larger share of RES energy in our portfolio. This is why in 2012 we plan to increase the repurchase amounts from small producers from RES (SPP RES) by 90%.



Structure of sources SPP RES (MWh)



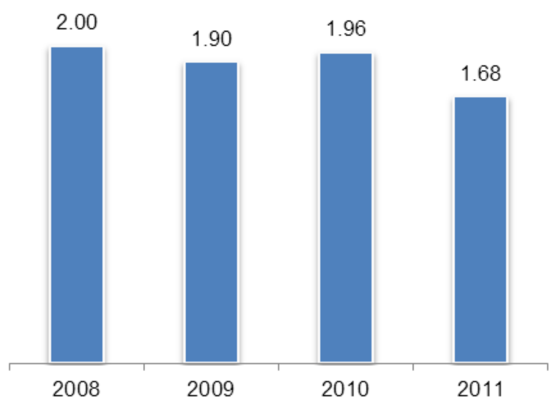
Number of SPP RES by type of production source

Sale of electricity

The on-going period of economic uncertainty, unstable price signals on electricity markets and aggressive price competition of two local suppliers were key factors, which had a major impact on the sale of electricity to end clients. The continued economic crisis and savings in all areas demanded of us great efforts in the area of sale of electricity. Under such conditions and under constant pressures to reduce prices, we have been also facing payment indiscipline, liquidations, bankruptcies and compulsory settlements, as well as increased number of civil bankruptcies. Therefore, the management of business processes is becoming more complex and requires new approaches to problem solving.

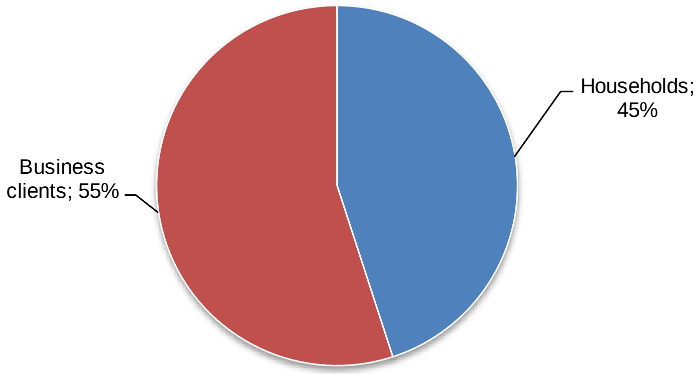
With our professional approach, by constantly adapting our sale process and by introducing new products and services, we strive for better efficiency and service quality in area of sale to end clients. Lately, we place special emphasis on the area of efficient energy use (EEU), where we sense new business opportunities, which we have already begun exploiting with the sales offer of heat pumps.

Total sale in 2011 amounted to 1,684,356 MWh of electricity, which is 3.5% more than planned and 14.2% less than in 2010. We achieved 1.25% higher revenues than planned compared to the year before, when they were 18.8% lower. The reason behind the drop of revenues from sale in 2011 was mostly because of the termination of certain larger contracts, which we decided not to prolong because of too high risk and also because of migration of households to more favourable prices of the competitors (0.6% amounts).



Changes in sold amounts (TWh)

According to the number of metering points at the end of 2011 we were selling electricity to 175,862 households and 17,941 business clients.



Share of sold amounts to end clients

In 2011 the sale of electricity to end clients was in amount 1.5% over and in value 0.6% under that planned.

For business clients the realisation in terms of amounts was above planned by 4.2% and above value by 2.8%. The smaller average price than expected was influenced mostly by structural changes in electricity consumption by larger business clients, additional purchases of electricity at current market prices and because of new contracts at current prices.

We managed the risks in sales with an individual approach, by professional consulting and informing clients about events on the market, active marketing activities in the form of special offers and participating in public calls, monthly monitoring of changes of consumption and determining deviations, intense enforcement and different instruments of collateral for payment, adjusting contracts and the General terms and conditions for concluding contracts in the area of sale and purchase of electricity with the purpose of reducing different kinds of risks, active sale of time-binding packages at fixed prices for small business clients, adapting to their wishes and needs, and increasing market power and company recognition.

For households we are seeing a negative trend from planned values in amount by 1.57% and in value by 5.2%. The average price is behind by 3.6%. The key reasons are the business decision of the Management Board of Elektro Maribor d.d. to change the dynamic of adapting sale prices as planned and the migration of several thousand households to more price favourable competitors, who sell energy under the market price (3% in numbers and 0.6% in amounts).

In order to stop the negative trends in the area of household clients we performed a number of activities, such as new offers for households (heating pumps), personal presentations of our offer in shopping centres and at trade fairs, free consulting on efficient energy use in cooperation with local energy agencies, introducing the toll-free telephone number for general information, introducing e-bills in e-bank, organisational improvements in the operation of the call centre and other organisational process changes, which are linked with the spin-off of the activity to the independent company.

Risk management

Because of the great risk of non-payments of end clients and bankruptcies of large business systems, analysing and constant monitoring of outstanding receivables is a key task in risk management. Risk management in 2011 was transferred with the spin-off of the area of purchase and sale of electricity to the independent company. The risk management system will be decentralised in the new company and modified in order to increase its efficiency, and to eliminate as much as possible all recognised disadvantages.

We focus most on the following risks:

- business risks,
- liquidity risks and
- operating risks.

Business risks

Business risks are connected to losses caused by inappropriate implementation of internal processes and inappropriate business decisions, inappropriate conduct of employees or other outside events. In line with the abovementioned for 2011, we have to point out risk of human resources, process risks, IT risks, legal risks and regulatory risks.

Managing risks for human resources in the company Energija plus is especially important because of the assumption of all business processes at the spin-off. In addition, we expect constant improvement of acquired knowledge, teamwork and a great deal of self-initiative from the employees. The company provides for improving knowledge, internal transfer of knowledge and documentation for business processes.

The company manages process risks with clearly defined processes, responsibilities, authorisations and rules,

IT risk in terms of interrupted and inappropriate information processing is managed by IT support, provided for Energija plus by the companies Informatika d.d. and Elektro Maribor d.d.. The ERP provider is selected at the level of all distribution companies, which ensures the renovation of IT systems and simultaneously reduces the human factor risk.

Legal risks are connected with losses caused by inconsistent compliance with legislation, instructions and concluded contracts or agreements. The company has concluded an EFET contract for wholesale trade with all the major suppliers according to the provisions of the European Federation of Energy Traders.

Legal risks are associated with sudden changes of laws in the area of purchase and sale of electricity in Slovenia. The company manages such risks by actively monitoring the legislation pertaining to the sector.

A specific kind of risk is the amount risk of open items for purchase and sale of electricity, where differences occur between the predicted amount listed in the contract and the actual acquired or supplied amount of electricity, which occurs with smaller producers of electricity and end clients. The company successfully optimises the financial consequences in terms of imbalance in purchase and sale with daily and hourly trading.

Liquidity risks

Financially, these risks mostly pertain to the risk of imbalance between actual and planned inflows and liabilities. The company recognises the importance of actions, which can achieve solvency for all liabilities in due deadlines. This is why we closely monitor the forecasts for cash flows and at the same time make sure that the costs for acquiring financial resources for liquidity are as low as possible.

Operating risk

Key business risks represent the loss of the portfolio value because of market conditions. Especially price risks fall into this category. The company is exposed to price risk due to changes of electricity prices. In 2011 we managed this risk by consistently closing open positions on both the purchase and sale side and in this way lowered such risks.

IT investments

The company in 2011 only invested in the update of the IT process in the area of billing electricity. According to the distribution balance the company remained the contracting authority for IT services within the already concluded two-year contract with the company Informatika d.d..

3.3 Social Responsibility Report

Employees

In the procedure of preparing the division plan, which was the basis for the spin-off of activity of purchase and sale of electricity, the opinion of the consultants, who prepared the spin-off procedure, was that the company required 57 employees for normal operation. The final division balance sheet anticipated 46 employees. During the assumption process and the final regulations in terms of business relations, it was determined that certain personnel were simply not suitable for work in the new company. This is how in accordance with the three-way contract among Elektro Maribor d.d., Elektro Maribor Energija plus d.o.o. and the union, the company rehired three employees back at the controlling company and began operation with 42 employees. At that time there was also one termination of employment. In the beginning, the first month of independent operation, the company faced great staffing problems.

Educational structure of employees (as at 31.12.2011)

Level of education	Number
Masters' degree	7
Third level education	10
Higher education	8
Secondary	15
Vocational qualification	2
TOTAL	**42**

The company according to the practice of development of management competences of key individuals performed a higher information flow also for reasons of better organisation climate as an integral part for employee satisfaction.

Employees are involved in education programmes for maintaining and upgrading their professional expertise. Apart from providing additional knowledge, which is the most important value of the company Energija plus, we are also preparing a renovated evaluation of employee performance. The changed evaluation procedures will show their results in 2012.

Safety and health at work

Organisation of the work environment and company systematisation includes safety measures, which reduce health and safety risks for the employees. Prior to beginning employment each new employee performs a preventive medical examination. Employees also have additional collective accident insurance.

Communication

The company adapts communication to the needs of individual publics.

Communication with the environment

2011 was in terms of communication with clients and media extraordinary, because there were several marketing activities that needed to take place because of the beginning of operation of a new company. This is how in October we began preparing the integral graphic image of the new company and forming visual concepts for further communication in the public. In November we organised the press conference with public announcements and acquainted the general public with the reasons for spin-off and future innovative plans of the new established company. We have always responded correctly and on time to all questions by the press, as well as provided information in detail on pertaining issues.

According to the prepared communication plan we sent a special announcement to all our existing clients with key information on the establishment of the new daughter company – households in the form of an attachment to the bill and a special statement to our business clients. We informed our key clients about the situation at personal meetings, through e-mails and telephone calls. In addition, clients also had the possibility to check our offer and current contents at our new website www.energijaplus.si.

We also published all changes in printed media and at local television. At the beginning of company operation in December we prepared the prize competition “Switch to plus.” The winner was refunded the costs of the last monthly bill for electricity.

Media communication

The company adapts communication to the needs of individual publics. We are aware that media are the main communication channel with the general public, which may have a substantial effect on credible communication of information. At spin-off and special offers, as well as predictions of changes of prices, we prepared the material and held a press conference for the media. We responded correctly and up-to-date to media questions and provided explanations, as well as maintained appropriate cooperation with the media.

Communication with the users

We are aware that satisfied and informed clients are the key to successful operation of any company.

There are 5 key account managers in the sales department, who daily provide for our key clients and maintain active contact with them, forward offers, provide information and visit them at their headquarters. In addition we use different communication channels to learn about and explore the wishes and needs of clients in order to adapt our offer to market requirements.

Our household and small business clients were kept informed through the call centre, client visits of at the information offices at all RU or points of sales and at the company headquarters, regular mail and e-mail info@elektro-maribor.si (as of 1 December 2011 info@energijaplus.si), with attachments to bills, on the back of bills and through the online portal eServices, which was from 1 December 2011 available on the website http://www.energijaplus.si.

We informed the clients about:

- special offers,
- package deals,
- prices,
- possibilities provided by eService,

- ways to save electricity,
- bill payment methods.

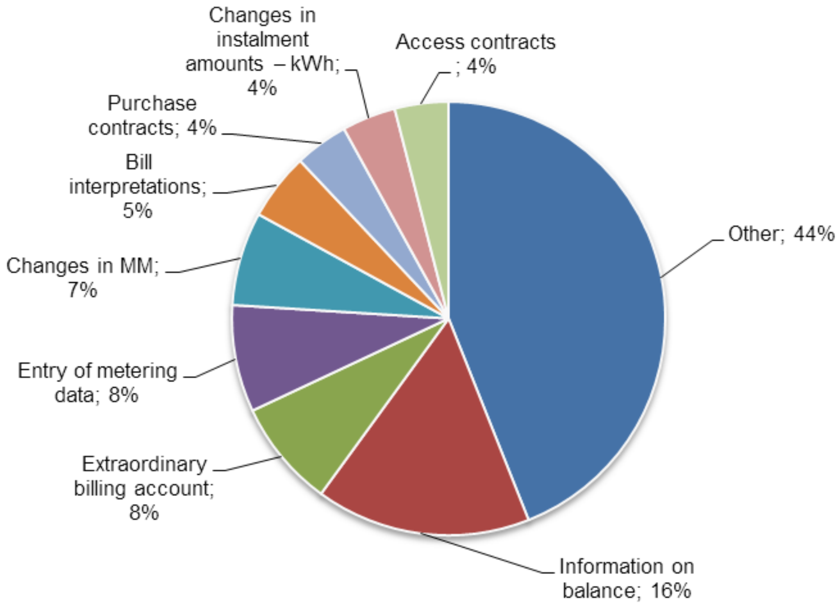
Tabular comparison of client contacts in 2011:

Type of contact	2010	2011	2011/2010
Number of calls to 080 2115	87474	83834	0.96
Personal visits of client at information offices	43812	44640	1.02

The number of all calls in 2011 compared to 2010 lowered by 4%, while the number of personal visits increased by 2%. Because of the spin-off and a more demanding division per distributers and suppliers, the comparison of contacts per e-mail and regular mail is not listed. Still, we are recording an increasingly larger number of contact through e-mail. 8,066 users were registered in eServices together with 10,360 metering points.

The service level indicator from 1 January 2011 to 31 December 2011 for the toll-free number for general information 080 2115 was 72%. This means that 72% callers waited less than 1 minute before they talked to an operator of the call centre.

Most incoming calls were about information on balance, extraordinary billing accounts, reporting meter readings, bill interpretations, changes in the instalment amount.



Structure of calls by purpose

Because the wishes and expectations of our clients are important to us, we conducted a questionnaire in the households, which changed the supplier of electricity between January and November of 2011. The acquired results will guide us in designing guidelines for the future.

Environmental Care

The company is bound by the principles of sustainable development. The company Energija plus d.o.o. strives for greater awareness of the importance of green energy and decreasing CO_2 exhausts through various promotional actions. At the same time we stand for the repurchase of electricity produced by small producers from renewable energy sources (RES) and coproduction of heat and electricity.

4 BUSINESS REPORT OF THE COMPANY OVEN ELEKTRO MARIBOR D.O.O

4.1 A Word from the Director

In 2011 we managed to achieve positive results with regard to the lack of waters. We accomplished the set objectives with one remaining challenge left open; that of the collection centre.

In 2012 we plan to operate according to the business plan with emphasis on the development of new products together with the stakeholders of the Elektro Maribor Group and others.

Miroslav Prešern

Director

4.2 Basic Information and Company Presentation

Name:	OVEN Elektro Maribor d.o.o.
Registered office:	Vetrinjska ulica 2
Address, postal code and city:	p.p. 1553, 2001 Maribor
Municipality	Maribor
Phone number:	02 / 22 00 782
Fax number:	02 / 22 00 781
Website:	www.oven-em.si
Owner:	Elektro Maribor d.d.
Director:	Miroslav Prešern
Registration number:	1708503
Tax number:	SI22034412
Main activity code:	35.111
Current account no. at Raiffeisen banka, d.d.	SI56 2410 0900 4370 202
No. of permanently employed as at 31 December 2013	4

The company has the status of qualified producer of electricity and is entered in the register of companies at the Maribor District Court under no. 1/11291/00 with the share capital of EUR 38,792.00. The owner and sole partner is the company Elektro Maribor, d.d. The company manages four SHPP, one MHPP and seventeen MSPP.

The Annual Report is drawn up according to financial statements, which are prepared in accordance with the Slovenian accounting standards and applicable legislation in the area of accounting, taxes, finances and corporate operation. The Annual Report is divided into two parts (business and financial report) and presents a true and fair representation of the state and assets of the company.

4.3 Vision and Strategic Goals

Vision and company goals for 2012

Vision

- OVEN d.o.o. will become an important regional partner in the area of renewable energy sources.
- OVEN, d.o.o. will operate in the area of education, training and consulting, mostly in the area of efficient energy use,
- OVEN, d.o.o. will efficiently manage the collection centre,
- the company will perform the activities in accordance with the highest ecological standards.

Goals:

- construction of new energy capacities, 200 kW installed power (MHPP and MSPP)
- average annual growth of net profit between 9 and 10%,
- the company will maintain 9 employees at most.

Vision and goals of the company from 2013 to 2015

Vision

- vision remains the same as for 2012.

Goals:

- construction of new energy capacities, 1,000 kW of installed power (MHPP and MSPP) upon the assumption of the resolution of conflict in the issue of MHPP Vitanje,
- average annual growth of net profit between 9 and 10%,
- the company will maintain 9 employees at most.

4.4 Performance Analysis

The company concluded the business year 2011 despite poor hydrological conditions with positive results and produced 10,206,255 kWh of electricity in its production facilities, which is 23.8% less than the originally planned production amount in the business plan for 2011. Due to great shortage of water during the autumn in winter period, the company prepared revised balance data in the beginning of December and planned EUR 1,020,532 of net sales profit.

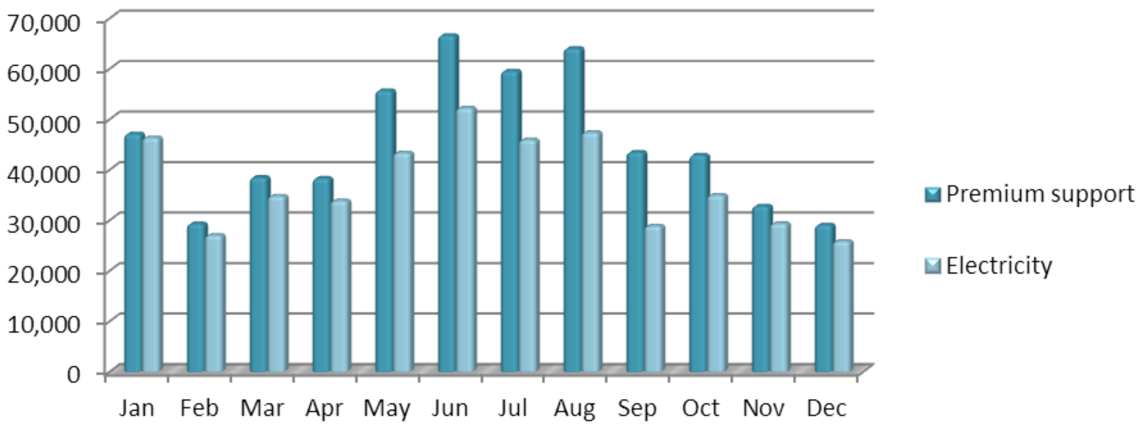
Because of record low produced amounts of electricity in December (587,301 kWh), the company in 2011 produced EUR 998,263 of net sales profit, which is 2.2% less than planned net sales profit in the revised business plan.

In spite of the abovementioned poor hydrologic conditions, the company managed to create a net profit in the amount EUR 237,614 by prudent and rational cost planning and through cost optimisation, which is 3.1% lower than planned in the revised business plan.

Material costs, labour costs, amortisation costs, other business expenses and financial expenses haven't exceeded the planned values in the revised business plan apart from service costs, which were higher by 3.7% and amounted to EUR 207,380 in 2011. Service costs exceeded the planned values because of unplanned maintenance work at MHPP Činžat I and MHPP Činžat II. Maintenance work was planned for 2012, but we took advantage of the low water levels and performed the work already in December 2011.

Net sales revenues and produced amounts in kWh

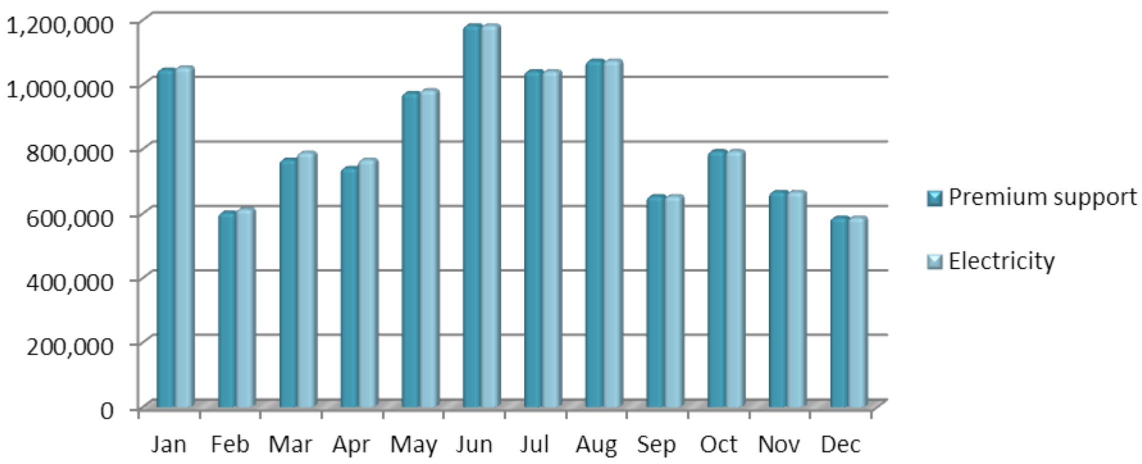
Net sales revenues in 2011 in EUR



The figure shows the dynamic of net sales revenues in 2011. The highest monthly values of revenues were achieved in June, July and August. The share of premium support (Borzen, d.o.o.) from total net sales revenues in 2011 amounts to 54.9%.

In December, the new established subsidiary company Elektro Maribor Energija plus, d.o.o. took over the area of purchase and sale of electricity from the main company Elektro Maribor d.d. December sales of electricity in the total net value of EUR 25,882 relate to sales to the company Elektro Maribor Energija plus, d.o.o.

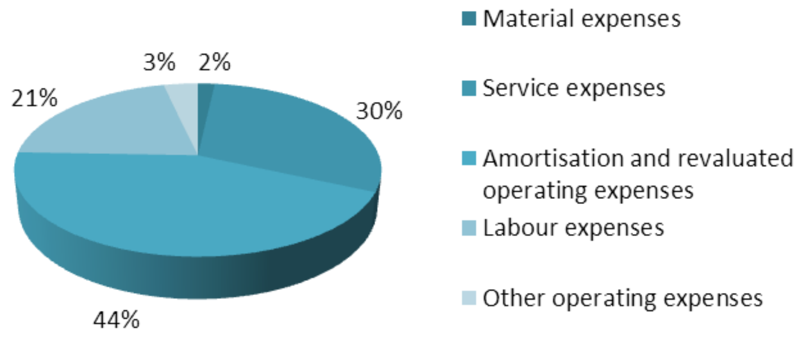
Produced electricity amount in 2011 in kWh



The figure shows the dynamic of electricity production in kWh. Of the annual produced amount of electricity of 10,206,255 kWh, 10,132,123 kWh of produced electricity was eligible for premium support. The reason behind somewhat lower amounts of kWh that were eligible for premium support was that the company from January until May was not able to obtain appropriate declarations for 8 solar power plants.

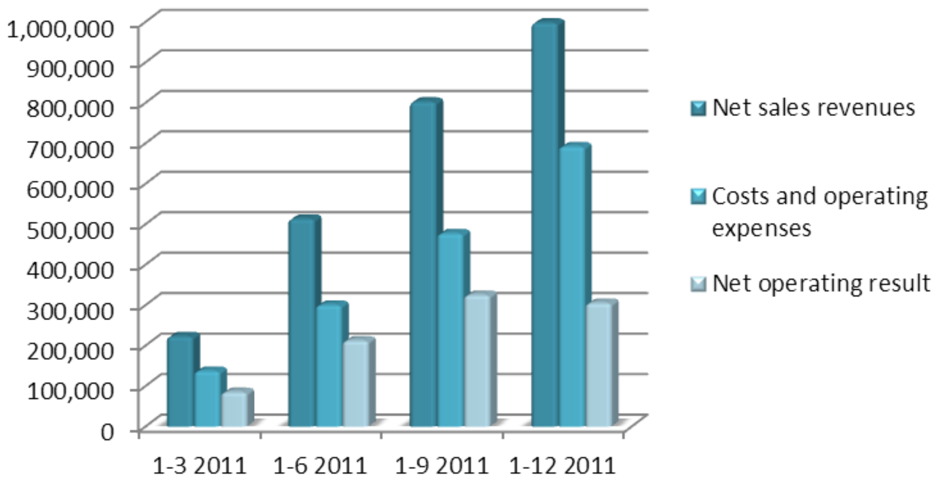
Structure of costs and expenses and the dynamic of operating net profit

Structure of costs and operating expenses in 2011



Costs and expenses in 2011 totalled at EUR 692,492. The greatest share in the structure of all costs and operating expenses in 2011 was amortisation. Together with revaluated operating expenses, amortisation amounts to 44%. Next are service costs with a 30% share and labour costs with a 21% share. Material costs and other operating expenses combined achieve 5%.

Quarterly dynamic of the profit or loss in 2011



The chart shows the dynamic of net sales revenues, costs and operating expenses and the operating result from operation in 2011. The net operating result in the first quarter was EUR 85,578, in the first half EUR 212,899, from January to September EUR 325,590 and from January to December EUR 305,771.

Investments and maintenance

Service costs in terms of maintenance of fixed assets in 2011 amounted to EUR 59,505. Maintenance costs related to regular annual services, maintenance of all small hydro power plants and solar power plants.

Maintenance services included:

- repair of the controls at SHPP Činžat II,
- inspection of the generator at SHPP Oplotnica,
- inspection and repair of SSPP Elektro Maribor 36, 18 kWp,
- annual service inspection of all SSPP's,
- construction-maintenance work at SHPP Oplotnica,

- installation of the voltage control at SHPP Oplotnica,
- annual service inspections at all SHPP’s,
- restoration of drives at SHPP Josipdol,
- service and trials of LV switches at all SHPP's,
- repair of cleaning machine at SHPP Josipdol,
- repair of turbines and penetrating inspections of drivers at SHPP Činžat I and II,
- control measurements and smaller repairs at all SHPP's.

Maintenance services also included the control measurements of protection of switch disconnectors, ACU batteries, fire extinguishers, etc.

Personnel structure

The company as at 1 January 2011 employed one person (maintenance worker SHPP). The former director retired in December 2010. The company employed the new director of the company, another maintenance worker for SHPP and a business assistant in May. As at 31 December 2011 the company employed 4 persons.

Analysis of balance categories from 2007 to 2011

in EUR

	2007	2008	2009	2010	2011
Revenues	762,568	842,990	1,087,215	1,276,290	998,497
Costs and expenditure	382,812	467,432	612,626	727,554	708,351
Net operating result after taxation	**291,442**	**297,402**	**379,863**	**443,616**	**237,614**
Net profit index (n/n-1)	**-**	**102**	**128**	**117**	**54**

Revenues increased in the period from 2007 until 2010, whereas they dropped in 2011 from EUR 1,276,290 to EUR 998,497, which means a 21.8% reduction. Cost and expenditure increased in proportion from 2007 until 2010, while they lowered in 2011 from EUR 19,203, which means a 2.64 % reduction.

in EUR

	2007	2008	2009	2010	2011
Total assets	**2,602,973**	**3,170,211**	**3,219,030**	**4,465,042**	**4,304,689**
A. Long-term assets	2,339,499	2,912,631	3,114,770	4,102,575	3,992,464
B. Current assets	262,535	252,782	95,743	353,099	309,185
C. Short-term accrued revenue and deferred expenses	939	4,798	8,517	9,368	3,040
Total liabilities	**2,602,973**	**3,170,211**	**3,219,030**	**4,465,042**	**4,304,689**
A. Equity	2,421,083	2,718,485	3,098,348	3,541,963	3,779,577
B. Long-term liabilities	0	0	0	319,444	152,777
C. Current liabilities	181,890	451,726	120,682	603,635	372,327
D. Short-term deferred revenues and accrued expenses	0	0	0	0	8

The balance sheet total had increased from 2007 to 2010. Due to new investments in 2010 it increased to the highest possible amount. The company in 2010 adopted a long-term loan and with it increased its long-term financial liabilities. In 2011, the balance sheet total lowered by 3.6%, which is the result of lower investments in fixed assets, lower business result and reduced current and long-term liabilities.

VI. FINANCIAL REPORT OF THE ELEKTRO MARIBOR GROUP

1 INDEPENDENT AUDITOR'S REPORT

TO THE GENERAL MEETING OF THE COMPANY
Elektro Maribor d.d., podjetje za distribucijo električne energije, Vetrinjska ulica 2, Maribor

We audited the financial statements of the company Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vertinjska ul. 2, Maribor, comprising of the balance sheet as at 31 December 2011, income statement and the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and the summary of the relevant accounting principles and other explanatory information. We also examined the business report of the Group.

Management responsibility for the preparation of financial statements

The management bears overall responsibility for the preparation and fair representation of these Group's financial statements in accordance with the Slovenian accounting standards and in accordance with the internal control as deemed necessary by the Management Board to ensure that the accounting process is free of any risk of misstatement or fraud.

Auditor's Responsibility

It is our responsibility to express an opinion on these financial statements based on an audit process. We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit under ethical requirements to obtain reasonable assurance as to whether the Group financial statements are free of material misstatement due to fraud or mistake.

The audit includes examining of the evidence supporting the amounts and disclosures in the financial statements. The auditing processes that are applied depend on the auditor's judgement and include a risk evaluation of misstatement within the financial statements with regard to fraudulent or erroneous activities. Risk evaluation is intended to ensure the reliability of financial reporting and minimise the risk of inaccurate external or internal Group reporting; the auditor's aim is thus to establish appropriate auditing procedures, not to assess the effectiveness of the company's internal control procedures. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audited evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the company Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vetrinjska ulica 2, Maribor and its subsidiary companies as at 31 December 2011 and the income statement and cash flows for the year then ended, in accordance with Slovenian accounting standards.

Paragraph on another issue

The business report of the Group is in accordance with the audited consolidated financial statements.

Other important facts

Without providing an opinion with reservation, we would like to stress that the company Elektro Maribor d.d., as stipulated in Article 6.1. of the Business Report considered EUR 2,215,606 revenues from the settlement for the regulatory period 2004 – 2009 based on the provisions of the Act on the methodology for determining network charges and Article 35 of Annex no. 3 to the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for the period from 1

January 2010 to 31 December 2010 and Article 58 of the Contract on the lease of the electricity distribution infrastructure and provision of services for the distribution network system operator with SODO d.o.o.

ABC revizija d.o.o.

Natalija Pestiček Bohorč
Authorised auditor

Darinka Kamenšek, MSc
Director

Ljubljana, 13 April 2012

2 STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD OF ELEKTRO MARIBOR D.D. FOR THE 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.

The Management Board is responsible for keeping proper accounting records, which represent the Group's financial position with reasonable accuracy at any given time. Furthermore, it is responsible 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.

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 the requirements set by the Slovenian Accounting Standards 2006 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.

The Management Board approved and endorsed the financial statements and notes as well as the accounting policies to the financial statement and the presented Annual Report for 2011 on 12 April 2012.

Maribor, 12 April 2012

President of the Management Board:
Boris Sovič, Msc

3 RELEVANT ACCOUNTING POLICIES

The consolidated financial statements have been compiled in accordance with the Companies Act (ZGD-1), which provides the basic framework for consolidation in Article 56, and in accordance with the SAS 2006, which specify the content and method of consolidation.

In point 13 of the Introduction to the SAS 2006, the Group in the consolidated financial statements is presented as a single company. The consolidated financial statements are prepared based on individual financial statements of consolidated companies with proper consolidation corrections, which are, however, not a subject of recording in financial statements of consolidated companies.

Since the Group has to be presented as one single company, the following is required:
- to eliminate financial investments of the managing company in equity or liabilities of subsidiaries, and shareholdings of the managing company in equity or liabilities of subsidiaries, as well as other mutual financial investments and shareholdings in equity or liabilities of other Group companies, and account for differences in this respect;
- to eliminate mutual financial liabilities and receivables,
- to eliminate mutual operating receivables and operating liabilities,
- to eliminate mutual revenue and expenses, and
- to eliminate mutual cash transactions.

In order to carry out the complete consolidation, the following must be ensured:
- unified accounting policies are used for similar business events in individual financial statements of subsidiaries;
- items in individual financial statements of subsidiaries are presented equally formally,
- individual financial statements of consolidated companies are prepared for the business year ended on the same date.

The consolidated financial statements for 2011 have been prepared based on the fundamental accounting assumptions, Slovenian Accounting Standards and the Companies Act.

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.

Items are presented and valued by directly applying the provisions of standards, except in the valuation of items for which standards provide a possibility of choosing between various valuation methods, in which cases the company used the policies described hereunder.

All Group companies were subject to proper audit or investigation.

The financial statements have been prepared in euros. Slight differences in addition may have resulted from rounding; the differences are insignificant.

The business year equals the calendar year.

There were no changes in accounting policies in 2011.

Intangible assets

Intangible assets are stated at cost or purchase value less the accumulated amortisation amount. At initial recognition, an item of intangible assets is measured at cost, which comprises its purchase duties and costs directly attributable to bringing the asset to the condition necessary for the intended use.

Intangible assets are amortised individually using the straight-line amortisation method. Individual items of intangible assets are amortised using relevant amortisation rates based on the expected useful lives of such assets.

Property, plant and equipment

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 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 market cost of such item.

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

In accordance with SAS 1.24 the Group opted for the cost model for the valuation of items of property, plant and equipment upon their recognition.

Subsequent expenditures related to an item of property, plant and equipment are presented as costs of maintenance or as an increase in the cost of such asset provided that. Investments in items of property, plant and equipment are accrued on the basis of systemic instruction on the accrual of investments in property, plant and equipment and maintenance costs, forming an appendix to the Rules on property, plant and equipment and depreciation.

The Group uses the straight-line depreciation method. An item of property, plant and equipment starts being depreciated on the first day of the month after it has been made available for use.

The revaluation of items of property, plant and equipment represents a decrease in their carrying amount due to impairment.

No items of property, plant and equipment have been acquired under finance lease or pledged as collateral for debts.

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.

The Group uses the straight-line amortisation method for investment property. Items of investment property are depreciated individually.

The fair value of investment property is established for the purpose of its disclosure. The fair value is based on the market value, which equals the estimated amount for which an asset could be exchanged between a buyer and seller in an arm's length transaction on the day of appraisal and under appropriate exchange rate.

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 determined as investment property in 2011.

Financial investments

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

Investments in equity and investments in loans are broken down to those that refer to:
- consolidated subsidiaries,
- associated companies, and
- other.

At initial recognition, financial investments are classified as available-for-sale financial assets.

On each balance sheet date, the Group 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 equity as increases or decreases in revaluation surplus.

In individual financial statements, financial investments in subsidiaries are stated at cost.

In consolidated financial statements, investments in subsidiaries are stated at equity method.

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.

The company immediately transfers items of small tools given for use to costs.

The revaluation of inventories means the change in their carrying amount. Inventories are revalued for impairment if the carrying amount exceeds the net realisable value. The market value equals the replacement value. The company assesses that the carrying amount corresponds to the net realisable 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 with a contract.

The Group checks the suitability of disclosed receivables on a regular basis. The amounts of receivable that are believed to be uncollectible by their due date or that are overdue should be recorded as doubtful receivables or as disputable receivables.

The Group adjusts the value of receivables for impairment 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 receivables, the individual approach is used, meaning an adjustment is formed for the total value of a receivable due from a client, no matter the level of recoverability.

In Group companies, adjustments are only considered if a company is in bankruptcy or compulsory settlement proceedings, namely in full.

All mutual receivables and liabilities that refer to Group companies and which are supposed to be mutually coordinated are eliminated in consolidation procedures.

In the balance sheet, receivables are stated in the net value, meaning they are decreased by the disputable and doubtful receivables.

Deferred taxes

The Group does not form receivables and liabilities for deferred taxes as it does not expect any available taxable profit in the future, which would allow for the use of deductible temporary differences.

Cash and cash equivalents

Cash is cash on transaction accounts with banks, and cash equivalents – investments, which may quickly be transformed into a predetermined cash amount.

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

Short-term accruals and deferrals

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

Initially, these are amounts that do not affect the Group's activity not do they impact 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.

Equity

The total equity is comprised of called-up capital, share premium, revenue reserves, revaluation surplus and the undistributed profit for the year.

The share capital is recorded in euros and consists of ordinary shares.

Provisions and long-term accrued expenses and deferred revenue

The purpose of provisions is to collect, in the form of accrued costs or expenses, the amounts that will in the future enable covering the costs or expenses incurred at that time, and they are formed through a single or multiple debiting of costs or expenses.

Such provisions include provisions for severance payments and service awards for employees. The carrying amount of provision equals its original cost decreased by the amounts spent, until the need for their increase or decrease appears. They are based on the calculation of a certified actuary which is based on the Unit Credit method and performed at the end of each business year when the Group adjusts the value and balance of provisions.

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

The Group also makes long-term revenue accruals and expense deferrals from 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 period, debts are short-term and long-term liabilities, and in terms of content, they are financial and operating. All liabilities are initially recognised at the amounts arising from the relevant documents base on the assumption that the creditors require these to be repaid.

The carrying amount of liabilities equals their historical value decreased by their repayments. In the consolidated balance sheet, long-term liabilities and short-term liabilities are presented separately, and they are further broken down to financial and operating liabilities.

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

Off-balance sheet records

Off-balance sheet records as commitments and contingent liabilities show the amounts of bills of exchange given for loans received, guarantees given and received, potential payment liabilities, amount pertaining to small tools in use, value of assets transferred to SODO d.o.o., and the amount of the 2010 regulatory period offset, which will be settled in the next regulatory period.

Recognition of revenue

The revenue is recognised if the increase in 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. The revenue is recognised when it is reasonable to expect it to result in receipts, if these are not already realised at inception.

Operating revenue is revenue from the sale of own products and services, and revenue from the sale of merchandise, material and provided services in an accounting period. It is measured based on sales prices stated on invoices or other documents, decreased by the discounts granted at the sale, or subsequently.

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 are measured on the basis of production costs which are no longer included in inventories, and accounted purchasing and selling costs and costs of common services.

4 CONSOLIDATED FINANCIAL STATEMENTS OF THE ELEKTRO MARIBOR GROUP

Consolidated balance sheet

in EUR

	Item	Note	31 Dec 2011
A.	**Long-term assets (I-VI)**		**285,322,285**
I.	**Intangible assets and long-term accrued revenue and deferred expenses (1 to 6)**	**1**	**1,793,294**
	1. Long-term property rights		1,793,294
II.	**Property, plant and equipment (1 to 6)**	**2**	**281,048,379**
	1. Land and buildings (a + b)		206,241,015
	a. Land		7,571,706
	b. Buildings		198,669,309
	2. Production equipment and machinery		68,330,808
	4. Property, plant and equipment in acquisition (a + b)		6,476,556
	a. Property, plant and equipment under construction		6,476,556
	b. Advances for acquisition of property, plant and equipment		0
III.	**Investment property**	**3**	**709,383**
IV.	**Non-current financial investments (1 to 2)**	**4**	**1,751,886**
	1. Non-current financial investments excluding loans (a to č)		1,751,886
	b. Investments in shares and shareholdings of associated companies		1,543,538
	c. Other non-current investments in shares and shareholdings		56,594
	č. Other Non-current financial investments		151,754
V.	**Long-term operating receivables (1 to 3)**	**5**	**19,343**
	3. Long-term operating receivables due from others		19,343
B.	**Current assets (I - V)**		**57,900,664**
II.	**Inventories (1 to 4)**	**6**	**1,994,759**
	1. Material		1,994,759
III.	**Current financial investments (1 to 2)**	**7**	**8,000,000**
	2. Short-term loans (a to c)		8,000,000
	b. Short-term loans to others		8,000,000
V.	**Short-term operating receivables (1 to 3)**	**8**	**40,626,750**
	2. Short-term accounts receivable		36,671,113
	3. Short-term operating receivables due from others		3,955,637
V.	**Cash and cash equivalents**	**9**	**7.279.155**
C.	**Short-term accrued revenue and deferred expenses**	**10**	**911,509**
	ASSETS (A + B + C)		**344,134,458**
	Off-balance-sheet assets		56,853,858

	Item	Note	31 Dec 2011
A.	**Equity**	**11**	**233,562,687**
I.	**Called-up capital (1 to 2)**		**139,773,510**
	1. Share capital		139,773,510
II.	**Capital reserves**		**75,121,586**
III.	**Revenue reserves (1 to 5)**		**16,135,275**
	1. Legal reserves		1,455,118
	5. Other revenue reserves		14,680,157
IV.	**Revaluation surplus**		**105,184**
V.	**Retained net profit**		**486,974**
	1. Retained net profit from previous year		486,974
VI.	**Net profit for the year**		**1,940,158**
	1. Undistributed profit for the year		1,940,158
B.	**Provisions and long-term accrued expenses and deferred revenue (1 to 3)**	**12**	**33,494,669**
	2. Provisions for retirement benefits and similar liabilities		4,144,336
	3. Long-term accrued expenses and deferred revenue		29,350,333
C.	**Non-current liabilities (I to III)**		**32,194,205**
I.	**Non-current financial liabilities (1 to 4)**	**13**	**32,194,205**
	2. Non-current financial liabilities to banks and companies		32,194,205
Č.	**Current liabilities (I to III)**		**42,771,703**
II.	**Current financial liabilities (1 to 4)**	**14**	**10,504,396**
	2. Current financial liabilities to banks and companies		10,482,830
	4. Other current financial liabilities		21,566
III.	**Current operating liabilities (1 to 8)**	**15**	**32,267,307**
	2. Current operating liabilities to suppliers		27,318,956
	7. Current operating liabilities based on advances		665,285
	8. Other current operating liabilities		4,283,066
D.	**Short-term accrued expense and deferred revenue**	**16**	**2,111,194**
	LIABILITIES (A to D)		**344,134,458**
	Off-balance-sheet liabilities	**17**	56,853,858

Consolidated income statement

in EUR

	Item	Note	I-XII 2011
1	**Net sales revenue (a + b)**	**18**	**174,597,054**
	a. Domestic market		174,597,054
3	**Capitalised own products and services**	**19**	**10,529,632**
4	**Other operating revenue (including revaluation operating revenue)**	**20**	**2,110,506**
5	**Cost of goods, material and services (a + b)**	**21**	**136,159,159**
	a. Cost of goods sold and material used		125,400,931
	b. Cost of services		10,758,228
6	**Labour cost (a + b + c + d)**	**22**	**24,590,254**
	a. Costs of wages and salaries		17,472,223
	b. Cost of additional pension insurance for employees		894,408
	c Employer contributions and other salary duties		2,871,443
	d. Other labour costs		3,352,180
7	**Write-offs (a + b + c)**	**23**	**21,337,593**
	a. Amortisation and depreciation		19,510,081
	b. Revaluation operating expenses for intangible assets and property, plant and equipment		78,093
	c. Revaluation operating expenses for current assets		1,749,419
8	**Other operating expenses**	**24**	**940,358**
9.	**Finance income from shareholdings (a+b+c+č)**	**25**	**383,948**
	a. Finance income from shareholdings in affiliated companies		383,788
	č. Finance income from other investments		160
10	**Finance income from loans granted (a+b)**	**25**	**92,313**
	b. Finance income from loans granted to others		92,313
11	**Finance income from operating receivables (a + b)**	**25**	**366,264**
	b. Finance income from operating receivables due from others		366,264
13	**Finance expenses from financial liabilities (a + b + c + č))**	**26**	**958,887**
	b. Finance expenses from borrowings		935,305
	č . Finance expenses from other financial liabilities		23,582
14	**Finance expenses from operating liabilities (a + b + c)**	**26**	**10,266**
	b. Finance expenses from liabilities to suppliers and liabilities pertaining to bills of exchange		10,266
15	**Other revenue**	**27**	**612,708**
16	**Other expenses (a + b)**	**27**	**74,628**
18	**Income tax**		**52,532**
19	**NET PROFIT FOR THE PERIOD**	**28**	
	(1 ± 2 +3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 17 ± 18)		**4,568,748**

Consolidated statement of other comprehensive income

in EUR

	Item	Note	I-XII 2011
19.	Net profit for the period		4,568,748
21.	Change in revaluation surplus on available-for-sale financial assets		0
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19 + 20 +21 + 22 +23)**		**4,568,748**

Consolidated cash flow statement

in EUR

Item	I-XII 2011
A. Cash flows from operating activities	
a) Cash receipts from operating activities	***324,932,429***
aa) Cash receipts from the sale of products and services	322,563,348
ab) Other cash receipts from operating activities	2,369,081
b) Cash disbursements from operating activities	***-307484,617***
ba) Cash disbursements from the purchase of material and services	-264,388,273
bb) Cash disbursements from salaries and employees' participation in profit	-15,251,227
bc) Cash disbursements from charges	-25,423,172
bd) Other cash disbursements from operating activities	-2,421,944
c) Net cash used in operating activities (a+b)	***17,447,812***
B Cash flows from investing activities	
a) Cash receipts from investing activities	***1,667,331***
aa) Cash receipts from interest and participation in profit of others, pertaining to investing activities	79,093
ac) Cash receipts from disposal of property, plant and equipment	1,588,238
b) Cash disbursements from investing activities	***-24,620,716***
ba) Cash disbursements from acquisition of intangible assets	-246,180
bb) Cash disbursements from acquisition of property, plant and equipment	-16,374,536
bd) Cash disbursements from acquisition of current financial investments	-8,000,000
c) Net cash used in investing activities (a+b)	***-22,953,385***
C Cash flows from financing activities	
a) Cash receipts from financing activities	***14,510,000***
ab) Cash receipts from increase of non-current financial liabilities	14,500,000
b) Cash disbursements from financing activities	***-11,496,753***
ba) Cash disbursements from interest paid on financing	-929,672
bc) Cash disbursements from repayment of non-current financial liabilities	-9,221,316
bd) Cash disbursements from repayment of current financial liabilities	-166,667
be) Cash disbursements from dividends and other participation in profit	-1,179,098
c) Net cash used in financing activities (a+b)	***3,003,247***
Č Closing balance of cash and cash equivalents	**7,279,155**
x) Cash flow result for the period (sum of net cash Ac, Bc and Cc)	**-2,502,330**
y) Opening balance of cash and cash equivalents	**9,781,485**

Consolidated statement of changes in equity

in EUR

	STATEMENT OF CHANGES IN EQUITY FOR 2011	Called-up capital		Revenue reserves		Retained net profit or loss	Net profit or loss for the period	Total
		Share capital	Capital reserves	Revenue reserves	Revaluation surplus	Retained net profit	Net profit	
		I/1	II	III	IV	V/1	VI/1	
A.2	**Opening balance for the reporting period**	**139,773,510**	**75,121,586**	**12,644,549**	**105,184**	**0**	**2,549,111**	**230,193,940**
B.1	**Changes in equity – transactions with shareholders**	**0**	**0**	**0**	**0**	**-1,200,000**	**0**	**-1,200,000**
g.	Payment of dividends					-1,200,000	0	-1,200,000
B.2	**Total comprehensive income for the period**	**0**	**0**	**0**	**0**	**0**	**4,568,748**	**4,568,748**
a.	Entry of net profit or loss for the period						4,568,748	4,568,748
B.3	**Changes in equity**	**0**	**0**	**3,490,727**	**0**	**1,686,974**	**-5,177,701**	**0**
a.	Allocation of the remaining part of the net profit for the period to other items of equity			0		1,686,974	-1,686,974	0
b.	Allocation of the remaining part of the net profit for the period to other items of equity pursuant to resolution by the Management and Supervisory Boards			2,628,589			-2,628,589	
c.	Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting's resolution			862,138			-862,138	0
D.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**16,135,275**	**105,184**	**486,974**	**1,940,158**	**233,562,688**

5 NOTES AND DISCLOSURES TO CONSOLIDATED FINANCIAL STATEMENTS

5.1 Notes to the Balance Sheet

The balance sheet is the fundamental financial statement, serving as a true and fair presentation the Group's assets and liabilities as at the end of a business year.

Items in the balance sheet are presented at their carrying amounts as the difference between the cost and the deducted value adjustment. The consolidated balance sheet has been prepared taking account of the principle of individual asset and liability valuation.

There were no adjustments of significant errors in any item of the balance sheet.

Eliminations and attributions in the balance sheet refer to:
- investments in Group companies in the amount of EUR 16,983,478 and equity in the same amount,
- short-term loans to Group companies in the amount of EUR 2,094,987,
- short-term operating receivables in the amount of EUR 2,575,490,
- current financial liabilities in the amount of EUR 2,094,987,
- current operating liabilities in the amount of EUR 2,575,490, and
- attribution of the value of investments in associated companies in the amount of EUR 870,762, and
- attributions of profits in associated companies in the amount of EUR 870,762.

Intangible assets (EUR 1,793,294)
Note 1

Intangible assets of the Group stood at EUR 1,793,294 EUR and they refer to investments made for the acquisition of long-term rights in licenses for system and application software.

Intangible assets in the Group decreased primarily on account of amortisation. The Group uses the straight-line amortisation method. Items of intangible assets are amortised individually using the annual amortisation rate of 33.3%.

The Group presents the OVEN brand among intangible assets; it has been fully amortised.

	2011
Cost	
As at 1 Jan 2011	5,010,251
Increase	1,282,440
Decrease	-92,380
As at 31 Dec 2011	6,200,311
Accumulated amortisation	
As at 1 Jan 2011	3,344,531
Transfers	-5,400
Amortisation	1,067,886
As at 31 Dec 2011	4,407,017
Carrying amount	
As at 1 Jan 2011	1,665,720
As at 31 Dec 2011	1,793,294

Property, plant and equipment (EUR 281,048,379)

Note 2

The Group recognises items of property, plant and equipment using the cost model, which is in accordance with SAS 1.24.

Items of property, plant and equipment are depreciated individually using the straight-line depreciation method. Depreciation starts the first day of the month after a relevant item of property, plant and equipment has been made available for use. The date when an item of property, plant and equipment starts being used is written on the record of the transfer of an item of property, plant and equipment into use.

	2011	2010
Buildings and constructed parts of buildings	20-50 years	20-50 years
Equipment	5-35 years	5-35 years
Motor vehicles	7-12 years	7-12 years
Computer equipment	3 years	3 years
Intangible assets	3 years	3 years

As at 31 December 2011, the Elektro Maribor Group had the following types of property, plant and equipment:

	31 Dec 2011
Land and buildings	206,241,015
- land	7,571,706
- buildings	198,669,309
Production equipment and machinery	68,330,808
Property, plant and equipment in acquisition	6,476,556
Advances for acquisition of property, plant and equipment	0
Total	**281,048,379**

The depreciation of property, plant and equipment in the Group stood at EUR 18,418,844 in 2011.

The Group has no items of property, plant and equipment pledged as collateral for debts.

	Land	Buildings	Equipment	Investments in progress	Advance payments made	Total property, plant and equipment
Cost						
As at 1 Jan 2011	7,498,022	632,531,063	149,307,912	4,910,804	518,195	794,765,996
Increase	73,684	12,533,684	9,650,097	25,019,099	25,059	47,301,623
Decrease	0	254,869	1,431,384	23,453,347	543,254	25,682,854
As at 31 Dec 2011	7,571,706	644,809,878	157,526,625	6,476,556	0	816,384,765
Accumulated depreciation						
As at 1 Jan 2011		433,994,717	84,507,038			518,501,755
Decrease		228,108	1,356,107			1,584,215
Depreciation		12,373,958	6,044,886			18,418,844
As at 31 Dec 2011		446,140,567	89,195,817			535,336,384
Carrying amount						
As at 1 Jan 2011	7,498,022	198,536,346	64,800,874	4,910,804	518,195	*276,264,241*
As at 31 Dec 2011	7,571,706	198,669,310	68,330,808	6,476,556	0	281,048,379

Investment property (EUR 709,383)
Note 3

Investment property includes real property for rental purposes. The Group's investments include investments in apartments rented out, and holiday capacities, which it markets. Investment property is measured and valued using the cost model. Investment property is depreciated individually, using the straight-line depreciation method.

Responsible persons at the Group level have actively monitored market events and assessed there was no objective evidence in 2011 about the factors pointing to the need for the impairment of investment property.

The estimated fair value of investment properties as at 31 December 2011 stood at EUR 709,383.

	2011
Cost	
As at 1 Jan 2011	1,412,097
Increase	2,234
As at 31 Dec 2011	1,414,331
Accumulated depreciation	
As at 1 Jan 2011	680,506
Depreciation	24,443
As at 31 Dec 2011	704,949
Carrying amount	
As at 31 Dec 2010	731,591
As at 31 Dec 2011	709,382

The decrease in investment property refers to the depreciation in the amount of EUR 24,443.

The Group generated the following revenue from investment property:
- EUR 8,948 from apartment rentals,
- EUR 118,040 from holiday home rentals.

Long-term financial investments (EUR 1,751,886)
Note 4

Long-term or non-current financial investments are held in possession over a period longer than one year, expected to deliver return over a long-term period of time, and are not held for trading.

Investments in equity are broken down to those that refer to:
- consolidated subsidiaries,
- associated companies, and
- other.

In individual financial statements, financial investments in subsidiaries are stated at cost or purchase value.

All of the financial investments of subsidiaries are classified as available-for-sale, as determined by SAS 2006.

In consolidated financial statements, investments in subsidiaries are stated at equity method.

Non-current financial investments of the Elektro Maribor Group refer to:

	31 Dec 2011
Non-current financial investments other than loans	1,751,886
- Investment in shareholdings and shares of associated companies	1,543,538
- Other non-current investments in shares and shareholdings	56,594
- Other non-current financial investments	151,754

Changes in investments in associated companies in 2011:

	As at 1 Jan 2011	Attribution of profit	As at 31 Dec 2011
Investment in Informatika d.d.	473,018	10,962	483,980
Investment in Eldom d.o.o.	54,317	1,678	55,995
Investment in Moja energijo d.o.o.	632,415	371,149	1,003,564
Total	**1,159,750**	**383,789**	**1,543,538**

Long-term operating receivables (EUR 19,343)
Note 5

Long-term operating receivables include primarily receivables from the sale of apartments to employees in accordance with the Housing Act, with maturity of 10 to 15 years. Long-term operating receivables are decreased by the part that falls due in a period of one year.

Inventories (EUR 1,994,759)
Note 6

	31 Dec 2011	1 Jan 2011
Material and small tools	1,994,759	2,069,556
Total	**1,994,759**	**2,069,556**

Inventory comprises predominantly inventory of material for use in own investments, material for the provision of services on the market, and spare parts for the maintenance of property, plant and equipment.

The Group’s inventory does not exceed the net realisable value. In 2011, the Group wrote off EUR 15,807 worth of material as it no longer had any utility value for the performance of Group’s activities.

No inventory deficit or surplus was found in inventory of material in 2011.

Current financial investments (EUR 8,000,000)
Note 7

Current financial investments are initially carried at cost which corresponds to the invested cash and other assets. Current financial investments include short-term investments in banks with interest rate between 3.95% and 4.15% and maturity of three months.

Short-term loans to Group companies in the total amount of EUR 2,094,987 are excluded from current financial investments.

Short-term operating receivables (EUR 40,626,750)
Note 8

Short-term accounts receivable stood at EUR 36,671,113 and refer particularly to:
- receivables for the sold electricity and the use of network in the amount of EUR 28,520,406,
- receivables for the lease and services under the SODO d.o.o. contract in the amount of EUR 5,855,440, and
- receivables for other charged services in the amount of EUR 2,295,267.

Clients usually settle their receivables on time or with minor delays. Default interest is charged in accordance with the contract.

All mutual receivables referring to Group companies and which should be mutually harmonised are excluded in the consolidation process.

Short-term operating receivables to others totalled EUR 3,955,637 EUR and refer primarily to receivables for input VAT.

Short-term operating receivables in the amount of EUR 2,575,490 were eliminated from the financial statements.

	31 Dec 2011
Short-term accounts receivable	36,671,113
Short-term operating receivables due from others	3,955,637
Total	**40,626,750**

Some of the Group's receivables are secured with bills of exchange.

As at the end of the business year, the Group had no receivables due from the Management Board and the Supervisory Board members.

In Group companies, adjustments are only considered if a company is in bankruptcy or compulsory settlement proceedings, namely in full.

	31 Dec 2011	Structure in %
Non-past due	34,946,198	86.02
Past due up to 30 days	3,786,698	9.32
Past due from 31 to 60 days	1,123,417	2.77
Past due from 61 to 90 days	346,378	0.85
Past due more than 90 days	424,059	1.04
Total	**40,626,750**	**100.00**

Cash and cash equivalents (EUR 7,279,155)
Note 9

Cash includes cash in current accounts and cash equivalents (call deposits).

Short-term accrued revenue and deferred expenses (EUR 911,509)
Note 10

Short-term accrued revenue and deferred expenses include short-term accrued expenses, which are assumed to appear within a year and are probable, with their size assessed reliably. These include primarily the amount of the accrued credit from the purchase of electricity to cover network loss, in the amount of EUR 832,719.

Equity (EUR 233,562,687)
Note 11

The total equity includes the called-up capital, capital reserves, revenue reserves, revaluation surplus and the net profit or loss for the year.

	31 Dec 2011	1 Jan 2011
Share capital	139,773,510	139,773,510
Capital reserves	75,121,586	75,121,586
Legal reserves	1,455,118	1,139,464
Other revenue reserves	14,680,157	11,505,085
Revaluation surplus	105,184	105,184
Net profit for the year	486,974	2,549,111
Total	1,940,158	0
Share capital	**233,562,687**	**230,193,940**

Changes in equity during 2011 are presented in the statement of changes in equity.

The share capital of the company is divided in 33,495,324 ordinary no-par value shares.

Share premium represents the paid-up capital surplus.

The loss of the Elektro Maribor Group adjusted on the basis of the general revaluation in order to keep the purchase power, which was 2% in 2011, would amount to EUR 31,515.

Item	Opening balance of equity	Growth in %	Effect	Increase/ decrease during the year	Growth in %	Effect	Net profit before calculation	Net loss after calculation
EQUITY – all categories excluding current profit	230,193,940	2.00	4,603,879	-2,062,137	0.1753	--3,616	4,568,748	-31,515

Provisions and long-term accrued expenses and deferred revenue (EUR 33,494,669)
Note 12

The Group formed provisions for long-term earnings, such as service awards and retirement benefits, based on actuarial calculations in the amount of EUR 4,144,336 EUR.

	As at 1 Jan 2011	Use	Increase	As at 31 Dec 2011
Provisions for service awards	1,433,440	175,040	193,676	1,452,076
Provisions for retirement benefits	2,665,297	128,480	155,443	2,692,260
Total	**4,098,737**	**303,520**	**349,119**	**4,144,336**

Long-term accrued expenses and deferred revenue stood at EUR 29,350,333 and referred primarily to the contributions for disabled employees and the property, plant and equipment acquired free of change. These long-term accrued expenses and deferred revenue are used to cover the expenses of such fixed assets.

Long-term financial liabilities (EUR 32,194,205)

Note 13

Long-term or non-current financial liabilities comprise amounts of long-term borrowings raised to finance investments. In 2011, the Group raised loans in the amount of EUR 14,500,000.

The maturity of loans is between 5 and 10 years, and the interest rate is between 1- and 3-month EURIBOR plus bank's mark-up. The loans are secured with bills of exchange. The Group duly pays the matured instalments of the principal.

Short-term financial liabilities (EUR 10,504,396)

Note 14

Short-term or current financial liabilities of the Group include amounts of the short-term part of long-term borrowings raised from banks in the amount of EUR 10,482,830; and in particular amounts of unpaid dividends from previous years in the amount of EUR 21,566.

Current operating liabilities (EUR 32,267,307)

Note 15

	31 Dec 2011
Current operating liabilities to suppliers	27,318,956
Current operating liabilities based on advance payments	665,285
Other current operating liabilities	4,283,066
Total	**32,267,307**

Other current operating liabilities in the amount of EUR 4,283,066 include liabilities to suppliers, liabilities for VAT and to other state institutions, and other current operating liabilities.

Short-term accrued expenses and deferred revenue (EUR 2,111,194)

Note 16

As at 31 December 2011, short-term accrued expenses and deferred revenue included primarily the amounts of:

- accrued costs from the settlement of deviations for the electricity purchase in 2011 in the amount of EUR 952,798; final settlement is expected in the middle of 2012;
- accrued costs for unused annual leave in the amount of EUR 717,098, and
- short-term deferred expense for the final preliminary settlement for 2010 in the amount of EUR 328,290.

Off-balance-sheet assets/liabilities (EUR 56,853,858)
Note 17

The off-balance-sheet assets and liabilities include the bills of exchange given for loans, guarantees given and received, potential liabilities for payments related to lawsuits, small tools in use and the values of fixed assets transferred to SODO d.o.o., and the partial amount of the 2004-2009 regulatory period offset, a part of which falls due in 2012.

The company estimates that the probability of outflows and inflows from the above-mentioned receivables and liabilities is very small, therefore the amounts are disclosed only for informational purposes.

5.2 Notes to Items of the Consolidated Income Statement

Income statement of the Elektro Maribor Group by functional groups

	2011
Net sales revenue	174,597,054
Capitalised own products and services	10,529,632
Production costs of products and services sold	172,416,715
Gross profit	**12,709,971**
Selling costs	4,824,940
General and administrative costs	5,785,709
- normal costs of general and administrative activities	3,958,197
- revaluation operating expenses pertaining to intangible fixed assets and property, plant and equipment (7201, 7200)	78,093
- revaluation operating expenses for current assets (7210,11)	1,749,419
Other operating revenue	2,110,506
Profit from operating activities	**4,209,828**

Net sales revenue (EUR 174,597,054)
Note 18

The consolidated net sales revenue of the Elektro Maribor Group totalled EUR 174,597,054 EUR and was generated primarily from:

- the sale of electricity in the amount of EUR 111,271,327
- the rent charged to SODO d.o.o. in the amount of EUR 29,118,903
- the service charged to SODO d.o.o. in the amount of EUR 18,758,242

The sales revenue generated in the Group is recorded and eliminated in the amount of EUR 245,507.

Capitalised own products and services (EUR 10,529,632)
Note 19

Capitalised own products include building parts of own investments performed by the Group itself, and revenue from internal services.

Other operating revenue (EUR 2,110,506)
Note 20

Other operating revenue includes amounts of collected receivables from previous years in the amount of EUR 823,365 and revenue from the use of long-term accrued expenses and deferred revenues in the amount of EUR 1,172,590.

Cost of goods, material and services (EUR 136,159.159 EUR)
Note 21

	2011
Cost of material	125,400,931
Cost of services	10,758,228
Total	**136,159,159**

The Group's cost of material totalled EUR 125,400,931 and refers to:

- the purchase of electricity in the amount of EUR 108,809,934, and
- the purchase of electricity for losses in the amount of EUR 5,745,421.

The eliminated cost of material totalled EUR 207,163.

The cost of services amounted to EUR 10,758,228 and included primarily amounts of fixed asset maintenance services, insurance premiums and IT.

The cost of services includes the amounts spent on:

- the audit of the Annual Report in the amount of EUR 15,495,
- other audit services in the amount of EUR 3,500,
- tax advisory services in the amount of EUR 7,010, and
- internal control audit services in the amount of EUR 6,200.

The eliminated cost of services totalled EUR 38,344.

Labour costs (EUR 24,590,254)
Note 22

	2011
Costs of wages and salaries	17,472,223
- of which accrued labour costs for unused annual leave	717,829
Costs of additional pension insurance of employees	894,408
Employer contributions and other tributes from salaries	2,871,443
Other labour costs	3,352,180
Total	**24,590,254**

The Group companies observed the provisions of the general and Collective Bargaining Agreement and individual employment contract in providing salaries and wages.

Other labour costs include the holiday allowance and the reimbursement of material costs of employees.

Gross remuneration to special groups of employees

	Number	Amount
Members of Management Boards or management	3	207,460
Other employees with individual contracts	9	535,560
SB members of the Elektro Maribor Group	9	67,277
Audit Committee	3	8,820
Total	**24**	**819,117**

The names of Management and Supervisory Board members are presented in annual reports of individual subsidiaries.

Companies in the Elektro Maribor Group have no open receivables and liabilities to Management and Supervisory Board members, except the amounts of December salaries which were paid in January 2012.

Write-offs (EUR 21,337,593)
Note 23

	2011
Amortisation and depreciation	19,510,081
Revaluation operating expenses for intangible assets and PPE	78,093
Revaluation operating expenses for current assets	1,749,419
Total	**21,337,593**

Revaluation operating expenses arise from property, plant and equipment, intangible assets and current assets for their impairment.

The revaluation adjustments of receivables formed in the Group refer primarily to the doubtful receivables referring to the sale of electricity and network use, as regards their repayment.

Other operating expenses (EUR 940,338)
Note 24

Provisions for service awards and retirement benefits in accordance with the actuarial calculations account for a majority share, totalling EUR 331,545. Other charges and expenses refer to the amounts of allowances for the use of building land and amounts of court taxes.

Finance income from shares, loans granted and operating receivables (EUR 458,737)
Note 25

	2011
Finance income from shareholdings	**383,948**
Finance income from shareholdings in associated companies	383,788
Finance income from other investments	160
Finance income from loans granted	**92,313**
Finance income from loans to others	92,313
Finance income from operating receivables	**366,264**
Finance income from operating receivables to others	366,264
Total	**842,525**

Finance income from shareholdings in affiliated companies refers to the attributed profit from the participation in capital of associated companies.

Finance income from loans granted refers to the income from deposits with commercial banks.

The Group eliminated EUR 4,646 in finance income and expenses.

Finance income from operating receivables totalled EUR 366,264 and refers to the default interest charged for late payments of operating receivables.

Finance expenses from financial and operating liabilities (EUR 969,153)
Note 26

	2011
Finance expenses from financial liabilities	**958,887**
Finance expenses from borrowings from others	935,305
Finance expenses from other financial liabilities	23,582
Finance expenses from operating liabilities	**10,266**
Finance expenses from liabilities to suppliers	10,266
Total	**969,153**

Finance expenses from financial liabilities totalled EUR 958,887 and refer primarily to interest on long-term received loans.

Finance expenses from operating liabilities totalled EUR 10,266 and represent amounts of default interest to suppliers for the liabilities settled after the maturity date.

Other revenue and expenses
Note 27

	2011
Other revenue	612,708
Other expenses	74,628

Other revenue includes amounts of received compensations from insurance company.

Net profit or loss of the Elektro Maribor Group
Note 28

The Elektro Maribor Group generated a net profit in the amount of EUR 4,568,748 in 2011.

	Elektro Maribor d.d.	Energija plus d.o.o.	OVEN d.o.o.	Associated companies	Total
Profit or loss before tax	6,313,075	-2,365,730	290,146	383,788	4,621,280
Corporate income tax			52,532		52,532
Net profit or loss	**6,313,075**	**-2,365,730**	**237,614**	**383,788**	**4,568,748**

5.3 Notes to the Items of the Consolidated Cash Flow Statement

The cash flow statement has been prepared under the direct method, using the data from the turnover and balance on business accounts. The cash flow statement shows changes in cash in the reporting period.

In accordance with SAS, the consolidated cash flow statement does not include items of receipts and disbursements between Group companies in the amount of EUR 1,268,829.

The net cash flow in the period shows the difference between the opening and closing balance of cash in 2011. The net cash flow of the Group is negative, in the amount of EUR 2,502,330.

Net cash was generated from operating and financing activities. The net cash from investing activities is a result of high investments, which were covered by the Group with the net cash from financing and operating activities.

VII. CONTACT INFORMATION

Company headquarters

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Registration number: 5231698
Tax number: 46419853
Current account no.: SI56 0451 5000 0570 965

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Ormoška cesta 26a, 2250 Ptuj, tel.: 00386 2 22 00 600, fax: 00386 2 77 60 901

Service units

Ljutomer SU
Ulica Rada Pušenjaka 5, 9240 Ljutomer, tel.: 00386 2 22 00 850, fax: 00386 2 58 21 492

Maribor SU
Veselova ulica 6, 2000 Maribor, tel.: 00386 2 22 00 451, fax: 00386 2 42 01 369

Abbreviations

ARDE	Accrued revenues and deferred expenses
AGEN-RS	Energy Agency of the Republic of Slovenia
AMI	Advanced Metering Infrastructure
AUKN	Capital Assets Management Agency
DEES	Distribution electricity energy system
DMS	Distribution Management System
OPL	Overhead power line
EMR	Electromagnetic radiation
EOO	Electronic office operations
ERP	Enterprise Resource Planning
EU	European Union
EURIBOR	Euro Interbank Offered Rate
EA	Energy Act
PS	Public service
IIS	Integrated information system
ISO	International Organisation for Standardisation
SHPP	Small Hydro Power Plant
SPPP	Small Solar Power Plant
LV	Low voltage
SB	Supervisory Board
RU	Regional unit
OHSAS	Occupational Health and Safety Advisory Services
FA	Fixed assets
OVE	Support to the generation of electric energy in co-production with high efficiency and from renewable resources
OVEN	Renewable energy resources
AEDR	Accrued expenses and deferred revenues
RF	Regulatory framework
ROA	Return On Assets
ROE	Return On Equity
RS	Republic of Slovenia
SS	Switching station
STS	Switching transformer station
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SU	Service unit
MHPP	Medium sized hydro power plant
SIST	Slovenian Institute of Standardisation
MV	Medium voltage
SODO	Distribution network system operator
SONDO	System operations instructions for electricity distribution network
SPDOEE	General terms and conditions for the supply and purchase of electric energy
SAS	Slovenian Accounting Standards
TS	Transformer station
IMAD	Institute of Macroeconomic Analysis and Development
URE	Efficiency improvement in the use of electric energy
HV	High voltage
CA	Companies Act