ELEKTRO MARIBOR

Energija z nami!

ANNUAL REPORT 2010

• Excellence in energy engineering • Excellence in energy engineering

ELEKTRO MARIBOR

Energija zame!

ANNUAL REPORT 2010

A PACKAGE FOR THE FUTURE:

Excellence in energy engineering for a better future!

TABLE OF CONTENTS

ANNUAL REPORT 2010

ELEKTRO MARIBOR

1

INTRODUCTION

1.1 PERFORMANCE HIGHLIGHTS OF ELEKTRO MARIBOR, D.D.

Key performance information

Data	2008	2009	2010
Net income in EUR	1,463,451	1,431,493	3,874,376
EBIT (Operating profit) in EUR	2,960,199	-1,150,057	3,580,807
EBITDA (Operating profit + depreciation and amortization) in EUR	24,340,212	20,756,088	23,818,580
Total revenue in EUR	196,727,105	202,359,760	210,662,826
Revenue from operating activities in EUR	194,670,645	198,719,695	209,128,687
Net sales revenues in EUR	181,280,285	185,014,426	192,605,068
Net sales revenues per FTE in EUR	218,450	226,862	237,562
Value added in EUR	48,331,390	44,561,955	48,232,422
Value added per FTE in EUR	58,241	54,641	59,491
Total costs and expenses in EUR	195,263,654	200,928,267	206,788,450
Operating costs and expenses in EUR	191,710,446	199,869,752	205,547,880
Assets as at Dec 31st – in EUR	321,405,893	325,829,965	339,678,973
Equity as at Dec 31st – in EUR	222,565,470	223,996,963	227,856,970
Investment in EUR	31,776,183	21,322,048	27,058,937
Dividend per share in EUR	0.03	0.00	0.00
Electric energy sold in MWh:	2,000,818	1,900,932	1,963,491
- household customers	750,286	741,110	743,186
- business customers	1,250,532	1,159,822	1,220,305
Number of electric energy consumers	201,331	201,935	200,761
MWh of electric energy per number of consumers	9.94	9.41	9.78
Electric energy distributed in MWh	2,164,069	2,078,193	2,164,681
Market share in sale of electric energy	15.1%	14.8%	16.0%
Number of employees as at Dec 31st	837	821	819
Share of women in total employees as at Dec 31st	15.2%	15.1%	15.1%
Average age of employees as at Dec 31st	41.9	42.4	41.9
Average monthly gross salary per employee	1,606	1,675	1,721

1.2 KEY EVENTS IN 2010

New Management Board President
At their regular session held in March, the Supervisory board members of Elektro Maribor, d.d., appointed a new Management Board President. Taking charge of company management was Mr. Andrej Kosmačin, starting his five-year term of office on April 14th 2010.

Reimbursement of overcharged amounts for electric energy
Elektro Maribor, d.d., reimbursed the overcharged amounts amounts for electric energy to all of its household customers who purchased electric energy from Elektro Maribor in the period from January 1st 2008 to February 1st 2009, regardless of whether a reimbursement claim was filed or not.

New Sonček package – key-in-hand solar power plant
Elektro Maribor, d.d., launched a new package – the Sonček ("Sunny") package. It was prepared in cooperation with Nova KBM Bank and Zavarovalnica Maribor insurance company. The project combines construction, financing, insurance, and favourable buyback of electric energy. The construction of the key-in-hand solar power plant includes expert knowledge by Elektro Maribor, d.d., financing is supported by the Nova KBM bank, and the entire project is insured by Zavarovalnica Maribor insurance company. Until January 2011, the package also included a special campaign offering a 20-percent discount on the purchase of electric energy for household customers in a period of six months. Additional benefits of the Sonček package also included 8.0% higher buyback rate for electric energy.

Elektro Maribor, d.d. – supporting the Slovenian Olympic city of Maribor
Between February 12th and 28th, Elektro Maribor, d.d., was a supporter of the Olympic activities in the Slovenian Olympic city of Maribor at the Snow Stadium under the Pohorje. We were aware of the importance of team spirit, socializing, co-operation, and support for the athletes at the 21st Winter Olympics in Vancouver as they strived for the best results. We prepared a prize contest for the visitors. We also organized an excellently attended meeting for our employees.

15th international Energy Engineering Fair in Celje
This year's International Energy Engineering Fair taking place in May featured the slogan "Energy engineering, economic use of energy and energy resources". Our attention at the fair was focused particularly on the presentation of our offer of key-in-hand solar power plants. Our consultants provided expert advice for the visitors. We also presented the fair special offer "Friendly prices" – favourable offer for small businesses. We also prepared a prize contest called "Photovoltaics".

Festival Lent 2010
Elektro Maribor, d.d., decided to organize a meeting with the business partners during the Lent Festival that we sponsored. Furthermore, the verve of the festival was jazzed up by the Elektro Maribor, d.d., mascots that proved a true attraction for all visitors. Hostesses made sure the by-passers were informed of our offer by handing out our advertising materials. We also organized a prize contest called "Photovoltaics".

Elektro Maribor, d.d. – the main sponsor of the MPP 2010 conference
Elektro Maribor, d.d., was the main sponsor of the 5th International Business Conference (MPP) which addressed all issues from the field of business process management, focusing in particular on business intelligence and management of process performance and efficiency. The conference took place on October 20th and 21st 2010 at the Hotel Mons in Ljubljana.

Energy 10 Conference
In early November 2010, the company Elektro Maribor, d.d., took part in the Energy 10 conference that took place for the sixth time this year. This international event, much-noted among energy engineering experts, addressed the currently relevant issues, focusing on regulated part, on operations of system operators; and on the distribution or retail part of the electric energy supply chain. Management Board President of Elektro Maribor, d.d., Mr. Andrej Kosmačin, was the speaker at an interesting round table titled Distribution, Retail, Aggregators, Competitiveness. At the conference, our company presented the showroom which, with its new appearance and the new product Sonček, drew a lot of attention of the conference attendants.

Murska Sobota – Mačkovci transmission line
Elektro Maribor, d.d., prepared the plan for construction of the Murska Sobota – Mačkovci transmission line, pursuant to the relevant legislation and state-of-the-art practices. We have obtained the National detailed site plan. Environmental Impact Report has also been compiled, providing expert background for obtaining the environmental consent. The Report includes expert analysis of the effects of the planned transmission line on the environment, including electromagnetic influences. Elektro Maribor, d.d., believes that construction of the Murska Sobota – Mačkovci transmission lines is essential as it will provide better power supply to the Goričko region. The transmission line is intended for direct supply to electric energy consumers; moreover, it is necessary for powering the Ormož – Murska Sobota – Hodoš railway.

1.3 MANAGEMENT BOARD REPORT

In 2010, the company Elektro Maribor, d.d., saw numerous events that affected its positive image and recognition in the business environment in which it has been active for nearly a century.

In April, a new Management Board was appointed, laying down a bold vision at the start of their four-year term, defining the mission, values, strategic goals, and the business strategy.

The Management Board succeeded in overcoming the harsh conditions challenging the Slovenian economy, by effective risk management. Many aspects affected the company operations, including the reimbursement of overcharged amounts for electric energy, decrease of penalty imposed by the Competition Protection Office of the Republic of Slovenia due to concerted action in raising the electric energy prices in 2008, offsetting of network charges for the 2004-2009 regulatory period, preliminary offsetting for the 2010 regulative year, volume of electric energy sold, distributed electric energy, higher investments, and higher revenues from sale of services in the market, particularly in photovoltaic equipment. Despite all these effects, the company succeeded in attaining a positive result at the end of the fiscal year as revenues reached EUR 210,662,826 and profit amounted to EUR 3,874,376.

Paying close attention to the needs of the market and seeking and implementing innovative novelties and solutions are always at the heart of our operations. Our care for the network, its construction, maintenance, and improvement, sets the foundation for further development of the economy and our additional services that we develop for our customers whom we are trying to offer the broadest possible range of products and services under favourable market conditions.

We employ project management to stimulate an innovative business environment. Results of the project management include twenty-two projects of which six have been completed in 2010, while others are carried on in 2011. We have proactively taken part in and supported major projects beyond our company, in the environment in which we operate. This, we took part in the "InCO movement" – movement for innovative breakthrough, the purpose of which is to spread innovation at elementary schools and kindergartens in the Štajerska region. The project of photovoltaics or key-in-hand solar power plants should also be noted, which we believe bears important development potential for the company. Thus, our customers were offered the Sonček ("Sunny") package which is effectively a key-in-hand service that includes everything from planning to construction, as well as financing and insurance provided by project partners.

We are committed to the slogan "Extending energy excellence to you!" in the entire area of our operations. We won several certificates that witness our excellence. By establishing the environmental management system according to the ISO 14001:2004 standard, we have taken the path of careful environmental management. Thus, we inaugurated in 2010 a center for collection and separation of disassembled and decommissioned equipment. We are in the process of obtaining the ISO/IEC 27001:2005 standard – Information Security Management System, and in the process of establishing an innovation platform.

We are aware of the importance of relations between the employees and other stakeholders. Commitment to excellence and systematic promotion of innovation at all levels of operations has yielded major results in terms of optimization of operations, development of new services and improvement of relations. Notable steps have also been taken with regard to sustainable development and ecological awareness among ourselves and our broader community. We have adopted the Code of Business Ethical Conduct and completed our preparations for obtaining the "Family-Friendly Company" certificate.

We are committed to activity in company reorganization which was made mandatory for the company Management Board and Supervisory Board by the Shareholders Assembly resolution adopted at the 13th regular AGM of Elektro Maribor, d.d. The resolution pursues the goal of restructuring the company in order to separate the network and market activity, pursuant to the provisions of the relevant legislation and the Auditor's Report of the Court of Audit of the Republic of Slovenia No. 1206-5/2008-29 dated March 24th 2009. At the end of 2010, the spin out was confirmed, with which all property and related rights and liabilities pertaining to market energy engineering activities of the company Elektro Maribor, d.d., are to be transferred to a new subsidiary, 100-percent owned by the company Elektro Maribor, d.d.

In the 2011 business year, the company Management Board carried on the planned policies laid down at the end of their term at the company Elektro Maribor, d.d. By implementing sound practices into company operations, it will contribute to positive image of the company Elektro Maribor, d.d., and proactive pursuit of the slogan "Extending energy excellence to you!"

Management Board President:
mag. Andrej Kosmačin

1.4 SUPERVISORY BOARD REPORT

In the 2010 fiscal year, Supervisory Board of the company Elektro Maribor, d.d., supervised the company management pursuant to the provisions of the Companies Act, Articles of Association of the public limited company Elektro Maribor, d.d., and the Corporate Governance Code.

The Supervisory Board included the following members in 2010: Mr. Matjaž Madžarac – Chairman, Mr. Srečko Kokalj – Deputy Chairman, Mr. Peter Grubelnik – member, Mr. Roman Ferenčak – member, Mr. Miroslav Pečovnik – member, Mr. Anton Jaušovec – member until July 12th 2010, and Mr. Silvo Ropoša – member since July 13th 2010.

On January 20th 2011, Mr. Matjaž Madžarac resigned as the Supervisory Board Chairman. The function of the Supervisory Board Chairman was assumed by Mr. Roman Ferenčak.

At their 7th regular meeting held on March 29th 2010, the company Supervisory Board appointed Mr. Andrej Kosmačin as the Management Board President of the company Elektro Maribor, d.d., for a term of four years.

- discussed and adopted the Business Plan for the year 2010;
- discussed and adopted the company Annual Report for 2009;
- agreed with the company Management Board proposal on allocation of net profit for the 2009 fiscal year, and the distributable profit for the 2009 fiscal year;
- agreed with signing the contracts on the purchase of electric energy;
- adopted the Rules of Procedure for the Supervisory Board;
- agreed with the company reorganization;
- heard presentations of reports on company operations;
- heard presentations of reports on the progress of investments;
- reviewed the debt for electric energy, network charge, and default interest;
- adopted the resolution on spin out of market energy engineering activities of the company.

The company Supervisory Board monitored company operations which was consistent with the adopted company Business Plan. Company Management Board reported regularly to the Supervisory Board on company operations and on all other major business events at the company. Company Management Board monitored on a monthly basis the results of company operations and adopted required measures of control which certainly lead to improved performance in 2010.

Company Management Board submitted to the Supervisory Board the Annual Report which was adopted by the Supervisory Board at their 20th regular session held on May 27th 2011. Previously, a draft Annual Report was reviewed by the Audit Committee of the Supervisory Board which proposed to the Supervisory Board to adopt the Annual Report.

Audit of the Annual Report of the company Elektro Maribor, d.d., for 2010, was conducted by the auditing company ABC revizija, družba za revizijo in sorodne storitve d.o.o., which issued on April 15th 2011 an unqualified opinion on the Annual Report of the company Elektro Maribor, d.d.

Based on the Annual Report audit and the Audit Report attached, the Supervisory Board found the following:

- Annual Report is clear, transparent, and compiled in compliance with the provisions of the Companies Act;
- Annual Report allows accurate review of the financial status and performance;
- according to the auditor, the financial statements represent a true and fair account of the financial status of the company Elektro Maribor, d.d. as at December 31st 2010 and its performance, or net income, and cash flows in the 2010 fiscal year, pursuant to the Slovenian Accounting Standards.

Based on all said findings and the unqualified opinion by the Auditor, the Supervisory Board confirmed the Annual Report of the company Elektro Maribor, d.d.

The Supervisory Board agreed with the proposal on the allocation of net profit for the 2010 fiscal year, and the distributable profit for the 2010 fiscal year as presented by the company Management Board. Together with the Management Board, the Supervisory Board shall submit the proposal to the Shareholders Assembly.

Supervisory Board Chairman:
Roman Ferenčak

*We are aware of our mission.
We share our energy and knowledge with the environment in which we live and in which our children live. Our minds are set on the future.
We are spreading excellence in energy operations. We are creating a new culture of society.*

WE FOSTER THE RESPONSIBILITY OF ENVIRONMENT PROTECTION AND ENCOURAGE RATIONAL USE OF AVAILABLE ENERGY RESOURCES, INCLUDING RENEWABLE ONES. WE ARE CREATING THE FUTURE!


ELEKTRO MARIBOR
Energija zame!

2

PRESENTATION OF ELEKTRO MARIBOR, D.D.

2.1 COMPANY PROFILE

The company Elektro Maribor, podjetje za distribucijo električne energije (electric energy distribution company), d.d., is a constituent part of the electric energy engineering system of the Republic of Slovenia and one of the five companies providing distribution of electric energy in the Republic of Slovenia.

Company:	Elektro Maribor, podjetje za distribucijo električne energije (electric energy distribution company), d.d.
Abbreviated name:	Elektro Maribor, d.d.
Head office:	Vetrinjska ulica 2, 2000 Maribor
Registration number:	5231698
VAT ID:	46419853
Current account:	SI56 0451 5000 0570 965
Share capital as at December 31st 2010	EUR 139,773,510.27
Court registry date:	Registered with the District Court of Maribor, App. No. 1/00847/00
Number of employees as at December 31st 2010	819
Distribution area:	North-eastern Slovenia
Size of distribution area:	3,992 km^2

Company activity is defined in Article 2 of the Articles of Association of the public limited company Elektro Maribor, podjetje za distribucijo električne energije, d.d., dated August 25th 2010. Provision of the company Articles of Association has been brought into line with the Regulation on Standard Classification of Activities (Official Gazette RS, No. 69/2007, 17/2008).

Following are the key activities of the company:

- Distribution of electricity (35.130),
- Trade of electricity (35.140),
- Construction of utility projects for electricity and telecommunications (42.220)

The company has implemented the following quality systems:

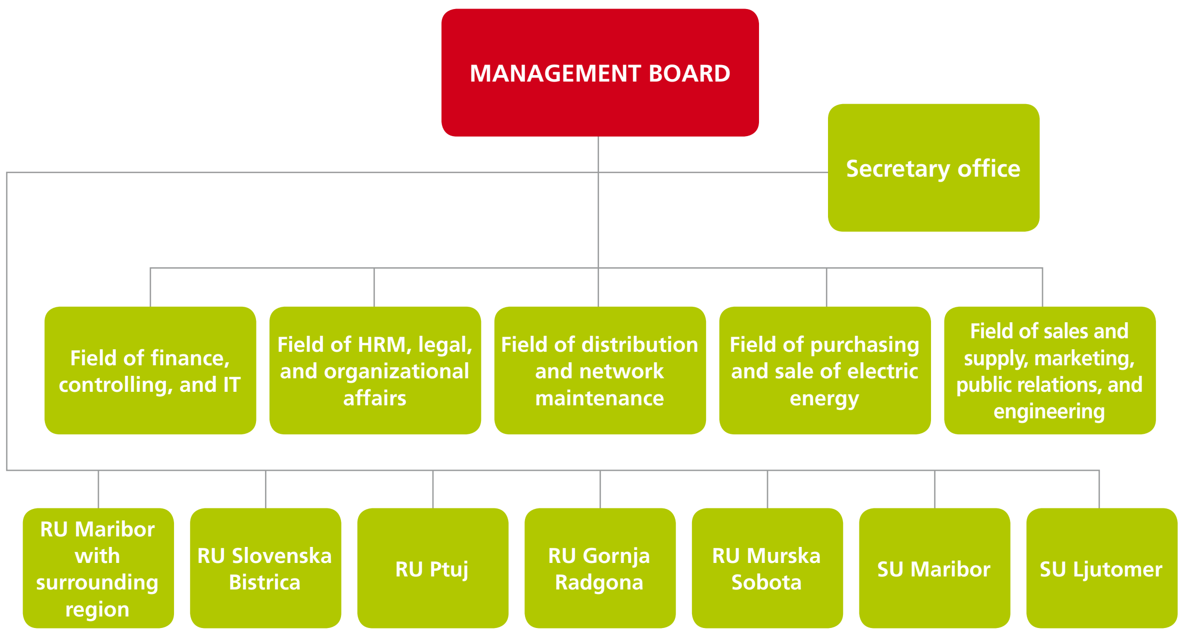
- Quality management system pursuant to standard SIST ISO 9001:2008,
- Environmental management system pursuant to standard SIST ISO 14001:2005,
- Management system for measurement laboratory pursuant to SIST EN ISO/IEC 17020:2004,
- Occupational health and safety at work management system pursuant to the standard OHSAS 18001:2007.

2.2 ORGANIZATION

The company Elektro Maribor, d.d., is a public limited company (joint stock company) to which the provisions of the Companies Act shall apply.

Company organizational structure was changed on November 2nd 2010 when the Rules and Regulations on Organization and Systematization of Jobs and Positions was implemented, as adopted on October 5th 2010. Rules and Regulations on Organization and Systematization of Jobs and Positions define the micro organization of the company Elektro Maribor, d.d., and the division of the fundamental business functions and systematization of jobs and positions.

Organizational structure of the company Elektro Maribor, d.d., as at December 31st 2010



Particular organizational units perform the following core business functions and activities: management of the distribution network, distribution, purchase and sale of electric energy, performing services, and support expert services.

At the macro level, the company includes the following organizational units:

Fields managed by executive directors:

- Field of finance, controlling, and IT,
- Field of HRM, legal, and organizational affairs,
- Field of distribution and network maintenance,
- Field of sales and supply, marketing, public relations, and engineering,
- Field of purchasing and sale of electric energy

Regional and service units managed by heads of units:

- Regional unit Maribor with surrounding region
- Regional unit Slovenska Bistrica
- Regional unit Ptuj,
- Regional unit Gornja Radgona,
- Regional unit Murska Sobota,
- Service unit Maribor,
- Service unit Ljutomer.

In order to attain the short-term and long-term business goals of the company, lower organizational units are established within the fields, regional and service units: departments and offices with clearly defined tasks, powers and authority, responsibility, and goals that are defined at the operations level in the annual Business Plan. Micro organization is adapted to the business needs of the company. From these organizational units, tasks and jobs and positions are defined as fundamental organizational units.

2.3 VISION, MISSION, VALUES, AND STRATEGY

Vision
The company Elektro Maribor, d.d., harnesses innovation to attain sustainable development as it seeks to be among the leading distribution companies in the Republic of Slovenia. In its immediate environment and beyond, it is expanding with an ear for the needs of the environment, as a reputable and successful company deserving of the confidence of its customers. The motto of our vision is: Innovation in energy engineering.

Mission
At the company Elektro Maribor, d.d., we are making sure to deliver on the following promises:

- all customers are provided reliable and quality delivery of electric energy at prices that meet their needs;
- with regard to rational use of energy, we are informing our customers about the possibilities of using renewable energy resources and cutting energy consumption;
- with new services in the field of energy engineering, we are reaping the innovative potential of the company and offer it accordingly to the customers, thereby promoting company growth for our shareholders and providing the future for our employees;
- we are recognized for reliability, sustainable development, and support to our customers.

Corporate values
Following are our corporate values:

- compliance with the legislation of the Republic of Slovenia and the European Union in all fields of company operations;
- responsibility to all our customers, business partners, shareholders, employees, and the company as a whole;
- consistent and reliable fulfilment of the expectations of our employees in a way that provides their safety and motivation for attaining the goals laid down;
- care for the environment with long-term planning and selection of environmentally friendly technologies.

Operating goals

- We shall upgrade, update, and refurbish our distribution network , making sure it reaches operating reliability and withstands all storms;
- we shall keep our customers by launching a set of activities pertaining to our offer and communication;
- we shall pay special attention to risk management;
- we shall become the leading provider of comprehensive services in the field of planning and construction of photovoltaic systems in Slovenia;
- we shall become the most innovative electricity distribution company in Slovenia.

Business strategy

- implementing the process approach and target cost cuts;
- managing financial risks and liquidity;
- offering competitive prices;
- cutting response time and providing timely deliveries;
- measuring and improving customer satisfaction;
- upgrading the existing quality management system according tot he ISO standards;
- carrying out standardization of materials, models, and procedures;
- improving the educational composition and level of performance in knowledge management (learning organization);
- creating the conditions for motivation and satisfaction of employees.

2.4 CORPORATE GOVERNANCE

The company Elektro Maribor, d.d., is managed according to a two-tier system of governance. The company is managed by a Management Board supervised by a Supervisory Board. Corporate governance is based on legislation, Articles of Association as the fundamental legal act of the company, and internal regulations prepared in compliance with the standards of the International Organization for Standardization (ISO).

Although its company are not listed in the stock exchange, the company Elektro Maribor, d.d., complies with the provisions of the Corporate Governance Code which was compiled and adopted jointly by the Ljubljana Stock Exchange, d.d., Slovenian Directors' Association, and the Managers' Association of Slovenia on March 18th 2004, and amended on December 14th 2005, February 5th 2007, and December 12th 2009.

Compliance with the generally accepted rules of corporate governance and company supervision contributes to a transparent and efficient management practice oriented towards the the creation of long-term value of the company, raising the responsibility of particular interest groups, improvement of economic environment, and improvement of the competitive edge of the company.

Management Board
The company Elektro Maribor, d.d., is managed by a Management Board, independently and with full responsibility. The Management Board represents the company. According to the company Articles of Association, the Management Board shall have one member appointed and dismissed by the Supervisory Board. The term shall last four years, and upon expiry, the Management Board member may be re-elected.

The Management Board shall be responsible for attainment of goals and pursuit of business strategy, and shall decide on all issues regarding organization and management of the company, as well as implement the resolutions adopted by the Shareholders Assembly. The Management Board shall regularly report to and consult with the Supervisory Board regarding relevant issues, regulations, and provisions of the company Articles of Association.

Company representative (until April 13th 2010): Peter Grubelnik.

Management Board President (since April 14th 2010): Andrej Kosmačin.

Supervisory Board:
The Supervisory Board shall consist of six members of which four members shall represent the shareholders and two members shall represent the employees. The Supervisory Board shall be appointed by the Shareholders Assembly with ordinary majority of the votes by the shareholders present, except for the members elected by the Works Council. Members of the Supervisory Board are elected for a four-year term and may be re-elected. The Supervisory board members shall appoint a Chairman and Deputy Chairman from among their members.

The Supervisory Board shall supervise the management of the company affairs. The task of the Supervisory Board is to control and monitor the activities of the Management Board. The Supervisory Board shall also appoint the Management Board President. Supervisory Board members shall monitor operations, annual and semi-annual plans, and business strategy. They shall also review the Annual Report and the Management Board proposal on the allocation of distributable profit. They shall publicly report on their work in the Supervisory Board Report which shall be available to all employees in the Annual Report.

Representatives of capital:
- Matjaž Madžarac – Chairman,
- Srečko Kokalj – Deputy Chairman,
- Peter Grubelnik,
- Roman Ferenčak.

Representatives of employees:
- Miroslav Pečovnik (until July 12th 2010),
- Anton Jaušovec (until July 12th 2010),
- Miroslav Pečovnik (since July 13th 2010),
- Silvo Roposa (since July 13th 2010).

Shareholders Assembly
Shareholders exercise their rights regarding the company at the Shareholders Assembly. The Assembly shall be convened by the company Management Board upon own discretion, upon request by the Supervisory Board, or upon request by the company shareholders representing at least 5% of the company share capital. The shareholders receive information on operations in Annual Reports and the internet.

Shareholders of Elektro Maribor, d.d., met at the 14th regular Shareholders Assembly held on August 25th 2010. 86.6% of share capital was represented at the Assembly.

Discussing the Annual Report, the Shareholders Assembly found that the company performance was positive. Profit was allocated to other revenue reserves. In this regard, the work of the Management Board and the Supervisory Board was rated as positive.

New certified auditing company was appointed unanimously. Changes to the Articles of Association required to bring the Articles into line with the Companies Act and the Energy Act were adopted.

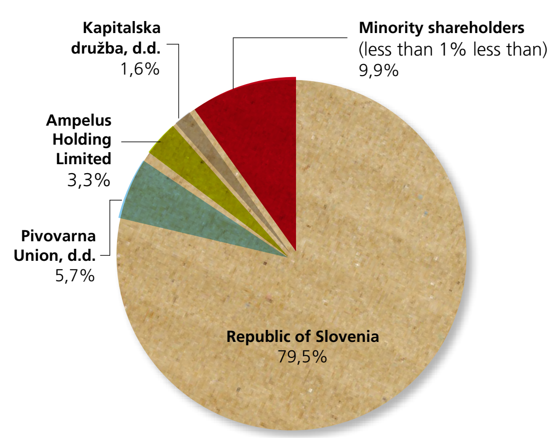
The Shareholders Assembly adopted all resolutions proposed by the Management Board and the Supervisory Board with a majority vote.

2.5 OWNERSHIP COMPOSITION AND COMPANY SHARE

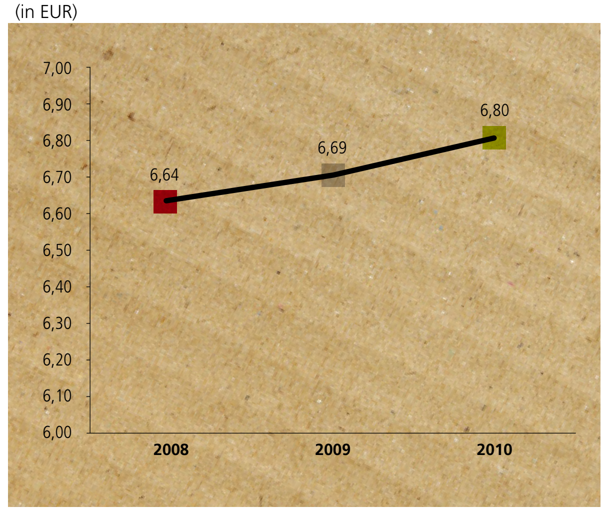
Share capital of the company Elektro Maribor, d.d., amounts to EUR 139,773,510; it is divided into 33,495,324 ordinary registered no-par value shares. Each share represents an equal stake and relative amount of the share capital. Company shares are not traded in any organized market.

At the end of 2010, the company had 1,357 shareholders; at the end of 2009, there were 1,354. The largest shareholder is the Republic of Slovenia with a 79.5% share. Four shareholders hold shareholding that exceeds 1%.

Ownership composition
as at December 31st 2010



Changes in the share book value
(in EUR)

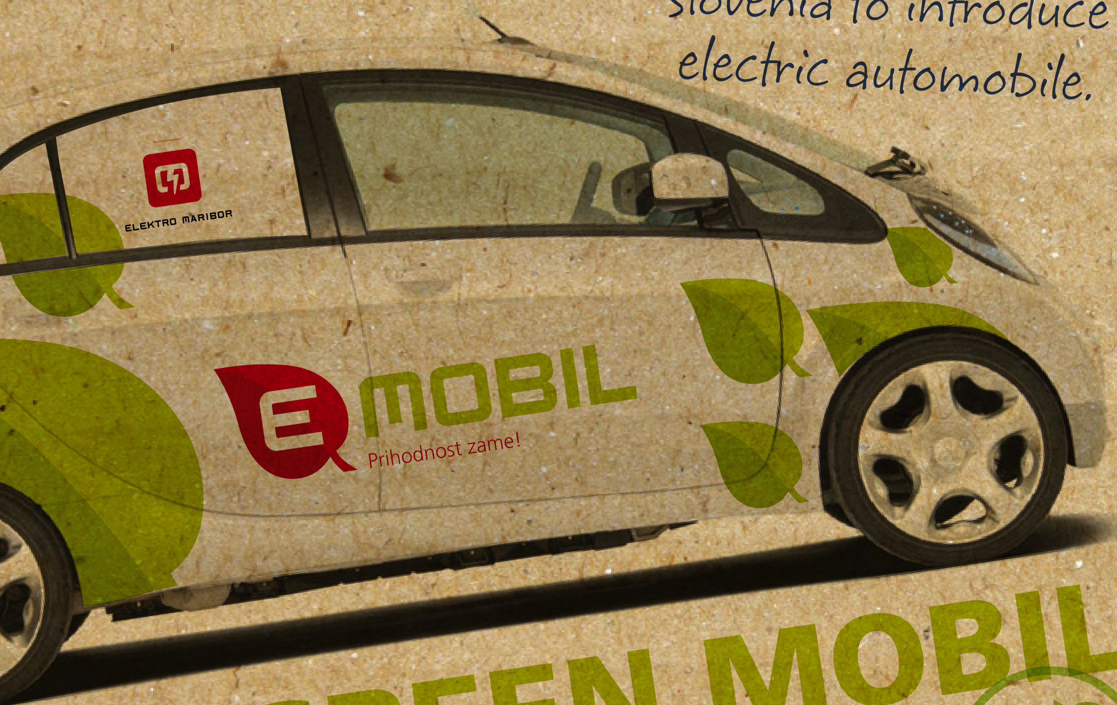



EMOBIL
Prihodnost zame!
ELEKTRO MARIBOR
WE ARE CREATIN

We are pursuing our ecological commitment: electricity from renewable energy sources for electric vehicles.

Symbolic picture

E-Mobil brand stands for Elektro Maribor's highly devoted entry into the world of sustainable development. We are establishing a network of charging stations for electric drive vehicles, and we are the first in Slovenia to introduce a large-series electric automobile.



G A GREEN MOBILE VISION

3

BUSINESS REPORT

3.1 MARKET CONDITIONS AND OPERATIONS

After a period of contraction of the volume of operations in 2009, 2010 saw a gradual moderate and limited growth of economic activity. Unfortunately, this was not the case on all industries. The effects of the recession were the hardest in 2010 for the construction industry which resulted in increased late payments and a wave of compulsory composition and bankruptcy proceedings. On the other hand, moderate optimism could be perceived in the metalworking and partly in chemical industry where increased consumption was seen, as well as decisions for additional current purchases and purchases in the form of future deals for the years 2011 and 2012. In the electric energy market, wholesale and future prices were changing consistently with the forecasts of growth, stagnation, or decline in economic activity and changes in prices of other forms of energy, or fuels. In general, it can be stated that the level of prices in the daily market in 2010 was 14% higher than in the year before.

Customers who secured the energy for 2010 through future contracts during a period of constant growth of prices in 2008 exerted pressure in the last year with their requests for changes to the contractual prices. Cases were resolved individually in order to maintain long-term business relations, considering additional purchase at current prices, or agreeing upon re-scheduling of liabilities for the future years.

Reimbursement of overcharged amounts for electric energy to households also bore an importantly negative effect on the operations and it resulted in a revision of the Business Plan. Since the revision was made at the end of 2010, the deviations from the planned values were low.

Throughout the fiscal year, we strove to provide additional offer of energy and services in order to differentiate our offer and improve its competitiveness. The effects will be seen in next years when relevant promotional activities take place.

Financial crisis and related decrease in economic activity, particularly in construction, shall have a direct effect on the volume of services from the field of construction of energy facilities. It is the challenge of our time to seek new business opportunities, to expand the portfolio of our services with new market products, to consolidate our business relations with the buyers of our services, in order to attain or exceed the revenues from the time of economic growth.

3.2 PURCHASE AND SALE OF ELECTRIC ENERGY

3.2.1 Purchase of electric energy

The key characteristics in purchase and trading:

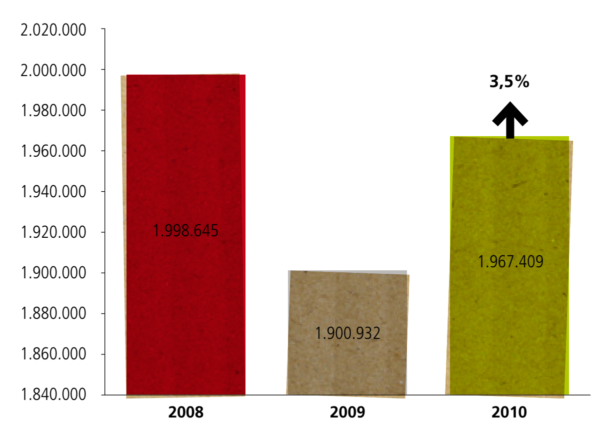
- purchase consistent with expectations,
- decrease of purchase costs through discounts; and
- rescheduling of a part of liabilities from future deals.

Expectations of end buyers to decrease the sales prices continued in 2010. At the purchase side, we followed such needs with the following activities:

- decrease in purchase price of electric energy (we succeeded in reaching a deal with the HSE on two discounts in the total amount of EUR 1,791,329) and
- rescheduling of liabilities of electric energy purchase to later periods for several end buyers in the amount of EUR 2,231,221.

In 2010, the purchase of electric energy amounted to a total of 1,967,409 MWh, which is 0.1% more than planned and 3.5% more than in the year before. The costs of purchase of electric energy were 0.2% higher than planned. Relative to the year before, costs of purchase of electric energy were 1.7% lower, which is a result of lower average purchase price.

Changes in the amounts of electric energy purchased, excl. purchase of electric energy for losses
(in MWh)



Attainment of business goals laid down:

- We succeeded in negotiating a discount of purchase cost with suppliers in the amount of EUR 1,791,329;
- purchases were coordinated daily with the expected use of electric energy;
- we carried out several future purchases of energy with simultaneous sale to end customers for the period 2011-2013;
- absolute amount of deviations was decreased by 11.9% relative to 2009.

3.2.2 Sale of electric energy

Key characteristics in sales of electric energy to end customers in 2010 were the following:

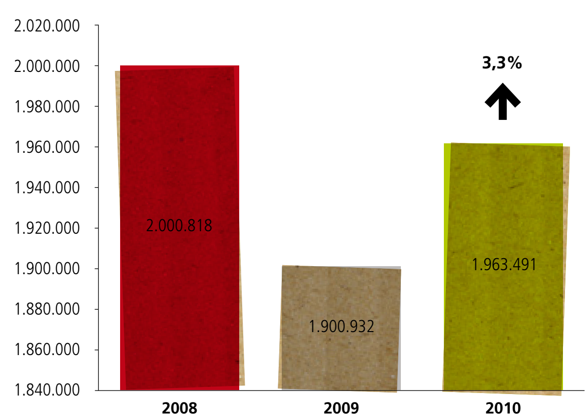
- pressure to change the amounts and prices agreed with future contracts;
- terminations of existing contracts for which the customers required lower prices and did not agree with the offered adjustments;
- failure on the part of our customers to pay their liabilities for the electric energy sold; and
- aggressive market approach of two competitors with very low prices for households.

In such conditions, we dealt with intensive risk management in order to attain our goals. The following measures were implemented:

- rescheduling the liabilities to later periods and gradual adjustment of prices to the current market conditions;
- obtaining instruments of payment insurance for the deals already made;
- collection in cooperation with third-party experts in more complex cases;
- regularly sending offers to existing customers and those who switched to another supplier in the past;
- taking part in the public tenders for supply of electric energy.

In 2010, a total of 1,963,491 MWh of electric energy was sold to all customers (household, enterprise, and other groups), which is 0.1% less than planned and 3.3% more than in the year before. Our revenues from sale of electric energy were 0.5% higher than planned. Relative to the year before, our revenue from sale of electric energy was 4% lower, which is a result of reimbursement of overcharged amounts for electric energy and lower average sales price.

Changes in the amounts of electric energy sold
(in MWh)



Attainment of business goals laid down:

- profit margin was EUR 385,000 higher than planned;
- due to the epidemic payment defaults, amount of receivables due increased;
- in development of new products and services, we prepared two packages of offer for heat pumps which we shall start to market in 2011;
- we are taking part in a campaign called Sonček ("Sunny") which involves sale of key-in-hand solar power plants. Investors are offered favourable buyback of electric energy.

3

3.3 DISTRIBUTION OF ELECTRIC ENERGY AND ADDITIONAL SERVICES

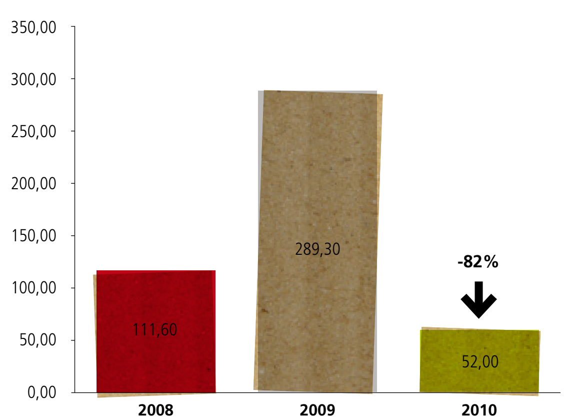
3.3.1 Operation of the distribution network

In 2010, operation of the distribution network was oriented towards the goals laid down in the Business Plan, consistently with the foundations of our business policy and the goals of company operations – provision of reliable and quality supply of electric energy to all customers in the supply area in compliance with the standard, improved customer satisfaction, optimization of operating costs, and improvement in business processes.

In 2010, reliability of supply (indicators SAIDI and SAIFI) was improved as the goals pertaining to reliability of supply were met.

The SAIDI indicator (System Average Interruption Duration Index) was 82% better (lower) in 2010 than in 2009, and by 54% better (lower) than planned for 2010.

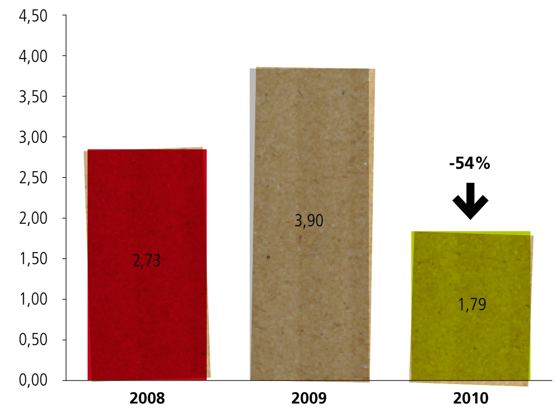
SAIDI (System Average Interruption Duration Index) – average duration of unplanned interruptions in supply longer than three minutes, per customer
(in min/customer)



Improved SAIDI is a result of the disaster in late January 2009, a result of force majeure. In 2010, there were no specific events regarding interruptions in electric energy supply.

The SAIFI (System Average Interruption Frequency Index) was improved (lower) by 54% in 2010 relative to 2009.

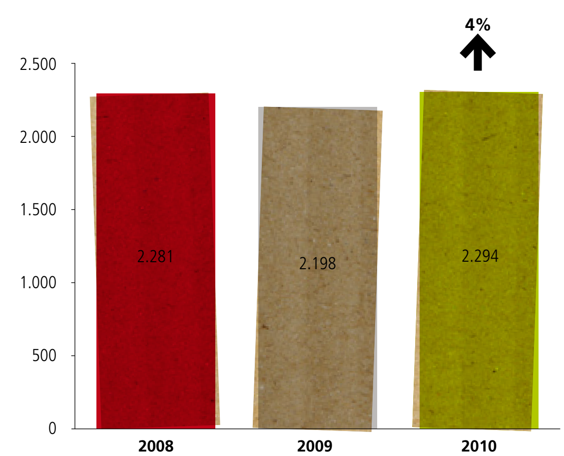
SAIFI (System Average Interruption Frequency Index) – average number of unplanned interruptions longer than three minutes per customer



The disaster in January 2009 also affected the comparison of the SAIFI index for 2010.

In 2010, consumption of electric energy in the distribution area of Elektro Maribor, d.d., was higher than in the year before. A 4% increase was seen relative to 2009.

Electric energy consumption in the Elektro Maribor, d.d., distribution area
(in GWh)



The quality of voltage controlled through stationary monitoring at the distribution substation (DS) 110/x kV complied entirely with the SIST EN 50160 last year at the high-voltage (HV) level; at medium-voltage (MV) level, only DS Slovenska Bistrica saw voltage deviations from the standard in 27 weeks.

In 2010, 454 measurements of the quality of voltage were carried out, which is 9% less than planned (500 measurements).

In order to provide safe and reliable operation in 2010, the following activities were carried out:

- managing the planned works in the HV and MV network by previously software-tested switching manipulations, which provides additional increase of operating safety and reliability of supply;
- completion of the second stage of upgrade of the distribution management substation (DMS);
- construction of a system that allows intranet access for authorized persons to data on planned shutdowns (for the requirements of the call center and customer information);
- construction of a system that allows internet access for customers to data on planned shutdowns (to inform the customers with access to the internet).

At the same time, the following facts should be taken into account:

- constant increase and complexity of reliability of supply which requires continuous and broad cooperation of workers and all services at the company, as well as continuous training of all employees and a constant search for new solutions;
- deficient information and knowledge of the customers on our activity of electric energy supply (supply and marketing), which is increasingly often the cause of unnecessary complications and problems.

3.3.2 Billing the supplied electric energy

Billing/charging for the supplied electric energy includes the following:

- billing for the electric energy and other services and duties for all contract customers of the company Elektro Maribor, d.d.M
- billing the network charge, surcharges to the network charge, and contributions for all customers connected to the network of the company Elektro Maribor, d.d.;
- billing emergency supply, unjustified consumption, and irregular registration of metering information;
- control and distribution of invoices for customers of the first three indents above;
- management of sales statistics for the purpose of reporting to external and internal users of information;
- development and management of the eStoritve web portal;
- sending billing information to the suppliers.

Billing is a complex process in any industry that involves a large number of customers and services offered; therefore, it is important to keep up to date with market requirements and the legislation. Following are our major achievements in 2010 in this regard:

- in the field of web electronic services, activities took place for upgrade of the eStoritve web portal to allow sending an electronic invoice to the electronic bank. Use of the eStoritve is increasing. In 2010, there were 10,944 registered users with a total of 15,129 meter points, which is 15% more than in 2009;
- we are preparing a new modern billing system that will support the entire billing process, i.e. the calculation, preparation of data for printing, and issue of invoice, invoice archiving, preparation of data for financial and bookkeeping field, and preparation of data required by third-party institutions;
- we enable billing of network use and electric energy consumed at meter points without measured power by remote metering according to the actual meter reading for the period from the first to last day of the month. In 2010, over 37,000 meter points were included in the system of billing based on remote capture of meter information, which is 26% more than in 2009, and which represents 17.5% of all meter points without measured power. Since these meter points allow daily remote capture of numerical data, customers receive and pay their invoices based on the actual meter reading. Cost monitoring at the meter point is thus much easier for the customer. This way, the customer also avoid any netting procedures and find it easier to plan for measure for economical use of electric energy.

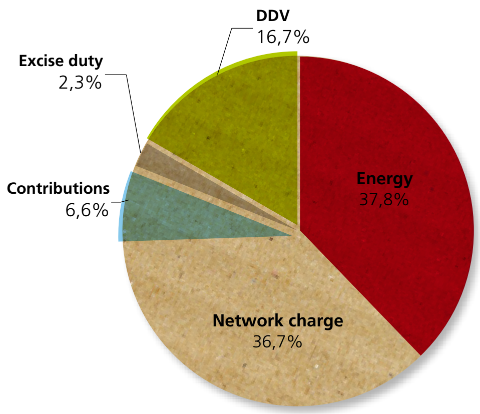
- We have reimbursed the overcharged amounts for electric energy in the period from January 1st 2008 to February 1st 2009.

Pursuant to the relevant legislation, items on the invoices were presented separately (energy, network charge, contributions excise duty). The invoice for electric energy in 2010 was consisted of the following:

- energy, the price of which is defined by the supplier;
- use of network that the electric energy consumer pays for distribution of electric energy over the electric network to their meter point. Use of network includes:
  - network charge intended for activities of the system operator of distribution network (SODO, d.o.o.) and activities of the system operator of transmission network (ELES, d.o.o.), and cost of system services (ELES, d.o.o.);
  - surcharges to the network charge intended for covering the costs of operation of the Energy Agency of the Republic of Slovenia, and recording the deals for electric energy supply (Borzen, d.o.o.);
- contributions for provision of support to generation of electric energy in co-production with high yield and from renewable resources, charged based on Article 64.r of the Energy Act (OVE contribution);
- contribution for providing reliable supply by employing domestic resources of primary energy for electric energy generation, which is charged based on Article 15 of the Energy Act (DVE contribution);
- contribution for increase in the efficiency of use of electric energy which is charged based on Article 67 of the Energy Act (URE contribution);
- excise duties billed based on the Excise Duty Act;
- value-added tax (VAT) which shall be charged based on the Value Added Tax Act.

3

Composition of an invoice for an average household customer at the end of 2010
(basic supply II, consumption 155 high rate, 155 low rate, billed power 7 kW)



Network charge

in EUR

Items	2010	Composition
Network charge		
- Network charge for the transmission network	11.802.850	13,6%
- Network charge for the distribution network	49.379.858	56,7%
- Network charge for system services	8.742.641	10,0%
- Network charge for special system service	419.164	0,5%
Surcharge to the network charge		
- Surcharge for operation of the Energy Agency of the Republic of Slovenia	367.996	0,4%
- Surcharge for records of contracts made (Borzen, d.o.o.)	281.409	0,3%
Contributions pursuant to the Energy Act		
- OVE contribution	13.868.150	15,9%
- DVE contribution	1.433.903	1,6%
- URE contribution (as at February 1st 2010)	797.528	0,9%
Total	**87.093.498**	**100,0%**

3.3.3 Access to network

Access to the distribution network is provided and managed for the power station operators and end users pursuant to the relevant legislation, and particularly the provisions of the Energy Act (Official Gazette 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 electric energy from the distribution network (OG RS, o. 126/2007).

Services of access to the network include the following:

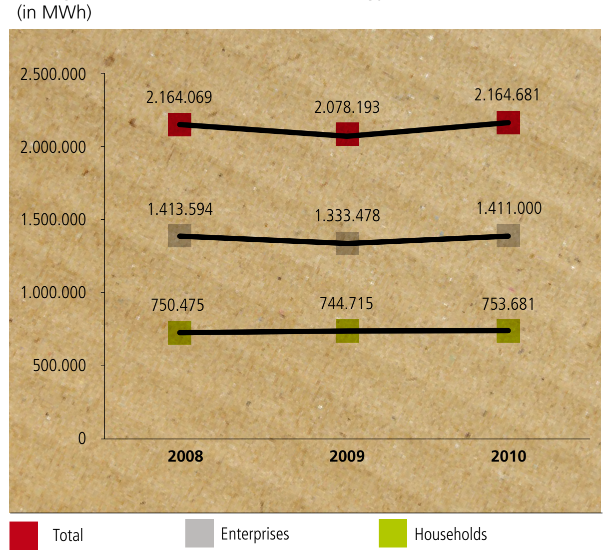
- providing access to the distribution network for power station operators;
- providing access to the distribution network for end users;
- conducting procedures regarding the switch to another supplier of electric energy;
- data exchange with suppliers regarding the tasks for SODO, d.o.o., required for the operation of the electric energy market;
- development and management of the Perun web portal which allows exchange of information and data between suppliers and those performing the tasks for SODO, d.o.o., such as:
  - change of supplier;
  - submitting data to suppliers for preparing quotations;
  - informing about acquired and lost meter points in cases of changes of suppliers (monthly);
  - review of data by the supplier for the meter points with which the supplier has a valid contract or authorization of the network user; and
  - notification of suppliers pursuant to the provisions of the General Terms and Conditions for supply and consumption of electric energy (TCSCEE).

In 2010, a step forward was taken in terms of further development of the Perun web portal as new functionality was added, allowing even more quality data exchange between the entity performing the tasks of SODO, d.o.o., and electric energy suppliers.

3.3.3.1 Use of network

In 2010, a total of 2,164,681 MWh of electric energy was distributed to 211,633 meter points connected to the Elektro Maribor, d.d., network, which is 4.2% more than in 2009 and 3.7% more than planned. Increase in consumption is a result of higher consumption by enterprises. The amount of network charge for the distribution network amounted to EUR 49,379,858.

Changes in the amounts of electric energy distributed
(in MWh)



3.3.3.2 Purchase of electric energy for the requirements of SODO, d.o.o.

Pursuant to the Act on the Definition of Methodology for Billing the Network Charge and Methodology for Defining the Network Charge, and criteria for establishing the justified costs for electrical networks, justified costs for purchase of electric energy for losses in the network in terms of quantity amount to 6.8% of the distributed energy to the end users. Thus, SODO, d.o.o., considered the 6.8% losses in the calculation of rent and service in 2010, relative to the price from the contract with the electric energy supplier.

Actual purchase of electric energy for covering the losses amounted to 127,299 MWh in 2010, which is 5.6% of the amounts accepted into the network (or 5.9% of distributed energy), worth EUR 6,362,423. Minor percentage of losses than acknowledged is a result of increased control at meter points and resulting discoveries of errors on meter points (unjustified consumption, wrong measurements etc.).

As a part of purchase for the requirements of SODO, d.o.o., the company also carried out the purchase for emergency supply, unjustified consumption, and purchase for the cases of wrongly registered metering information, which amounted to 396 MWh, worth EUR 19,812.

3.3.4 Electric energy metering and provision of data

Electric energy metering at metering points of network users and acceptance points with the network of the transmission network system operator (TNSO) includes the following:

- capture and submission of metering information for the requirements of electric energy suppliers, billing of network use, and establishing the energy balance of the Elektro Maribor, d.d., network.;
- establishing actual consumption and actual distribution to particular balance group or balance sub-group for the requirements of establishing deviations from the plans;
- maintaining metering and other equipment at meter points;
- implementation of systemic solutions and modern systems of electric energy metering.

Based on the recommendations from EU Directives on promotion of measures for efficient use of energy, National Action Plan for energy efficiency, and the requirements of the Metrology Act, the following major projects were carried out:

- installation of smart meters in households and other business users of our network;
- establishing the conditions for introduction of several rates of energy sale targeted at further improvement in the efficiency of energy use, and decrease of overall power in the system;
- replacement of metering devices whose certificate expires in 2010;
- detailed inspections of meter points of business users of the network.

Following were the major achievements in this regard:

- we included an additional element into the project of establishing the AMI (Advanced Metering Infrastructure) system: a switching device that will allow cutting off the distribution of electric energy remotely, replacing the main fuse as the billing element for power;
- we included just over 8,000 households and other business customers in the advanced metering infrastructure, allowing them to pay the electricity consumed according to the exact measured amounts. Thus, this system already includes over 37,000 users representing 17,5% of all customers connected to the Elektro Maribor, d.d., distribution network;
- for the requirements of billing the network charge, contributions, and energy consumption, we provided 420,000 readings using the AMI system, which is over 57% of all readings for billing requirements;
- we carried out for the manufacturer of metering equipment the replacement of software code on a part of the supplied equipment, and replacement of equipment where we established problems caused by non-linear users;
- due to requirements of integration of smart meters by the manufacturer Landis+Gyr into the AMI system, we upgraded the existing IT at the metering system with a new system of capture, processing, and data exchange with other participants of the organized market for electric energy;
- in order to more efficiently carry out the National Action Plan for Energy Efficiency, we conducted a campaign of offering aid in implementing the measures for efficient use of energy for our major customers, allowing them test monitoring of quarter-hour consumption of electric energy via internet for one month. After one month of test monitoring, many customers decided to introduce one of the offered data web services;
- power station operators were offered a new data service for faster and easier invoicing;
- pursuant to the relevant legislation, we set up at the metering center a system for calculating the excessive waste energy accepted from the power station operators;
- we reviewed in detail 6,945 meter points of business customers, and 2,506 meter points of household customers, discovering in a timely manner many errors that affected the amount of energy measured, which decreased the losses in the network by 10.9 GWh per year.
- on 11.5% of reviewed meter points of minor business users, we established excessive billing fuses, which had resulted in lost revenue due to a part of network charge pertaining to billing power, and loss of revenue due to average connection cost;
- we included into the metering center additional algorithms for faster discovery of errors in the metering equipment included in the industrial AMR (Automatic Meter Reading) or AMI system;
- in order to expand the accreditation of our Metering laboratory, we carried out, in compliance with the Instructions for Statistical Sampling of Electric Energy Meters, an internal test to establish whether the population of meters manufactured in 2008 is appropriate;

- a total of 13,500 metering devices were replaced as a part of the annual maintenance plan, which is 0.6% less than planned. Measuring devices whose useful life according tot the Rules and Regulations on the Useful Life of Metering Devices had expired, and devices with inappropriate metering accuracy, were eliminated from use, while others were repaired and re-certified;
- due to central control of the use of safety stamps and control of contractors, we prepared Rules and Regulations on Authorized Persons and unified management of the register of safety stamps, and replaced the safety stamps to all authorized persons.

3.3.5 Maintenance

Maintenance work was conducted on all voltage levels of the system in line with the goals set in the economic plan and its revision for 2010, meaning that the maintenance operations were dispersed across the entire territory the Elektro Maribor, d.d., company covers. The revision practically meant an increase in assets designated predominantly toward increasing the number of utility poles to be replaced, which indirectly was already apparent in the lower number of breakdowns this winter.

During the year we also conducted unscheduled, but necessary interventions on electric devices. The repairs on devices damaged in 2009 are being concluded (damage being the result of heavy snow from January 2009). Repairs are forecast to be completed by mid-2011.

To ensure a safe and reliable operation of the entire energy system, we completed the following actions in 2010 and attained the following goals:

- completion of all scheduled control measurements of grounding resistances at all distribution substations,
- completion of all scheduled checks at distribution stations,
- completion of measurements for PCBs in the oil of distribution transformers,
- completion of all planned tree clearings,
- completion of all planned measurements and insulation controls at energy transformers and the inspection of the 110 kV power line,
- completion of all scheduled noise and EMR measurements,
- testing of protective and safety equipment (indicators, grounding),
- organisation of an on-call service for repairs all along the entire Company's supply area, where performance is reflected in response times under 1 hour,
- maintenance of telecommunication devices and information technology to achieve an optimally functioning and available management system,
- completion of oil pit remediation at the Murska Sobota and Slovenske Konjice distribution substations (DS).

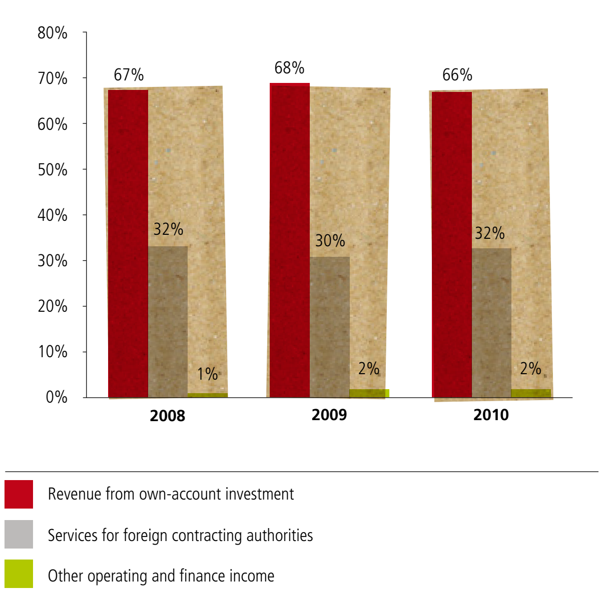
Of the goals set for 2010 the refitting of the 110 kV power line was not completed in accordance with plans. The reason being lengthy procedure of public contracting. The refitting has been moved to the start of 2011 based on consent given by electric power inspectors.

3.3.6 Services on the distribution network and services for foreign contracting authorities

In 2010 regular maintenance operations were performed on electric devices, while most of the work was done in building installation on new buildings and in the reconstruction of electric devices in line with the planned dynamics of execution of the Elektro Maribor, d.d., investments plan. Thus we attained revenue from own-account investments and internal realisation in the amount of EUR 10,927,155, which was 17% more than in the previous year and a consequence of higher investments in 2010. In respect of planned revenue, the result came in 3% lower.

Revenue is generated through the performance of services in the market, where the trend of revenue growth from photovoltaics is significant. Revenue from the sale of services in the service sector amounted to EUR 5,281,105, being 24% higher than in 2009, exceeding the plan by 1%. The increase in revenue from sales of services as compared to plans is primarily attributable to a large number of turnkey solar power plants constructed, the performance of construction and installation works, engineering services, operations pertaining to public lighting and maintenance of foreign power plants. Increasing the volume of the services mentioned is primarily the result of appropriate pricing policies and an active approach to potential customers with a focus on our competitive advantages, being knowledge and the experience of professional staff in acquiring subscribers as well as in the performance of operations.

Structure of revenue from services



Within the framework of our operations a measurement laboratory has successfully been operating as well, performing tasks pertaining to controls and verification of criteria for the billing for electricity consumption by taking into account the SIST EN ISO/IEC 17020:2004 standard and the accreditation obtained from the Metrology Institute.

The measurement service started maintenance operations on batteries in 2010. Thus we performed measurements and the necessary tasks pertaining to batteries at Elektro Maribor's 22 distribution substations.

In 2010 the measurement service and the measurement laboratory examined a total of 5,727 measures from foreign customers and generated revenue in the amount of EUR 117,965, being 18% more than the revenue attained in 2009.

3.4 INVESTMENTS

The investment plan for 2010 was prepared on the basis of the Development Plan on the Electrical Energy Distribution Network in the Republic of Slovenia for a 10-year Period – the Elektro Maribor, d.d., Geographic Area, which was endorsed by the Government of the Republic of Slovenia. The document defines investments for the period from 2009 to 2018, based on an analysis of the state of equipment, devices and power lines and the developmental studies pertaining to the power distribution network, amounting in total to EUR 30,743,818. Due to the non-performance of the investment in the 110 kV cable link to the distribution substation Koroška vrata – distribution substation Pekre a revision of the investment plan was performed. The total decreased by EUR 4,026,251, thus making the final value of investments planned amount to EUR 26,717,567.

The investments done in 2010 amounted to EUR 27,058,937, being 1.3% higher than the investment plan.

The following investment categories exhibit higher investment realisation as compared to the plan:

- Telecommunications
  An additional open broadband network was built in the Tezno business zone in cooperation with the PPC Institute Tezno and Stelkom. In 2010 we took over the management and control of the switches and routers (IKT component) and revitalised this part of the network at the end of 2010, brining a good part of it up-to-date. The projected value of EUR 1,239,042 was exceeded by 10.9%, making the actual value EUR 1,374,341. The overrun was compensated for by a lower realisation at investment category Existing High Voltage Power Line.
- Studies, development, projects
  2010 saw the continued efforts aimed at the attainment of investment documentation for the construction of distribution facilities planned for 2011 and 2012. At an accelerated pace easements agreements are being entered into for the 2x110 kV power line Murska Sobota – Lendava and the 2x110 kV power line Murska Sobota – Mačkovci. The projected value of EUR 1,291,667 was exceeded by 10.8%, making the actual value EUR 1,431,144.
- Acquisition of infrastructure
  The projected value of EUR 450,000 was exceeded by 25.3%, making the actual value EUR 563,666. The reason for the higher actual value is the unexpected purchase of DS 20/0,4 kV V SOIC-8 (t-768).

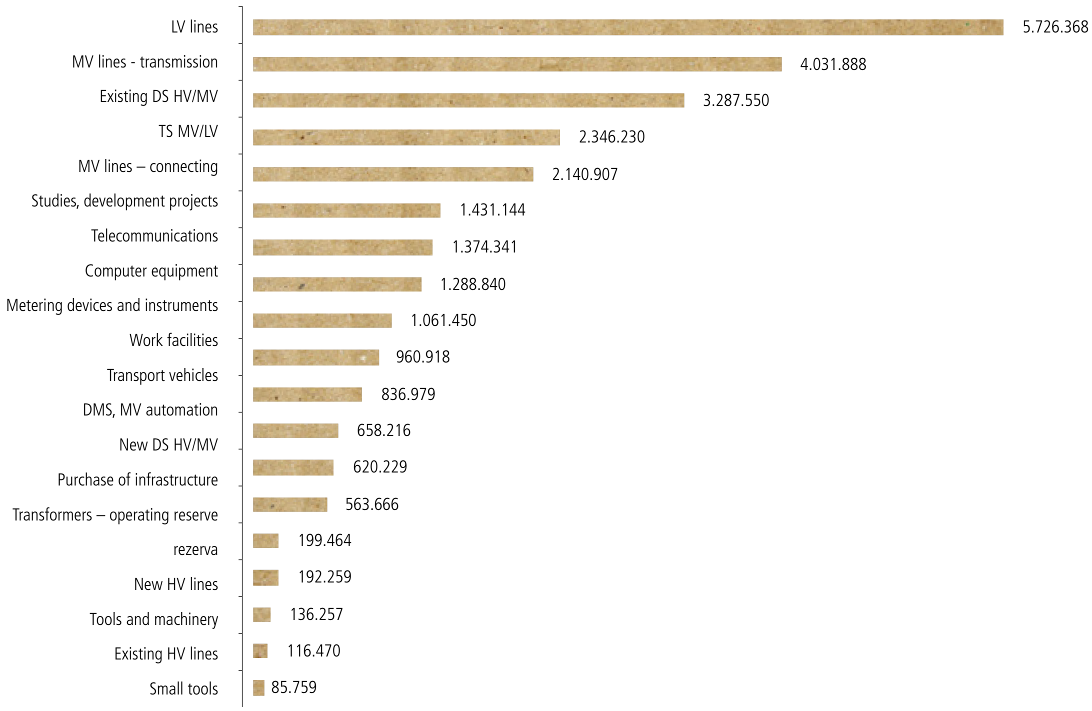
The Company has provided investment funds from depreciation and other proprietary funds and by raising a long-term loan in a total of EUR 18.5 million.

The construction of the DS 110/20 kV Mačkovci was continued and is expected to finish in 2011. We also started the construction of the DS 110/20 kV Podvelka.

The replacement of power transformers at DS Slovenska Bistrica and at DS Slovenske Konjice was completed.

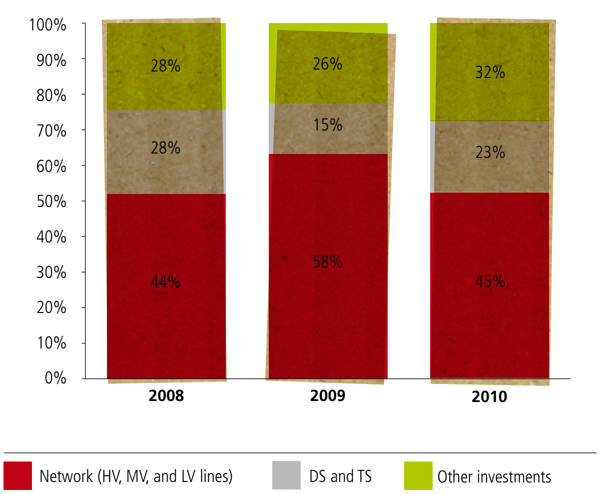
In the realisation of other investments in 2010 special emphasis was put on the construction of low and medium voltage lines and transformer stations MV/0,4 kV with the inclusion into the MV network, with a programme to improve poor voltage conditions, ensure greater operational reliability, meet the needs for greater power and monitor developmental spatial plans of municipalities. Under these investments, we built and refitted 126 km of MV power lines, 41 pcs of MV cable line, laid down 28 km of new LV lines, refitted 113 km of LV lines, built 33 new MV/LV DSs and renovated 52 MV/LV DSs.

Investments by investment category
(in EUR)



A significant share (5.3% of the total investment plan realisation) within the structure of investments is represented by the acquisition of investment documentation for electric power facilities, which we intend to build in the coming years based on long-term development plans of the Elektro Maribor, d.d., company.

The structure of investments



3.5 COMPANY BUSINESS PERFORMANCE

The Elektro Maribor, d.d., company was successful in its operations in 2010 as it exceeded the projected profit in the revised business plan for 2010 (2010 Business Plan Revision). The 2010 Business Plan Revision was done due to unforeseen events in 2010, which the business plan was unable to predict.

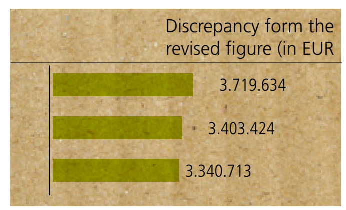
The most significant factors, which impacted the company's performance in 2010:

- repayment of electricity overpaid with interest, performed in the period from August to October 2010, totalling EUR 2,935,290,
- reduction of fine by the CPO due to coordinated electricity price increases in 2008 from EUR 2,561,720 to EUR 125,000, which resulted in revenue from the elimination of accruals and deferred income in an amount of EUR 2,436,720,
- settlement of network access charges for the regulatory period from 2004 to 2009 in a total of EUR 6,082,159, with partial payment in the amount of EUR 1,650,947 received in 2010 from the total pertaining to regulatory year 2009; the difference to the total value will be paid out in 2011 and 2012 (half of the remaining amount each year),
- preliminary settlement for regulatory year 2010 in the amount of EUR 2,356,428,
- 3.3% more electricity sold and 4.2% more electricity distributed as compared to 2009,
- 26.9% more investments and 19% higher own investment revenue as compared to 2009,
- 23% higher revenue from sale of services in the market as compared to 2009, especially in photovoltaics..

Planned net profit was exceeded by EUR 3,719,634, mainly due to unplanned revenue from preliminary settlement for regulatory year 2010 and the unplanned revenue from the elimination of accruals and deferred income, pertaining to the reduction of the fine due to coordinated electricity price increases in 2008.

Operational performance

Item	Revision BP 2010	2010
Net income (profit) in EUR	154.742	3.874.376
EBIT (Operating profit) in EUR	177.383	3.580.807
Net sales revenues in EUR	189.264.355	192.605.068



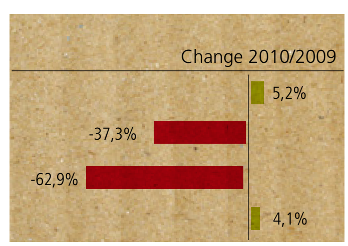
3.5.1 Profit after taxes (Net income)

Company revenues (IS 1.+3.+4.+10.+11.+15.) amounted to EUR 210,662,826, which is 4.1% more than in the year before. This is mostly the result of higher revenues pertaining to the rent for energy infrastructure and services rendered for SODO, d.o.o. (revenues from SODO, d.o.o.), and revenues from sale of electric energy for losses.

Company revenue

in EUR

Item	2008	2009	2010
Operating revenue	194.670.645	198.719.695	209.128.687
Finance income	1.066.415	718.180	450.316
Other income	990.045	2.921.885	1.083.823
Total revenue	**196.727.105**	**202.359.760**	**210.662.826**

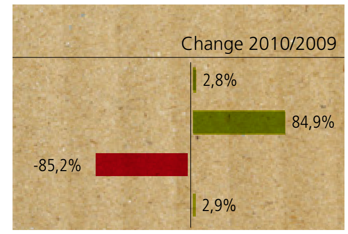


Company expenses (IS 5.+6.+7.+8.+13.+14.+16.) amounted to EUR 206,788,450, which is 2.9% more than in the year before and mostly results from costs for the purchase of electric energy for losses.

Company costs and expenses

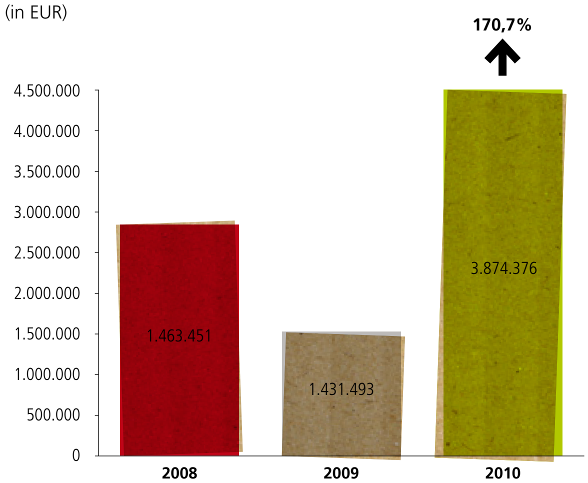
in EUR

Item	2008	2009	2010
Operating costs and expenses	191.710.446	199.869.752	205.547.880
Finance expenses	902.856	637.400	1.178.364
Other expenses	2.650.352	421.115	62.206
Total costs and expenses	**195.263.654**	**200.928.267**	**206.788.450**



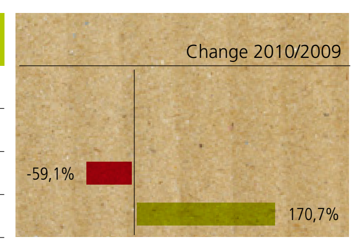
Net income (profit after taxes) for the company (IS 19) amounted to EUR 3,874,376 which is 170.7% more than in 2009 and mostly the result of higher revenue from SODO, d.o.o.

Net income
(in EUR)



in EUR

Item	2008	2009	2010
EBIT (Operating profit)	2.960.199	-1.150.057	3.580.807
Net finance income	163.559	80.780	-728.048
Net other income	-1.660.307	2.500.770	1.021.617
Net income (profit)	**1.463.451**	**1.431.493**	**3.874.376**



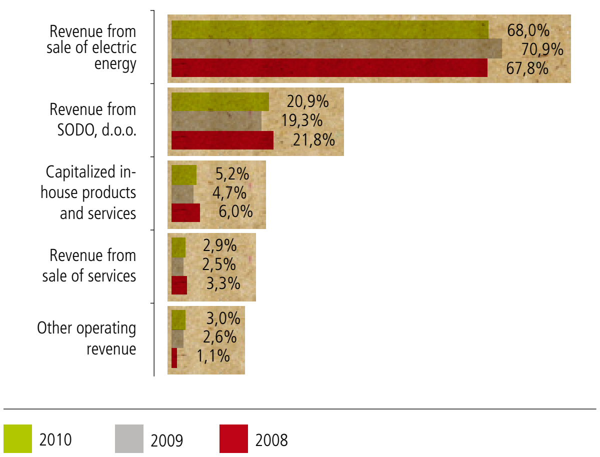
3.5.2 Results from operating activities

Results from operating activities (IS 1.+3.+4.-5.-6.-7.-8.) is profit in the amount of EUR 3,580,807. In the previous period, the company suffered a net loss from operating activities due to higher revaluation adjustment expenses pertaining to the revaluation adjustment to receivables the payment of which is doubtful.

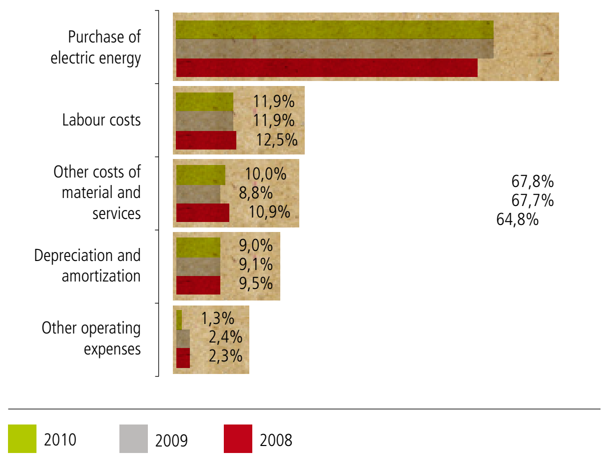
3.5.2.1 Operating revenue

Operating revenue (IS 1.+3.+4.) amounted to EUR 209,128,687, which is 99.3% of total revenues of the company Elektro Maribor, d.d.

Composition of operating revenue



Composition of operating costs and expenses



Net sales revenues (IS 1) amounted to EUR 192,605,068, which is 4% more than in the year before; the increase is mostly a result of higher revenue from SODO, d.o.o. Net sales revenues include particularly the following:

- **Revenues form sale of electric energy** (IS part of 1.), amounting to EUR 142,231,935, which is 1% more than in the year before and mostly the result of revenues from sale of electric energy for losses. In 2009, revenues only included the difference between revenues and cost of purchase of electric energy for losses in the amount of EUR 1,291,333; in 2010, revenues from sale of electric energy for losses are reported separately, in the amount of EUR 7,535,167.
- **revenues from SODO, d.o.o.** (IS, part of 1) amounted to EUR 43,717,732 which is 14% more than in the year before, mostly due to the 4% higher amounts of distributed electric energy and partial payment of netting/offset for the 2009 regulatory year in the amount of EUR 1,650,947, and preliminary offsetting for 2010 in the amount of EUR 2,356,428.
- **revenues from sale of services in the market** (IS, part of 1.), amounting to EUR 6,048,425 EUR, which is 23% more than in the year before, resulting mostly from higher revenues from photovoltaics.

Revenues from capitalized in-house products and services (IS 3.) amounted to EUR 10,927,155, which is 17% more than in the previous year and a consequence of higher investments in 2010.

Other income (IS 4.), amounting to EUR 5,596,464, are 29% higher than in the year before, which is mostly the result of income from reversal of accrued expenses and deferred revenue (AEDR) pertaining to lower penalty for concerted action in the increase in electric energy price in 2008.

3.5.2.2 Operating costs and expenses

Operating costs and expenses (IS 5.+6.+7.+8.) amounted to EUR 205,547,880, which is 99.4% of total costs and expenses of the company Elektro Maribor, d.d.

Cost of goods sold and material (IS 5a.) amounted to EUR 150,390,878, which is 4% more than in the year before and mostly the result higher costs of electric energy purchase. These costs include predominantly the following:

- **costs of purchase of electric energy** (IS, part of 5a.) amounting to EUR 139,349,202, or 3% more than in the year before as a result of the costs of purchase of electric energy for losses. In 2009, revenues only included the difference between revenues and cost of purchase of electric energy for losses in the amount of EUR 1,291,333; in 2010, costs from purchase of electric energy for losses are reported separately, in the amount of EUR 6,362,423.
- **costs of material in investment** (IS, part of 5.a) amounting to EUR 5,151,111, which is 40% more than in the year before and which is a result of higher amount of investments, which also rendered material costs in investments higher.

Costs of services (IS 5b.) amounted to EUR 9,463,755, which is 7% more than in the year before as a result of higher costs of services related to maintenance.

Labour cots sales revenues (IS 6.) amounted to EUR 24,413,842 which is 3% more than in the year before; the increase is mostly a result of higher costs of employee salaries. In 2010, we observed the provisions of the Industry Collective Labour Agreement regarding the year-on-year adjustments to the salaries in order to bring them into line with the changes in consumer prices.

Revaluation adjustments (write-offs) amount of EUR 20,237,773, which is 8% less than in the year before and mostly a result of lower revaluation adjustments to receivables because of doubts regarding their settlement. These costs include predominantly the following:

- **depreciation and amortization costs** (IS 7a.) in the amount of EUR 18,509,118;
- **revaluation adjustment expenses for intangible assets and property, plant, and equipment** (IS 7b.) in the amount of EUR 67,360;
- **revaluation adjustment to current assets** (IS 7c.) in the amount of EUR 1,661,295, pertaining to the revaluation adjustment of receivables due to doubts regarding their payment.

Other operating expenses (IS 8.) in the amount of EUR 1,041,632 were 12% lower than in the year before, which is a result of lower provisions for loyal service.

3.5.3 Net finance income

Net finance income (IS 10.+11.-13.-14.) was negative in the amount of EUR 728,048, which is mostly a result of expenses for default interest on reimbursement of overcharged amounts for electric energy.

Finance income from loans (IS 10.) amounted to EUR 80,767, which pertains to income on deposits (short-term deposits with commercial banks). The figure is 56% lower than in the year before.

Finance income from trade receivables (IS 11.), amounting to a total of EUR 369,549, pertains to income from interest on electric energy; the figure is 31% lower than in the year before.

Finance income from financial liabilities (IS 13.), amounting to a total of EUR 565,032, pertains to interest on long-term borrowings; the figure is 9% lower than in the year before.

Finance expenses from trade payables (IS 14.) in the amount of EUR 613,332, pertain to expenses from default interest on overcharged electric energy.

3.5.4 Results from other operating activities

Results from other operating activities (IS 15.-16.) was positive in the amount of EUR 1,021,617, which is 59.1% higher than in the year before. In 2009, revenue was higher due to received insurance payments for damage on energy engineering facilities.

Other income (IS 15.) in the amount of EUR 1,083,823 pertains to revenue from insurance payments for damage on energy engineering facilities and it is 63% lower than in the year before.

Other expenses (IS 16.) in the amount of EUR 62,206 are 85% lower than in the year before, since the fine by the National Review Commission reviewing the public tender procedures, amounting to EUR 350,000, was included that year.

3.5.5 Operations by activities

The segment EDS generated a profit of EUR 3,815,064, which is 393.6% more than in 2009. This is the result of higher revenues from SODO, d.o.o., due to higher amounts of distributed electric energy and partial payment of the offsetting for the 2009 regulatory year and preliminary offsetting for the year 2010.

The activity Purchase and Sale of electric energy generated profit in the amount of EUR 59,312, which is 91% less than in 2009, particularly as a result of the reimbursement of the overcharged amounts for electric energy including default interest.

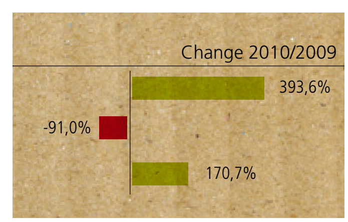
3.5.6 Property

The balance sheet reports the volume and composition of non-current (long-term) and current (short-term) assets on a particular date, and the composition of their financing.

Performance by activities

in EUR

Activity	2008	2009	2010
EDS	1,146,780	772,867	3,815,064
Purchase and sale	316,671	658,626	59,312
Total	**1,463,451**	**1,431,493**	**3,874,376**

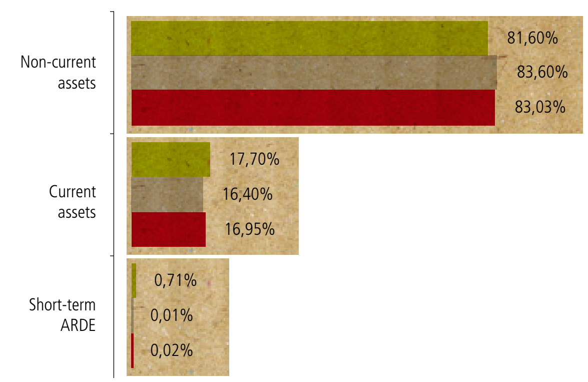


Changes in the balance sheet total

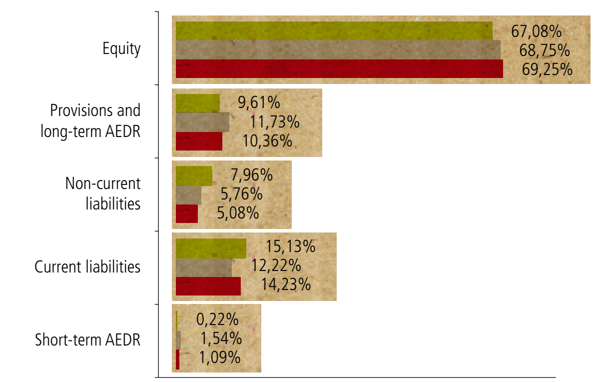
in EUR

	Dec 31st 2008	Dec 31st 2009	Dec 31st 2010
Assets	**321,405,893**	**325,829,965**	**339,678,973**
Non-current assets	266,869,271	272,379,756	277,165,102
Current assets	54,475,336	53,426,966	60,107,580
Short-term accrued revenue and deferred expense	61,286	23,243	2,406,291
Liabilities	**321,405,893**	**325,829,965**	**339,678,973**
Equity	222,565,470	223,996,963	227,856,970
Provisions and long-term accrued expenses and deferred revenue	33,300,816	38,221,959	32,641,815
Non-current liabilities	16,312,604	18,778,908	27,044,258
Current liabilities	45,727,181	39,818,037	51,380,595
Short-term accrued expenses and deferred revenue	3,499,822	5,014,098	755,335

Composition of assets



Equity and liabilities



Company assets and liabilities as at December 31st 2010 amounted to EUR 339,678,973 (assets BS A+B+C and liabilities BS A+B+C+Č+D); the figure is higher by EUR 13,849,008, or 4.3%, relative to the beginning of the year.

Compared to the equivalent period last year, non-current assets (assets BS A) rose by EUR 4,785,346, predominantly due to new investments into tangible (property, plant, and equipment) and intangible fixed assets.

Assets available for investment into company fixed assets (capital expenditure, or CAPEX) amounted to EUR 27,058,937 in 2010; in the last three years, their amounts were as follows:

in EUR

	Dec 31st 2008	Dec 31st 2009	Dec 31st 2010
Value of assets	264.257.079	269.751.089	274.558.977
Investment into fixed assets (intangible fixed assets, property, plant, and equipment, and investment property)	31.776.183	21.322.048	27.058.937

As at December 31st 2010, current assets of the company amounted to EUR 60,107,580, which is EUR 6,680,614 more than in the previous business year.

The following table summarizes the changes in current assets in recent years:

in EUR

	Dec 31st 2008	Dec 31st 2009	Dec 31st 2010
Inventories	1.873.433	2.206.769	2.069.556
Short-term financial investments	1.645	0	0
Short-term trade receivables	41.454.133	43.824.263	48.433.283
Cash and cash equivalents	11.146.125	7.395.934	9.604.741
Total current assets	**54.475.336**	**53.426.966**	**60.107.580**

Among current assets, current trade receivables saw the highest increase amounting to EUR 4,609,020, followed by cash and cash equivalent balance which rose by EUR 2,208,807.

The ratio between current and non-current assets,i.e. the composition of assets, changed somewhat relative to the end of 2009. The share of current assets rose by 1.3 percentage points to 17.7% of total assets.

Short-term accrued revenue and deferred expenses (ARDE) rose by EUR 2,383,048 compared to the same period last year, predominantly due to accrued revenues from services, rental, and losses charged to the system operator SODO, d.o.o., based on a preliminary offset for the 2010 regulatory year amounting to EUR 2,356,428. Final calculation of deviations for the 2010 regulatory year, based on the provisions of Annex 3 to the Agreement on Lease of Energy Engineering Infrastructure and Rendering of Services for System Operator of the Distribution Network will be completed by AGEN-RS in 2011 based on the audited information for 2010.

Liabilities present the way in which assets available to a company on a particular day were financed.

As at December 31st 2010, **company equity** amounted to EUR 227,856,970 (liabilities BS A), which is EUR 3,860,007 more than in 2009. The change in equity is a result of the profit for the current year, amounting to EUR 3,874,376, and decrease in the revaluation surplus for the long-term financial investment of the Alfa sub-fund in the amount of EUR 14,369.

Provisions and long-term accruals and deferrals fell by EUR 5,580,144 (liabilities, BS B). Decrease in long-term accrued expenses and deferred revenue is mostly a result of average connection costs in relation to SODO, d.o.o., which amounted to EUR 4,840,994 in 2009; at the end of 2010, this balance is no longer reported due to the transfer and disposal of fixed assets of SODO, d.o.o., based on the Spin Out Agreement (agreement on transfer and acquisition of fixed assets financed from funds resulting from average connection costs) and based on the sales agreement.

Long-term (non-current) liabilities increased because of new borrowing in 2010, intended for financing new investments into energy engineering infrastructure.

Changes in borrowings in recent years are summarized in the following table:

in EUR

	Dec 31st 2008	Dec 31st 2009	Dec 31st 2010
Borrowings (long-term + short-term part)	21,652,966	26,199,270	37,078,907
Index relative to the year before	188	121	142

Current liabilities rose by EUR 11,562,558 (liabilities BS Č), mostly due to higher current trade payables to suppliers.

Current trade payables in recent year are presented in the following table:

in EUR

	Dec 31st 2008	Dec 31st 2009	Dec 31st 2010
Short-term trade payables	39,800,612	32,386,924	41,335,195
Index relative to the year before	102	81	128

Short-term accrued expenses and deferred revenue amount to EUR 755,335 (liabilities, D), which is lower than last year by EUR 4,258,763. The decrease pertains to the decision on the reduction of penalty (fine) by the CPO, and reversal of short-term deferred revenue for liquidated damages due to termination of contracts.

3.5.7 Net cash flow

Net cash flow in 2010 was positive in 2010, amounting to EUR 2,208,807.

	2008	2009	2010
Cash flows from operating activities	**21,668,237**	**10,953,725**	**2,657,903**
Proceeds form operating activities	330,284,987	331,856,205	329,309,635
- outflows form operating activities	-308,616,750	-320,902,480	-326,651,732
Cash flows from investing activities	**-21,700,828**	**-18,041,490**	**-10,796,991**
- proceeds form investing activities	2,525,101	817,789	872,472
- outflows form investing activities	-24,225,929	-18,859,279	-11,669,463
Cash flows from financing activities	**8,295,724**	**3,337,574**	**10,347,896**
- proceeds form financing activities	61,898,000	18,700,000	62,498,000
- outflows form financing activities	-53,602,276	-15,362,426	-52,150,104
Cash flow in the period	**8,263,133**	**-3,750,191**	**2,208,807**
Cash at end of year	**11,146,125**	**7,395,934**	**9,604,741**

Cash flows from operating activities had a positive net result with receipts exceeding the disbursements by EUR 2,657,903. Compared to the previous period of company operations, the positive net cash flow is lower, which is a result of the following:

- reimbursement of overcharged amounts for electric energy, which decreased the receipts from sale of electric energy to customers at the annual level by EUR 2,734,437, and default interest pertaining thereto, amounting to EUR 582,502;
- major disbursements for duties of all types, particularly higher excise duties;

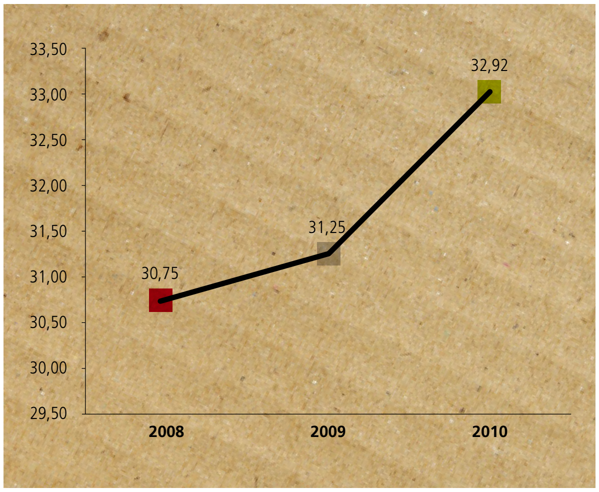
Cash flows from investment activities had a negative net result with disbursements exceeding the receipts by EUR 10,796,991. The decrease is a result of lower capital expenditure (investment into company fixed assets, or property, plant, and equipment).

Cash flows from financing activities had a positive net result with receipts exceeding the disbursements by EUR 10,347,896. Receipts in financing were generated based on the long-term borrowing in the amount of EUR 18,300,000, and receipts from a short-term bridge loan in the amount of EUR 44,198,000 which was repaid in the same amount by the end of the business year.

Final balance of cash and cash equivalents as at December 31st 2010 amounted to EUR 9,604,741, which is higher by the amount of positive net cash flow in the 2010 fiscal year (surplus of receipts over disbursements) in the amount of EUR 2,208,807.

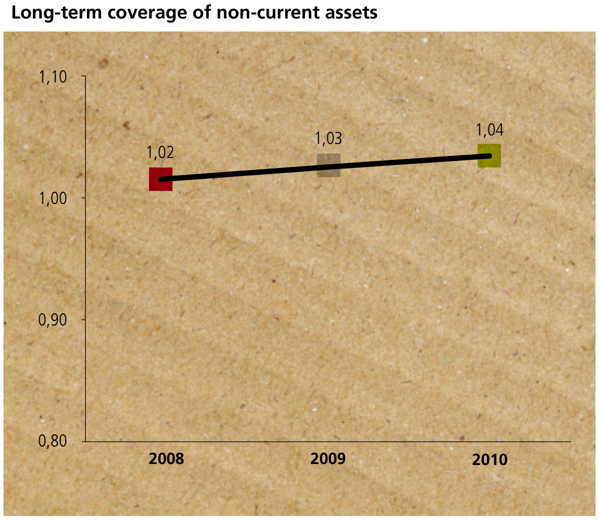
The share of debts in financing in 2010 is higher, which is a result of new long-term loans take fr the construction of energy engineering facilities and devices with the purpose of providing uninterrupted and reliable supply of electric energy to our customers.

Share of debt in financing (in %)



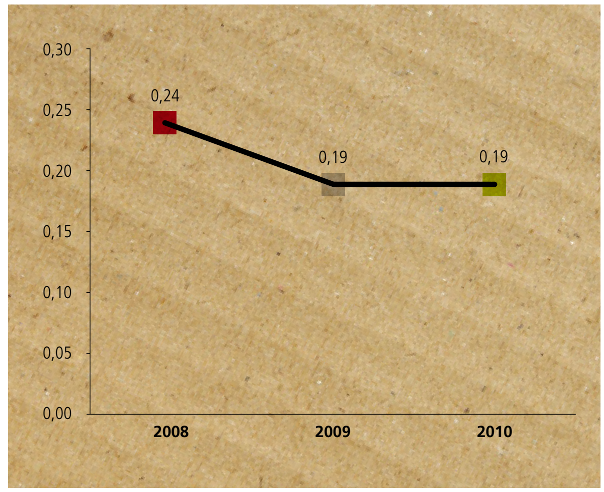
Coefficient of long-term coverage of long-term assets in 2010 was somewhat higher than in the year before, which means that the company financed its long-term assets with long-term liabilities in this year.

Long-term coverage of non-current assets



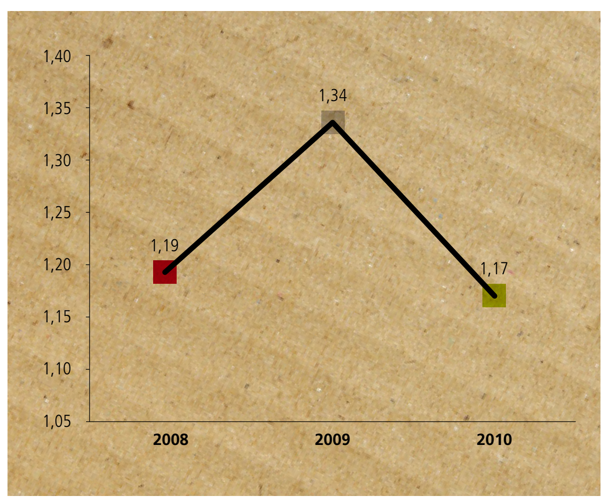
Coefficient of direct coverage of current liabilities (quick ratio) in 2010 was the same as in the year before, which means that the company has the same coverage of short-term debt with cash and cash equivalents.

Quick ratio



The ratio of short-term coverage of current liabilities (quick ratio) is above 1 in the last three years, which means that current assets are entirely financed with current liabilities. In 2010, the ratio is lower than in the previous year due to higher current trade payables.

Short-term coefficient



3.5.8 Performance indicators

Company performance is measured by performance indicators:

- financing indicators are focused on the analysis of company financing;
- investment indicators are used to analyze the composition of assets;
- "horizontal financial structure ratios", or leverage ratios, analyze the relation between assets and liabilities;
- efficiency ratios break down the business results attained according to the inputs required to generate them;
- profitability ratios present the ratio between a certain return and average investment;
- cash flow indicators summarize the relations between receipts and disbursements.

	2008	2009	2010
I. FINANCING POSITION INDICATORS			
Share of equity in financing, in % = equity / liabilities	69.25	68.75	67.08
Long-term financing rate, in % = equity + long-term debt + provisions + long.term AEDR / liabilities	84.68	86.24	84.65
Equity to total capital, in % = Equity/capital	62.80	62.40	61.34
Quality of net working capital = current assets (excl. short-term financial investments) – current liabilities – short-term AEDR/ average long-term liabilities + provisions and long-term AEDR	0.12	0.16	0.14
II. INVESTMENT INDICATORS			
Fixed to total assets, in % = fixed assets / assets	81.98	82.56	80.61
Long-term investment rate, in % = fixed assets (PPE) and long-term ARDE + long-term financial investment + investment property + long-term trade receivables / assets	83.03	83.60	81.60
III. HORIZONTAL FINANCIAL STRUCTURE RATIOS			
Equity to fixed assets (carrying value) = equity / liabilities	0.84	0.83	0.83
Acid test ratio = liquid assets / current liabilities	0.24	0.19	0.19
Quick ratio = liquid assets + current receivables / current liabilities	1.15	1.29	1.13
Current ratio = current assets / current liabilities	1.19	1.34	1.17
IV. EFFICIENCY RATIOS			
Operating efficiency ratio = operating revenue / operating expenses	1.02	0.99	1.02
Total efficiency ratio = total revenue / total expenses	1.01	1.01	1.02
V. PROFITABILITY INDICATORS			
Return on equity (ROE), in % = net income (profit) / average equity (excl. net income)	0.66	0.64	1.72
Return on assets (ROA), in % = net income / average assets	0.47	0.44	1.16
Operating revenue profit rate, in % Operating profit / revenue from operating activities	1.52	-0.58	1.71
Operating revenue net income rate, in % Net income / revenue from operating activities	0.75	0.72	1.85
Dividend to share capital ratio, in % = total dividends paid / average share capital	1.13	0.00	0.00
VI. CASH FLOW INDICATORS			
Net receipts to operating revenue, in % = net receipts / revenue from operating activities	11.13	5.51	1.27

Share of equity in financing
The company is predominantly financed from own sources. Share of equity in financing amounts to 67.08%, which is lower than last year, particularly as a result of higher value of long-term financial liabilities to banks and higher level of current trade payables.

Long-term investment rate
The company is financing 84.65% of its assets with long-term sources. Compared to the year before, the company has a lower rate of long-term financing.

Equity to total capital
The share of equity in total company capital is 61.34%, which is lower than last year, predominantly due to higher net income and revenue reserves.

Quality of net working capital
The quality of net working capital represents the ratio between the part of current assets that is financed with long-term sources and long-term debt. Lower figure in 2010 indicates that long-term debt has a larger role in financing of net working capital than in 2009.

Fixed assets (PPE) to total assets
The share of fixed assets (property, plant, and equipment) in total company assets is 80.61%, which is lower than last year, predominantly due to higher value of current business receivables.

Long-term investment rate
The share of non-current assets (property, plant, and equipment) in total company assets is 81.60%, which is lower than last year, predominantly due to higher value of current business receivables.

Equity to fixed assets (carrying value)
Equity to fixed asset ratio is the ratio between equity and fixed assets (property, plant, and equipment). The ratio amounts to 0.83, which means that a large share of the most non-liquid assets is financed with equity.

Acid test ratio
Acid test ratio indicates that the company has the same coverage of short-term debt with liquid assets (short-term financial investments, and cash and cash equivalents) in 2010 as in the year before.

Quick ratio
Quick ratio indicates that the company has a lower coverage of short-term debt with liquid assets and current receivables than in the year before, which is mostly the result of higher current trade payables.

Short-term coefficient
The company is financing all current assets with current liabilities. The ratio is lower than last year, which is mostly the result of higher current trade payables.

Operating efficiency ratio
Operating efficiency ratio of 1.02 means that for every EUR 100 of operating expenses, the company generated 102 EUR of operating revenue.

Total efficiency ratio
Total efficiency ratio of 1.02 means that for every EUR 100 of total expenses, the company generated 102 EUR of total revenue.

Return on equity (ROE),
Return on equity indicates that for every EUR 100 of invested equity, the company generated EUR 1.72 of net income (profit).

Return on assets (ROA)
Return on assets indicates that for every EUR 100 of assets used, the company generated EUR 1.16 of net income (profit).

Operating revenue profit rate
Operating revenue profit rate indicates that for every EUR 100 of operating revenue, the company generated EUR 1.71 of operating profit.

Operating revenue net income rate
Operating revenue net income rate indicates that for every EUR 100 of operating revenue, the company generated EUR 1.85 of net income (profit).

Dividend to share capital ratio
According to the proposal by the company Management Board and Supervisory Board as submitted to the Shareholders Assembly, distributable profit of the 2010 fiscal year shall be allocated to other revenue reserves.

Net receipts to operating revenue
The ratio of net receipts to operating revenue is calculated as the ratio between the surplus of receipts over disbursements and operating revenue. The ratio stands at 1.27%, which means that for every EUR 100 of operating revenues, the company generates EUR 1.27 of surplus of receipts over disbursements (or payments) from operations.

3.6 RESEARCH AND DEVELOPMENT

Elektro Maribor, d.d., is an example of a stable company with responsible attitude towards the en and all stakeholders. It provides a secure environment for the employees, motivating them towards progress and their personal development as they take part in the creation of our business success. Continuous introduction of new technologies and concepts keeps the company up to date with modern developments, and allows access to advanced knowledge to both the organization and individuals. Its clearly expressed vision and strategic policies provide a competitive pulse to the entire region.

Awareness of the importance of a quality relationship with the company's customers is increasingly important. The customer is becoming the central aspect of all business processes. Along with market positioning and striving for excellence, Elektro Maribor, d.d., systematically developed as a business system. In the last ten years, the company persistently pursued the principles of evolutionary development to grow from a working environment to the level of learning environments.

Company management is aware that further development, with particular emphasis on technological and business excellence, will require increasing stress on innovation (at the level of both products and business models) and broader participation by the employees and other stakeholders. Transition to a so-called "thinking company" and development of open innovation are important strategic policies of the company that we shall start pursuing as early as in 2011.

Traditional views of customers like demographic data or purchasing history may be misleading today as they do not provide information about the future requirements of our customers. Focusing on the requirements of our customers from another perspective paves the way to innovation. Elektro Maribor, d.d., is striving to expand its market and contribute to the growth of the company with new services and products. New opportunities for those that are sharp enough to see them and capable enough to reap them appear regularly in the market. Research and development are of key importance for generating growth of company profitability and developing a competitive edge.

Development of the electricity distribution network

In the development of the electricity distribution network tasks were completed from the 2009/2010 contract period and possibilities were explored pertaining to the use of new technologies in the electricity distribution network, in the management of infrastructure, the impact that diversified sources and the electricity consumers have on the distribution network, the selection and use of different technologies in the electricity distribution system, management of customer consumption and protection from power surges.

We prepared an electricity analysis for the area of Slovenska Bistrica and its periphery and the analyses of the possibility of connecting diversified sources, particularly solar power plants, to the grid. An analysis of the power grid in the area of the town of Ptuj will be completed in 2011. In addition to the above arguments were made for electricity waters and facilities from the ten-year plan and the REDOS 2035 studies for the years 2012 and 2013.

Based on the Energy Act we prepared a Draft of a Ten-Year Plan for the Development of the Distribution Network for the Period from 2011 to 2020 for the electricity distribution network of Elektro Maribor, d.d., in 2010, which was, based on Article 28 of Annex No. 3 to the Agreement on the Lease of Electricity Distribution Infrastructure and Rendering of Services for the Distribution Network System Operator, forwarded to SODO, d.o.o., the distribution network system operator.

During the past year the number of issued information, connection approvals and agreements on connection for electricity producers increased, especially for solar power plants. The number of documents issued to producers, connection analyses in particular, increased by 295% in 2010 as compared with 2009, while the total number of documents issued increased by 12%.

The project of introducing the geographic information system in the Company is in the phase of entering low-voltage networks at distribution substations MV (0.4 kV). By the end of December 2010 the entry of low-voltage networks was completed at 1098 distribution substations out of a planned 1400.

In the context of the IT system modernisation, we cooperated in the user work group pertaining to the customer life cycle. Last year, the Informatika, d.d., developed an application for the issue of guidelines and opinions, which will be operational in 2011. It also produced applications for the preparation of project conditions and approvals for project solutions, which are still being tested with users. In 2011 the project is set to continue with the development of applications for the preparation of approvals for connection, agreements on connection and in the field of access to distribution networks.

3.7 IT SUPPORT TO OPERATING ACTIVITIES

The operational IT support at Elektro Maribor, d.d., follows the vision and the strategic operational goals of the Company. An integrated information system (IIS) developed internally represents the central information system for operational support at Elektro Maribor as well as at all the other five distribution companies, which the Informatika, d.d., subsidiary takes care of.

Part of the process support is provided within the company using own solutions or using solutions bought in the market. All of the information technologies and application solutions provide for quality in the administration and management of operational processes. In line with the legislation and organisational regulations pertaining to information technologies, we ensure the safety of information assets.

There are two major projects currently in progress in connection with the modernisation of the IT system: the clearing/offsetting system and customer connection.

The strategy for the modernisation of the IT system has seen significant change in 2010. ERP – Enterprise Resource Planning will not be updated with the use of in-house development, rather it has been decided that a suitable solution is to be found in the market, which is why the first phase of the tender was already carried out in 2010.

Some additions to the existing IIS were carried out in 2010, while some smaller local applications were developed also.

Changes were also implemented in the area of server equipment operations: system upgrade allowing for data back-up, the messaging system was replaced, SQL servers consolidated, conditions were set up to introduce the document management system.

Pertaining to hardware, outdated equipment was replaced.

3.8 QUALITY MANAGEMENT SYSTEM

At Elektro Maribor, d.d., we are aware of the significance of a quality system for successful company operations and the fulfilment of the requirements and expectations of our customers and business partners. Thus, 2001 saw the establishment of a quality management system in accordance with the requirements of the ISO 9001:2000 standard. Due to the change in the requirements of the standard, this was supplemented in 2009 in accordance with the requirements of the ISO 9001: The awareness of the management system was upgraded in 2006 with the establishment of a quality management system at the measuring laboratory in accordance with the SIST EN ISO/IEC 17020:2004 standard, having it also accredited by the Slovenian Accreditation Institute, being the inspecting authority. In addition to taking care of the quality of electricity supply, we also take care of the environment and living space. Thus, 2006 saw the establishment and certification of the environmental management system in accordance with the SIST EN 14001:2005 standard. Additionally, in 2008 we established and certified a system of safety and health at work in accordance with the OHSAS 18001:2007 standard combining it with a quality management system into a unified management system, fulfilling the requirements of all the captioned standards.

Turning to the management system, activities in 2010 were directed at improving the innovation climate or attaining innovation suggestions, which would directly bring about an improvement in the management system and in the performance of core activities. Further employee training was also preformed, with the aim of allowing for more effective additional internal audits by existing internal auditors. The desire for higher quality and more efficient operations means that we will continue with the activities aimed at complementing the existing management system in the future.

In 2010 we began implementing a system of information protection in accordance with the requirements of the ISO/IEC 27001:2005 standard and the introduction of the family-friendly company standard. Activities are set to continue in 2011. At Elektro Maribor, d.d., we believe that upgrading the quality management system will contribute to the strengthening of the company's competitive advantages.

3.9 RISK MANAGEMENT

At Elektro Maribor, d.d., risks that could threaten the performance are successfully identified and managed. Identifying and hedging of the risks is the responsibility of the company Management Board President and executive directors of particular fields of operation.

Major risks identified in our operations are summarized in the table below.

Field of risk	Risk Description	Hedging/risk management method	Exposure	Potential damage
1. Operational risks				
process risk	interruptions in the progress of business processes	Quality Management System ISO 9001, internal and external audits of system operation	low	low
company and employee property	exposure to effects from the environment and weather effects	insurance of property and liability for performance of operating activities, and personal insurance through collective accident insurance; OHSAS 18001 system for management of occupational health and safety	high	high
HRM risk	lack of qualified staff (electricians)	scholarships, external contractors (outsourcing), annual development interviews, measuring organisational climate, encouraging further education, an appropriate reward system and internal communication	high	moderate
inaccessibility of measurement locations	difficulties in recovery and disconnections	verification of access to energy installations and facilities and the management of obstacles in agreement with owners and inspection services	medium	high
lack of access to buildings and facilities	difficulties in execution of disconnections and the provision of network operating conditions	pregled stanja dostopov do energetskih naprav in objektov in obvladovanje ovir v dogovoru z lastniki in inšpekcijskimi službami	high	medium
impact of civil society or civil initiatives on the placement of energy facilities	civil initiatives actively impact the procedures of placement, which become too long and facilities are delayed in construction or suspended altogether	active communication with the civil initiative and the government and regulatory bodies, which determine the procedures there is no concrete influence on the civil initiative	high	high
regulation of property conditions	numerous lines and energy facilities are located on land where easement or purchase has not been agreed with owners	communication with owners and assessment of building construction on the basis of past regulations, which allowed for such placement agreeing on easement or execution of purchases in the interest of the company	high	high
call centre congestion	increased number of customer contacts longer response times poor service quality customer dissatisfaction and decreased company reputation	diverting customers to other channels of information (e-services, website) changes in the organisation of the call centre	medium	moderate
2. Regulatory risk				
	dependency on the basis for economic regulation of network charges and eligible costs	streamlining the cost of services and distribution network maintenance	high	moderate
3. Market risks				
	illiquid and non-transparent supply market price risk decreased economic activity and demand from the building sector	concurrent closing of the sale and purchase portfolios with a combination of different suppliers clear rules and the correct selection of insurance type expansion of range of additional and existing activities and the offering of comprehensive services – engineering, at competitive prices	high	high
4. Financial risks				
credit risk	risk of customer default	ratings and collateral requirements, default recovery	medium	high
liquidity risk	insolvency	coordinated planning of liquid asset needs	low	moderate
interest rate risk	change in financing conditions and borrowing	monitoring financial markets and loan prepayment options	low	moderate
5. IT risk				
	disruptions in IT support of operations	maintenance of existing IT system and modernization	high	high

3.10 MAJOR EVENTS FOLLOWING THE END OF YEAR

The separation of the distribution and energy market activities

Based on the guidelines set by Directive 72/2009/EC, on the basis of the Decision by the General Assembly of Elektro Maribor from August 18, 2009 (Decision 7) and the Decision of the Supervisory Board of Elektro Maribor, d.d., from December 16th 2010 on the process of splitting the company thus establishing a new company for purchasing and sales of electrical energy, the Company started activities aimed the separation of distribution and energy market activities. The new company is supposed to start with operations on October 1st 2010 at the latest.

The process will require a lot of effort from the majority of the management and senior management personnel. It is going to cause a change in the content of some of the operating processes. With a great deal of feeling for the matter at hand, attention will need to be directed at an agreement on the content and manner of the split as well as at the future business cooperation between the newly formed company and Elektro Maribor in terms of distribution and approach to the market. In relation to customers, such a split must not in any way disrupt supply nor may it affect service quality or impact the operating result of the Company itself.

Corporate Governance Code for Companies with State Capital Investments

In its operations in 2011 the Elektro Maribor, d.d., company will observe the stipulations of the Corporate Governance Code for Companies with State Capital Investments, which was adopted by the Council of the Capital Assets Management Agency of the Republic of Slovenia at its meeting on January 13th 2011 on the basis of a proposal by the Management Board of the Capital Assets Management Agency of the Republic of Slovenia, Official Gazette of the Republic of Slovenia No. 38/2010.

New president of the Supervisory Board

At the 16th Regular Meeting of the Supervisory Board of Elektro Maribor, d.d., on January 20th 2011 Mr Roman Ferenčak was named Supervisory Board president following the resignation from the post by Mr Matjaž Madžarac.

Preliminary accounts for the regulatory year 2010

At the start of March 2011 based on unaudited data, EARS prepared preliminary accounts for the regulatory year 2010, which has been taken into consideration in the data for 2010. The final calculation of deviations for the regulatory year 2010, will be performed by EARS based on audited data.

FORECAST: SUNNY AND COZY!

SONČEK

Professional service + Favourable financing terms + Favourable insurance

Solar power, environmentally friendly energy of the future

In the last decade, we have seen extensive climate changes. They are a consequence of increasingly intensive use of fossil fuels and the resulting increase in the concentration of carbon dioxide and other greenhouse gasses in the atmosphere.

Elektro Maribor is aware of the problem. We did our best to allow generating electricity from a renewable resource – the sunlight.

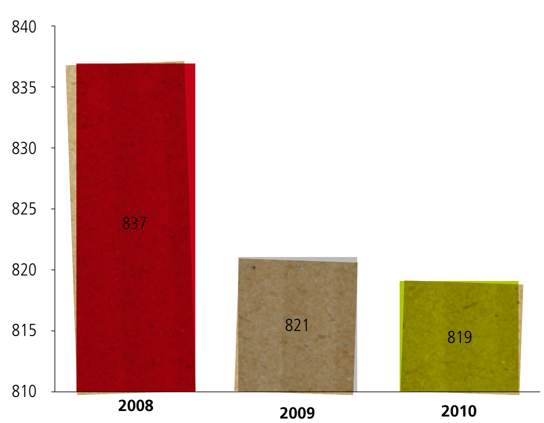
4.1 EMPLOYEES

At the end of 2010, the company Elektro Maribor, d.d., had 819 employees. Compared with 2009 the number did not change significantly as the entire complement only decreased by 2 persons. In 2010, the company provided scholarship to 29 students. 17 were granted electricians (high school vocational programme), 2 higher education programmes and 10 for university courses – the latter both for power engineering programmes. During the 2010/2011 school year, we granted 5 scholarships for electrician vocational programmes on the basis of a call for applications.

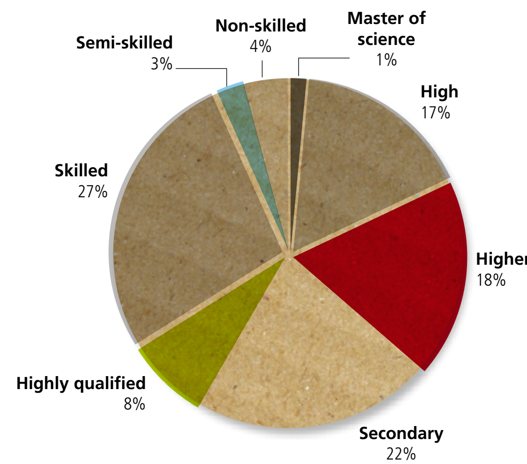
	2008	2009	2010
average employee age (years)	41.9	42.4	41.9
average employment period (years)	21.6	22.0	22.2

The average employee age has remained at the 42 year level for a number of years. The average employment period has also been holding steady around the 22 year mark.

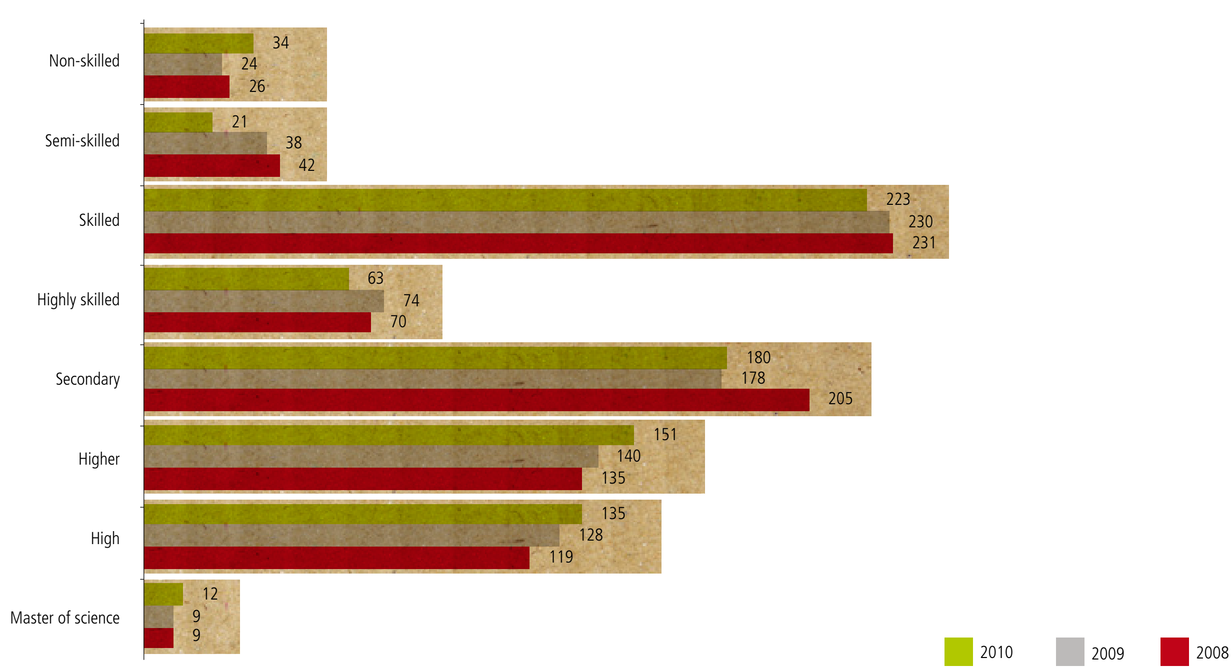
Complement of employees
(end-of-year)



Employee structure according to education level
as at December 31st 2010



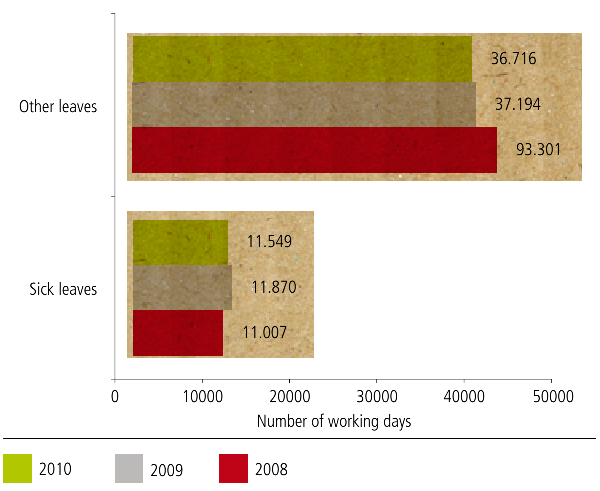
Number of employees by education level



In 2010 the number of employees with higher and university level education increased most compared with the year before.

Employee absence decreased compared with the previous year. Sick leave amounted to 11,549 days, while other types of absence (annual leave, extra paid and unpaid leave, paternity leave, leave based on the Parental Care Act, holidays) amounted to 36,716 days. The total number of workdays for all employees amounts to 209,990.

Employee absenteeism



Training and education

Employee education and training deals with the development of employees in the sense of uncovering and expanding their internal potential, thus facilitating development in their professional and personal lives. Consequently, these employees, with the new or additionally acquired skills, can broaden their expertise and creativity on the job, making it possible for them to achieve their goals in their entirety, increasing their personal satisfaction and benefiting the company itself. This is exactly why our company devotes a lot of attention to the field of employee education and training. Employee education is carefully planned and performed in accordance with internal needs, goals or to facilitate company development and to adapt to the actual conditions in the job market. It should also be mentioned that employee development is one of the most important motivational factors, which is why a so much emphasis is put on it at our company.

Employees with disabilities

Elektro Maribor, d.d., also employs people, who have been recognized as disabled on the basis of health issues, therefore exhibiting diminished work capabilities. To this aim we ensure these colleagues are treated accordingly and that they are provided for in accordance with the Employment Rehabilitation and Disabled Persons Employment Act. Based on the rights from disability insurance or the decisions on recognized disability and the rights at work, these colleagues are assigned to adequate posts, making use of all expert activities.

The Employment Rehabilitation and Disabled Persons Employment Act makes the employer responsible for the employment of disabled persons in a certain number (quota). We are fully compliant with the quota and are in fact over it, due to the fact that we employ almost 10% of disabled persons (quota requires 6%). Due to being over the quota we are entitled to and have been receiving funding or remuneration, which we use to improve the working conditions of disabled employees and for training and education (retraining) to be able to take up an adequate post.

In 2010 we used the funds to train employed persons with disabilities, thus contributing to their personal development and the work process as a whole.

Solidarity aid

According to the records on solidarity aid, most payments were executed on the basis of the Collective Agreement due to sick leave over 6 months.

Code of Business Ethics and Conduct

On December 1, 2010 we adopted the Code of Business Ethics and Conduct at Elektro Maribor, d.d., with the aim of establishing operations based on business ethics in the workplace and in the operational field, which comply with the company goals, vision and strategy, thus making the code one of the steps toward the business excellence our company strives for. It was issued in the form of a brochure, which all employees received use permanently. The rules and guidelines included for business ethics in operations and conduct within the Code, give all employees an opportunity to think about successful operations, creativity and good mutual cooperation. Such business qualities are namely important for each individual employee as well as the company as a whole. Mutual cooperation, respect, consideration and ethical creation as well as each individual striving toward such conduct, means the achievement of operational results and a favourable business climate or culture within the company and outside. We are a company operating in our environment, which is why business and mutual relations within the company are of paramount importance. By setting an example we will attract our customers, business partners and our immediate and wider environments. It is our belief that consistent use of the Code will contribute to the stated results.

Communication with the employees

A motivated and informed workforce is the driving force behind the operations, development and progress of any company. This is why we at Elektro Maribor have started communicating with our colleagues with more direction and regularity. Information was passed along mostly through the intranet, an internal newsletter, bulletin boards and e-mail. A lot of significance was again put to personal communication, which, as we have detected, is the most desirable form and most appreciated.

We organized a meeting of all colleagues, which proved extremely well received – this type of communication with colleagues and among them strengthens affiliation and employee motivation, while also helping with building better employee relations.

The Infotok internal newsletter is a communication channel, through which employees, among other things, have the opportunity to show their expertise and tendencies as well as talents. At the same time, the management uses it to report on and present important content, pertaining to the company activities, to all the employees.

Occupational health and safety

The basic assignment of Health and Safety in the Workplace is to ensure a safe working environment, in connection with which we use the principles of the OHSAS 18001 standard, which has been introduced in the company and integrated in our management system.

The Health and Safety in the Workplace Service dealing also with fire safety, has thus performed all of the activities defined by the legislation all the while cooperating with the Management Board as well as the Workers' Council and the Union. Due to a large number of new electricians, which require the provision of work and personal safety equipment, the Management Board provided for additional funds, which is why we exceeded the funding plan.

We encourage employee responsibility when it comes to their personal safety, by educating and training. Thus in 2010 we conducted a training of all personnel pertaining to safety and health at work, fire safety, first aid, quality assurance and environmental protection. The main purpose of the training is to provide new know-how in the field of safety and health at work.

With the aim to decrease absenteeism we performed tests on 51% of employees in the form of check-ups in 2010. We also carried out preventive vaccinations against flu and tick-borne Meningoencephalitis.

The number of work accidents in 2010 remained at the levels from previous years. It does merit mention that in 2010 no major work accident was recorded in electric current operations nor any other major work accident, as a consequence of the operational process, which points to employee awareness and consideration of instructions pertaining to safety of operation. With the purpose of decreasing work accidents, work group prevention checks are being performed.

4.2 COMMUNICATION WITH THE ENVIRONMENT

For successful company operation good and correct relations with the social and natural environments in which it operates are important. To create such a relationship however, one must be well acquainted with one's environment and the global and local players in it.

We are aware that it is necessary to maintain a permanent communication with the entire interested public. This is why we have endeavoured to actively communicate and establish relations with the external public – the customers, buyers, reporters and others.

Corporate social responsibility

By performing environmentally and socially responsible activities and actions we endeavoured to support our environment in 2010 also. Sponsorships and donations are aimed at the strengthening the image and recognition of Elektro Maribor, d.d. Such activities also strengthen relationships with key buyers and enable us to make use of promotional and sales opportunities, which arise.

Our activity and operations affect our customers, employees, business partners and the wider environment, in which we are active. Therefore we actively cooperate and communicate with local communities in the areas of our operations.

In 2010 sponsorship funds were intended for local cultural and sports events and institutions. Special emphasis was put on energy events and projects.

Part of the funds was also allocated to the support of different organizations and associations, which act for the public good and are in need of such assistance. These include educational institutions, health institutions, etc.

We manage the ''Elektro Maribor" corporate brand and have promoted its image through the new ''Sonček" (Sunshine) package and through other services, forming the corporate identity and spectrum of the company's offerings.

Communication with the media

Printed and electronic media are often the primary source of information for the public, which is why a good relationship with these is important. At the significant events we prepared adequate written and photo materials. We provided them with prompt and correct replies and explanations in response to their queries and we also proposed appropriate counterparts for more detailed, expert explanations and replies.

Communication with business partners and shareholders

We provided our customers with complete, timely and true information, which they require in their decision-making process and which are key for a good relationship and customer trust. With the use of different communication channels we familiarize ourselves with customer needs and wishes and we adapt to these. We are aware of the fact that satisfied customers are the key to our success.

We worked on strengthening and developing customer relations as well as the relations with other business partners at a summer meeting with our business partners and through continued strengthening of personal relations. We appeared at the Energetika (Energy Engineering) fair in Celje with a special, up-to-date offering.

Shareholders, customers and other business partners were given access to key information at our website and through our annual report in the Slovene and English languages.

Customer relations

Our customers were kept informed with the use of our call centre, by customer visits at information offices at our organizational units and at the company headquarters, through regular mail and using email at info@elektro-maribor.si, using invoices, the reverse sides of invoices, through brochures and attachments to invoices and using the eStoritve (eServices) website at http://www.elektro-maribor.si.

We were available 24 hours for reports on malfunctions and disruptions in the supply of electrical energy, to receive and forward messages on:

- network defects or disruptions,
- defective measuring equipment used by network users,
- shut-downs due to emergence maintenance operations.

We also informed the customers on:

- current prices and the actual energy usage,
- repayments of overcharged electrical energy costs for the period from January 1, 2008 to January 1, 2009,
- prices of other services,
- eStoritev options, where a customer is able to conduct a control calculation, report the meter for the calculation according to actual energy use, obtain information on own consumption per period, apply for eRačun (eInvoice), etc.,
- energy saving options,
- invoice complaint procedures,
- types of invoice payment options,
- shut-downs due to planned maintenance,
- efficient energy use by drawing their attention to the Efficient Energy Use booklet,
- the composition of primary electric energy production sources,
- emissions and the radioactive waste per kWh,
- comparison of energy use with the same period in the previous year,
- comparison with the average normalized and reference energy user from the same user category,
- data on legal entities and on private individuals offering information on efficient energy use and renewable energy sources.

The table below shows the number of contacts with customers, which we performed using different communication channels. In 2010 the number of calls (No. 1, 2 and 3) compared with 2009 increased by a third. The number of personal visits to information offices increased by 13%.

A substantial increase is visible in communications with customers using email at info@elektro-maribor.si. Due to the increasing number of internet users and our quick response times, the number of these contacts in comparison with 2009 increased by 78%. In 2010 the number of written customer applications increased by 71%, mostly as a result of repayments of overcharged electrical energy costs for the period from January 1, 2008 to January 1, 2009. Thus we recorded 240,361 customer contacts in 2010, which is a 31% increase relative to 2009.

Total number of contacts with customers in 2010

Cons. No.	Type of contact	2009	2010	Index
1.	Calls to telephone number – General Information (22 00 115)	65.215	87.474	134
2.	Calls to telephone number – Defect Notification (22 00 105)	31.026	43.487	140
3.	Calls to call center at Headquarters (telephone central N.C. 22 00 000)	37.801	47.853	127
4.	Personal customer visits to information offices	38.744	43.812	113
5.	E-mail (info@elektro-maribor.si)	4.504	8.032	178
6.	Regular mail from headquarters mail room	5.658	9.703	171
	Total for all contacts	**182.948**	**240.361**	**131**

In 2010 we started monitoring the time it takes to repair a defect with the call centre programme. This will enable us to satisfy the requirements put forth by the legislation in connection with the Act on the Forwarding of Data on Quality of Electrical Energy Supply.

4.3 CARE FOR THE ENVIRONMENT

The system of managing the environment in accordance with the ISO 14001:2004 standard set up in 2006 has been the cornerstone of a number of environmental solutions, the incorporation of employees in the system of managing the environment and its implementation.

Our activities in connection with the preservation of the environment were conducted through various environmental programs, with which emphasis is given to decreasing the burden on the environment from waste, decreasing the pollution of soil, water and air as well as the other indirect or direct impacts, which are manageable.

In 2010 we concluded the implementation of the plan on the removal of PCB devices. In line with the Regulation on the Removal of Poly-chlorinated Biphenyls and Polychlorinated Terphenyls (Official Gazette of the Republic of Slovenia No. 34/2008), we performed 239 measurements in 2010 and handed over 9 transformers for destruction, as their PCB content exceeded the 50 ppm limit. Thus there are no longer any devices containing PCBs in the area covered by Elektro Maribor.

We started with restoration of oil pits in 2010. The following objects were rehabilitated: DS Sl. Konjice 110/20 kV, DS Murska Sobota 110/20 kV and DS Murska Sobota 20/35 kV. Restoration of DS Sl. Konjice is not yet completed, as the oil pit was flooded by excess ground water. Work should be finished in 2011.

Waste management was upgraded in 2010 with the establishment of the Centre for the Collection, Separation and Conversion of Dismantled Equipment. The Centre, built in 2009, started its regular operation in 2010. The separation of waste increased revenue from waste management significantly, meaning it exceeded expenditure by 29% in 2010, while in 2009 expenditure was still larger than revenue.

In our efforts to preserve the appearance of the living environment or the landscape and based on the development guidelines of the electric energy distribution system of the Elektro Maribor, d.d., the Company has made it its goal to provide for underground cables to represent 48% of the entire length of cables at the low voltage network level by 2014, while increasing the share of underground cables at the entire network level by 0.5% annually.

We are also contributing to the preservation of the environment by building solar electric plants. In 2010 there were 8 solar power plants installed on the Elektro Maribor buildings, total power amounting to 238 kWp, while 9 solar power plants were installed for other customers, total power amounting to 347 kWp. Thus the total power output of the power plants built is 585 kWp, with an estimated minimal annual production of 615,000 kWh. Thus we will contribute to decreasing CO_2 emissions by 736 tonnes.

The world has changed. Our lifestyles and our habits have changed. We have been listening to the new requirements of our customers. We responded with customized packages of electric energy supply.

We wish to create the future together with you. We have provided the option for every household to include electricity obtained from renewable energy resources. We believe in synergy. We are looking forward to tomorrow.

CUSTOM MADE

RELIABLE AND HIGH-QUALITY ENERGY SUPPLY FOR EVERY HOUSEHOLD

WE ARE CREATING THE ENERGY TAILORED TO YOUR NEEDS – YOUR ENERGY

FINANCIAL REPORT

5.1 MANAGEMENT BOARD STATEMENT OF RESPONSIBILITY

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

It is responsible for keeping proper accounting records, which represent the company's financial position with reasonable accuracy at any given time. It is also responsible for the implementation of measures to maintain the value of the company's assets and for preventing and detecting irregularities in the company's operations.

The Management Board hereby declares:

- all financial statements have been prepared in line with professional standard and the legislation pertaining to operations, accounting, taxes and finance,
- the financial statements of the Company have been prepared in accordance with all requirements set by the Slovene Accounting Standards 2006 with the 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 given 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.

On March 31, 2011 the Management Board of the Company approved and adopted the financial statements and notes as well as the accounting policies to the financial statements and the annual report for 2010.

Maribor, March 31, 2011

Management Board President:
mag. Andrej Kosmačin

5.2 AUDITOR'S REPORT

Independent Auditor's Report

to the company shareholders assembly

Elektro Maribor, podjetje za distribucijo električne energije (electric energy distribution company), d.d., Vetrinjska ul. 2, Maribor

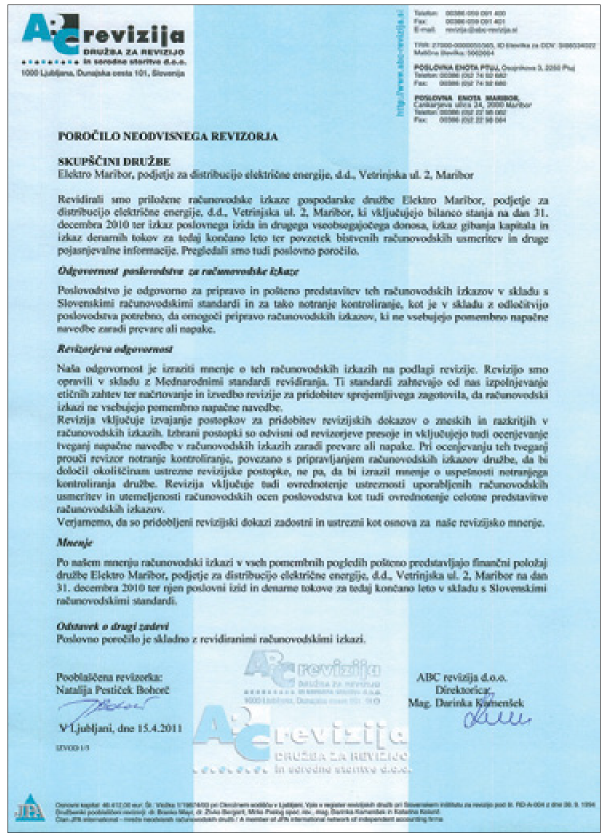
We have audited the consolidated financial statements of the company Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vetrinjska ul. 2, Maribor, attached herewith, which include the balance sheet as at December 31st 2010, income statement and statement of other comprehensive income, statement of changes in equity, and cash flow statement for the year then ended, and a summary of key accounting policies and other explanatory notes. We have also reviewed the Business Report.

Management Responsibility for the Financial Statements
The management is responsible for compilation and true and fair representation of financial statements in compliance with the Slovenian Accounting Standards, as well as for such internal control as required pursuant to the management's decision to allow compilation of financial statements that are free from materially false statements resulting from attempt of fraud or error.

Auditor's responsibility
It is our responsibility to provide an opinion on these financial statements based on the audit conducted. The audit was carried out pursuant to the International Auditing Standards. These standards specify high ethical requirements, as well as such planning and progress of the audit that will result in an acceptable testimony and proof that the financial statements are indeed free from materially relevant misstatements.

The audit includes procedures for obtaining audit evidence on the amounts and disclosures in the financial statements. Actual procedures depend on the auditor's judgement and may include assessment of risks of false statement in financial statements due to fraud or error. In assessing these risks, the auditor shall examine internal controls related to the compilation of the company financial statements in order to define the auditing procedures fitting to the circumstances, rather than to express opinion on the performance of internal controls at the company. Furthermore, the audit includes assessment of the choice of accounting policies and justifiability of accounting forecast and budgeting, as well as an assessment of overall presentation of the financial statements.

We believe that the audit evidence obtained is adequate and provide appropriate grounds for our auditing opinion.



ABC revizija
DRUŽBA ZA REVIZIJO
in sorodne storitve d.o.o.
1000 Ljubljana, Dunajska cesta 101, Slovenija

POROČILO NEODVISNEGA REVIZORJA

SKUPŠČINI DRUŽBE
Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vetrinjska ul. 2, Maribor

Revidirali smo priložene računovodske izkaze gospodarske družbe Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vetrinjska ul. 2, Maribor, ki vključujejo bilanco stanja na dan 31. decembra 2010 ter izkaz poslovnega izida in drugega vseobsegajočega donosa, izkaz gibanja kapitala in izkaz denarnih tokov za tedaj končano leto ter povzetek bistvenih računovodskih usmeritev in druge pojasnjevalne informacije. Pregledali smo tudi poslovno poročilo.

Odgovornost poslovodstva za računovodske izkaze

Poslovodstvo je odgovorno za pripravo in pošteno predstavitev teh računovodskih izkazov v skladu s Slovenskimi računovodskimi standardi in za tako notranje kontroliranje, kot je v skladu z odločitvijo poslovodstva potrebno, da omogoči pripravo računovodskih izkazov, ki ne vsebujejo pomembno napačne navedbe zaradi prevare ali napake.

Revizorjeva odgovornost

Naša odgovornost je izraziti mnenje o teh računovodskih izkazih na podlagi revizije. Revizijo smo opravili v skladu z Mednarodnimi standardi revidiranja. Ti standardi zahtevajo od nas izpolnjevanje etičnih zahtev ter načrtovanje in izvedbo revizije za pridobitev sprejemljivega zagotovila, da računovodski izkazi ne vsebujejo pomembno napačne navedbe.
Revizija vključuje izvajanje postopkov za pridobitev revizijskih dokazov o zneskih in razkritjih v računovodskih izkazih. Izbrani postopki so odvisni od revizorjeve presoje in vključujejo tudi ocenjevanje tveganj napačne navedbe v računovodskih izkazih zaradi prevare ali napake. Pri ocenjevanju teh tveganj prouči revizor notranje kontroliranje, povezano s pripravljanjem računovodskih izkazov družbe, da bi določil okoliščinam ustrezne revizijske postopke, ne pa, da bi izrazil mnenje o uspešnosti notranjega kontroliranja družbe. Revizija vključuje tudi ovrednotenje ustreznosti uporabljenih računovodskih usmeritev in utemeljenosti računovodskih ocen poslovodstva kot tudi ovrednotenje celotne predstavitve računovodskih izkazov.
Verjamemo, da so pridobljeni revizijski dokazi zadostni in ustrezni kot osnova za naše revizijsko mnenje.

Mnenje

Po našem mnenju računovodski izkazi v vseh pomembnih pogledih pošteno predstavljajo finančni položaj družbe Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vetrinjska ul. 2, Maribor na dan 31. decembra 2010 ter njen poslovni izid in denarne tokove za tedaj končano leto v skladu s Slovenskimi računovodskimi standardi.

Odstavek o drugi zadevi
Poslovno poročilo je skladno z revidiranimi računovodskimi izkazi.

Pooblaščena revizorka:
Natalija Pestiček Bohorč

ABC revizija d.o.o.
Direktorica:
Mag. Darinka Kamenšek

V Ljubljani, dne 15.4.2011

Opinion
In our opinion, the financial statements represent in all material aspects a true and fair account of the financial position of the company Elektro Maribor, podjetje za distribucijo električne energije, d.d., Vetrinjska ulica 2, as at December 31st 2010, and its income and cash flows for the year then ended, pursuant to the Slovenian Accounting Standards.

Other matter paragraph
The Business Report complies with the audited financial statements.

Certified auditor:
Natalija Pestiček Bohorč

ABC revizija, d.o.o.
Director
Darinka Kamenšek

In Ljubljana, on this April 15th 2011

5.3 INTRODUCTION TO THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with accounting and reporting requirements set by the Slovene Accounting Standards 2006 (the SAS), in accordance with the Companies Act (ZGD-1), in accordance with the requirements of the Energy Act and the legislation on taxes and finance.

5.3.1 Accounting rules, policies and valuation methods

The financial statements are prepared in EUR, rounded to the unit, for the business year, which equals the calendar year.

In accordance with the criteria of Article 55 of the Companies Act the Company is classified as a large company and is thus required to have its financial statements audited.

The Company holds a subsidiary company OVEN Elektro Maribor, d.o.o., which it owns 100% of, however according to Item 8 of Article 56 of the Companies Act , it is not consolidated as it holds no significance for a true and fair representation of the Company's operations. Elektro Maribor, d.d., maintains an important, though not dominant influence.

In the preparation of financial statements the Company took in to account two fundamental accounting assumptions:

- accrual and
- the going concern

as well as the qualitative characteristics of accounting, being:

- understandability,
- relevance,
- reliability and
- comparability.

The same accounting policies were applied to all the periods presented in the enclosed financial statements. Comparative information is consistent with the presentation of information during the current year, except where it was necessary to adjust the comparative data to conform with the presentation of information in the current year.

The Companies Act requires a company to prepare financial statements with notes and a complete annual report, which represent a true and fair view of its assets and liabilities as well as its financial position and operational result.

The items in the Balance Sheet and the Income Statement are shown separately and tin the same order as defined by the Companies Act. Values of individual items that are irrelevant to a true and fair presentation of the assets and operational result have been joined and explained appropriately in the notes to the financial statements.

Books 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 conjunction with the Ministers responsible for the economy and finance.

The Energy Act requires a company to separate accounts for each of the energy activities in the field of power supply. Accounting for events is provided for the Electricity Distribution System (EDS) and the Purchase and Sale (P&S) activities.

The criteria used in the distribution of assets and liabilities and revenues and expenditure are defined by the Rulebook on Internal Distribution and have been approved by the EARS.

5.3.2 Basis for measurement

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

The notes to financial statements are broken down and explained. All of the transactions with related parties are shown and adequately explained. The types and business purposes of all of the Company's operations, which impact its financial position are explained appropriately and are shown in the Balance Sheet or recorded as events after the Balance Sheet date.

In line with the principle of prudence, the preparation of financial statements for the business year included all potential liabilities, which are predicted to be settled with certainty.

The Elektro Maribor, d.d., company liable to provide a monthly calculation of VAT in accordance with the Value Added Tax Act and is also liable for corporate income tax in accordance with the Corporate Income Tax Act.

5.3.3 Events after the Balance Sheet date

Events after the Balance Sheet date have no significant effect on the financial statements for 2010, are however significant for the presentation of a fair view of company operations.

Until the completion of financial statements the final settlement for regulatory year 2010, based on audited 2010 data, is not available. However, a preliminary settlement amount for the regulatory year 2010 has been taken into consideration.

5.3.4 Relations with affiliated companies

The financial statements of the Elektro Maribor, d.d., company and its subsidiary OVEN Elektro Maribor, d.o.o., are not consolidated in accordance with Paragraph 8 of Article 56 of the Companies Act, as this bears no significance for a true and fair representation of the operating result, the financial position, cash flow and changes in capital.

Individual items are significant for a true and fair representation of the operations of the group as a whole, when the subsidiary:

- generates more than 2% of the controlling company's revenue with sales of electricity or
- when the total assets of the subsidiary exceed 2% of the controlling company's total assets.

All of the Company's financial investments are classified as available-for-sale financial assets.

The company Elektro Maribor, d.d., holds long-term financial investments with over 20-percent shareholding in the following companies:

- company OVEN Elektro Maribor d.o.o.,
  Vetrinjska ul. 2, Maribor
  100,00%,
- company Moja energija d.o.o.,
  Jadranska cesta 28, Maribor
  33,33%,
- company Eldom d.o.o.,
  Vetrinjska ul. 2, Maribor
  25,00%,
- company Informatika d.d.,
  Vetrinjska ul. 2, Maribor
  22.00%.

Operations of associated companies in 2010

in EUR

	Equity	Total assets	Profit for the period	Total revenue
OVEN Elektro Maribor d.o.o., Vetrinjska ul. 2, Maribor	3,541,964	4,565,042	443,616	1,276,290
Moja energija d.o.o., Jadranska cesta 28, Maribor	1,897,436	6,000,051	1,048,455	6,378,342
Eldom d.o.o., Vetrinjska ul. 2, Maribor	217,266	377,632	8,775	1,125,055
Informatika d.d., Vetrinjska ul. 2, Maribor	2,093,081	5,208,700	61,968	11,778,772

5.4 FINANCIAL STATEMENTS

Balance sheet

in EUR

	Item	Explanation	Dec 31st 2010	Dec 31st 2009
A.	**Non-current assets (I-VI)**		**277,165,102**	**272,379,756**
I.	**Intangible assets and long-term accrued income and deferred expense (1 to 6)**	**1**	**1,660,753**	**1,181,159**
	1. Long-term property rights		1,660,753	1,181,159
II.	**Property, plant, and equipment (1 to 6)**	**2**	**272,166,633**	**267,821,117**
	1. Land and buildings (a+b)		204,288,767	201,644,974
	a. Land		7,447,272	7,397,855
	b. Buildings		196,841,495	194,247,119
	2. Production equipment and machinery		62,646,310	62,466,847
	4. Tangible fixed assets in acquisition process (a+b)		5,231,556	3,709,296
	a. Property, plant, and equipment under construction		4,713,361	3,709,296
	b. Advance payments for acquisition of property, plant, and equipment		518,195	0
III.	**Investment property**	**3**	**731,591**	**748,813**
IV.	**Long-term financial investments (1 to 2)**	**4**	**2,573,091**	**2,587,460**
	1. Long-term financial investments, excl. loans (a to č)		2,573,091	2,587,460
	a. Investment into shares and shareholdings of companies in the Group		1,691,967	1,691,967
	b. Investment into shares of associated companies		672,776	672,776
	c. Other long-term investments into shares and shareholdings		56,594	56,594
	č. Other long-term financial investments		151,754	166,123
V.	**Long-term trade receivables (1 to 3)**	**5**	**33,034**	**41,207**
	3. Long-term trade receivables from others		33,034	41,207
B.	**Current assets (I-V)**		**60,107,580**	**53,426,966**
II.	**Inventories (1 to 4)**	**6**	**2,069,556**	**2,206,769**
	1. Material		2,069,556	2,206,769
V.	**Short-term trade receivables (1 to 3)**	**7**	**48,433,283**	**43,824,263**
	1. Short-term trade receivables to companies within the Group		263,109	42,236
	2. Short-term trade receivables		44,316,990	37,338,391
	3. Short-term trade receivables from others		3,853,184	6,443,636
V.	**Cash and cash equivalents**	**8**	**9,604,741**	**7,395,934**
C.	**Short-term accrued revenue and deferred expenses**	**9**	**2,406,291**	**23,243**
	ASSETS (A+B+C)		**339,678,973**	**325,829,965**
	Off-balance sheet assets		55,277,712	42,853,777

in EUR

	Item	Explanation	Dec 31st 2010	Dec 31st 2009
A.	**Equity**	**10**	**227,856,970**	**223,996,963**
I.	**Ordinary shares (1 to 2)**		**139,773,510**	**139,773,510**
	1. Share capital		139,773,510	139,773,510
II.	**Share premium**		**75,121,586**	**75,121,586**
III.	**Revenue reserves (1 to 5)**		**11,016,361**	**7,590,461**
	1. Legal reserves		1,139,464	945,746
	5. Other revenue reserves		9,876,897	6,644,715
IV.	**Revaluation surplus**		**105,184**	**119,553**
V.	**Retained earnings**		**0**	**711,894**
	1. Retained earnings from previous years		0	711,894
VI.	**Net income/profit for the year**		**1,840,329**	**679,959**
	1. Undistributed net income (profit) for the year		1,840,329	679,959
B.	**Provisions and long-term accrued expenses and deferred income (1 to 3)**	**11**	**32,641,815**	**38,221,959**
	2. Retirement benefits and jubilee premium provisions		4,098,737	4,372,512
	3. Long-term accrued expenses and deferred revenues		28,543,078	33,849,447
C.	**Non-current liabilities (I to III)**	**12**	**27,044,258**	**18,778,908**
I.	**Non-current financial liabilities (1 to 4)**		**27,044,258**	**18,778,908**
	2. Long-term financial liabilities to banks and enterprises		27,044,258	18,778,908
Č.	**Current liabilities (I to III)**	**13**	**51,380,595**	**39,818,037**
II.	**Current financial liabilities (1 to 4)**		**10,045,400**	**7,431,113**
	2. Current financial liabilities to banks and enterprises		10,034,649	7,420,362
	4. Other current financial liabilities		10,751	10,751
III.	**Current operating liabilities (1 to 8)**		**41,335,195**	**32,386,924**
	1. Short-term trade payables to companies within the Group		83,421	69,474
	2. Short-term trade payables to suppliers		27,042,512	19,120,262
	4. Short-term payables from operations for third party account		9,698,834	9,431,253
	5. Short-term payables to employees		2,179,266	2,101,628
	6. Short-term payables to government and other institutions		1,535,561	947,135
	7. Short-term trade payables based on advances		477,745	484,915
	8. Other short-term trade payables		317,856	232,257
D.	**Short-term accrued expense and deferred revenue**	**14**	**755,335**	**5,014,098**
	LIABILITIES (A to D)		**339,678,973**	**325,829,965**
	Off-balance sheet liabilities	15	55,277,712	42,853,777

Income statement

in EUR

	Item	Explanation	I-XII 2010	I-XII 2009
1.	**Net sales revenues (a+b)**	**16**	**192,605,068**	**185,014,426**
	a. in domestic market		192,605,068	185,014,426
3.	**Capitalized own products and services**	**17**	**10,927,155**	**9,376,379**
4.	**Other operating revenues (incl. revaluation adjustment surpluses)**	**18**	**5,596,464**	**4,328,890**
5.	**Costs of goods, material, and services (a+b)**	**19**	**159,854,633**	**152,974,384**
	a. Cost of goods and material sold		150,390,878	144,166,980
	b. Costs of services		9,463,755	8,807,404
6.	**Labour costs (a+b+c+d)**	**20**	**24,413,842**	**23,805,866**
	a. Costs of salaries		17,212,055	16,769,318
	b. Cost of additional employee pension insurance		905,679	887,512
	c. Employer contributions and other salary duties,		2,882,412	2,806,632
	d. Other labour costs		3,413,696	3,342,404
7.	**Write-downs and write-offs (a+b+c)**	**21**	**20,237,773**	**21,906,146**
	a. Depreciation and amortization		18,509,118	18,241,670
	b. Revaluation adjustments to intangible and tangible fixed assets		67,360	83,887
	c. Revaluation operating expenses for current assets		1,661,295	3,580,589
8.	**Other operating expenses**	**22**	**1,041,632**	**1,183,356**
10.	**Finance income from loans granted (a+b)**	**23**	**80,767**	**183,556**
	b. Finance income from loans to others		80,767	183,556
11.	**Finance income from trade receivables (a+b)**	**24**	**369,549**	**534,624**
	b. Finance income from trade receivables to others		369,549	534,624
13.	**Finance expenses from financial liabilities (a+b+c+č)**	**25**	**565,032**	**619,080**
	b. Finance expenses from borrowings (interest)		561,397	600,978
	č. Finance expenses from other financial liabilities		3,635	18,102
14.	**Finance expenses from trade payables (a+b+c)**	**26**	**613,332**	**18,320**
	b. Finance expenses from trade payables and liabilities pertaining to bills of exchange (drafts)		19,931	10,914
	c. Finance expenses from other trade payables		593,401	7,406
15.	**Other revenue**	**27**	**1,083,823**	**2,921,885**
16.	**Other expenses (a+b)**	**28**	**62,206**	**421,115**
19.	**PROFIT FOR THE FINANCIAL PERIOD (1 ± 2 +3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 17 ± 18)**	**29**	**3,874,376**	**1,431,493**

Statement of other comprehensive income

in EUR

	Item	Explanation	I-XII 2010	I-XII 2009
19.	Profit (net income) for the period		3,874,376	1,431,493
21.	Change in revaluation surplus on available-for-sale financial assets		-14,369	-26,441
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19 + 20 + 21 + 22 + 23)**		**3,860,007**	**1,405,052**

Cash flow statement

in EUR

Item	Explanation	I-XII 2010	I-XII 2009
A. Cash flows from operating activities	**30**		
a) Other proceeds form operating activities		329,309,635	331,856,205
aa) revenue from sale of products and services		327,209,181	327,509,245
ab) Other proceeds form operating activities		2,100,454	4,346,960
b) Disbursements from operating activities		-326,651,732	-320,902,480
ba) disbursements for purchase of material and services		-290,410,235	-290,595,987
bb) Salaries and worker participation in profit		-14,761,424	-14,047,480
bc) Charges (contributions and other taxes)		-19,114,250	-14,833,417
bd) Other disbursements form operating activities		-2,365,824	-1,425,596
c) Net receipts from operating activities (a+b)		2,657,903	10,953,725
B Cash flows from investing activities	**31**		
a) Proceeds form investing activities		872,472	817,789
aa) Proceeds from interest charged and participation in profit of others, pertaining to investment		70,682	248,453
ac) Proceeds from disposal of property, plant, and equipment		801,790	569,336
b) Disbursements from investing activities		-11,669,463	-18,859,279
ba) Disbursements for acquisition of intangible assets		-1,153,109	-995,852
bb) Disbursements for acquisition of property, plant, and equipment		-10,516,354	-17,813,427
bc) Disbursements for acquisition of long-term financial investments		0	-50,000
c) Net receipts from investing activities (a+b)		-10,796,991	-18,041,490
C Cash flows from financing activities	**32**		
a) Proceeds form financing activities		62,498,000	18,700,000
ab) Proceeds from increase of non-current financial liabilities		18,300,000	10,400,000
ab) Proceeds from increase of current financial liabilities		44,198,000	8,300,000
b) Disbursements from financing activities		-52,150,104	-15,362,426
ba) Disbursements for interest paid on financing		-531,741	-638,106
bc) Disbursements for repayment of non-current financial liabilities		-7,420,363	-5,853,697
bd) Disbursements for repayment of current financial liabilities		-44,198,000	-8,300,000
be) Dividends paid and other participation in profit		0	-570,623
c) Net receipts from financing activities (a+b)		10,347,896	3,337,574
Č Cash at end of year		**9,604,741**	**7,395,934**
x) Cash flow result for the period (sum of net receipts Ac, Bc, and Cc)		2,208,807	-3,750,191
+			
y) Cash at beginning of year		7,395,934	11,146,125

Statement of changes in equity

in EUR

		Called-up capital (ordinary shares)		Revenue reserves			Retained earnings	Net income for the year (profit)	Total
	Year 2010	Share capital	Share premium	Statutory reserves	Other revenue reserves	Revaluation surplus	Retained net income (profit)	Net income (profit)	
		I/1	II	III/1	III/5	IV	V/1	VI/1	
A.1.	**Balance as at the end of the most recent reporting period**	**139,773,510**	**75,121,586**	**945,746**	**6,644,715**	**119,553**	**711,894**	**679,959**	**223,996,963**
A.2	**Initial balance in the reporting period**	**139,773,510**	**75,121,586**	**945,746**	**6,644,715**	**119,553**	**711,894**	**679,959**	**223,996,963**
B.1	**Changes in equity – transactions with shareholders**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
g.	**Dividend payment**								
B.2	**Total comprehensive income in the reporting period**	**0**	**0**	**0**	**0**	**-14,369**	**0**	**3,874,376**	**3,860,007**
a.	Entry of net income for the fiscal year							**3,874,376**	**3,874,376**
č.	Change in the revaluation surplus for 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 remaining part of the net income of compared reporting period to other items in equity						**679,959**	**-679,959**	**0**
b.	Allocation of a part of net income of the reporting period to other items in equity pursuant to Resolution by the managerial and supervisory bodies			**193,718**	**1,840,329**			**-2,034,047**	**0**
c.	Allocation of a part of net income for recognizing additional reserves pursuant to Shareholders Assembly resolution				**1,391,853**		**-1,391,853**		
D.	**Final balance at the end of reporting period**	**139,773,510**	**75,121,586**	**1,139,464**	**9,876,897**	**105,184**	**0**	**1,840,329**	**227,856,970**

in EUR

		Called-up capital (ordinary shares)		Revenue reserves			Retained earnings	Net income for the year (profit)	Total
	Year 2009	**Share capital**	**Share premium**	**Statutory reserves**	**Other revenue reserves**	**Revaluation surplus**	**Retained net income (profit)**	**Net income (profit)**	
		I/1	**II**	**III/1**	**III/5**	**IV**	**V/1**	**VI/1**	
A.1.	**Balance as at the end of the most recent reporting period**	**139,773,510**	**75,121,586**	**874,171**	**5,964,756**	**119,553**	**16,755**	**695,139**	**222,565,470**
A.2	**Initial balance in the reporting period**	**139,773,510**	**75,121,586**	**874,171**	**5,964,756**	**119,553**	**16,755**	**695,139**	**222,565,470**
B.1	**Changes in equity – transactions with shareholders**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
g.	**Dividend payment**								
B.2	**Total comprehensive income in the reporting period**	**0**	**0**	**0**	**0**	**0**	**0**	**1,431,493**	**1,431,493**
a.	Entry of net income for the fiscal year							**1,431,493**	**1,431,493**
č.	Change in the revaluation surplus for financial investments								
B.3	**Changes in equity**	**0**	**0**	**71,575**	**679,959**	**0**	**695,139**	**-1,446,673**	**0**
a.	Allocation of remaining part of the net income of compared reporting period to other items in equity						**695,139**	**-695,139**	**0**
b.	Allocation of a part of net income of the reporting period to other items in equity pursuant to Resolution by the managerial and supervisory bodies			**71,575**	**679,959**			**-751,534**	**0**
c.	Allocation of a part of net income for recognizing additional reserves pursuant to Shareholders Assembly resolution								
D.	**Final balance at the end of reporting period**	**139,773,510**	**75,121,586**	**945,746**	**6,644,715**	**119,553**	**711,894**	**679,959**	**223,996,963**

5.5 SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

The Company uses the at cost model to measure all intangible asset groups.

Upon initial recognition the asset is recorded at cost, which includes all purchase taxes and duties after the deduction of trade and other discounts as well as all directly attributable costs pertaining to the preparation for use.

The accounts include an item showing their cost and a separate item showing their accumulated value adjustment. The Balance Sheet records these assets at their carrying amount, being the difference between their cost and their accumulated value adjustment.

Intangible assets are depreciated individually, according to the straight-line depreciation method. An intangible asset starts to depreciate as soon as it is available for use.

Intangible fixed assets have a finite useful life.

These assets are revalued due to impairment when their carrying amount exceeds their recoverable amount. The recoverable amount is recorded as the higher of the net selling price or the value in use.

Tangible assets – Property, plan, and equipment

To measure all of the items in the property, plant and equipment groups the Company uses the at cost model, including all costs attributable to an assets preparation for intended use.

The cost of an item of property, plant and equipment, built or manufactured at the Company comprises the cost of its construction or fabrication and all of the attributable indirect costs.

The accounts show the cost of property, plant and equipment items separately from their revaluation adjustment values, whereby the revaluation adjustment represents their cumulative depreciation expense. The Balance Sheet records these assets at carrying amount.

If the cost of a fixed asset is high, it is attributed to its individual parts. When these parts have significantly different useful lives in relation to the total cost of a fixed asset, each respective part is recorded separately.

Depreciation is calculated individually using the straight-line depreciation method.

Investments in property, plant and equipment items 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 Rulebook on Property, Plant and Equipment and Depreciation.

The Company does not hold property, plant and equipment it attained on the basis of a financial lease. All of the property, plant and equipment items are owned by the company and are not pledged as security for liabilities.

Investment property

Investment property pertains to property held to earn rentals thus attaining long-term capital appreciation.

The Company measures investment property using the at cost model, while depreciation is accounted for using the straight-line depreciation method.

The accounts show the cost of investment property separately from its revaluation adjustment value. The Balance Sheet records these assets at carrying amount.

Property in the process of construction or being developed for future use as investment property is accounted for as owner-occupied property. Once construction or development has been completed, the property is classified as investment property.

Gain or loss from disposal of investment property is established as the difference between net income from disposal and the carrying amount of the asset and is recognised in the Income Statement.

The Company's Management Board actively monitors market events and has estimated that there was no objective evidence on factors pointing to the need to impair fixed assets in 2010.

Depreciation and amortization

Intangible assets and property, plant and equipment as well as investment property are all depreciated until the value that forms the basis for the calculation of depreciation is replaced in full. Once this value is replaced, items are no longer depreciated, even though a fully depreciated fixed asset item may still be used for the performance of company activities.

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

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

The Company defined the useful life of individual fixed assets at its own discretion. The useful life is assessed by a special commission.

In calculating depreciation the Company used the following steps:

	2010	2009
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 fixed assets	3 years	3 years

Financial investments

Financial investments form part of the company's financial instruments and represent financial assets, which the Elektro Maribor, d.d., company holds to increase its financial revenue from the return these generate.

At initial recognition a financial asset is measured at fair value. The initially recognised value is increased by transaction costs, pertaining directly to the purchase or issue of a financial asset. The fair value of a financial investment is its value quoted in a functioning securities market.

All of the Company's financial investments are classified as available-for-sale financial assets.

The Company holds long-term financial investments in the capital of its subsidiaries, which it values at cost. The participation in the profit of a subsidiary is recognised in the Income Statement of the controlling company, when it attains the right to be paid out the participation amount.

On each Balance Sheet day the Company assesses whether there is objective evidence on potential impairment of a financial investment. Should such evidence exist, the revaluation of a financial investment is required. Changes in the fair value of financial investments are recognised in the Company's equity as increases or decreases in revaluation surplus.

Inventories

An inventory unit of materials is measured at cost, comprising purchase price, import duties and direct cost of purchase. Discount received is deducted from cost.

In recording inventory, the Company uses the floating average company price method.

Based on impairment, inventory is revalued if the carrying amount exceeds the net selling price.

Operating receivables

Operating receivables are initially recorded in amounts based on credible accounting documents, under the assumption of payment. Initial receivables may later be increased, or depending on the payment received or any other type of settlement, be decreased by any contractually agreed amount.

The Company regularly checks the adequacy of receivables reported.

Receivables, assumed not to be settled or not settled when due, are shown as doubtful or disputable.

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

In forming revaluation adjustments for doubtful or disputable receivables, the Company uses the individual approach, meaning it forms the adjustment for the total value of the receivable due from a customer, no matter what the degree of recoverability. The Company also forms a revaluation adjustment for a receivable, when it has at its disposal data on proceedings of compulsory settlement, bankruptcy or legal action having been brought.

The Balance Sheet shows receivables in net, meaning decreased by the revaluation adjustments for disputable or doubtful receivables.

The Company does not record receivables 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 represented by the Company's funds in transaction accounts with banks and cash equivalents – investments, which may quickly be transformed into a predetermined cash amount.

At initial recognition cash is recorded in amounts based on appropriate documentation, after this has been confirmed to be of such nature.

The Balance Sheet shows cash as a total of cash in transaction accounts and in call deposits given.

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 Company's activity nor do they impact its result. The Balance Sheet shows these items in real amounts, which do not include any hidden reserves.

Short-term accrued expenses and deferred revenue include all costs calculated in advance (expenses) and short-term deferred income.

It may only be used for items which have been initially recognised. The Balance Sheet exhibits these in amounts assessed reliably and without any hidden reserves.

Equity

The Company's equity is represented by capital, capital reserves, profit reserves, net profit carried over from previous years, revaluation reserve and previously undistributed net profit.

It is recognised at cash and non-cash contributions to the Company and prior to that at the onset of receivables toward capital contributors. All components of capital outside of share capital belong to the owners of share capital in accordance with their ownership shares.

The share capital is recorded in EUR. It represents capital recorded in the Court Company's Register and is divided into 33,495,324 ordinary no-par value shares. The ordinary shares give the owners the right to participate in the management of the Company, the right to a share of the profits (dividend) and the right to a proportionate part of the remaining assets after liquidation or bankruptcy of the Company. All shares are part of one class and have been paid-in in full. They were issued as dematerialized securities and are kept with the KDD – Centralna klirinško depotna družba, d.d., (the Central Securities Clearing Corporation) in line with the regulations.

Profit reserves are recognised in accordance with the decision of the Management Board, the Supervisory Board and the decision by the General Assembly of the Company Shareholders.

The net profit carried over from previous years is recognised, when a decision on the distribution of profit for an individual year is made and reserve amounts have been deducted.

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

The previously undistributed net profit for the year is recognised on the basis of calculations for the business year.

The Statement of Changes in Shareholder's Equity shows the changes in the capital components.

Provisions and long-term accrued expenses and deferred revenues

The Company makes provisions in the form of costs or expenditure calculated in advance with the intention of collating amounts, which in the future will enable it to cover costs and expenditure created then.

Provisions include severance payment provisions and jubilee benefit provisions. They are made on the basis of the calculation of an authorised actuary as at the start and end of a business year. The actuarial calculation is based on the Unit Credit method and is done at the end of each business year, when the Company adjusts the value and balance of provisions.

A provision's carrying amount equals its original value, decreased by spent amounts, until the need for their increase or decrease arises.

Provisions and long-term accrued expenses and deferred revenue are made from costs calculated in advance and from contributions to pension and disability insurance in accordance with the Employment Rehabilitation and the Employment of the Disabled Act. 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 to financing. These are intended to cover for depreciation costs pertaining to the assets mentioned above.

Debt

Debt is long-term and short-term as well as financial and operational.

Long-term and short-term liabilities of all types are initially shown in amounts based on appropriate documentation under the assumption that the creditors require these to be repaid. Liabilities are later increased by added returns (interest, other compensation), for which there is an agreement with the creditor. They shall be decreased by the amount paid and any other settlements in agreement with the creditor.

Long-term debts are liabilities recognised in connection with the funding of own assets, which are required to be returned in a period longer than one year.

The carrying amount of long-term debt equals its original value, decreased by repayments and transfers to short-term debt.

Short-term debt is financial and operational. Financial liabilities represent the short-term part of long-term liabilities from funding. The operational portion of short-term debt comprises liabilities to suppliers, employees, government institutions and others.

The carrying amount of short-term debt equals their original amount and only changes in case these increase or decrease in accordance with the agreements with creditors.

The Balance Sheet records long-term and short-term debt separately and further divides them into financial and operational debt.

At least on an annual basis the Company evaluates the fair value of debt upon the composition of financial statements and in the event that the carrying amounts are lower than the ascertained fair values a mandatory revaluation. The Company does not ascertain or record impairment of debt.

Commitments and contingent liabilities

Commitments and contingent liabilities show the amounts of notes given for loans received, the guarantees given and received, the potential payment liabilities, the amounts pertaining to small tools in use, the values of fixed assets transferred to SODO, d.o.o., and the partial amount of the 2004 – 2009 regulatory period offset.

Income and expenditure

Income pertains to the increase in economic benefits during an accounting period in the form of increased assets or decreased debts, which affect the amount of capital through the operating result. Their increase can be measured reliably. Income is recognised when it is reasonable to expect them to lead to receipts, if these are not realised at inception.

Income is divided into operating, financial and other income.

Operating income is income from sales, representing the sales values of products, services and materials sold in an accounting period. It is measured on the basis of sales prices, stated on invoices and other documents, decreased by the discounts granted at sale and by the values of goods returned later on as well as by any subsequent discounts.

Revaluation operating income occurs at disposal of property, plant and equipment items and at disposal of intangible long-term assets and also after the payment of receivables which have been revalued in previous years.

Finance income is income from investment activity. It comes from long-term and short-term financial investments and from receivables in the form of interest, profit shares and from revaluation financial income.

This income is recognised at settlement, regardless of the receipts, if there is no reasonable doubt pertaining to its size, maturity and collectability. Interest is calculated in proportion to the elapsed period and in relation to the unpaid part of the principal and the currently applicable interest rate.

Other income pertains to non-recurring items and other income that increases the operating result.

Expenses shall be recognized if the decrease of economic benefit in the fiscal/reporting period is related to the decrease in the value of asset or increase in debt and if such decrease can be reliably measured.

Expenditure includes operating, financial and other expenditure.

Operating expenses are recognised when the amount of costs no longer corresponds to the value of inventories. In general they equal the costs priced in to an accounting period.

The revaluation operating expenditure is recognised when an adequate revaluation is completed and expenditure pertains to property, plant and equipment items, the intangible fixed assets and short-term assets due to their impairment.

Finance expenses pertain to expenditure from financial and operational liabilities. It is recognised at settlement, regardless of the related payments.

Revaluation financial expenditure pertains to financial investments due to their impairment.

Other expenses comprise include non-recurring items and other expenditure that decreases the operating result.

Labour costs and remuneration costs

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

- employee salaries,
- employee salary compensation,
- the cost of additional employee pension insurance,
- contributions and other salary duties,
- other costs, such as: holiday pay, material cost remuneration, solidarity aid and other.

Labour costs and remuneration costs are calculated and paid in accordance with the legislation, the collective labour agreement pertaining to the electricity services sector and the entrepreneurial collective labour agreement.

Labour costs also include costs from unused employee annual leave.

Income tax expense

The Elektro Maribor, d.d., company is liable for payment of VAT in accordance with the VAT Act and is liable to pay corporate income tax in accordance with the Corporate Income Tax Act.

The corporate income tax is calculated on the basis of income and expenditure as shown in the Income Statement, taking into account the stipulations of the Corporate Income Tax Act. The so calculated tax is expected to be paid from taxable profit for the year, using tax rates applicable at the reporting date.

For 2010 the Company is not liable to pay corporate income tax, as the liability from the calculation has been covered by the loss from previous accounting periods.

The Company management is unable to provide a reliable estimation on whether the Company will be able to generate a taxable profit of sufficient size to claim the deferred tax receivables, which is why these were not recognised in the annual financial statement for 2010.

In 2010 the Company also did not recognise deferred tax liabilities, as these do not represent significant amounts and their omission has no effect on the operational decision-making process of the consumers.

5.6 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 consistently been applied through all of the reporting periods. Comparable information is predominantly harmonized with the presentation of information during the year. When necessary, comparable information was adjusted in such way that they matched the presentation of information for the current year.

The significance of disclosures
The Company has defined the significance of disclosures to its financial statements with internal acts, namely for every asset and liability category and separately for every revenue and expenditure item.

5.6.1 Notes to the balance sheet

Information on the basis for the preparation of the Balance Sheet and on the special accounting policies as well as the methods used in recording business events within the Company, has been shown in the following notes on the balances and movements in assets and liabilities.

The Balance Sheet is the basic financial statement, showing the assets and liabilities, pertaining to the Company's operations. It is prepared in running form, itemised in line with SAS 24.4, with values shown for the current and previous period. Balance Sheet items are shown in accordance with their carrying amounts as the difference between their cost and the deducted value adjustment. In composing the Balance Sheet we took into account the principle of individual asset and liability valuation.

The Company is not in possession of any additional information of significance for the fair representation of Company nor are any such items prescribed to be included in the Balance Sheet form.

Intangible assets
(Explanation 1)

in EUR

	2010
Cost	
As at Jan 1st 2010	3,821,141
Increase	1,153,109
As at Dec 31st 2010:	4,974,250
Revaluation adjustment (write-off)	
As at Jan 1st 2010	2,639,982
Transfers	0
Depreciation and amortization	673,515
As at Dec 31st 2010:	3,313,497
Carrying value	
As at Jan 1st 2010:	1,181,159
As at Dec 31st 2010:	1,660,753

Intangible assets include long-term property rights in the amount of EUR 1,660,753, pertaining to investments into licences for system and application software with a total useful life of 3 years. In 2010, these assets increased by EUR 1,153,109 as a result of investment into upgrade of application software.

Tangible fixed assets – Property, plan, and equipment
(Explanation 2)

The balance of property, plant, and equipment as at December 31st 2010 was at EUR 272,166,633 which is 1.6% more than at the beginning of the year. These assets represent 80% of total assets.

In 2010, capital expenditure amounted to EUR 27,058,937.

Balance and changes in property, plant, and equipment in 2010

in EUR

	Land	Buildings	Equipment	Investment in progress	Advance payments made	Total tangible assets – Property, plan, and equipment
Cost						
As at Jan 1st 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 Dec 31st 2010:	7,447,272	630,340,154	146,141,132	4,713,361	518,195	789,160,114
Revaluation adjustment (write-off)						
As at Jan 1st 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 and amortization		12,201,937	5,609,333			17,811,270
As at Dec 31st 2010:	0	433,498,659	83,494,822			516,993,481
Carrying value						
As at Jan 1st 2010:	7,397,855	194,247,119	62,466,847	3,709,296	0	267,821,117
As at Dec 31st 2010:	7,447,272	196,841,495	62,646,310	4,713,361	518,195	272,166,633

Major increases pertain to the following:

- buildings in the amount of EUR 16,255,925, of which EUR 10,431,776 was allocated for the construction of cable line (conduits), EUR 2,415,878 for transmission lines, and EUR 1,491,562 for the construction of network;
- equipment in the amount of EUR 10,448,175, of which equipment for transformer substations and distribution substations in the amount of EUR 6,049,610 and meters, metering and control equipment in the amount of EUR 1,323,043.

A major decrease in equipment pertains to the elimination of transport vehicles in the amount of EUR 577,528, energy transformers in the amount of EUR 429,342, and computers and computer equipment in the amount of EUR 335,386.

Elimination of construction facilities in the amount of EUR 1,579,668 and equipment in the amount of EUR 4,830,449 pertains to the disposal of property, plant, and equipment to the company SODO, d.o.o., based on the Spin Out Agreement (agreement on spin out and acquisition of property, plant, and equipment financed from the funds of average connection cost) and based on the relevant sales agreement.

Property, plant, and equipment not yet ready for use are recorded in the amount of EUR 4,713,361. Advance payments made in the amount of EUR 518,195 pertain entirely to the down payment for land on the Pobrežje landfill.

Depreciation level for buildings is 68.8 percent; equipment depreciation level is 57.1 percent.

Balance and changes in property, plant, and equipment in 2009

in EUR

	Land	Buildings	Equipment	Investment in progress	Total tangible assets – Property, plan, and equipment
Cost					
As at Jan 1st 2009:	7,429,626	601,078,414	138,843,783	3,101,928	750,453,751
Increase	68,011	15,110,563	4,141,466	23,967,610	43,287,650
Decrease	-99,782	-553,578	-968,091	-23,360,242	-24,981,693
Transfer	0	39,165	-39,165		0
As at Dec 31st 2009:	7,397,855	615,674,564	141,977,993	3,709,296	768,759,708
Revaluation adjustment (write-off)					
As at Jan 1st 2009:		412,735,819	74,904,427		487,640,246
Transfers		39,571	-39,571		0
Decrease – write-offs		-520,408	-869,113		-1,389,521
Decrease – refurbishment		-2,834,294	-203,161		-3,037,455
Depreciation and amortization		12,006,757	5,718,564		17,725,321
As at Dec 31st 2009:		421,427,445	79,511,146		500,938,591
Carrying value					
As at Jan 1st 2009:	7,429,626	188,342,595	63,939,356	3,101,928	262,813,505
As at Dec 31st 2009:	7,397,855	194,247,119	62,466,847	3,709,296	267,821,117

Pursuant to the Agreement on the Lease of Electricity Distribution Infrastructure and Rendering of Services for the Distribution Network System Operator, the company leased out its electricity distribution infrastructure to the company SODO, d.o.o. Based on the provisions of the Energy Act and the relevant concession agreement, the latter is the only holder of concession for performing the public utility service of distribution network system operator.

The value of electricity distribution infrastructure as at December 31st 2010 amounts to EUR 242,671,342.

Balance and changes in electricity distribution infrastructure

in EUR

	Land	Buildings	Equipment	Total
Cost				
As at Jan 1st 2010:	4,480,185	590,565,083	120,536,711	715,581,979
Increase	47,847	15,867,114	8,879,563	24,794,525
Decrease	-33	-282,813	-1,110,728	-1,393,574
Elimination (SODO)		-1,579,668	-4,830,449	-6,410,117
As at Dec 31st 2010:	4,527,999	604,569,716	123,475,097	732,572,812
Revaluation adjustment (write-off)				
As at Jan 1st 2010:		411,429,918	63,362,808	474,792,726
Decrease			-397,809	-397,809
Elimination (SODO)		-129,977	-261,151	-391,128
Depreciation and amortization		11,720,353	4,177,328	15,897,681
As at Dec 31st 2010:		423,020,294	66,881,176	489,901,470
Carrying value				
As at Jan 1st 2010:	4,480,185	179,135,165	57,173,903	240,789,253
As at Dec 31st 2010:	4,527,999	181,549,422	56,593,921	242,671,342

Investment property
(Explanation 3)

Balance and changes in investment property

in EUR

	Investment property
Cost	
As at Jan 1st 2010:	1,404,987
Increase	7,110
Decrease	
Transfer	
As at Dec 31st 2010:	1,412,097
Revaluation adjustment (write-off)	
As at Jan 1st 2010:	656,174
Depreciation and amortization	24,332
As at Dec 31st 2010:	680,506
Carrying value	
As at Jan 1st 2010:	748,813
As at Dec 31st 2010:	731,591

Company investment property includes holiday homes and residential apartments. In 2010, the company generated revenue of EUR 9,764 by renting out residential apartments, and EUR 94,096 by renting holiday homes

Long-term financial investments
(Explanation 4)

The company holds long-term financial investments into the shares of companies within the Group, into associated companies, and into other companies, which are reported by the cost principle.

Company investment into 100-percent interest in the Group OVEN, d.o.o., amounts to EUR 1,691,967. Investment into the share of associated company Eldom, d.o.o., amounts to EUR 235,246; EUR 437,530 into Informatika, d.d.; and EUR 42,158 into Moja Energija, d.o.o. For the latter, revaluation adjustment has been recognized in full amount.

The change is reported in other long-term financial investments which are reported by fair value, i.e. the price as announced on the Ljubljana Stock Exchange.

Changes in long-term (non-current) financial investments

	As at Jan 1st 2010:	Decrease	Increase	As at Dec 31st 2010:
Investment into shares and shareholdings of companies in the Group	1,691,967	0	0	1,691,967
Investment into shares of associated companies	672,776	0	0	672,776
Other long-term investments into shares and shareholdings	56,594	0	0	56,594
Other long-term financial investments	166,123	14,369	0	151,754
Total	**2,587,460**	**14,369**	**0**	**2,573,091**

Long-term trade receivables
(Explanation 5)

Long-term trade receivables amount to EUR 33,034 and they are decreased by the part that is due for payment within one year. They mostly include trade receivables for sale of residential units to employees pursuant to the Housing Act, with maturity of 10 to 15 years.

in EUR

	2010	2009
Long-term trade receivables	41,207	52,211
Short-term part of long-term trade receivables	-8,173	-11,004
Total	**33,034**	**41,207**

Inventories
(Explanation 6)

Material inventory amounts to EUR 2,069,556, which does not exceed net marketable value. They consist of the inventory of material for use in own investments, material for provision of services in the market, and spare parts for property, plant, and equipment maintenance.

Until December 31st 2010, the company wrote off EUR 56,799 worth of material as it had no more useful value for performance of company activities.

As at December 31st 2010, the company reports EUR 12,947 of inventory; there were no changes in this item in the period from January 1st 2007 to December 31st 2010, because inventory was defined as operating reserve.

No stocktaking deficits or surpluses were established in inventories of material in 2010.

in EUR

	2010	2009
Material and small tools	2,069,556	2,206,769
Total	**2,069,556**	**2,206,769**

Current trade receivables
(Explanation 7)

in EUR

	2010	2009
Current trade receivables to companies within the Group	263,109	42,236
Current trade receivables	44,316,990	37,338,391
Current trade receivables from others	3,853,184	6,443,636
Total	**48,433,283**	**43,824,263**

Balance of current trade receivables as at December 31st 2010 amounts to EUR 48,433,283, which is 11% more than one year before, particularly due to decrease in the purchasing power of customers for the receivables pertaining to electric energy sold and network charges.

Current trade receivables represent 92% of total current receivables. This includes particularly the following items:

- receivables for electric energy sold and network charges in the amount of EUR 34,300,955;
- receivables for lease and services rendered for the company SODO, d.o.o., in the amount of EUR 3,937,637;
- receivables for services sold in the amount of EUR 3,361,209, of which sale of property, plant, and equipment to SODO, d.o.o., amounts to EUR 1,531,800;
- receivables for default interest for electric energy charged, network charges, and services rendered in the amount of EUR 191,813.

Changes in current trade receivables

in EUR

	As at Jan 1st 2010:	Decrease	Increase	As at Dec 31st 2010:
Short-term trade receivables to companies within the Group	42,236	621,971	842,844	263,109
Short-term trade receivables	37,338,391	325,340,436	332,319,035	44,316,990
Short-term trade receivables from others	6,443,636	215,285,170	212,694,718	3,853,184
Total	**43,824,263**	**541,247,577**	**545,856,597**	**48,433,283**

Pursuant to the relevant rules and regulations, the company recognized EUR 1,604,496 of revaluation adjustment for disputed and doubtful trade receivables; these mostly pertain to trade receivables for the electric energy sold and use of network (network charges).

Changes in revaluation adjustments related to current trade receivables

in EUR

	As at Jan 1st 2010:	Decrease	Increase	As at Dec 31st 2010:
Revaluation adjustments to trade receivables	5,534,683	1,449,143	1,604,496	5,690,036
Total	**5,534,683**	**1,449,143**	**1,604,496**	**5,690,036**

The company's trade receivables to buyers of electric energy and services are insured by bills of exchange.

The company reports no receivables or claims from the Management Board and Supervisory Board, except for regular invoices for electric energy.

Breakdown of current trade receivables by maturity

in EUR

	Dec 31st 2010	Composition in %	Dec 31st 2009	Composition in %
Receivables not yet due	41,067,758	85.4	37,675,880	85.9
Overdue by up to 30 days	5,308,793	9.7	4,245,453	9.7
Overdue from 31 to 60 days	1,212,774	3.1	1,080,953	2.5
Overdue from 61 to 90 days	261,702	0.6	515,999	1.2
Overdue by more than 90 days	582,256	1.1	305,978	0.7
Total	**48,433,283**	**100.0**	**43,824,263**	**100.0**

Receivables as at December 31st 2010 are higher than as at December 31st 2009; however, in absolute amount, receivables that are not yet due and receivables overdue by up to 30 days saw the most substantial increase.

Composition of receivables has not changed much compared to the year before; receivables not yet due and receivables overdue by up to one month still represent the highest share.

In receivables for 2010, receivables for electric energy sold and use of network (network charges) represent the largest share – 71.1%; in 2009, this share amounted to EUR 69.4%.

Cash and cash equivalents
(Explanation 8)

in EUR

	2010	2009
Cash in deposit money (current accounts)	31,576	12,029
In call deposits	9,573,165	7,383,905
Total	**9,604,741**	**7,395,934**

Short-term accrued revenue and deferred expense
(Explanation 9)

in EUR

	2010	2009
Short-term deferred costs or expenses	47,547	22,388
Short-term accrued revenue	2,356,428	0
Valuables	2,316	855
Skupaj	**2,406,291**	**23,243**

Short-term deferred costs include advance payments for subscriptions and tuitions.

Short-term accrued revenue includes the value of services and lease for 2010 based on the preliminary invoice for the 2010 regulatory year in the amount of EUR 2,356,428.

Equity
(Explanation 10)

Share capital of the company, as registered with the court register, amounts to EUR 139,773,510; it is divided into 33,495,324 ordinary registered no-par value shares.

in EUR

	2010	2009
Share capital	139,773,510	139,773,510
Share premium	75,121,586	75,121,586
Legal reserves	1,139,464	945,746
Other revenue reserves	9,876,897	6,644,715
Revaluation surplus	105,184	119,553
Retained earnings	0	711,894
Net income/profit for the year	1,840,329	679,959
Total	**227,856,970**	**223,996,963**

In 2010, the company reported net income (profit) in the amount of EUR 3,874,376.13. Pursuant to the Management Board resolution, it was allocated on December 31st 2010 to statutory reserves in the amount of EUR 193,718.81 and for other revenue reserves in the amount of EUR 1,840,328.66.

Distributable profit is reported in the appendix to the statement of changes in equity for the year 2010.

Book value of one share is EUR 6.80.

Provisions and long-term accrued expenses and deferred revenues
(Explanation 11)

Provisions for loyal service rewards and severance packages upon retirement (and other liabilities and charges) as at December 31st 2010 amounted to EUR 4,098,737. Their recent changes are reported in the table below:

in EUR

	As at Jan 1st 2010:	Use	Reversal	Increase	As at Dec 31st 2010:
Loyal service reward provisions	1,749,631	319,713	90,729	3,522	1,433,440
Provisions for severance packages	2,622,881	430,752	0	381,045	2,665,297
Total	**4,372,512**	**750,465**	**90,729**	**384,567**	**4,098,737**

The company decreased these provisions according to actually paid out liabilities to employees and increased them by the amount of additional liabilities to employees as at December 31st 2010 which were based on the calculation of the certified actuary expert.

Long-term accrued expenses and deferred revenue a at December 31st 2010 amount to EUR 28,543,078; they pertain to property, plant, and equipment acquired free of charge, and co-financing. The said accrued expenses and deferred revenue are drawn by the company to cover the costs of depreciation with annual depreciation rate of 3%; for turnover in 2010, actual depreciation rates are applied. Decrease in long-term accrued expenses and deferred revenues s reported due to average connection costs of SODO which are charged on behalf of and for the account of SODO, d.o.o., and amount to EUR 4,840,995 in 2009; at the end of 2010, no balance is reported due to elimination and disposal of property, plant, and equipment to SODO, d.o.o.

Changes in long-term accrued expenses and deferred revenue

in EUR

	As at Jan 1st 2010:	Decrease	Increase	As at Dec 31st 2010:
Long-term deferred revenue from HP assumed free of charge	14,207,670	546,362	1,342,818	15,004,126
Long-term deferred revenue from PPE claimed free of charge	4,144,458	143,674	510,311	4,511,095
Long-term deferred revenue from average connection costs	5,081,557	178,523	0	4,903,034
Long-term deferred revenue from co-financing	3,785,010	133,506	335,707	3,987,211
Long-term deferred revenue from average connection cost of SODO, d.o.o.	4,840,995	4,840,995	0	0
Long-term deferred revenue from waived contributions for disabled persons	113,572	108,112	132,152	137,612
Long-term deferred revenue from damages and indemnities	1,676,185	1,676,185	0	0
Total	**33,849,447**	**7,627,357**	**2,320,988**	**28,543,078**

Non-current liabilities
(Explanation 12)

As at December 31st 2010, the company long-term (non-current) financial liabilities amounted to EUR 27,044,258.

in EUR

	2010	2009
Financial liabilities to banks	37,078,907	26,199,270
Short-term part of non-current financial liabilities to banks	-10,034,649	-7,420,362
Total	**27,044,258**	**18,778,908**

Increase in long-term financial investments to banks in 2010 is a result of a loan hired in the amount of EUR 18,300,000 intended for financing investment.

Maturity of loans taken is 5 years, except for the loan taken out in 2010, the maturity of which is 7 years. Interest rate is between 1 and 3-month EURIBOR plus the bank's profit margin (mark-up). All loans are insured by bills of exchange.

Current liabilities
(Explanation 13)

Current financial liabilities include amounts of the short-term part of long-term borrowings due for payment within one year from the balance date. As at December 31st 2010, they amount to EUR 10,034,649. Other current financial liabilities include the sum of liabilities for dividends from previous years not yet paid out in the amount of EUR 10,751.

Current trade payables amount to EUR 41,335,195; compared to the year before, they are higher by 28%.

in EUR

	2010	2009
Short-term trade payables to companies within the Group	83,421	69,474
Short-term trade payables to suppliers	27,042,512	19,120,262
Short-term payables from operations for third party account	9,698,834	9,431,253
Short-term trade payables to employees	2,179,266	2,101,628
Short-term trade payables to government and other institutions	1,535,561	947,135
Short-term trade payables based on advances	477,745	484,915
Other short-term trade payables	317,856	232,257
Total	**41,335,195**	**32,386,924**

Current trade payables to companies in the Group include liabilities for the purchase of electric energy; compared to 2009, they are higher by 20%.

Current trade payables to suppliers are 41% above the 2009 balance, particularly as a result of the increase in the following item:

- liabilities to suppliers for property, plant, and equipment in the amount of EUR 5,094,249;
- liabilities to suppliers for electric energy and network charges in the amount of EUR 1,835,512; and
- liabilities to suppliers for working capital in the amount of EUR 994,414.

Current liabilities from operations for third party account amount to EUR 9,698,834 and they include the balance of open payables to the company SODO, d.o.o., for the use of network.

Changes in current trade payables

in EUR

	As at Jan 1st 2010:	Decrease	Increase	As at Dec 31st 2010:
Short-term trade payables to companies within the Group	69,474	744,900	758,847	83,421
Short-term trade payables to suppliers	19,120,262	197,918,489	205,840,739	27,042,512
Short-term payables from operations for third party account	9,431,253	189,080,744	189,348,325	9,698,834
Short-term trade payables to employees	2,101,628	40,812,131	40,889,769	2,179,266
Short-term trade payables to government and other institutions	947,135	191,345,008	191,933,434	1,535,561
Short-term trade payables based on advances	484.915	4.342.799	4.335.629	477.745
Other short-term trade payables	232.257	3.458.908	3.544.507	317.856
Total	**32.386.924**	**627.702.979**	**636.651.250**	**41.335.195**

Short-term accrued expense and deferred revenue
(Explanation 14)

As at December 31st 2010, short term accrued expenses and deferred revenue amount to EUR 755,335. Compared to 2009, they are lower by EUR 4,258,763.

The decrease in short-term accrued expenses and deferred revenue is predominantly a result of decrease of CPO fine regarding the concerted action in electric energy price hike from EUR 2,561,720 to EUR 125,000; decrease in fine by the National Review Commission reviewing the public tender procedures from EUR 350,000 to EUR 2,500, and reversal of short-term deferred revenue for liquidated damages for unjustified termination of electric energy supply contracts.

in EUR

	2010	2009
Accrued costs for waived annual leave	627,835	602,840
Accrued costs – CPO penalty and other penalties	127,500	2,911,720
Accrued costs	0	397,180
Accrued expenses – excise duty	0	85,076
Deferred revenue – contract termination	0	1,017,282
Total	**755,335**	**5,014,098**

Off-balance sheet assets/liabilities
(Explanation 15)

Commitments and contingent liabilities at the company show the amounts of notes given for loans received, the guarantees given and received, the potential payment liabilities, the amounts pertaining to small tools in use, the values of fixed assets transferred to SODO, d.o.o., and the partial amount of 2004 – 2009 regulatory period offset.

in EUR

	2010	2009
Securities for payment insurance – guarantees	2,248,330	2,216,068
Securities for payment insurance – notes	37,078,908	26,199,270
Receivables for bank guarantees provided	3,864,336	3,237,991
Potential liabilities for damages	523,824	10,092,545
Small tools in use	1,155,599	1,107,903
PSP SODO transfer of property plant and equipment Jan 1st – Aug 31st 2010	4,699,003	0
PSP SODO transfer of property plant and equipment since Jan 1st 2010	1,276,500	0
Billing offset for the 2004-2009 regulatory period	4,431,212	0
Acknowledged in year 2011	2,215,606	0
Acknowledged in year 2012	2,215,606	0
Total	**55,277,712**	**42,853,777**

5.6.2 Notes to income statement

Income Statement of the company includes income and expenses that occurred in the period to which the report pertains, i.e. the relevant fiscal year. Income statement takes the form of multi-step statement compiled according to version 1 as defined in the SAS 25. The figures are reported for the current and past period.

Appendix to income statement

in EUR

	2010	2009
Net sales revenues	192,605,068	185,014,426
Capitalized own products and services	10,927,155	9,376,379
Cost of products and services sold	195,094,063	188,505,394
Gross profit	**8,438,160**	**5,885,411**
Selling costs	3,617,222	3,312,739
Administrative expenses	6,836,595	8,051,619
- normal administrative expenses	5,107,940	4,387,143
- Revaluation operating expenses pertaining to intangible long-term assets and tangible fixed assets (property, plant, and equipment) (7201, 7200)	67,360	83,887
- Revaluation operating expenses for current assets (7210, 11)	1,661,295	3,580,589
Other income	5,596,464	4,328,890
Results from operating activities	**3,580,807**	**-1,150,057**

Net sales revenues
(Explanation 16)

in EUR

	2010	2009
Sale of electric energy	142,231,935	140,911,449
Rent income	28,739,808	24,702,404
- SODO, d.o.o., rent	28,318,385	24,113,471
- Other	421,423	588,933
SODO, d.o.o., services as per contract	15,399,347	14,331,087
Services charged	6,142,521	5,008,334
Sale of waste material	91,457	61,152
Total	**192,605,068**	**185,014,426**

Revenue from sales of electric energy are 1% higher than in the equivalent period last year due to different recording of revenue from sale of electric energy for losses in 2009.

In 2009, revenues only included the difference between revenues and cost of purchase of electric energy for losses in the amount of EUR 1,291,333; in 2010, revenues from sale of electric energy for losses are reported separately, in the amount of EUR 7,535,167, as are the costs of purchase of electric energy for losses in the amount of EUR 6,362,423.

Revenues from sale of services was generated by sale of construction and installation, planning, and other services rendered for foreign customers. In 2010, these revenues are higher by 23%, particularly due to larger volume of photovoltaic power plant construction.

Revenue from lease charged for electricity distribution infrastructure and provision of services to SODO, d.o.o., in 2010, amount to a total of EUR 43,717,732.

in EUR

	Rent income	Services	Total
Based on SODO, d.o.o., contract	24,021,766	15,688,591	39,710,357
Partial billing offset for the 2009 regulatory period	1,322,798	328,149	1,650,947
Preliminary billing offset for the 2010 regulatory period	2,973,821	-617,393	2,356,428
Total	**28,318,385**	**15,399,347**	**43,717,732**

Capitalized own (in-house) products
(Explanation 17)

Capitalized own (in-house) products include revenues from own investments in the amount of EUR 10,570,427 and revenues from internal services in the amount of EUR 356,728.

in EUR

	2010	2009
Capitalized own (in-house) products and services	10,927,155	9,376,379
Total	**10,927,155**	**9,376,379**

Other income
(Explanation 18)

Other income including revaluation adjustments amount of EUR 5,596,464.

in EUR

	2010	2009
Reversal of provisions and accrued expenses and deferred revenue	2,913,642	96,938
Drawing of long-term accruals and deferrals	1,252,996	1,332,538
Proceeds from disposal of property, plant, and equipment, collected receivables from previous years	1,429,826	2,899,413
Total	**5,596,464**	**4,328,889**

Relative to 2009, other income rose particularly due to reversal of accrued expenses and deferred revenues for decreased CPO fine for concerted action in electric energy price hike by EUR 2,347,500, and decreased fine by the National Review Commission reviewing the public tender procedures by EUR 347,500.

Costs of goods, material, and services
(Explanation 19)

Cost of material and services amount of EUR 159,854,633, which is 5% more than in the equivalent period last year.

in EUR

	2010	2009
Cost of material	150,390,878	144,166,980
Costs of services	9,463,755	8,807,404
Total	**159,854,633**	**152,974,384**

Purchase of electric energy represents the predominant part of cost of material as it amount of EUR 139,349,202.

Other considerable costs include the cost of property, plant, and equipment maintenance in the amount of EUR 2,105,399; IT cost in the amount of EUR 1,771,489; insurance premium cost in the amount of EUR 1,103,769; and cost of services for further clearance/offset in the amount of EUR 1,066,760.

In 2010, the company recorded the following amounts spent for the auditor:

- audit of financial statements in the amount of EUR 9,830;
- due diligence review in the amount of EUR 95,000.

In 2010, the company incurred tax consulting service costs in the amount of EUR 5,830.

Labour costs
(Explanation 20)

in EUR

	2010	2009
Cost of salaries	17,212,055	16,769,318
- of which accrued labour costs for waived annual leave	627,835	602,840
Cost of additional employee pension insurance	905,679	887,512
Employer contributions and other salary duties	2,882,412	2,806,632
Other labour costs	3,413,696	3,342,404
Total	**24,413,842**	**23,805,866**

Other labour cost pertain mostly to:

- holiday pay in the amount of EUR 1,269,462,
- commute and lunch allowances in the amount of EUR1,906,117

in EUR

Gross salaries to employees on individual employment contracts	**647,469**
- base gross salary	567,962
- bonus for years of service	64,689
- Christmas bonus or "13th salary"	14,818
Travel expenses reimbursement	**13,913**
Other expense reimbursement (allowance for food, commute)	**13,396**
Supplementary voluntary pension insurance	**27,371**
Holiday allowance/pay	**15,270**
Accrued labour costs due to waived annual leave	**8,108**
Fringe benefits	**15,040**
Contributions on fringe benefits	**2,421**

in EUR

Total gross salaries for the company Management Board	**74,562**
- base gross salary	70,834
- bonus for years of service	3,327
- Christmas bonus or "13th salary"	400
Travel expenses reimbursement	**5,451**
Other expense reimbursement (allowance for food, commute)	**1,821**
Supplementary voluntary pension insurance	**2,806**
Holiday allowance/pay	**525**
Accrued labour costs due to waived annual leave	**776**
Fringe benefits	**439**
Contributions on fringe benefits	**71**

The cost of gross salary to company Management Board includes the salary for the company representative Mr. Peter Grubelnik for the period from January 1st 2010 to April 13th 2010, amounting to EUR 22,367.10, and the salary of the Management Board President Mr. Andrej Kosmačin for the period from April 14th 2010 to December 31st 2010 in the amount of EUR 52,194.76.

In the period from January 1st 2010 to April 13th 2010, EUR 53,508.13 of personal income was paid to the company representative; in the period from April 14th 2010 to December 31st 2010, EUR 45,688.54 of personal income was paid to the company Management Board President.

No loans or advance payments were made to the company Management Board, Supervisory Board members, or any other employee on an individual employment contract, nor were any guarantees given for their liabilities.

Following are the receipts/income of the Supervisory board members in the fiscal year at hand:

in EUR

Last and first name	Gross session attendance fee
Madžarac Matjaž (Chairman from 17/11/2009)	8,930,64
Grubelnik Peter (member from 14/04/2010)	4,864,52
Ferenčak Roman (member from 16/09/2009)	7,073,32
Kokalj Srečko (member from 16/09/2009)	6,891,24
Ropoša Silvo (member – Works Council representative from 13/07/2010)	3,036,00
Pečovnik Miroslav (member – worker's representative)	6,468,00
Jaušovec Anton (member – worker's representative until 12/07/2010)	3,762,00
Total	**41,025,72**

in EUR

Amount of session attendance fees	Gross
Regular and extraordinary session for the SB Chairperson	429,00
Regular and extraordinary session for the SB member	330,00
Correspondence session for the SB Chairperson	343,20
Correspondence session for the SB member	264,00

Cost of Supervisory Board session attendance fees in 2010

in EUR

Cost of session attendance fees	41,025,72
Taxes and duties	2,461,56
Total	**43,487,28**

Write-downs and write-offs
(Explanation 21)

in EUR

	2010	2009
Depreciation and amortization	18,509,118	18,241,670
Revaluation operating expenses pertaining to intangible assets and tangible fixed assets (property, plant, and equipment)	67,360	83,887
Revaluation operating expenses (impairments and write-offs) for current assets	56,799	131,975
Revaluation operating expenses (impairments and write-offs) for receivables	1,604,496	3,448,615
Total	**20,237,773**	**21,906,146**

Impairments and write-offs amounted to EUR 20,237,773 in 2010. This amount represents 10% of total company costs and expenses.

Other operating expenses
(Explanation 22)

in EUR

	2010	2009
- provisions for retirement benefits, loyal service rewards, and severance packages	384,567	478,023
- provisions for other liabilities and charges from past operations; excise duties	0	78,453
- other duties and expenses (charge for building land, fees, judicial fees)	300,282	304,200
- other expenses	356,783	322,680
Total	**1,041,632**	**1,183,356**

The company recognized provisions for severance packages upon retirement in the amount of EUR 381,045, and provisions for loyal service rewards in the amount of EUR 3,522, which had to be brought into line with the calculations of the certified actuary expert.

Finance income from interest on loans
(Explanation 23)

Finance income from interest on loans were generated on surpluses deposited with commercial banks in the amount of EUR 80,767.

in EUR

	2010	2009
Finance income from loans to others	80,767	183,556
Total	**80,767**	**183,556**

Finance income from trade receivables
(Explanation 24)

in EUR

	2010	2009
Finance income from trade receivables to others	369,549	534,624
Total	**369,549**	**534,624**

Finance income amounted to EUR 369,549. It pertains to default interest charged on unpaid and overdue receivables for electric energy, use of network, and services.

Finance expenses from financial liabilities
(Explanation 25)

in EUR

	2010	2009
Finance expenses from borrowings (interest)	561,397	600,978
Finance expenses from other financial liabilities	3,635	18,102
Total	**565,032**	**619,080**

Finance expenses from borrowings pertain to interest on long-term borrowings, amounting to EUR 548,642, and interest on short-term borrowings, amounting to EUR 12,755. Lower expenses for interest are a result of favourable changes in EURIBOR.

Finance expenses from trade payables
(Explanation 26)

in EUR

	2010	2009
Finance expenses from trade payables	19,931	10,914
Finance expenses from other financial liabilities	593,401	7,406
Total	**613,332**	**18,320**

Finance expenses from other financial liabilities include default interest for reimbursement of overcharged amounts for electric energy.

Other revenue
(Explanation 27)

in EUR

	2010	2009
Damage compensation received	1,058,776	2,884,696
Other revenues	25,047	37,189
Total	**1,083,823**	**2,921,885**

Received damage compensation includes compensation from the insurance company in the amount of EUR 901,915 and other compensation received as liquidated damages for unjustified termination of contracts in the amount of EUR 156,861.

Other expenses
(Explanation 28)

Other expenses comprise include non-recurring items and other expenditure that decreases the operating result.

in EUR

	2010	2009
Penalties, fines, and damages payable in cash	40,889	418,314
Other expenses	21,317	2,801
Total	**62,206**	**421,115**

Other expenses are 85% lower than in the year before, since the fine by the National Review Commission reviewing the public tender procedures, amounting to EUR 350,000, was included that year. Based on the decision regarding the offence, the fine was decreased to EUR 2,500 in 2010.

Damages represent the amounts paid due to damages inflicted on crops and agricultural land.

Profit (net income) for the period
(Explanation 29)

Company profit for the financial period amounts to EUR 3,874,376.

The company does not report and tax expenses for corporate income tax due to the loss from previous years.

in EUR

	2010	2009
Results from operating activities	3,580,807	-1,150,057
Net finance income	-728,048	80,780
Results from other revenue and expenses	1,021,617	2,500,770
Total	**3,874,376**	**1,431,493**

Company net income (profit) in the period at hand exceeds the last year's figure by EUR 2,442,883.

If the company made revaluation adjustment to its equity to account for the increase in consumer prices (1.9%) for 2010, net loss of EUR 381,293 would be reported (disregarding the effect on the corporate income tax).

in EUR

Item	Equity as at the beginning of the year	% growth	Calculated effect	Profit (net income) for the period before the adjustment	Profit (net income) for the period after the adjustment
EQUITY – all categories except for current net income (profit)	223,982,594	1,90	4,255,669	3,874,376	-381,293

5.6.3 Notes to cash flow statement and statement of changes in equity

5.6.3.1 Cash flow statement

Company cash flow statement is compiled in compliance with SAS 2006 by direct method (version I).

Data for the statement of cash flows were obtained from records of receipts and disbursements of cash from the company current accounts opened with the following commercial banks: Nova KBM, d.d., PBS, d.d., NLB, d.d., and Deželna banka Slovenije, d.d. Due to business interest, the company opened a new current account with the Deželna banka Slovenije, d.d., in 2010.

In 2010, total cash receipts of the company Elektro Maribor, d.d., amounted to EUR 392,680,107, while total cash disbursements amounted to EUR 390,471,299. Final balance of cash and cash equivalents, including the funds in current accounts, short-term deposits, and in call deposits, amounted to EUR 9,604,741, which is consistent with the balance of cash and cash equivalents in the balance sheet as at December 31st 2010.

Cash flow in 2010 is positive, amounting to EUR 2,208,807.

Cash flows from operating activities
(Explanation 30)

Receipts from operating activities amounted to EUR 329,309,635, which is 0.8% less than in 2009. Among receipts from sale of products and services, receipts from sale of electric energy and charges for use of network represent the highest share (85.5%); receipts from rents and services according to the SODO agreement represent 14.8% and they amounted to EUR 48,353,718.

Disbursement from operating activities amounted to EUR 326,651,732, which is 1.8% more than in the year before. Of these, disbursements for the purchase of material and services amounted to EUR 290,410,235, which means that they remained at the 2009 level. Disbursements for salaries rose by 5.1%. Disbursements for duties an charges rose by 28.9% relative to 2009, which is mostly the result of higher liabilities for value-added tax, higher contributions and taxes for salaries, and particularly higher excise duties which amounted to EUR 1,646,998 in 2009.

Other disbursements from operating activities are higher than in 2009 particularly due to expenses for interests resulting from the reimbursement of overcharged amounts for electric energy.

Surplus of receipts over disbursements from operating activities amounted to EUR 2,657,903.

Cash flows from investing activities
(Explanation 31)

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

Disbursements from investing activities are 39.1% lower than in the fiscal year before. The decrease is largely the effect of lower disbursements for investments into tangible and intangible fixed assets due for payment a the beginning of 2011.

Surplus of disbursements over receipts from investing activities amounts to EUR 10,796,991.

Cash flows from financing activities
(Explanation 32)

Surplus of receipts over disbursement from financing activities in the amount of EUR 10,347,896 is a result of taking out a long-term loan (borrowing) in the amount of EUR 18,300,000, intended for financing the investments into energy engineering infrastructure. The loan was taken out for a period of 7 years, with start of repayment in 2011.

Balance of borrowings as at December 31st 2010 was at EUR 37,078,908; as at December 31st 2009, it was at EUR 26,199,270.

Due to higher rate of borrowing in recent years, liabilities pertaining to debt annuities are also higher; compared to the end of 2009, they rose by 26.8% in the 2010 fiscal year.

In 2010, we also took out a short-term revolving credit line which was drawn and repaid according to the daily requirements for cash. A loan in the amount of EUR 8,000,000 was taken out in March and repaid in November 2010.

5.6.3.2 Statement of changes in equity

Distributable profit and proposal for its allocation

in EUR

DISTRIBUTABLE PROFIT	2010	2009
a) Net income/profit for the year	**3,874,376**	**1,431,493**
b) Retained earnings	**0**	**711,894**
č) increase in revenue reserves pursuant to Management Board resolution	**193,719**	**71,575**
Legal reserves	193,719	71,575
d) Increase in revenue reserves pursuant to Management Board and Supervisory Board resolution	**1,840,328**	**679,959**
Other revenue reserves	1,840,328	679,959
DISTRIBUTABLE PROFIT (a+b-č-d)	**1,840,329**	**1,391,853**

At its session held on August 25th 2010, the Shareholders Assembly of Elektro Maribor, d.d., voted on the allocation of distributable profit for the 2009 fiscal year. The company Shareholders Assembly adopted the proposal by the Management Board and the Supervisory Board and allocated the distributable profit for 2009, amounting to EUR 1,391,853, to increase of other revenue reserves.

The company is constantly striving to attain a high business standard. Therefore, its business policy is directed towards satisfying the needs and expectations of its customers, shareholders, and the entire public.

Therefore, the company Management Board decided to allocate a part of the net income/profit for the 2010 fiscal year, amounting to EUR 3,874,376, which amounts to EUR 1,840,329 after recognition of statutory reserves in the amount of EUR 193,719, for other revenue reserves in the amount of EUR 1,840,328.

Distributable profit in the amount of EUR 1,840,329 is subject to the proposal on its allocation as submitted to the company Shareholders Assembly.

The company Management Board and Supervisory Board propose to the Shareholders Assembly to allocate the distributable profit of the 2010 fiscal year, amounting to EUR 1,840,329, to other revenue reserves.

The company holds 2,741.0778 units of the Alfa sub-fund of the Probanka umbrella fund, as at December 31st 2010, the value of unit amounts to EUR 55.3630. Fair value of this investment as at December 31st 2010 amounts to EUR 151,754.

The difference between the book and fair value of the investment is negative in the amount of EUR 14,369, which reduces the value of financial investment revaluation surplus from EUR 119,553 to EUR 105,184.

REPORT BY ACTIVITIES

Balance sheet and Income Statement for particular activities are compiled according the the following assumptions:

- business events that are unambiguously attributable to a particular activity shall be recorded to that activity immediately, upon occurrence;
- business events that are shared or that cannot be appropriately defined and attributed at the time of their occurrence shall be recorded at the level of common services;
- balances of assets and liabilities and revenues, costs, and expenses recorded at the level of common services shall be attributed to particular activities in compliance with the criteria defined in the Rules and Regulations on internal division ratios at the company Elektro Maribor, d.d., as confirmed by the Energy Agency of the Republic of Slovenia.

The partial balance sheets depend on the selection of criteria and their limited significance.

Balance sheet by activities

in EUR

Item	EDS	PAS	Total
A. Non-current assets	**277,065,184**	**99,918**	**277,165,102**
I. Intangible assets and long-term accrued income and deferred expenses	**1,660,751**	**2**	**1,660,753**
1. Long-term property rights	1,660,751	2	1,660,753
II. Property, plant, and equipment (1 to 6)	**272,123,813**	**42,820**	**272,166,633**
1. Land and buildings (a+b)	204,288,092	675	204,288,767
a. Land	7,447,269	3	7,447,272
b. Buildings	196,840,823	672	196,841,495
2. Production equipment and machinery	62,604,165	42,145	62,646,310
4. Tangible fixed assets in acquisition process (a+b)	5,231,556	0	5,231,556
a. Property, plant, and equipment under construction	4,713,361	0	4,713,361
b. Advances for acquisition of property, plant, and equipment	518,195	0	518,195
III. Investment property	**731,474**	**117**	**731,591**
IV. Long-term financial investments	**2,516,695**	**56,396**	**2,573,091**
1. Long-term financial investments excl. loans	2,516,695	56,396	2,573,091
a. Investment into shares and shareholdings of companies in the Group	1,654,884	37,083	1,691,967
b. Investment into shares of associated companies	658,030	14,746	672,776
c. Other long-term investments into shares and shareholdings	55,353	1,241	56,594
č. Other long-term financial investments	148,428	3,326	151,754
V. Non-current trade receivables (1 to 3)	**32,451**	**583**	**33,034**
3. Non-current trade receivables from others	32,451	583	33,034
B. Current assets	**20,270,208**	**39,837,372**	**60,107,580**
II. Inventories (1 to 4)	**2,055,813**	**13,743**	**2,069,556**
1. Material	2,055,813	13,743	2,069,556
IV. Current trade receivables (1 to 3)	**12,310,894**	**36,122,389**	**48,433,283**
1. Current trade receivables to companies within the Group	259,816	3,293	263,109
2. Current trade receivables	10,128,595	34,188,395	44,316,990
3. Current trade receivables from others	1,922,483	1,930,701	3,853,184
V. Cash and cash equivalents	**5,903,502**	**3,701,239**	**9,604,741**
C. Short-term accrued revenue and deferred expense	**2,373,783**	**32,508**	**2,406,291**
ASSETS (A+B+C)	**299,709,175**	**39,969,798**	**339,678,973**
Off-balance sheet assets	52,587,055	2,690,657	55,277,712

in EUR

Item	EDS	PAS	Total
A. Equity (I-VI)	**205,694,712**	**22,162,258**	**227,856,970**
I. Ordinary shares (1 to 2)	**127,337,351**	**12,436,159**	**139,773,510**
1. Share capital	127,337,351	12,436,159	139,773,510
II. Share premium	**68,437,745**	**6,683,841**	**75,121,586**
III. Revenue reserves (1 to 5)	**8,004,582**	**3,011,779**	**11,016,361**
1. Legal reserves	850,655	288,809	1,139,464
5. Other revenue reserves	7,153,927	2,722,970	9,876,897
IV. Revaluation surplus	**102,878**	**2,306**	**105,184**
VI. Net income/profit for the year	**1,812,156**	**28,173**	**1,840,329**
1. Undistributed net income (profit) for the year	1,812,156	28,173	1,840,329
Provisions and long-term AEDR (1 to 3)	**32,571,294**	**70,521**	**32,641,815**
1. Retirement benefits and jubilee premium provisions	4,032,487	66,250	4,098,737
3. Long-term AEDR	28,538,807	4,271	28,543,078
C. Non-current liabilities (I to III)	**27,044,258**	**0**	**27,044,258**
I. Non-current financial liabilities (1 to 4)	27,044,258	0	27,044,258
2. Long-term financial liabilities to banks and enterprises	27,044,258	0	27,044,258
Č. Current liabilities (I to III)	**33,824,170**	**17,556,425**	**51,380,595**
II. Current financial liabilities (1 to 4)	10,045,164	236	10,045,400
2. Current financial liabilities to banks and enterprises	10,034,649	0	10,034,649
4. Other short-term financial liabilities	10,515	236	10,751
III. Current operating liabilities (1 to 8)	23,779,006	17,556,189	41,335,195
1. Short-term trade payables to companies within the Group	83,421	0	83,421
2. Short-term trade payables to suppliers	10,875,200	16,167,312	27,042,512
4. current (short-term) liabilities from operations for third party account	9,698,834	0	9,698,834
5. Short-term payables to employees	2,116,430	62,836	2,179,266
6. Current (short-term) payables to government and other institutions	661,993	873,568	1,535,561
7. Short-term trade payables based on advances	49,305	428,440	477,745
8. Other short-term trade payables	293,823	24,033	317,856
D. Short-term accrued expense and deferred revenue	**574,741**	**180,594**	**755,335**
LIABILITIES (A + B + C + Č + D)	**299,709,175**	**39,969,798**	**339,678,973**
Off-balance sheet liabilities	52,587,055	2,690,657	55,277,712

Income statement by activities

in EUR

	Item	EDS	PAS	Total
1.	**Net sales revenues (a+b)**	**57,751,594**	**134,853,474**	**192,605,068**
	a. In domestic market	57,751,594	134,853,474	192,605,068
3.	**Capitalized own products and services**	**10,927,155**	**0**	**10,927,155**
4.	**Other operating revenues (incl. revaluation adjustment surpluses)**	**2,061,737**	**3,534,727**	**5,596,464**
5.	**Costs of goods, material, and services (a+b)**	**24,710,795**	**135,143,838**	**159,854,633**
	a. Cost of goods and material sold	17,228,794	133,162,084	150,390,878
	b. Costs of services	7,482,001	1,981,754	9,463,755
6.	**Labour costs (a+b+c+d)**	**22,941,148**	**1,472,694**	**24,413,842**
	a. Costs of salaries	16,129,705	1,082,350	17,212,055
	b. Cost of additional employee pension insurance	854,508	51,171	905,679
	c. Employer contributions and other salary duties	2,715,008	167,404	2,882,412
	d. Other labour costs	3,241,927	171,769	3,413,696
7.	**Write-downs and write-offs (a+b+c)**	**18,822,880**	**1,414,893**	**20,237,773**
	a. Depreciation and amortization	18,435,710	73,408	18,509,118
	b. Revaluation adjustments to intangible and tangible fixed assets	66,501	859	67,360
	c. Revaluation operating expenses for current assets	320,669	1,340,626	1,661,295
8.	**Other operating expenses**	**908,108**	**133,524**	**1,041,632**
10.	**Finance income from loans granted (a+b)**	**65,421**	**15,346**	**80,767**
	b. Finance income from loans to others	65,421	15,346	80,767
11.	**Finance income from trade receivables (a+b)**	**81,898**	**287,651**	**369,549**
	b. Finance income from trade receivables to others	81,898	287,651	369,549
13.	**Finance expenses from financial liabilities (a+b+c+č)**	**554,881**	**10,151**	**565,032**
	b. Finance expenses from borrowings (interest)	551,803	9,594	561,397
	č. Finance expenses from other financial liabilities	3,078	557	3,635
14.	**Finance expenses from trade payables (a+b+c)**	**2,152**	**611,180**	**613,332**
	b. Finance expenses from trade payables and liabilities pertaining to bills of exchange (drafts)	1,492	18,439	19,931
	c. Finance expenses from other trade payables	660	592,741	593,401
15.	**Other revenue**	**918,075**	**165,748**	**1,083,823**
16.	**Other expenses (a+b)**	**50,852**	**11,354**	**62,206**
19.	**PROFIT FOR THE FINANCIAL PERIOD (1 ± 2 +3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 17 ± 18)**	**3,815,064**	**59,312**	**3,874,376**

Statement of other comprehensive income by activities

in EUR

	Item	EDS	PAS	Total
19.	Profit (net income) for the period	3,815,064	59,312	3,874,376
21.	Change in the revaluation surplus for financial assets available-for-sale	-14,054	-315	-14,369
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19 + 20 + 21 + 22 + 23)**	**3,801,010**	**58,997**	**3,860,007**

Costs by functional groups of activities

PRODUCTION COSTS

in EUR

	EDS	PAS	Production costs
Cost of material	17,021,123	133,017,222	150,038,345
Costs of services	6,274,651	28,294	6,302,945
Depreciation and amortization	18,383,532	59,199	18,442,731
Labour costs	19,673,516	0	19,673,516
Other operating expenses	636,526	0	636,526
Total	**61,989,348**	**133,104,715**	**195,094,063**

COSTS OF SALES

in EUR

	EDS	PAS	Costs of sales
Cost of material	68,937	112,319	181,256
Costs of services	170,682	1,710,291	1,880,973
Depreciation and amortization	52,178	14,209	66,387
Labour costs	558,893	837,311	1,396,204
Other operating expenses	18,292	74,110	92,402
Total	**868,982**	**2,748,240**	**3,617,222**

MANAGEMENT COSTS

in EUR

	EDS	PAS	Management costs
Cost of material	138,734	32,543	171,277
Costs of services	1,036,668	243,169	1,279,837
Depreciation and amortization	0	0	0
Labour costs	2,708,739	635,383	3,344,122
Other operating expenses	253,290	59,414	312,704
Total	**4,137,431**	**970,509**	**5,107,940**

TOTAL COSTS

in EUR

	EDS	PAS	Total costs
Cost of material	17,228,794	133,162,084	150,390,878
Costs of services	7,482,001	1,981,754	9,463,755
Depreciation and amortization	18,435,710	73,408	18,509,118
Labour costs	22,941,148	1,472,694	24,413,842
Other operating expenses	908,108	133,524	1,041,632
Total	**66,995,761**	**136,823,464**	**203,819,225**

CONTACTS WITH THE COMPANY ELEKTRO MARIBOR, D.D.

BASIC INFORMATION

Company head office

Elektro Maribor d.d.
Vetrinjska ulica 2, SI – 2000 Maribor
Telephone: (02) 22 00 000
Fax: (02) 25 22 241 in (02) 22 00 108

Website: http://www.elektro-maribor.si
E-mail: info@elektro-maribor.si
Registration number: 5231698
VAT ID: 46419853
Current account: SI56 0451 5000 0570 965

Regional units

RU Maribor with surrounding region
Vodovodna ulica 2, 2000 Maribor,
tel.: (02) 22 00 300
fax: (02) 33 26 905

RU Elektro Slovenska Bistrica
Kolodvorska ulica 21a, 2310 Slovenska Bistrica,
tel.: (02) 22 00 500
fax: (02) 81 81 246

RU Elektro Gornja Radgona
Lackova ulica 4, 9250 Gornja Radgona,
tel.: (02) 22 00 800,
fax: (02) 56 11 456

RU Elektro Murska Sobota
Lendavska ulica 31a, 9000 Murska Sobota,
tel.: (02) 22 00 700
fax: (02) 52 31 443

RU Elektro Ptuj
Ormoška cesta 26a, 2250 Ptuj,
tel.: (02) 22 00 600
fax: (02) 77 60 901

Service units

SU Ljutomer
Ulica Rada Pušenjaka 5, 9240 Ljutomer,
tel.: (02) 22 00 850
fax: (02) 58 21 492

SU Maribor
Veselova ulica 6, 2000 Maribor,
tel.: (02) 22 00 451
fax: (02) 42 01 369

Abbreviations

ARDE	Accrued revenue and deferred expenses
AMI	Advanced Metering Infrastructure
AMM	Advanced Metering Management
AMR	Automatic Meter Reading
BS	Balance sheet
DMS	Distribution management substation
EDS	Energy distribution system
SMC	Supply to meter customers
TL	Transmission line
DVE	Provision of reliable electric energy supply by using domestic sources of primary energy
ERP	Enterprise Resource Planning
EU	European Union
EURIBOR	Euro Interbank Offered Rate
PUS	Public utility service
IS	Income Statement
ISO	International Organization for Standardization
EARS	Energy Agency of the Republic of Slovenia
PAS	Purchase and sale
LV	Low voltage
SB	Supervisory Board
RU	Regional Unit
OHSAS	Occupational Health and Safety Advisory Services
PPE	Property, plan, and equipment (fixed assets)
OVE	Support to generation of electric energy in co-production with high efficiency and from renewable resources
OVEN	Renewable energy resources
AEDR	Accrued expenses and deferred revenue
REDOS	Development of Slovenian electricity distribution network
RF	Regulatory Framework
RS	Republic of Slovenia
DS	Distribution substation
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SU	Service unit
SIST	Slovenian Institute of Standardization
MV	Medium voltage
SODO	System operator of the distribution network
SPDOEE	General Terms and Conditions for Supply and Purchase of Electric Energy
SAS	Slovenian Accounting Standards
TS	Transformer substation
URE	Efficiency Improvement in the Use of Electric energy
CPO	Competition Protection Office of the Republic of Slovenia
HV	High Voltage
ZDG	Companies Act

Annual Report of the company Elektro Maribor for the year 2010

Published in June 2011

Published by Elektro Maribor d.d.

AD&D: Kraft&Werk