ELEKTRO MARIBOR

Annual Report 2018

ELEKTRO MARIBOR

Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group 2018

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I. Introduction

1 LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD (GRI 102-14)

Dear stakeholders!

In 2018, we achieved an outstanding operating result, which is due to the high engagement of all employees and the effective participation of responsible stakeholders and the environmental conditions. At the forefront of business operations in 2018 was safe, reliable and efficient governance and maintenance, and development and long-term planning of the electricity distribution system and the provision of sustainable of electricity services.

The year 2018 was marked by a further increase in the needs of our users (population and the economy) in terms of electricity and power. The connected load already reached 3,139 MW at the end of the year, and also in March reached peak power of 441 MW was the highest so far, which was also affected by low temperatures. In 2018, we distributed a record 2,298 GWh of electricity through the Elektro Maribor network to 217,994 meter points, which is 1.4% more than in 2017. From the transmission system, we took over 2.07 TWh (86%) of electricity, and from local production sources 0.34 TWh (14%). In terms of the network, the most new productions sources were integrated after 2012, namely 453, which represents 46% of all production resources in the country.

The construction of an advanced metering system for Elektro Maribor, as well as for users of the electricity distribution network and the wider social environment, is of utmost importance. At the end of 2018, we already had 76% of our users' meter points included in the remote metering system. The company is implementing the Project of replacing electricity meters with smart meters, which is co-financed by the European Union from the Cohesion Fund and the Republic of Slovenia. We also actively participate in the Slovenian-Japanese consumption adaptation project "Move consumption" and "DMS" network management. The Energy Agency granted us the first use of a critical peak tariff and the first experiences show that it represents an effective incentive for adjusting consumption.

By investments in assets, we are systematically increasing the robustness and strength of the network, we are installing advanced metering systems, and we strive for a more reliable and high-quality electricity supply to our customers. Due to the needs of our users, the population and the economy, we earmarked EUR 31.9 million for investments in electricity distribution network in our supply area in 2018, which is the largest in the history of the company. Due to the systematic increase in production capacity, almost two thirds of our investments were self-managed. With great efforts, we raised the share of underground MV and LV lines, which in 2017 reached 50% for the first time, and the share of underground and overhead insulated MV and LV lines has reached a total of 70%.

We are increasing our engagement in the market. in 2018, we thus realized by 3.8% more revenue than in the previous year. In a tough competition, we managed to acquire a lot of business by quality and reliability of our services, and also carried them out successfully through good organisation, qualifications and employees' efforts, thus acquiring important references in obtaining further business as a reliable provider of advance electricity services.

System users are the reason for the existence of our activity. Much attention is paid to the fulfilment of their expectations for network access and quality supply of electricity. In 2018, we had 27 days of extreme weather situations, but of lower intensities than the year before, which, together with the increased robustness of the network, contributed to the significant improvement in the indicators for the quality of supplying our users. Much attention is also given to the communication with our users. With the modern call centre, we are actively present on social networks, and we also enable users to use a special web application, which, inter alia, provides an insight into the data on consumption dynamics. The number of users involved in individual notification increased by 16% (notification by e-mail) or as much as 33% (notification by SMS).

Due to the transparency of sustainability reporting and corporate social responsibility, the Annual Report discloses non-financial operation based on international guidelines for sustainability reporting GRI (Global Reporting Initiative). In 2018, we have switched to their latest standards – Global Standards.

At the forefront of our efforts is quality and business excellence. The company Elektro Maribor has once again received the Certificate of Golden Creditworthiness of AAA Rating, and thus belongs to the golden class of creditworthiness in Slovenia. We also have management systems in place according to the standards ISO 9001:2015, ISO 14001:2015, BS OHSAS 18001:2007, ISO/IEC 17020:2012 and ISO/IEC 27001:2013, which represent the guiding principle of our operation. We carry out self-assessment according to the principles of EFQM for ensuring business excellence and we have a full Family-friendly Company Certificate. We are a signatory of the Declaration of Fair Business and the Slovenian Corporate Integrity Guidelines, the components of which are integrated into our business.

Within the established Distribution Academy, the transfer of implicit knowledge among employees and competence development are at the forefront. In 2018, the majority of all employees were included in a number of Academy's programmes. In accordance with the social responsibility of the profession, we actively participate in the discussions of strategic development documents and legislation in the energy industry.

In 2018, we surpassed the business performance goals set out in the Annual Business Plan. In the last 25 years of company's operation, we generated the highest profit, which after taxation amounts to EUR 14.9 million, which is by 11% more compared to the year before. As the only electricity distribution company we have been operating in the last decade with a positive result at all times, in both regulated and unregulated activities. In 2018, the operating result was significantly influenced by revenue in regulated activities, revenues from market services and the rationalisation of operations by lowering the costs of materials and services. In 2018, we operated in accordance with SDH expectations. We surpassed the economic and financial indicators: ROA, EBITDA margin, net financial debt/EBITDA and added value per employee, while the challenge is presented by indicators that relate to the quality of supply and are largely dependent on weather conditions.

The year 2018 was very important with regard to the adoption of the new Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system (hereinafter as the Act), and thus the regulatory framework for the 2019–2020 period. The company, together with other distribution companies and with the system and distribution operator, actively participated in the making of professionally substantiated proposals, which, largely, have not been taken into account. One of the biggest negative effects of the new network charges act is, in addition to (non)recognition of eligible costs, the reduction of recognised return on assets. The company will therefore in this respect have lower SODO revenue in 2019, which consequently also affects the profit and loss.

The entire social community is facing a major challenge. By systematically building a stronger, more robust and more advanced electricity distribution network, which represents the infrastructure of sustainable development and by implementing quality energy services in accordance with its mission, the company has an important contribution to the provision of conditions for the transition to a low-carbon company.

The effort and sacrifice of employees are reflected in the consistent fulfilment of the company's mission and in the achieved operating results, which we can reasonably be proud of, therefore, I sincerely thank all the employees for a job well done, the supervisory authority, system users, business partners and shareholders for fair cooperation and demonstrated trust.

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

2 HIGHLIGHTS OF OPERATIONS IN 2018 – ELEKTRO MARIBOR D.D.

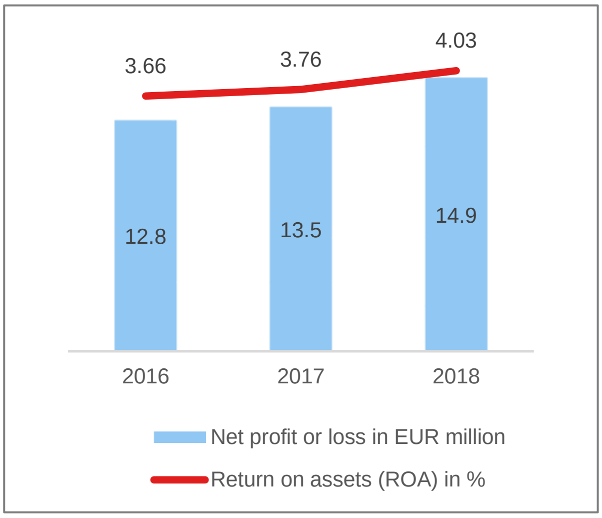

Figure 1: Net profit or loss and ROA

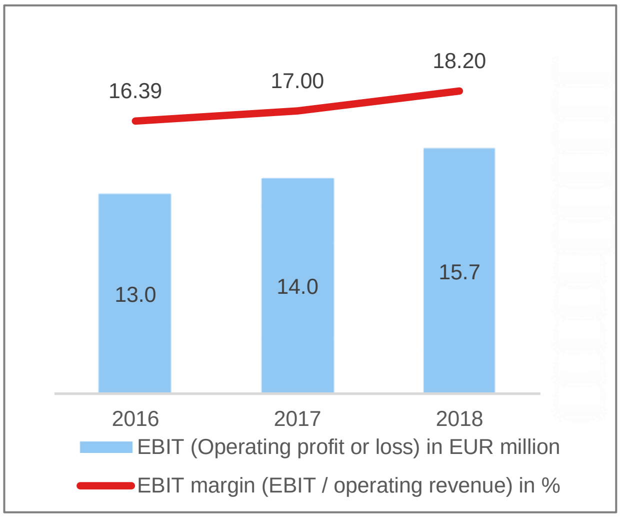

Figure 2: EBIT and EBIT margin

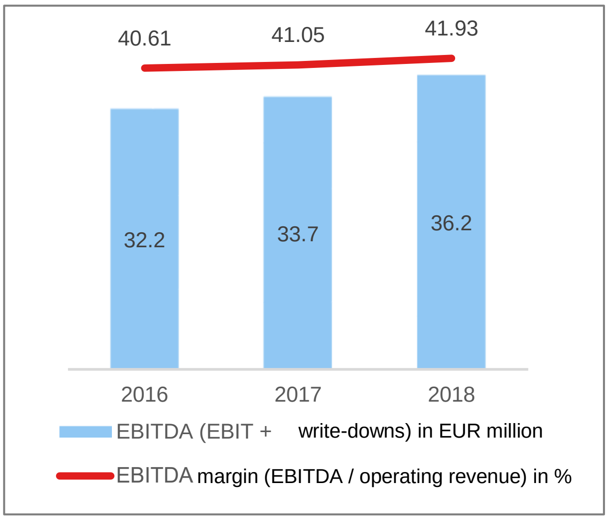

Figure 3: EBIDA and EBITDA margin

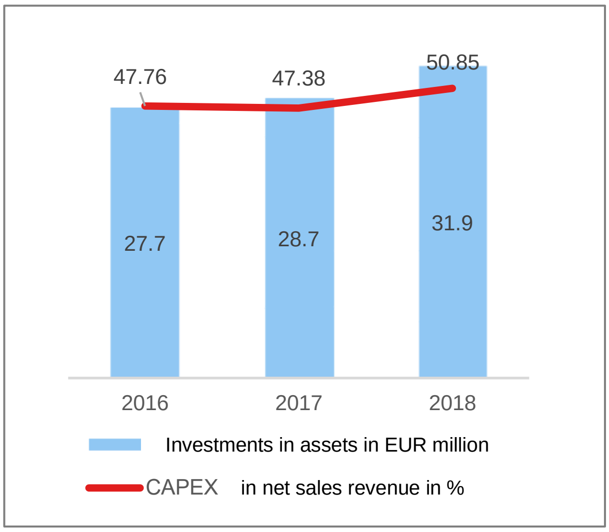

Figure 4: Investments in assets and net sales revenue

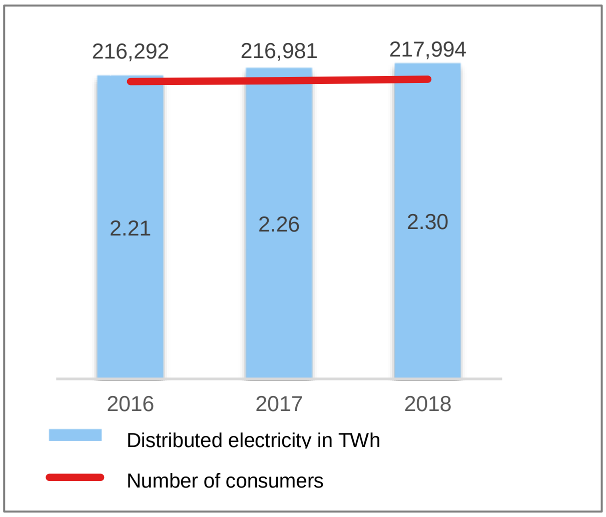

Figure 5: Distributed electricity and number of consumers

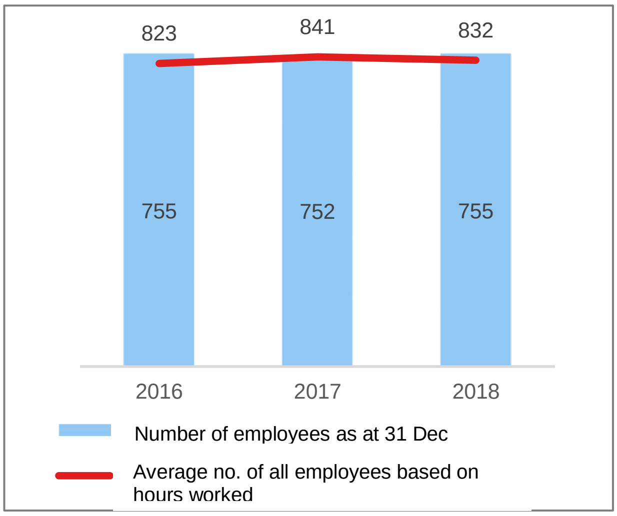

Figure 6: Number of employees

Table 1: Performance indicators of Elektro Maribor d.d.

Financial indicators	2018	2017	2016
Net profit or loss in EUR	14,947,893	13,477,945	12,786,019
Return on assets (ROA) in %*	4.03	3.76	3.66
Return on equity (ROE) in %	5.44	5.09	4.97
EBIT (Operating profit or loss) in EUR	15,730,306	13,950,635	13,004,950
EBIT margin (EBIT/operating revenue) in %	18.20	17.00	16.39
EBITDA (EBIT + write-downs) in EUR	36,245,714	33,679,093	32,220,715
***EBITDA margin (EBITDA/operating revenue) in %**	41.93	41.05	40.61
All revenue total in EUR	88,448,811	83,864,273	80,791,259
Operating revenue (gross return on sales) in EUR	86,448,363	82,050,843	79,345,897
Net sales revenue in EUR	62,690,799	60,476,292	57,941,225
Added value in EUR[1]	66,014,817	63,123,870	60,665,087
Added value per employee from hours worked in EUR*	79,381	75,055	73,702
All costs and expenses total in EUR	71,303,274	68,711,350	66,987,411
Operating costs and expenses in EUR	70,718,057	68,100,207	66,340,947
Assets as at 31 Dec in EUR	377,427,424	364,944,100	352,584,706
Equity as at 31 Dec in EUR	279,933,132	269,381,842	260,251,694
Share of own resources in liabilities in %	74.17	73.81	73.81
Financial liabilities/EBITDA	1.15	1.13	1.18
Net financial debt in EUR[2]	33,853,422	28,631,079	27,222,144
Net financial debt/EBITDA*	0.93	0.85	0.84
Shares	**2018**	**2017**	**2016**
Number of all shares	33,495,324	33,495,324	33,495,324
Own shares	150,022	74,287	72,753
Number of shares	33,345,302	33,421,037	33,422,571
Employees	**2018**	**2017**	**2016**
Number of employees as at 31 Dec	755	752	755
Average monthly number of employees as at	833.90	839.25	830.83
Average no. of all employees based on working hours	831.62	841.04	823.11
Average no. of full-time employees based on working hours	730.58	737.66	742.47
Average salary cost per employee from hours worked	2,099	2,034	2,026
Principal activity indicators	**2018**	**2017**	**2016**
Investments in assets in EUR	31,880,619	28,655,344	27,673,982
CAPEX[3] in net sales revenue in %*	50.85	47.38	47.76
Distributed electricity in MWh	2,297,616	2,264,791	2,208,308
Number of consumers connected to the distribution network	217,994	216,981	216,292
Distributed MWh per number of consumers	10.54	10.44	10.21
SAIDI (own causes)*	38.08	56.54	44.72
SAIFI (own causes)*	1.16	1.39	1.30
MAIFI*	9.70	15.67	10.12
Share of losses per distributed energy in %	4.75	4.71	5.06
OPEX[4] per distributed energy (EUR/MWh)	30.78	30.07	30.04
OPEX[4] regulated activities per distrib. energy (EUR/MWh)*	19.78	20.11	20.11
OPEX[4] regulated activities per no. of consumers (EUR/consum.)	208.51	209.92	117.73
OPEX[4] regulated activities per network length (EUR/km)	2,735.48	2,760.95	1,549.55

* SSH performance monitoring indicators

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

2 Net financial debt = long-term finan. liab. + short-term finan. liab. – short-term finan. investments –cash

3 CAPEX = investments in assets

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

3 HIGHLIGHTS OF OPERATIONS IN 2018 – ELEKTRO MARIBOR GROUP

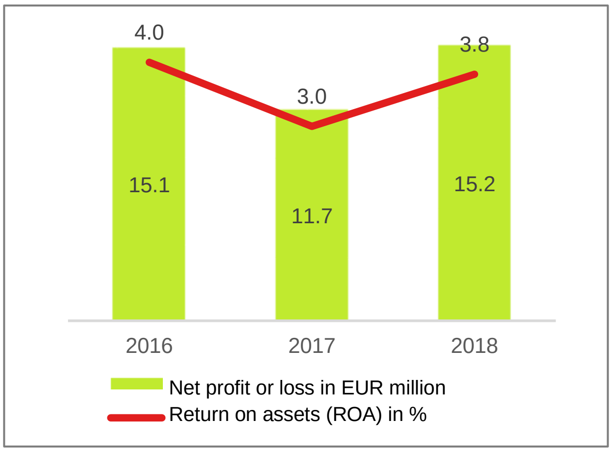

Figure 7: Net profit or loss and ROA

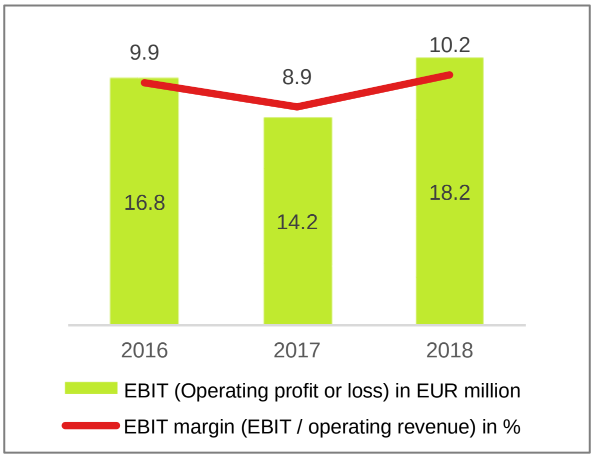

Figure 8: EBIT and EBIT margin

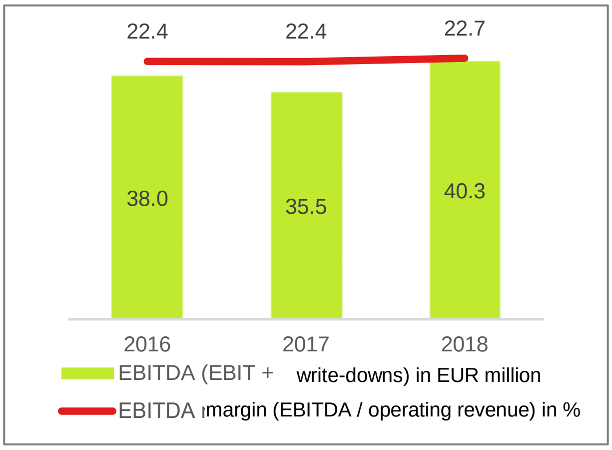

Figure 9: EBIDA and EBITDA margin

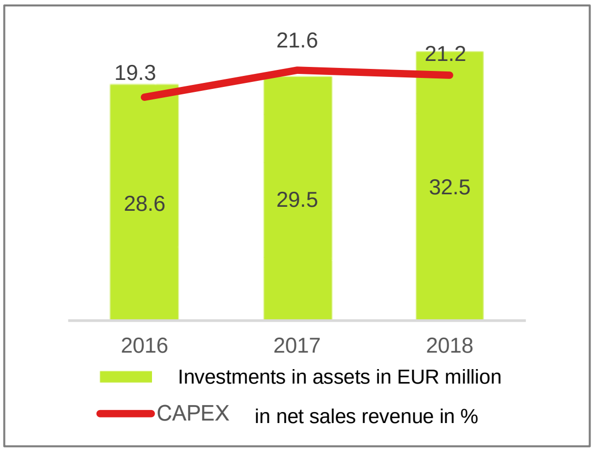

Figure 10: Investments in assets and net sales revenue

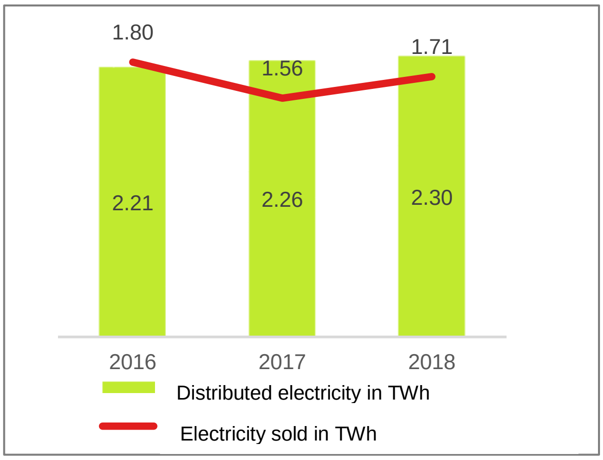

Figure 11: Electricity distributed and sold

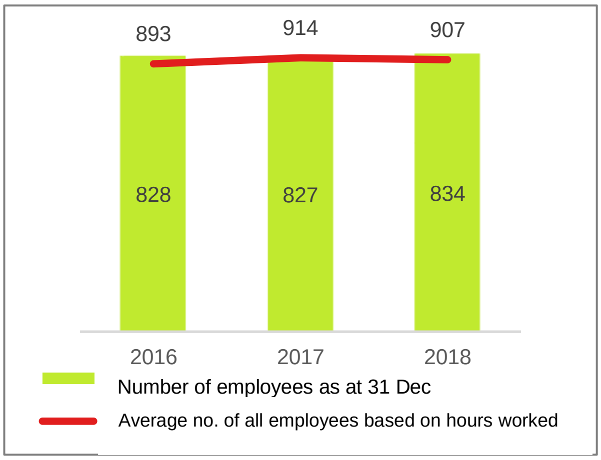

Figure 12: Number of employees

Table 2: Performance indicators of the Elektro Maribor Group

Financial indicators	2018	2017	2016
Net profit or loss in EUR	15,218,892	11,672,058	15,092,354
Return on assets (ROA) in %	3.83	3.02	4.02
Return on equity (ROE) in %*	5.40	4.27	5.69
EBIT (Operating profit or loss) in EUR	18,195,262	14,164,584	16,846,974
EBIT margin (EBIT/operating revenue) in %	10.24	8.93	9.92
EBITDA (EBIT + write-downs) in EUR	40,262,755	35,469,870	38,012,489
EBITDA margin (EBITDA/operating revenue) in %	22.65	22.35	22.37
All revenue total in EUR	178,049,923	158,922,937	170,330,135
Operating revenue in EUR	177,757,849	158,677,462	169,895,716
Net sales revenue in EUR	153,363,632	136,344,167	147,986,222
Added value[1] in euro	73,020,479	67,691,214	69,270,761
Added value per employee from hours worked in EUR	80,513	74,100	77,552
All costs and expenses total in EUR	160,242,353	145,439,543	153,737,913
Operating costs and expenses in EUR	159,562,587	144,512,878	153,048,742
Assets as at 31 Dec in EUR	404,016,449	390,499,179	381,664,254
Equity as at 31 Dec in EUR	287,170,547	276,873,788	269,533,189
Share of own resources in liabilities in %	71.08	70.90	70.62
Financial liabilities/EBITDA	1.04	1.08	1.00
Net financial debt[2] in EUR	30,710,080	24,488,595	21,479,091
Net financial debt/EBITDA	0.76	0.69	0.57
Shares	**2018**	**2017**	**2016**
Number of all shares	33,495,324	33,495,324	33,495,324
Own shares	150,022	74,287	72,753
Number of shares	33,345,302	33,421,037	33,422,571
Employees	**2018**	**2017**	**2016**
Number of employees as at 31 Dec	834	827	828
Average no. of employees based on working hours	906.94	913.51	893.22
Activity	**2018**	**2017**	**2016**
Investments in assets in EUR	32,502,969	29,501,563	28,568,713
CAPEX[3] in net sales revenue in %	21.19	21.64	19.30
Distributed electricity in GWh	2,298	2,265	2,208
Number of consumers connected to the distribution system	217,994	216,981	216,292
Sold electricity in GWh	1,707	1,565	1,801
Produced electricity in MWh	13,571	11,312	14,033

* SSH performance monitoring indicators from LNU

1 Added value = operating revenue – costs of goods, material and services – other operating expenses
2 Net financial debt = long-term finan. liab. + short-term finan. liab. – short-term finan. investments –cash
3 CAPEX = investments in assets

4 REPORT OF THE SUPERVISORY BOARD

Composition

In 2018, the Supervisory Board of Elektro Maribor d.d. operated in the following composition:

By 13 July 2018:

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

From 14 July 2018 to 12 December 2018:

- Tomaž Orešič – Chairman,
- Mateja Čuk – Deputy,
- Ciril Pucko – Member,
- David Klarič – Member,
- Dušan Kovačič – Member,
- Nenad Kajtezovič – Member.

From 13 December 2018:

- Tomaž Orešič – Chairman,
- David Klarič – Deputy,
- Alojz Kovše – Member,
- Jože Golobič – Member,
- Dušan Kovačič – Member,
- Nenad Kajtezovič – Member.

Memberships in other bodies

The member of the Supervisory Board, David Klarič, M.Sc., is a member of a management or respectively a supervisory body of non-associated companies, Pension and Disability Insurance Institute of Slovenia and the Public Scholarship, Development, Disability and Maintenance Fund of the Republic of Slovenia. The member of the Supervisory Board, Jože Golobič, is a member of a supervisory body of a non-associated company UNIOR d.d., Zreče, and the president of the Council of the UMC Ljubljana. The member of the Supervisory Board, Alojz Kovše, is a member of the supervisory body of a non-associated company PLINOVODI, Družba za upravljanje s prenosnim sistemom, d.o.o. Other members of the Supervisory Board do not participate as members in any management or supervisory bodies of associated and non-associated companies.

Monitoring company's operations

In the financial year of 2018, the Supervisory Board of the company Elektro Maribor d.d. has been performing its work in accordance with the basic function of supervision over the management of company's operations and with a duty of a diligent and prudent management based on the powers conferred on them by the applicable regulations and company acts. The Supervisory Board has supervised the management and operations of the company Elektro Maribor d.d. based on the provisions of the Companies Act, the Articles of Association of the Elektro Maribor d.d., and the applicable laws.

The work of the Supervisory Board was organized and carried out according to the provisions of the Rules of Procedure of the Supervisory Board. The Supervisory Board prepared itself for the topics discussed, provided constructive suggestions and, based on the materials prepared by the company's Management Board, adopted its decisions in a responsible manner. In 2018, the company's Management Board was invited to all sessions of the Supervisory Board, which in addition to the materials submitted, provided further clarifications.

The Supervisory Board has at nine regular and one correspondence session discussed and adopted the following important decisions:

- granted consent to the Annual Business Plan of the company and the Elektro Maribor Group for 2019, with a projection of operations for 2020 and 2021;
- approved the Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2017;
- provided a positive position on the Independent Auditor's Report on financial statement of the company Elektro Maribor d.d., and the Independent Auditor's Report on consolidated financial statement of Elektro Maribor for 2017;
- adopted the criteria (profiles) for selecting candidates as members of the Supervisory Board and the document titled Optimal size and competence profile of the members of the Supervisory Board of Elektro Maribor d. d.;
- proposed to the General Meeting to adopt a decision on awarding discharge to the Management Board and the Supervisory Board of the company for 2017, proposed to the General Meeting to appoint an authorised audit firm, granted consent to the proposed allocation of distributable profit for 2017, and approved the material for the 23rd regular session of the General Meeting of Elektro Maribor d.d.;
- proposed to the General Meeting a decision, by which it shall define the remuneration of members of the Supervisory Board and members of Supervisory Board's Committees, and proposed candidates to the company's General Meeting for a new membership mandate in the Supervisory Board;
- adopted the Management Policy and the Diversity Policy of Elektro Maribor d.d.;
- carried out a self-assessment for 2017;
- adopted the Remuneration Policy for the Management Board of Elektro Maribor d.d.;
- adopted the Rules on the purchase, sale and price for company's own shares, and granted consent to the proposal of the quantity and price limitation for purchasing own shares in 2018;
- took note of the Report on effects of implemented reorganization;
- agreed to the sale of SM 1 pylon of the transmission line 110 kV Pekre-Radvanje and 110 kV Pekre-Maribor 3;
- granted consent to signing the Contract of implementing the MAXIMO project for managing strategic assets in the transition to a new technological platform and obtaining license, and upgrading/updating licenses necessary for the Maximo project, no. 06-13/18;
- granted consent to conclusion of the Contract on forming a pension plan with the trade union of Elektro Maribor d.d., the Contract on financing the pension plan and the Policy for collective insurance against accidental death with Modra zavarovalnica, d.d.;
- took note of the Report on the work of the Audit Committee of the Supervisory Board of Elektro Maribor d.d. and granted consent thereto;
- granted consent to the company's Management Board to sign a Loan Agreement;
- appointed the Chairman of the Supervisory Board, its Deputy and the Chairman and Member of the Supervisory Board's Audit Committee;
- granted consent to Plan of internal audits in the Elektro Maribor Group for 2019 with a projection for 2020 and 2021;
- granted consent in accordance with the provisions of Article 40, indent 10 of the Articles of Association of Elektro Maribor d.d. to the proposed amendments of the Rules on organization and systemization of job positions, and the proposed amendments to the systemization of job positions;
- granted consent to the supplementation of the document Management Policy;
- took note of the information on activities of Elektro Maribor d.d. with regard to the adoption proceedings of the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system operators for the 2019–2020 period;
- took note of the information regarding the adoption of the Development Plan of the Elektro Maribor d.d. distribution network for the 2019-2028 period;
- granted consent to the Annexes to the contracts on successive deposit;
- took note of the report on the situation of the 2 x 110 kV Murska Sobota - Mačkovci Transmission Line Project;
- took note of the report on the work of the internal audit in 2017 in the Elektro Maribor Group;

- took note of the report on the implementation of the actions of recommendations from the final report - Implementation of information security policies at Elektro Maribor d.d. in 2017 (NR 4 - 2017);
- took note of the procedures related to the investment in the asset management system (EAM) in Elektro Maribor d.d.;
- took note of the procedures for implementing the ERP system update in Elektro Maribor d.d.;
- took note of the debt balance for using the network;
- took note of the course of public procurement;
- and other.

Attendance at sessions

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

	Regular session	Correspondence session
Tomaž Orešič	40,41,42,43,44,45,46,47,48	32
Mateja Čuk	40,41,42,43,44,45,46,47	32
Ciril Pucko	40,41,42,43,44,45,46,47	32
David Klarič	40,41,42,43,44,45,46,47,48	32
Alojz Kovše	48	/
Jože Golobič	48	/
Dušan Kovačič	40,41,42,43,44,45,46,47,48	32
Darko Nemec	40,41,42,43,44	/
Nenad Kajtezovič	45,46,47,48	32

Work of the Supervisory Board committees

The Supervisory Board has an established Audit Committee of the Supervisory Board, which held thirteen regular sessions in 2018.

	Regular session
Ciril Pucko	41,42,43,44,45,46,47,48,49,50,51,52,53
Mateja Čuk	41,42,43,44,46,47,48,49,50,51,52,53
Ivana Kuhar	41,42,43,44,46,47,48,49,50,51,52,53

The term of office of the Chairman of the Supervisory Board’s Audit Committee, Ciril Pucko, and of the Member of the Supervisory Board’s Audit Committee, Mateja Čuk, M.Sc.,expired on 12 December 2018. At the 48th regular session of the Supervisory Board of Elektro Maribor d.d. held on 14 December 2018, the Supervisory Board appointed Alojz Kovše, M.Sc. as Chairman of the Supervisory Board’s Audit Committee, and David Klarič, M.Sc., as a Member of the Supervisory Board’s Audit Committee.

The Audit Committee of the Supervisory Board has at its sessions discussed the following issues that are more significant:

- the Annual Business Plan of the Elektro Maribor company and the Group for 2019, with a projection of operations for 2020 and 2021;
- the Annual Report of the company Elektro Maribor d.d. and the Elektro Maribor Group for 2017 (interview with the auditor, interview with the Management Board of the Elektro Maribor d.d.);
- Letter to the management of Elektro Maribor d.d., and the Independent Auditor’s Report to the shareholders of Elektro Maribor d.d. for 2017;
- realisation of recommendations according to final reports issued;
- Report on the results of the publication of the invitation to submit a tender for performing audit services of the Elektro Maribor Group for 2018;
- Management reports on the relationships with affiliated companies in the Elektro Maribor Group;
- the Report on effects of implemented reorganization of the company Elektro Maribor;
- Quarterly reports on receivables for using the network;

- Report on the work of the internal audit in 2017 with presentation of self-assessment of quality work of the internal audit;
- Quarterly review of the register of internal audit recommendations and information on their implementation;
- Final internal audit reports issued in 2018;
- Follow-up audit reports for internal audits produced in 2018 (monitoring of the implementation of recommendations after issued final reports);
- Plan of internal audits in the Elektro Maribor Group for 2019 (projection for 2020 and 2021).

The Audit Committee of the Supervisory Board has performed the self-assessment of work of the Supervisory Board’s Audit Committee for 2017.

Expectations of the Slovenian Sovereign Holding

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

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

Assessment of own operation

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

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

Annual Report audit

The Annual Report audit of the Elektro Maribor d.d. company for 2018, was performed by the audit firm BDO Revizija d.o.o., which on 15 April 2018, issued a positive opinion to the Annual Report of the company Elektro Maribor d.d.

Proposal for allocation of distributable profit

The Supervisory Board agreed to the proposed allocation of net profit for 2018, and the allocation of distributable profit for 2018, as proposed by the company’s Management Board. The proposal will be submitted to the General Meeting of Shareholders.

Review and approval of the Annual Report and Consolidated Annual Report of the company, and the position on the Audit Report, including proposed decisions for the financial year 2018

The company's Management Board provided the Supervisory Board with the audited Annual Report, including the Auditor's Report, within the statutory deadline. The Supervisory Board discussed the company’s Annual Report for 2018, including the report of the audit firm BDO Revizija d.o.o.

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

The Supervisory Board established that the contents of the Annual Report and the Consolidated Annual Report realistically show operations of the company in 2018. The Supervisory Board also took note of the opinion of the authorised audit firm BDO Revizija d.o.o., according to which the company's financial statements fairly present the financial position of the company, and has adopted the following decisions:

- The Supervisory Board finds that the Annual Report was drawn up in accordance with the provisions of the Companies Act and the Accounting Standards.

- According to the Supervisory Board, the Annual Report and the information therein are a credible reflection of the company's operations in the previous financial year.

- Following the final review of the company's Annual Report, the Supervisory Board has no comments and confirms the company's Annual Report for 2018.

- The Supervisory Board gives a positive opinion to the Auditor's report on the company's financial statements and consolidated financial statements for 2018, as it finds that it was drawn up in compliance with the law, and based on a diligent and comprehensive overview of the company's Annual Report and operations.

- After the final review of the Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2018, the Supervisory Board confirmed the Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2018, at its session held on 17 May 2019;

- The Supervisory Board proposes to the company's General Meeting:
    - to adopt the decision on awarding the discharge to the Management Board – the President of the Management Board, Boris Sovič, M.Sc., for 2018; the Supervisory Board assessed that the Management Board has managed the company successfully, diligently, and in accordance with the company's regulations and acts
    - to adopt a decision on awarding the discharge to the Supervisory Board for 2018, as it assessed that the company operated in accordance with the outlined objectives and the plan for 2018.

- The Supervisory Board adopts the Supervisory Board's Report on the review of the company's Annual8Report and the Consolidated Annual Report for 2017.

- The Supervisory Board took note of the proposal for convening the General Meeting and of the draft decisions, and agrees fully with the agenda and proposed decisions.

Review of the Report on relations with associated companies for the financial year 2018 (Article 546a of the Companies Act (ZGD-1))

At its 52rd regular session, the Supervisory Board addressed and reviewed the Report on relations with associated companies for 2018, in compliance with Article 545 of the ZGD-1. The Supervisory Board established that the Report contents comply with the Companies Act. The Report contains legal transactions with the associated company, as well as all implementations, and all necessary information on completed legal transactions.

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

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

In Maribor, on 17 May 2019

Chairman of the Supervisory Board

Tomaž Orešič

II. Business report

1 CORPORATE GOVERNANCE STATEMENT

In accordance with the provision of Article 70, paragraph 5 of the Companies Act (ZGD-1), the company Elektro Maribor d.d. provides the following corporate governance statement, which is an integral part of this business report and is available on the company's website at www.elektro-maribor.si. The corporate governance statement refers to the period from 1 January 2018 to 31 December 2018.

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

The company is using the Corporate Governance Code for State-Owned Enterprises, adopted by the Slovenian Sovereign Holding on 17 May 2017, as the reference Corporate Governance Code.1 In 2018, it deviated from the following recommendations:

- Principle 6.6.1: The Statement of Independence was not published on the form, which is annexed to the Code. The stated requirement will be entered in the new Rules of Procedure of the Supervisory Board.
- Principle 9.1.1: The supervisory body of Elektro Maribor d.d. proposed the appointment of an external auditor for a one-year period to the General Meeting. The invitation to submit tenders for performing audit services was, due to the resignation of the external auditor selected in 2017, conducted in May 2018, and concerned the financial year 2018. In 2019, a public contract for the three-year period 2019-2021 was carried out.

As a reference code, the company also follows the Corporate Governance Code for Non-Public Companies, which was prepared in May 2016 by the Ministry of Economic Development and Technology of the Republic of Slovenia, the Chamber of Commerce and Industry of Slovenia and the Slovenian Directors' Association. 2 In 2018, it deviated from the following recommendations:

- Principle 4.6.4: According to the decision of the General Meeting, the supervisory body's representatives are of the same gender.
- Principle 4.6.5: In the process of introducing the supervisory body, the latter did not form any specific commitments.
- Principle 5.7.2: The system for introducing new supervisory body members and the procedure for selecting and proposing candidates for membership in the supervisory body to the General Meeting are determined by the Supervisory Board or a committee appointed by the Supervisory Board. The Rules of Procedure do not yet define more detailed criteria for assessing the conflicts of interest of the supervisory body and the procedures in the event of a conflict of interests. Due to the change of the mandate of three members of the Supervisory Board in December 2018, the Rules of Procedure of the Supervisory Board will be supplemented and amended respectively in 2019.
- Principle 6.5: In compliance with the company's Articles of Association adopted at the company's General Meeting, the Management Board has one member.

In corporate governance, the company's Management Board and the Supervisory Board follow the Recommendations and Expectations of Slovenian Sovereign Holding.[3] On 26 May 2017, the aforementioned recommendations were amended and supplemented, which the company took into account in corporate governance in 2018. In 2018, it deviated from the following recommendations:

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

[2]Corporate Governance Code for Non-Public Companies is available on the website of the Chamber of Commerce and Industry of Slovenia www.gzs.si.

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

- Recommendation 4.5: The binding collective agreement or the agreements with employee representatives of that refer to the payment for the work performed are published on the company's intranet site. The company follows the practice of companies in the portfolio of the same operator.

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

II. Description of the main features of internal controls and risk management systems in the company in connection to the financial reporting process

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

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

The supervision over the operation of internal controls is carried out by management supervision, internal audits, external audit of financial statements and other independent assessments. In Chapter 6 of this business report there is a detailed presentation of risk management and control mechanisms in connection with the assessment of individual risk types. The Management Board and the Supervisory Board believe that, in 2018, the present system of internal controls in the company Elektro Maribor d.d. and the Elektro Maribor Group provided effective and efficient achievement of business objectives, operation in accordance with the statutory provisions and fair and transparent reporting in all material aspects.

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

- accuracy, reliability and completeness of accounting records and true and fair financial reporting;
- compliance with the applicable laws and other regulations, and
- efficiency and effectiveness of operations.

The company's Management Board is striving for such a control system, which, on the one hand, is the most effective in limiting the occurrence of an adverse events and, on the other hand, cost-effective. The company's Management Board is aware that any internal control system, no matter how well it works, has its limitations and cannot fully prevent errors and frauds, however, it has to be set up so that it give an alert about these events as soon as possible and provide the Management Board with reasonable assurance on achieving the objectives.

For this purpose, Elektro Maribor maintains and improves:

- transparent organizational chart of the parent company and the Group;

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

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

- clear and harmonized accounting policies and their consistent application in the entire Elektro Maribor Group;
- efficient organization of the accounting function (functional responsibility) within individual companies and the Elektro Maribor Group;
- reporting for the company in accordance with the Slovenian Accounting Standards, for the Elektro Maribor Group in accordance with the International Financial Reporting Standards, including all disclosure requirements and notes;
- financial reporting, including all disclosure requirements and notes;
- regular internal and external audits of business operation processes.

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

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

1. Share capital structure of Elektro Maribor d.d.:

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

2. Restrictions on the transfer of shares:

All shares are freely transferable.

3. Significant direct and indirect ownership of a company's securities in terms of achieving a qualifying shareholding as defined by the law governing takeovers:

The data on the direct and indirect ownership of the company's securities in terms of achieving a qualifying shareholding, as defined by the law governing takeovers, are published in the annual reports. As at 31 December 2018, the Republic of Slovenia held 26,628,807 shares or 79.5%.

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

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

5. Employee share scheme:

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

6. Notes regarding all restrictions on voting rights:

Shareholders of Elektro Maribor d.d. have no restrictions for exercising their voting rights, save the company Elektro Maribor d.d. in respect of own shares. As at 31 December 2018, the company Elektro Maribor d.d. held 150,022 of own shares

7. Agreements between shareholders that may result in a restriction on the transfer of securities or voting rights:

There are no such agreements.

8. Company rules on the appointment and replacement of members of management or supervisory bodies and amendments to the Articles of Association:

When appointing and replacing members of management or supervisory bodies and changes to the Articles of Association, the company follows the applicable law and company's Articles of Association.

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

9. The powers of management members, particularly with regard to own shares:

The General Meeting of Elektro Maribor d.d. has authorised the company's Management Board to be able to purchase own shares in the period from 29 June 2018 to 31 December 2018.

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

There are no such agreements.

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

There are no such agreements.

IV. Notes on the operation of the General Meeting of Elektro Maribor d.d. and its key powers, and a description of the shareholder's rights and the manner in which they are exercised

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

V. Notes on the composition and operation of the management and supervisory bodies and their committees

The composition and operation of the management and supervisory bodies are described in Chapter 4.1,3. of this Annual Report.

VI. System of compliance of operations and corporate integrity

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

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

VII. Diversity Policy and Management Policy

In accordance with the Corporate Governance Code for State-Owned Enterprises of the Slovenian Sovereign Holding, and the Corporate Governance Code for Non-Public Companies, the Management Board and the Supervisory Board of Elektro Maribor, d.d. have jointly developed, and on 11 June 2018 adopted the Diversity Policy of Elektro Maribor d.d., which is published on the company's website http://www.elektro-maribor.si/images/delnicarji/o_podjetju/Politika_raznolikosti.pdf, and the Management Policy of Elektro Maribor d.d., which is published on the company's website http://www.elektro-maribor.si/images/Politika_upravljanja_druzbe_-_dopolnjena.pdf. The Management Policy was supplemented on 19 December 2018.

The Management Board and the Supervisory Board promote diversity to the benefit of the company. The company accepts the advantages of diversity, since it is a reflection of respect for common human values and also one of the essential elements in preserving the development and competitive advantages of the company.

At the expiry of the term of office of three members of the Supervisory Board, the General Meeting ensured adequate diversity in the Supervisory Board, save in terms of gender.

Maribor, on 22 March 2019

President of the Management Board	Chairman of the Supervisory Board
Boris Sovič, M.Sc.	Tomaž Orešič

2 SIGNIFICANT EVENTS IN 2018

Network Charges Act

Energy Agency's Council has at its 50th regular session held on 21 June 2018 adopted the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system (hereinafter referred to as the Network Charges Act). The Network Charges Act was published in the Official Gazette of the Republic of Slovenia, No. 46/2018 and entered into force the following day after being published in the Official Gazette of the Republic of Slovenia. Due to the questionableness of individual provisions and the importance of the Network Charges Act on the implementation of electricity distribution activities, we, the distributing companies (within the context of GIZ electricity distribution) and the company SODO, d.o.o. have decided to file a request for review of individual provisions of the Network Charges Act in accordance with Article 410 of the EZ-1, as we estimate that individual provisions of the Network Charges Act will cause damage to investors. The Network Charges Act lowers the return on assets, and does not recognize some of the costs that have a legal basis, on which the electricity distribution companies have no influence. The Agency rejected the request. In November 2018, all five distribution companies filed an initiative for institution of proceedings for constitutional review of the Network Charges Act and a motion for addressing the constitutional initiative as a matter of priority. In March 2019, the Constitutional Court of the Republic of Slovenia rejected the filed initiative.

Regulatory framework

Based on the new Network Charges Act, the Energy Agency issued a Decision on the new regulatory framework for the 2019-2021 period on 11 December 2018. By doing so, it determined the value of eligible costs of the company's regulated activities. One of the biggest negative effects of the new Network Charges Act is, in addition to (non)recognition of eligible costs, a reduction of recognised return on assets due to the questionableness of the WACC calculation.

Supervisory Board

At the expiry of the term of office of three members of the Supervisory Board, shareholder representatives, Jože Golobič, Tomaž Orešič and Alojz Kovše, M.Sc., have been appointed as members of the Supervisory Board for the following four-year term of office starting on 13 December 2018.

Own shares

In 2018, the company completed the purchase of own shares. In the 2016-2018 period, a total of 150,022 shares were purchased in the total amount of EUR 363,300.93, representing 0.45% of all shares of the company (EMAG).

Slovenian-Japanese Project Move Consumption

Elektro Maribor d.d. has in the period from 1 December 2017 to 30 November 2018 implemented the “MOVE CONSUMPTION” project. The aim of the project was a time shift of electricity use from the time of the peak load to another time period.

The company Elektro Maribor was visited by Japanese partners from the Slovenian-Japanese development project. Elektro Maribor d.d. (as a contractor of the distribution network operator’s tasks) is a key partner in the implementation of the first phase of the project, which is carried out in cooperation between the companies Elektro Maribor, ELES and the Japanese agency NEDO. Representatives of Elektro Maribor and the NEDO Agency expressed their satisfaction with the good course of projects and the cooperation of the companies involved.

Figure 13: Visit of representatives of the NEDO Agency

Introducing the Advanced Metering Infrastructure (AMI)

As at 31 December 2018, the advanced metering system in Elektro Maribor already included as much as 76% of all meter points (166,736). In accordance with the Decree on measures and procedures for the introduction and interoperability of advanced electric power metering systems, all meter points will be included in the advanced metering system by the end of 2025 at the latest. The project is co-financed by the European Union from the Cohesion Fund and the Republic of Slovenia.

Certificate of Golden Creditworthiness of AAA Rating

Elektro Maribor d.d. was awarded the Certificate of Golden Creditworthiness of AAA Rating 2018 by Bisnode Slovenia. Elektro Maribor meets the international standard of creditworthiness and belongs to the golden class of creditworthiness in Slovenia. The company meets the criteria for excellence in creditworthiness in 2018, and is one of the most reliable Slovenian business entities, entitled to use the internationally recognized Gold Creditworthiness status, which represents the global standard of excellence in creditworthiness.

Figure 14: Awarding of the Certificate of Golden Creditworthiness of AAA Rating

Data protection

On 25 May 2018, the General Regulation on Data Protection (GDPR) entered into force. The company has appointed a person responsible for data protection (i.e. “data protection officer” – DPO), working meetings were held with the employees, work procedures that are processing personal data were supplemented, a "secure room" was installed for devices (servers, communication devices) that process relevant data (in terms of ensuring personal data protection, information security according to ISO 27001, as well as business continuity).

Figure 15: GDPR

Works Council
The elections for new representatives of the Works Council were held in June 2018. 78.4% of employees with active voting rights voted. The voting turnout was higher by 3.7-percentage points compared to 2014. The following employee representatives were elected into the Works Council: Dušan Kaiser, Alan Ciglarič, Dušan Kovačič, Igor Lavrenčič, Miran Arnuš, Daniel Tušek, Ivan Šešerko, Branko Meničanin, Andrej Rus, Darjan Koprivnik, Nenad Kajtezović, Zvonko Rottner and Darko Nemec. Works Council contact address is svet.delavcev@elektro-maribor.si.

3 REPORT ON NON-FINANCIAL OPERATIONS (GRI 102-45 – 102-56)

The company Elektro Maribor d.d. and the Elektro Maribor Group are not bound to reporting on non-financial operations in accordance with Article 70c of the ZGD-1, since according to Article 53 of the ZGD-1 they do not belong to the group of public-interest entities. In the interest of transparency of sustainability reporting and social responsibility within the context of the Annual Report, we have been reporting on non-financial operations, which is based on comprehensive reporting according to the international sustainability reporting guidelines GRI (Global Reporting Initiative) since 2013, and in 2018, we switched to their latest standards - Global Standards.

In the context of non-financial reporting, we disclose key aspects of sustainability reporting in accordance with the international GRI sustainability reporting standards, which include the most important economic, environmental and social impacts of the sustainable development of the company and our stakeholders. In the selection of indicators and reporting aspects, we followed the principle of materiality. The indicators and aspects of sustainability reporting, which are not essential, are not reported.

Table 3: Key aspects of the sustainability reporting

Economic impacts	Economic performance
	Indirect economic impacts
	Anti-corruption
Environmental impacts	Energy
	Emissions
	Effluents and waste
Social impacts	Employment
	Occupational health and safety
	Training and education
	Diversity and equal opportunity
	Non-discrimination
	Marketing and labelling

In terms of reporting according to the GRI standards, we focused on the three-year period (2016-2018). In respect of sustainability reporting in recent years, the company has not detected any significant changes, which would affect the published data.

GRI reporting is internationally recognized and comparable reporting, which provides information to stakeholders and the general public in a clear, transparent and measurable manner. By this reporting method, we allow our stakeholders to be provided with comprehensive information on company's socially responsible conduct, thus facilitating their decision-making.

The consolidated annual report of the Group is an integral part of the Annual Report of the controlling company, and is available at the headquarters of the company Elektro Maribor d.d., Vetrinjska ul. 2, 2000 Maribor, and on the website www.elektro-maribor.si in Slovene and English. Both subsidiary companies, Energija plus d.o.o. and OVEN Elektro Maribor d.o.o., are included in the consolidation.

This report has been prepared according to GRI standards: the basic option. The GRI Reporting Index is displayed at the beginning of the Annual Report.

Contact for information about the Annual Report:
Elektro Maribor d.d.
Vetrinjska ulica 2, 2000 Maribor
E-address: info@elektro-maribor.si

4 PRESENTATION OF THE COMPANY ELEKTRO MARIBOR D.D. AND THE GROUP (GRI 102-1 – 102-7, 102-10, 102-12, 102-13, 102-18, 405-1)

4.1 Controlling company Elektro Maribor d.d.

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

Company name:	ELEKTRO MARIBOR, podjetje za distribucijo električne energije, d.d.
Short company name:	Elektro Maribor d.d.
Registered office:	Vetrinjska ulica 2, 2000 Maribor
Company registration number:	5231698
Tax number:	46419853
Current bank account:	SI56 0451 5000 0570 965 NOVA KBM d.d. SI56 0294 1025 8087 934 NLB d.d. SI56 3500 1000 0478 316 BKS Bank AG
Share capital:	EUR 139,773,510.27
Entry in the court register:	Maribor District Court, entry 1/00847/00
Code of main activity:	D 35.130 Distribution of electricity
Number of employees as at 31 December 2018:	755
Supply area:	North-East Slovenia
Company size according to ZGD-1:	large company
President of the Management Board:	Boris Sovič, M.Sc.
Toll-free call centre number:	080 21 05 (24-hour service to report failures and interruptions in the network) 080 21 01 (general information)
General e-mail address:	info@elektro-maribor.si
Website:	www.elektro-maribor.si

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

The main objectives of the company are:

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

4.1.1 Activity of Elektro Maribor d.d.

The company Elektro Maribor d.d. carries out the main activity (distribution of electricity to business and household customers) in the north-eastern part of Slovenia, in an area of 3,992 km2, which represents almost one fifth of the country's territory.

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

Figure 17: Logo of Elektro Maribor d.d.

4.1.2 Organizational structure of Elektro Maribor d.d.

In 2017, a new organization of Elektro Maribor d.d. entered into force, by which we introduced four areas being managed by the directors of the areas:

- distribution area,
- service area,
- finance and economics area,
- area of joint expert services.

The persons responsible for the individual organisational units are:

Management Board

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

Peter Kaube, M.Sc.,Projects Director.

Distribution area

Silvo Ropoša, Area Director.

Zvonko Mezga, Assistant Area Director.

Arpad Gaal, Assistant Area Director.

Mitja Prešern, Assistant Area Director.

Directors of regional units:

Mladen Žmavcar - Regional Unit Maribor with its surrounding area.

Uroš Kolarič – Regional Unit Murska Sobota.

Franc Šmigoc - Regional Unit Ptuj.

Miran Đuran - Regional Unit Slovenska Bistrica.

Andrej Roškar - Regional Unit Gornja Radgona.

Service area

Andrej Dolšak, Area Director.

Directors of service units:

Jože Ferlič – Service Unit Maribor.

Andrej Sraka - Service Unit Ljutomer.

Finance and economics area

Andreja Zelenič Marinič, M.Sc.,Area Director.

Area of joint expert services

Tatjana Vogrinec Burgar, Area Director.

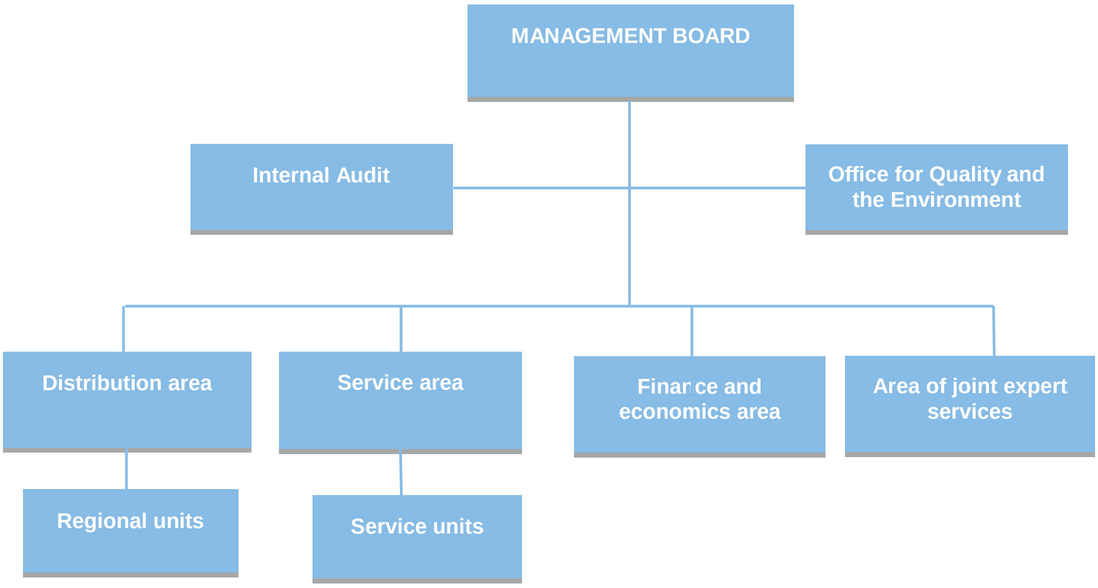


Figure 18: Organizational structure of Elektro Maribor d.d.

4.1.3 Managment and corporate governance of Elektro Maribor d.d.

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

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

Supervisory Board of the company:

- Tomaž Orešič – Chairman, another term of office from 13 December 2018.
- Mateja Čuk, M.Sc. – Deputy Chairman up to 12 December 2018.
- David Klarič, M.Sc. – Member, Deputy Chairman from 19 December 2018
- Ciril Pucko – Member up to 12 December 2018.
- Alojz Kovše, M.Sc. – Member from 13 December 2018.
- Jože Golobič – Member from 13 December 2018.
- Dušan Kovačič – Member, employee representative, another term of office from 14 July 2018.
- Darko Nemec – Member, employee representative up to 13 July 2018.
- Nenad Kajtezovič – Member, employee representative, from 14 July 2018.

Audit Committee of the Supervisory Board:

- Ciril Pucko – Chairman up to 12 December 2018.
- Alojz Kovše, M.Sc. – Chairman from 19 December 2018.
- Mateja Čuk, M.Sc. – Deputy Chairman up to 12 December 2018.
- David Klarič, M.Sc. – Member from 19 December 2018.
- Ivana Kuhar - Member.

At the regular Annual General Meeting in 2018, the General Meeting decided on the allocation of distributable profit for the financial year 2017, the granting of discharge to the Management Board and the Supervisory Board, and the appointment of a certified auditor for 2018.

In the course of business operations, we follow the provisions of the Corporate Governance Code of State-Owned Enterprises and the Recommendations and Expectations of the Slovenian Sovereign Holding.

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

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

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

4.1.4 Ownership structure and shares

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

In March 2017, the Ljubljana Stock Exchange introduced a new market in Slovenia, the SI ENTER market, which is a Multilateral Trading Facility – MTF, to which the shares of our company were listed as well, namely in the segment of the Equity market – Enter Basic. In 2018, the average value of the EMAG share in the SI ENTER market amounted to EUR 2.946. In 2017, the average share value was EUR 2.531.

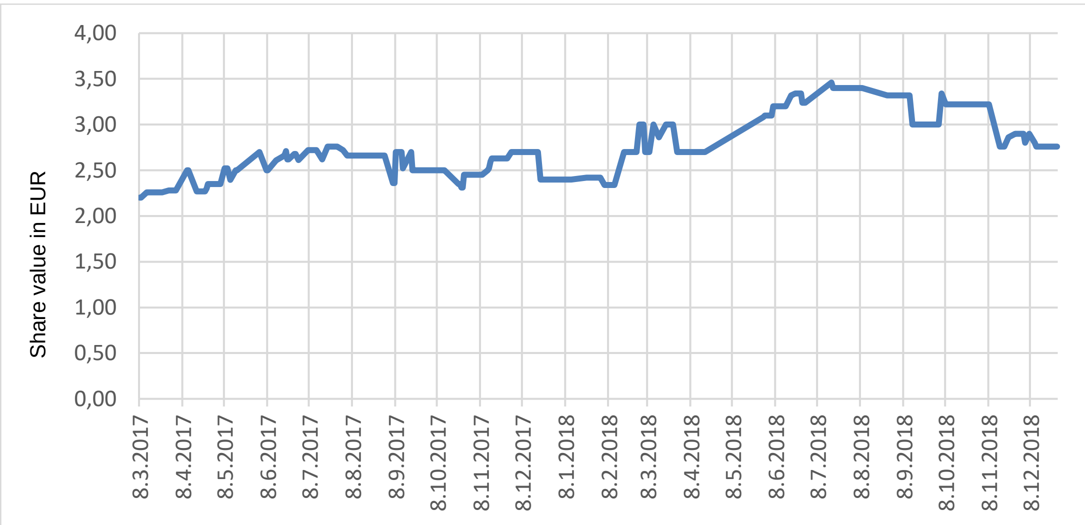


Figure 19: Trend of EAMG share value on the SI ENTER market

At its 21st regular meeting held on 31 August 2016, the General Meeting adopted a decision, with which it authorised the company's Management Board in order to maximise the value for the shareholders and to increase the value of company's assets, the latter may purchase its own shares at a price which may not be lower than EUR 2.07 and not higher than EUR 2.76 per share, within the period from 1 September 2016 to 31 March 2018. On 21 November 2016, the company's Supervisory Board adopted the Rules on the purchase and sale, and price of own shares, based on which the Management Board drew up a Programme of purchasing company's own shares. In accordance with this Programme and the decision of the General Meeting, the company limited the quantity of the purchase of own shares and the price for the purchase of the latter.

On 28 June 2018, at its 23rd regular meeting, the General Meeting adopted a decision extending the power of the Management Board for acquisition and disposal of own shares. With a view to maximize the value for shareholders and with a view to increase the value of company's assets, the General Meeting authorized the company's Management Board to be allowed to purchase its own shares at a price which may not be lower than EUR 2.07 and not higher than EUR 2.76 per share, within the period from 29 June 2018 to 31 December 2018. The above-stated power applied to the acquisition of a maximum of 3,349,532 company's own shares, whereby the total proportion of shares acquired under this power, together with other own shares already held by the company, may not exceed 10% of the share capital.

In 2018, the company purchased 75,735 shares and earmarked EUR 208,762.02 for this purpose. In the 2016–2018 period, a total of 150,022 shares were purchased in the total amount of EUR 363,300.93. Within the context of purchasing own shares, the purchased quantity of 150,022 shares constitutes 0.45% of all EMAG shares.

Table 4: Purchase of own shares of Elektro Maribor d.d.

Year of purchase	Number of shares purchased	Purchase price per share	Total purchase value	Share of all shares
Total 2016	**72,753**	**2.07**	**150,598.71**	**0.217%**
2017	320	2.07	662.40	0.001%
2017	1,214	2.70	3,277.80	0.004%
Total 2017	**1,534**		**3,940.20**	**0.005%**
2018	4,443	2.70	11,996.10	0.013%
2018	71,292	2.76	196,765.92	0.213%
Total 2018	**75,735**		**208,762.02**	**0.226%**
Total 2016–2018	**150,022**		**363,300.93**	**0.448%**

In 2018, the number of shareholders decreased by 3% or by 23 shareholders compared to the previous year.

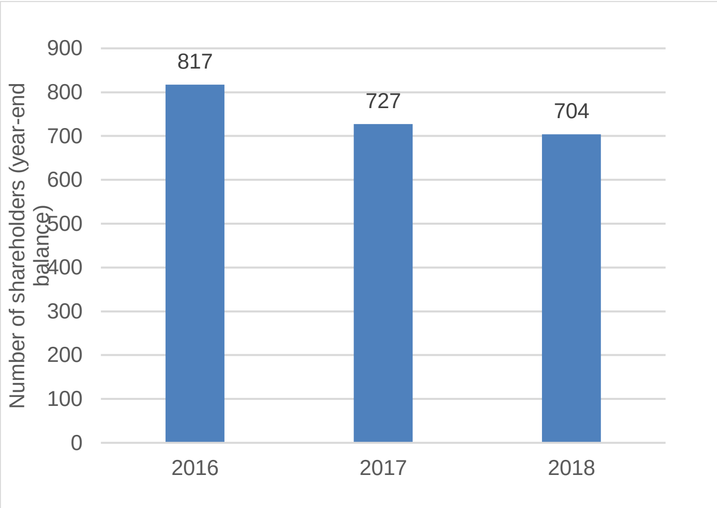


Figure 20: Changes in number of shareholders of Elektro Maribor d.d.

In 2018, there were no significant changes in the structure of shareholders of the Elektro Maribor d.d. None of the shareholders, who hold over 1% of all shares of Elektro Maribor d.d., changed their share in 2018.

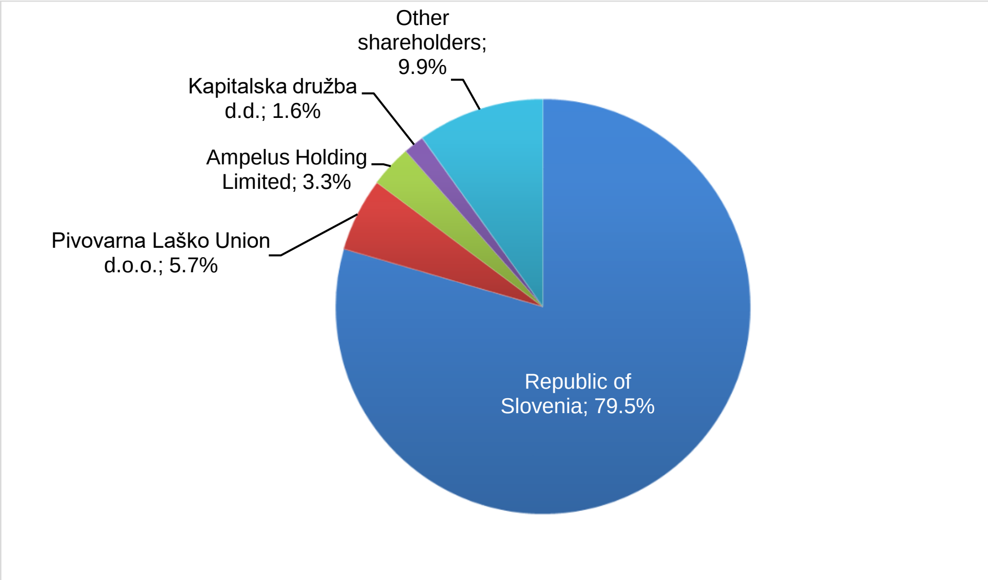


Figure 21: Structure of shareholders of Elektro Maribor d.d. as at 31 December 2018

Table 5: Largest shareholders of Elektro Maribor d.d. as at 31 December 2018

Shareholder	Address	Number of shares
Republic of Slovenia	Gregorčičeva ulica 20, Ljubljana, Slovenia	26,628,807
Pivovarna Laško Union d.o.o.	Pivovarniška ulica 2, Ljubljana, Slovenia	1,922,321
Ampelus Holding Limited	Arch. Makariou III, Limassol, Cyprus	1,096,070
Kapitalska družba d.d.	Dunajska cesta 119, Ljubljana, Slovenija	539,745
Elektro Maribor d.d.	Vetrinjska ulica 2, Maribor, Slovenia	150,022
Other shareholders	-	3,158,359
Total		**33,495,324**

Table 6: Number of shares owned by members of the Supervisory Board and the Management Board as at 31 December 2018

Name and surname	Function	Number of shares	Equity interest
Supervisory Board			
Internal members		**594**	**0.0018%**
1. Dušan Kovačič	Member of the Supervisory Board	200	0.0006%
2. Nenad Kajtezovič	Member of the Supervisory Board	394	0.0012%
External members		**0**	**0.0000%**
1. Tomaž Orešič	Chairman of the Supervisory Board	0	0.0000%
2. David Klarič	Member of the Supervisory Board	0	0.0000%
3. Jože Golobič, M.Sc.	Member of the Supervisory Board	0	0.0000%
4. Alojz Kovše, M.Sc.	Member of the Supervisory Board	0	0.0000%
Management Board		**0**	**0.0000%**
1. Boris Sovič, M.Sc.	President of the Management Board	0	0.0000%

4.1.5 Existence of branches (Article 70 of the ZGD-1)

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

4.2 Elektro Maribor Group

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

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

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

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

The company Elektro Maribor d.d. as the controlling company draws up consolidated financial statements and the consolidated annual report. Both subsidiary companies, Energija plus d.o.o. and OVEN Elektro Maribor d.o.o., are included in the consolidation.

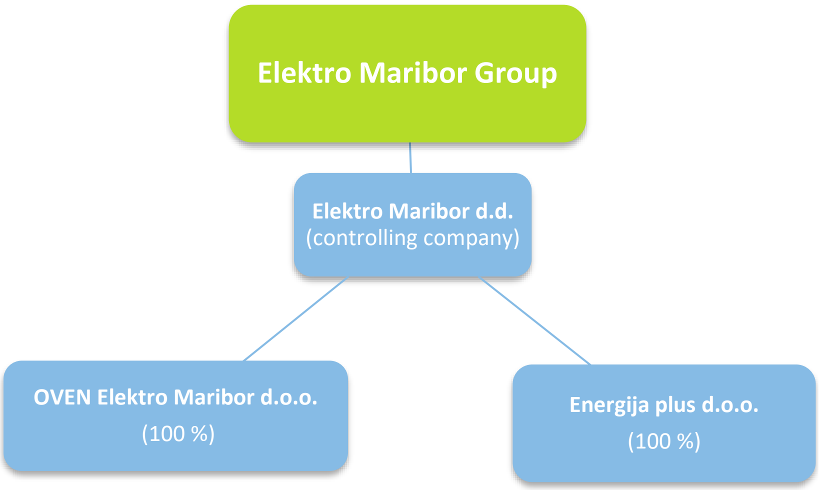


Figure 22: Organizational structure of Elektro Maribor Group

4.3 Subsidiary Energija plus d.o.o.

Company name:	Elektro Maribor Energija plus, podjetje za trženje energije in storitev d.o.o.
Short company name:	Energija plus d.o.o.
Address:	Vetrinjska ulica 2, 2000 Maribor
Company registration number:	3991008000
Tax number:	88157598
Current bank account:	SI56 0451 5000 1853 305 NOVA KBM d.d. SI56 0294 4025 9659 769 NLB d.d. SI56 2900 0005 0431 806 UniCredit Banka Slovenija d.d. SI56 0510 0801 3980 505 Abanka d.d.
Share capital:	EUR 8,000,000
Entry in the court register:	Maribor District Court, Srg 2011/23297 20 June 2011, Srg 2011/36929 1 December 2011
Code of main activity:	D 35.140 Trade of electricity
Number of employees as at 31 December 2018:	74
Company size according to ZGD-1:	large company
Founder:	Elektro Maribor d.d.
Company Director:	Bojan Horvat
Toll-free call centre number:	080 21 15
General e-mail address:	info@energijaplus.si
Website:	www.energijaplus.si

Figure 23: Company profile of the subsidiary Energija plus d.o.o.

Company activity

The company Energija plus d.o.o. carries out energy activities in the Slovenian market. Company's most important activities are the purchase and sale of energy products (electricity, heat, sale of gas and pellets) for households as well as large business systems. The company operates exclusively in the Slovenian market.

Energija plus d.o.o is 100% owned by the parent company Elektro Maribor d.d., which is the sole shareholder and founder. The company has no branches.

ENERGIJA PLUS

Figure 24: Logo of Energija plus d.o.o.

The company Energija plus provides customers with a comprehensive energy supply within the context of the Energija plus brand. When marketing individual products - energy products, we make use of the following product lines:

ELEKTRIKA ZEMELJSKI PLIN TOPLOTA PLUS OSTALA PONUDBA

Figure 25: Product lines of Energija plus d.o.o.

Other offer includes pellets, LED-lamps, electric convectors, vouchers, tools, products for children and other merchandise.

Organizational structure

Figure 26: Organizational structure of Energija plus d.o.o.

Management and corporate governance
The director manages the company Energija plus d.o.o. independently and on his own responsibility according to the articles of association. The supervisory function is performed by the President of the Management Board of Elektro Maribor d.d., who also represents the company's General Meeting. The President of the Management Board of Elektro Maribor d.d. does not receive any remuneration for performing the supervisory function.

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

Frameworks of operation

The company Energija plus d.o.o. is the founding member of the United Nations Global Impact Slovenia, founding member of the non-profit organization ETHOS that drew up the Declaration of Fair Business, which the company also signed. It also signed the Corporate Integrity Guidelines.

Company's operations

Business operations of Energija plus d.o.o. are presented in detail in the Annual Report on business operations of Energija plus in 2018, which is published on the company's website http://www.energijaplus.si/porocila-o-poslovanju.

4.4 Subsidiary OVEN Elektro Maribor d.o.o.

Company name:	OVEN Elektro Maribor d.o.o.
Registered office:	Vetrinjska ulica 2, PO Box 1553, 2001 Maribor
Company registration number:	1708503
Tax number:	SI22034412
Current bank account:	SI56 2900 0005 1350 687 UniCredit Banka Slovenija d.d.
Share capital:	EUR 38,792
Entry in the court register:	Maribor District Court, entry 1/11291/00
Code of main activity:	D 35.111 Production of electricity in HE generation facilities
Number of employees as at 31 December 2018:	5
Company size according to ZGD-1:	small company
Founder:	Elektro Maribor d.d.
Director:	Miroslav Prešern
Telephone:	02/22 00 782
Website:	www.oven-em.si

Figure 27: Company profile of OVEN

Company activity

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

Company's basic activities are:
- Production of electricity in small hydroelectric power plants.
- Production of electricity in photovoltaic power plants.
- Maintenance of hydroelectric power plants and photovoltaic power plants.
- Marketing of related products in the field of renewable energy sources.

OVEN

Figure 28: Logo of OVEN Elektro Maribor d.o.o.

OVEN Elektro Maribor d.o.o. is 100% owned by the parent company Elektro Maribor d.d., which is the sole shareholder and founder. The company has no branches.

Organizational structure

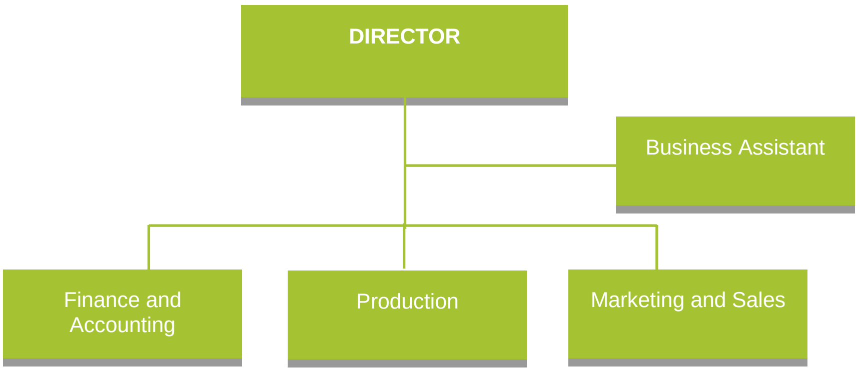


Figure 29: Organizational structure of OVEN Elektro Maribor d.o.o.

Management and corporate governance

The company OVEN Elektro Maribor d.o.o. is managed by the director independently and on his own responsibility. The supervisory function is performed by the President of the Management Board of Elektro Maribor d.d., who also represents the company's General Meeting. The President of the Management Board of Elektro Maribor d.d. does not receive any remuneration for performing the supervisory function.

The company director is Miroslav Prešern.

Company's operations

Business operations of OVEN Elektro Maribor d.o.o. are presented in detail in the Annual Report on business operations of OVEN in 2018, which is published on the company's website https://www.oven-em.si/info/o-podjetju/.

5 ECONOMIC (BUSINESS ENVIRONMENT)

In 2018, Slovenia recorded a relatively high economic growth (4.5%), which is lower than in the year before. However, the increase in domestic consumption and related activities contributed more to the economic growth than in the previous year. The growth was also supported by investments from the private sector and the state, which increased just slightly less than in the previous year. The growth of export also remained high, but is slightly lower than in the previous year according to the slowdown in the growth of foreign demand. Lower growth of investments and export are thus the key reasons for lower economic growth compared to the previous year (4.9%). The slowdown in economic growth shall continue in the upcoming years, which, in addition to the gradually lower growth in foreign demand, shall progressively be the result of demographic factors, which limit the number of employed persons (source: UMAR).

Table 7: Economic trends in Slovenia

Real growth rates in %	2018	2017	2016
Gross domestic product (GDP)	4.5	4.9	3.1
Employment	3.0	2.9	1.8
Gross wage per employee	1.6	1.3	2.0
Domestic consumption	4.6	3.9	2.9
Inflation (year-end)	1.4	1.7	0.5
Gross investments	12.6	13.2	0.0

(source: UMAR's Spring Forecast of Economic Trends 2019)

Distribution activity

In Slovenia, there are five companies that carry out the activity of electricity distribution, namely besides Elektro Maribor d.d., there are also Elektro Primorska d.d., Elektro Gorenjska d.d., Elektro Ljubljana d.d. and Elektro Celje d.d. The comparison of Elektro Maribor d.d. with other electricity distribution companies (EDP) was made based on publicly available data for 2017.

In 2017, the company Elektro Maribor d.d., which covers 19.1% of Slovenia's territory, distributed 20.3% of electricity to 22.8% of consumers with a high proportion of the network length, representing 25.7% of the total length of the EDP network. In this context, it should be noted that, within the scope of the existing regulation of activities, the share of Elektro Maribor d.d. in revenues of regulated activity of all EDP's is only 22.7%. The volume of distributed electricity reflects the economic and social situation in the company's supply area.

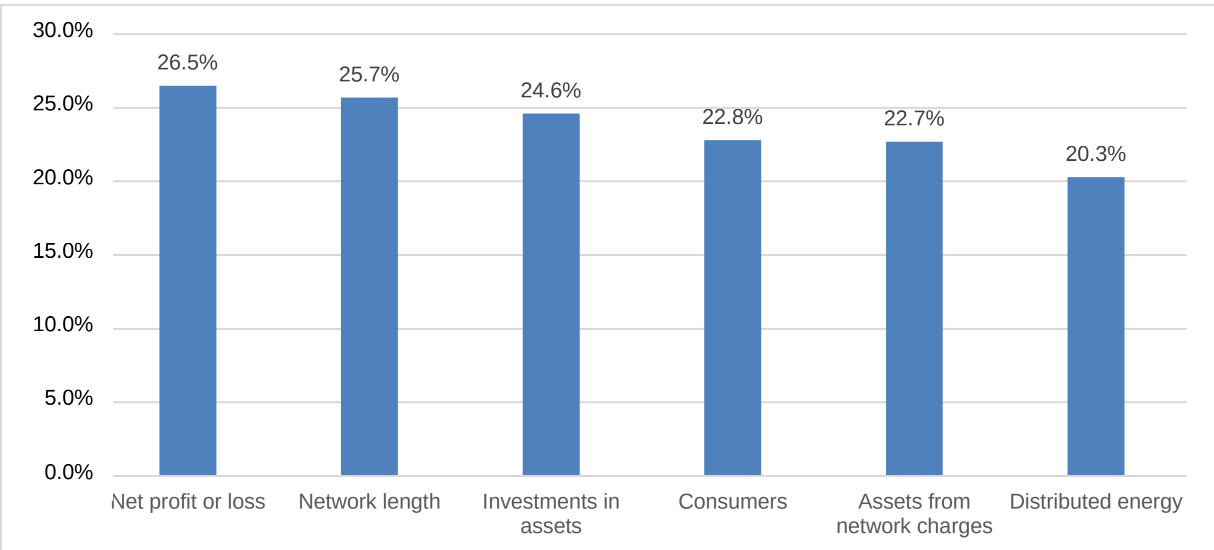


Figure 30: Percentages of Elektro Maribor d.d. in all distribution companies together in 2017

Trends in electricity in natural gas prices

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

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

In 2018, the electricity prices on the daily market were primarily affected by the weather conditions, the prices of other energy products and the prices of emission allowances. The prices on the daily electricity market remained at high levels throughout the year 2018. The average price on the daily market of the “BSP Energy Exchange” for 2018 amounted to EUR 51.16 /MWh, and increased by 3.3% compared to 2017, when it amounted to EUR 49.52 /MWh.

Natural gas is purchased at the Austrian-Slovenian border as part of futures and daily contracts. Monitoring the developments in the natural gas market and the characteristic of the consumption of our customers are the basis for business decisions related to the quantity of purchases of longer-term products on annual, quarterly and monthly basis. The same applies to the quantities of natural gas, which are purchased on the current market based on the short-term daily consumption forecasts from our customers.

In 2018, the price of natural gas on the current market in Austria (reference purchase price of natural gas for Slovenia) amounted to EUR 23.01 /MWh, and increased by 27% compared to 2017, when it amounted to EUR 18.08 /MWh. In 2018, we witnessed an atypical trend in natural gas prices on European exchanges, as the price curve in line with the overall segment of raw materials has been ascending up to the last quarter.

6 MAIN RISKS AND INTERNAL AUDIT

In the company and the Elektro Maribor Group are in place functions of internal audit and risk management:

- **The internal audit function** is managed by the Head of Internal Audit, who is responsible in respect of the function and reports to the Supervisory board or the Audit Committee of the Supervisory Board, and in terms of administration, he/she reports directly to the President of the Management Board of Elektro Maribor d.d.
- **The risk management system** is managed by the Risk Coordinator, who reports to the Head of Internal Audit, the Risk Manager for a particular area and the President of the Management Board of Elektro Maribor d.d. This area is coordinated by the Head of the Office for Quality and the Environment, who is responsible for ensuring the operation of the integrated management system within the company.

6.1 Internal audit

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

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

The internal audit's annual work plan is prepared based on the risk analysis in the company and the Elektro Maribor Group, and is adopted by the Management Board and the Supervisory Board of Elektro Maribor d.d. The internal audit is reporting to the Management Board of Elektro Maribor d.d. about its work and findings on a current basis and to the Audit Committee on a quarterly basis. Both the Management Board and the Audit Committee are informed of all audits performed, their findings and recommended measures and improvements respectively. The recipient of the annual report on the work of the internal audit is also the Supervisory Board of Elektro Maribor d.d.

In 2018, the internal audit conducted five audits, namely four in Elektro Maribor d.d. and one audit, which included all three companies in the Elektro Maribor Group. The audits included the check of the implementation of seven systems and processes respectively. The internal audit devoted special attention to transfer pricing in the Elektro Maribor Group, to the implementation of the system of granting authorizations, powers and responsibilities in Elektro Maribor d.d., to the implementation of the process of metering and charging the network charges in Elektro Maribor d.d., and to the implementation of market services and the management of non-energy real estate in Elektro Maribor d.d. In addition, it regularly monitored the implementation of the recommendations given.

In 2018, the internal audit also paid special attention to fraud risk management as part of risk management in the company Elektro Maribor, and to the system for adequate prevention, detection and taking proper action when detecting suspicions of fraud in Elektro Maribor d.d. Based on the performed review, it assessed that the system of internal controls for prevention of significant frauds is in place and works.

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

In the context of ensuring and improving the quality of internal audit activities in the Elektro Maribor Group, two improvements were adopted in 2018, and an external audit of the internal audit quality is scheduled for 2019.

6.2 Risk management (GRI 102-11)

Risk management, in the company and the Elektro Maribor Group, is defined by the Rules of risk management. With a view to unify risk management, the policy serves as guidance to all companies in the Elektro Maribor Group.

With a risk management system in place, the company defines company's and Group's objectives, identifies risks, adopts risk management guidelines, assesses the risks and classifies them by relevance, determines the responses to individual risks, defines the measures for their management, monitors and reports on individual risks. By risk management, the company and the Group recognize the potential risks in a timely manner, respond appropriately and thus reduce the amount of damage that a particular risk could cause.

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

Risks are being defined as a probability that, due to different possible events something will occur, which will negatively or positively affect the company's business operations, and so on the achievement of the objectives set. In both cases, the event must be recognized and assessed. In this context, we take into account the uncertainty (probability) and the exposure (impact). The criteria for risk assessment evaluate the impact in terms of value ranging from EUR 10,000 to over EUR 700,000, and the probability of an event occurring once a year, and from two to three events per day. By such risk management, the company seeks to identify risks on time, and take appropriate actions in order to reduce the amount of damage that may be caused by a particular risk.

By risk management, the company and the Group seek to identify risks in due time and take appropriate actions in order to reduce the amount of damage a certain risk may cause.

Groups and types of risk

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

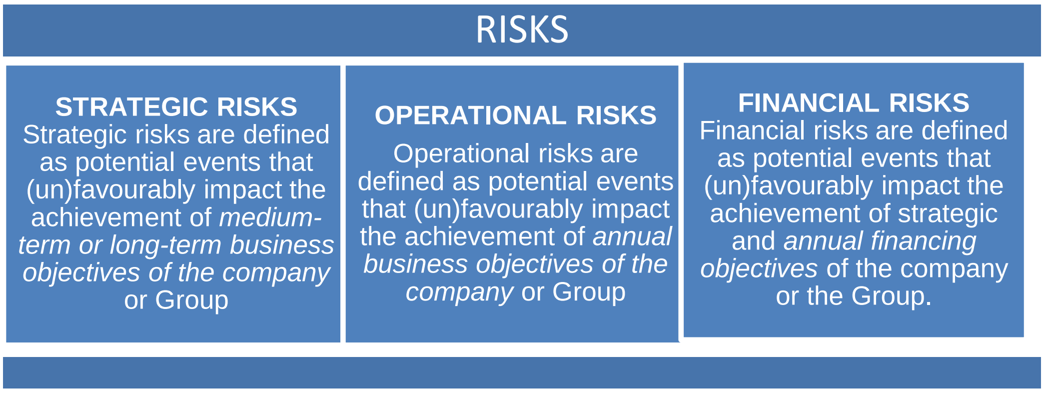


Figure 31: Types of risk

Recognized risks

The risk register determines recognized risks by relevance. In place is the method of regular updating, assessment and classification of risks, identified are the responses to risks and the persons responsible for their realisation, as well as internal controls as a key response to risks. We have set up a fraud scheme and so reduced the likelihood of occurrence of certain risks. With the aforementioned, we are trying to reduce impacts of risks on company's and Group's operations. Compared to the previous year, we reduced the average value of recognized and assessed risks by slightly more than 6%.

The comparison of 2017 and 2018 shows a reduction in the probability and impact of risks:

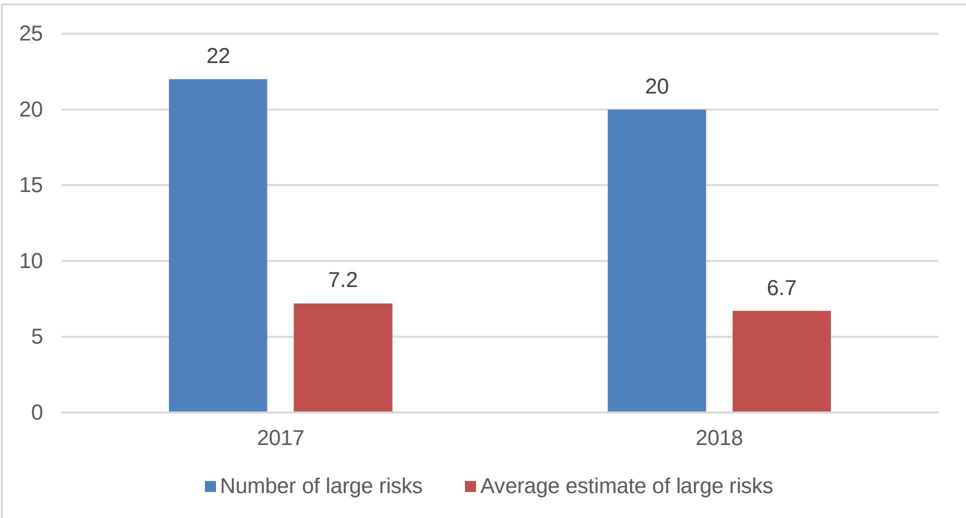


Figure 32: Comparison of risks in 2018 compared to the previous year

Risks by size of impact

Based on the implementation of the company's strategy, the company and the Group continuously strives for a higher assessment of the maturity of the risk management system. We are reducing the risks in the company by consistent compliance with the roles and responsibilities, and adhering to the principles of corporate governance.

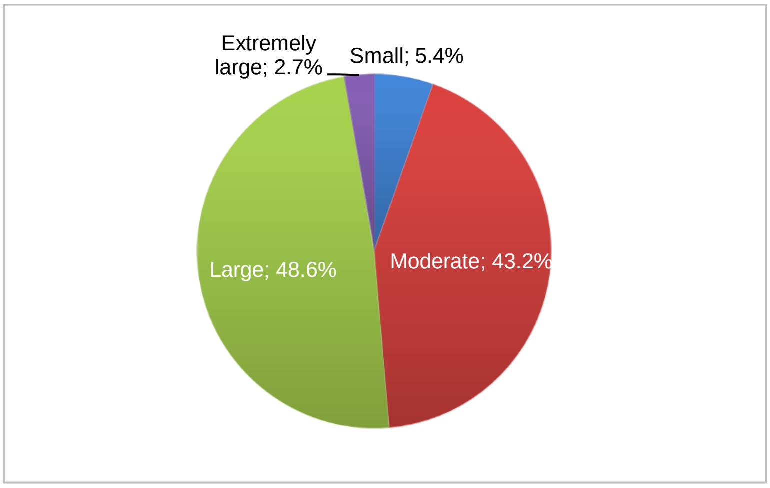
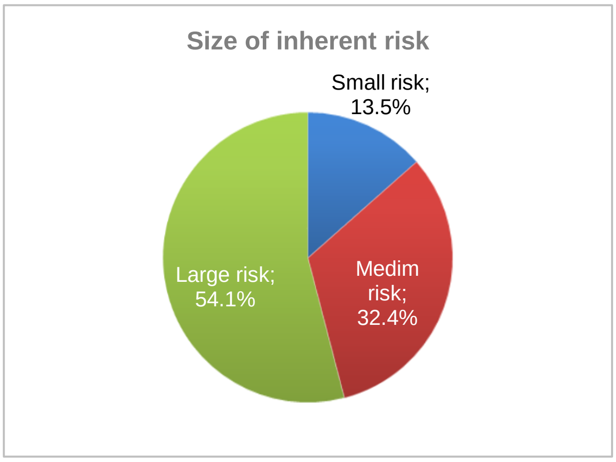


Figure 33: Risk percentage by size

Reducing risks

Business, social, employment and natural risks are being reduced by quality business operation and development. We protect the employees, the population and the environment against risks associated with the use of energy technologies. We invest in the development and applications of new technologies and promote the efficient use of energy and the use of renewable resources.

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



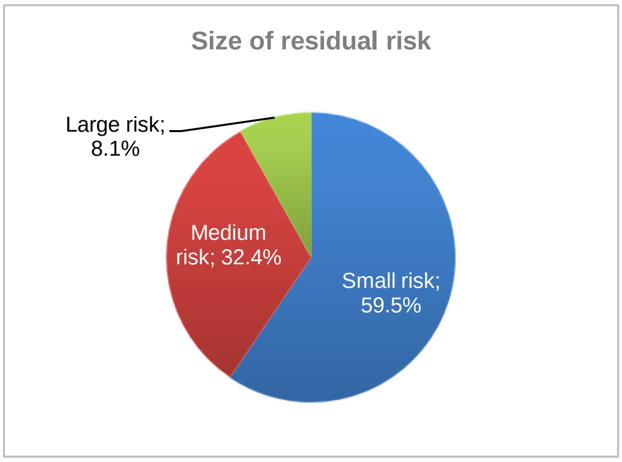


Figure 34: Percentage of inherent and residual risks

Management of more significant risks

The company has recognized the following significant risks, the management of which is described below.

- Regulator's policy

  Is a strategic risk (external environment), which can result in reduction of revenue for implementing the company's regulated activity and also an unsurpassed operating result. The risk is managed in such a manner that the management receives regular reports/responses to the issued regulator's documents and reports/responses to the regulator's decisions, and decisions issued from all areas of the company, which create and represent the company's strategy and position. The company actively participates in the document preparation process. Opinions, comments on regulator's issued documents and decisions are hereby formed. As a rule, the opinions and comments are also harmonized at the level of GIZ electricity distribution. The competent area also determines the impact of the regulator's issued decisions on the business result in the current year, if necessary, it can propose rebalancing or restructuring of the business plan.

- Frauds/thefts

  The risk falls under the strategic risk, by management of which the company desires to prevent physical theft of material and devices, and to prevent falsification of data and documents. Risk management is mostly related to the realization of investments and the maintenance plan. The measures that are under implementation are related to the identification of persons responsible for investment facilities in the annual investment plan, which are responsible for the entire process of individual investment items: from the phase of identification, planning up to the final implementation. In 2018, we introduced a system of adequate prevention, detection and actions taken in detection of suspected fraud by an internal act.

- State asset manager's policy

  Constitutes a strategic risk. The risk is managed, namely the measure is being implemented through monitoring of policies, by considering them when planning and by adapting, the objectives planned. A type of the supervisory report on measures constitutes the company's Annual Business Plan with the projection of operations for the following two years.

- Siting of facilities

  Is a strategic risk, the results of which may have an enormous impact on the principal activity of distribution. The results of the risk are estimated as extremely high, which may have a significant impact on the objectives related to achieving the adequate level of network cabling and network looping. Siting of distribution facilities is a process, which is largely dependent on other stakeholders, such as: state bodies, agencies, local communities, city administrations ... conducting the siting procedures. Adequate management is carried out through a designated person who supervises and conducts the siting procedures of energy facilities, as defined by regulations. A monthly and a quarterly plan of activities is being prepared for investments in the 110 kV network.

7 BUSINESS OPERATION ANALYSIS (GRI 201-1 – 102-56)

The business performance analysis discloses financial data and notes of the current year compared to the data planned for 2018. Deviations related to the previous year are described in detail in the financial part of the report.

7.1 Business operation analysis of Elektro Maribor d.d.

In 2018, we realised the set short-term objectives. Extreme weather conditions in 2018 affected the lower realization in the replacement of pylons. At 5% higher revenue in the market and capitalized own products and services in relation to the planned, their share in all revenues is lower by 1.28%, mainly due to higher revenue under the contract with SODO d.o.o.

Table 8: Realization of business operation objectives of for 2018

Short-term objectives	2018	Plan 2018
Return on assets ROA in %	4.03	3.57
Return on equity ROE in %	5.44	4.85
EBITDA margin in %	41.93	41.12
Net financial debt/EBITDA	0.93	1.24
Share of revenue in the market and capitalised own products and services in all operating revenue in %	28.94	29.58
Share of MV underground lines in %	28.90	29.10
Number of replaced pylons on MV and LV network	9,199	10,000
Updating the IT support for business operations	realized	by 31 Dec
Share of meter points included in the advanced metering system in %	76.50	72.00
Number of employees as at 31 December	755	755

7.1.1 Following SSH's expectations

In January 2018, we received the Annual Asset Management Plan for 2018 (hereinafter as LNU), which outlines the expected annual objectives and economic and financial indicators for Elektro Maribor d.d.

In 2018, we operated in accordance with SDH expectations. We surpassed the economic and financial indicators: ROA, EBITDA margin, net financial debt/EBITDA and added value per employee. The realization of strategic objectives that relate to the quality of supply was affected by extreme weather conditions in 2018.

7.1.2 Net profit or loss

In 2018, the company Elektro Maribor d.d. realized the highest net profit in the last 25 years, namely in the amount of EUR 14,947,893. The net profit planned was surpassed by 15%. The net profit is better mainly due to higher revenue, which are by EUR 6,385,532 or 8% higher than planned in comparison to the costs, which are only by EUR 3,938,038 or 6% higher than planned.

Compared to the planned, the profit before taxes increased by EUR 2,447,494 or 17% and amounted to EUR 17,145,537.

Table 9: Net profit or loss of Elektro Maribor d.d.

Elements	2018	Plan 2018	2017	Index	Index
	1	2	3	1 / 2	1 / 3
Operating profit or loss	15,730,306	13,529,427	13,950,635	116	113
Cash flow	1,527,217	1,221,576	1,323,953	125	115
Other operating results	-111,986	-52,960	-121,666	211	92
Taxes	-2,197,644	-1,676,146	-1,674,977	131	131
Net profit or loss	**14,947,893**	**13,021,897**	**13,477,945**	**115**	**111**

7.1.3 Revenue

Compared to the planned, total revenue in 2018, is higher primarily in respect of higher operating and financial revenue. The largest portion of all revenue is presented by revenue under the SODO contract, which amounts to 65%, which is by one percentage point less compared to the previous year.

Table 10: Revenue of Elektro Maribor d.d.

Elements	2018	Plan 2018	2017	Index	Index
	1	2	3	1 / 2	1 / 3
Operating revenue	86,448,363	80,381,919	82,050,843	108	105
Financial revenue	1,962,837	1,681,360	1,799,992	117	109
Other revenue	37,611	0	13,438	-	280
Total revenue	**88,448,811**	**82,063,279**	**83,864,273**	108	105

Higher operating revenue in 2018 is, compared to the planned, a reflection of higher revenue from regulated revenue under the SODO contract and higher revenue from capitalized own products and services.

In 2018, financial revenue is higher mainly due to higher financial revenue from shares in Group companies.

7.1.4 Costs and expenses

Compared to the planned, the total costs and expenses in 2018 are higher primarily from higher operating costs. In 2018, operating costs and expenses (OPEX costs) increased by EUR 3,865,565 or 6%, compared to the planned.

Table 11: Costs and expenses of Elektro Maribor d.d.

	2018	Plan 2018	2017	Index	Index
	1	2	3	1 / 2	1 / 3
Operating costs and expenses	70,718,057	66,852,492	68,100,207	106	104
– costs of material	12,551,174	11,532,417	10,819,298	109	116
– costs of services	6,717,950	6,426,292	7,254,386	105	93
– write-downs	20,515,409	19,520,012	19,728,458	105	104
– labour costs	29,769,102	28,902,274	29,444,776	103	101
– other expenses	1,164,422	471,497	853,289	247	136
Financial expenses	435,620	459,784	476,039	95	92
Other expenses	149,597	52,960	135,103	282	111
Total costs and expenses	**71,303,274**	**67,365,236**	**68,711,350**	**106**	**104**

Higher than planned are the costs of material, which are higher mainly due to implementation of services in the market and the costs of material from rehabilitation of damages, which are not planned, the costs of services, which are higher due to foreign services in rehabilitation of damages, which are not planned, the write-downs, which are higher due to higher depreciation, the labour costs, which are higher due to increasing employment due to increased volume of work, and other expenses, which are higher primarily from the formation of provisions.

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

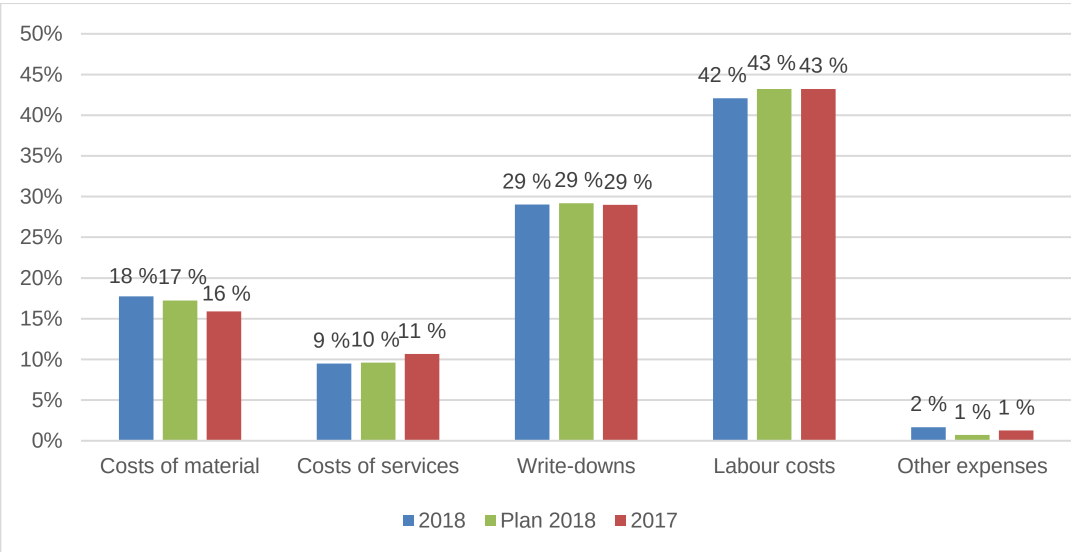


Figure 35: Structure of operating costs and expenses of Elektro Maribor d.d.

In 2018, the financial expenses are lower compared to the planned mainly due to lower debt interest from long-term loans.

Other expenses in 2018 are higher compared to the planned mainly due to higher expenses related to legal proceedings.

7.1.5 Financial situation

Total assets of the company as at 31 December 2018 amount to EUR 377,427,424 and are higher by EUR 7,401,984 or 2% compared to the planned situation.

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

in EUR	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017	Index	Index
	1	2	3	1 / 2	1 / 3
Assets	**377,427,424**	**370,025,440**	**364,944,100**	**102**	**103**
Non-current assets	352,203,321	356,376,727	339,762,966	99	104
Current assets	24,993,586	13,456,378	24,265,439	186	103
Short-term deferred expenses and accrued income	230,516	192,335	915,695	120	25
Liabilities	**377,427,424**	**370,025,440**	**364,944,100**	**102**	**103**
Equity	279,933,132	271,369,982	269,381,842	103	104
Provisions and long-term accruals and deferred income	40,367,502	39,919,467	40,086,984	101	101
Non-current liabilities	33,859,014	34,203,891	30,971,748	99	109
Current liabilities	22,383,805	23,478,639	23,507,956	95	95
Short-term accrued expenses and deferred income	883,971	1,053,462	995,570	84	89

The structure of assets has not changed much in 2018. The largest percentage constitute non-current assets (93%).

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

Item in %	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017
Non-current assets	93.32	96.31	93.10
Current assets	6.62	3.64	6.65
Prepayments and accrued income	0.06	0.05	0.25
Total	**100**	**100**	**100**

In 2018, we earmarked EUR 4,409,156 more assets for investments in fixed assets compared to the planned investments. The increase of investments is largely reflected in the increase of the robustness of the medium and low voltage network.

Table 14: Investments in fixed assets of Elektro Maribor d.d.

	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017	Index	Index
	1	2	3	1 / 2	1 / 3
Value of assets – in EUR	333,821,600	338,230,755	321,249,746	99	104
Amount of investments in company's fixed assets – in EUR	31,880,619	30,000,000	28,655,344	106	111
Share of investments in value of assets – in %	9.55	8.87	8.92		

As at 31 December 2018, the company's current assets are by EUR 11,537,208 or 86% higher compared to the planned balance, and are mainly a result of a higher cash balance arising from the lower purchase of own shares than planned.

Table 15: Current assets of Elektro Maribor d.d.

in EUR	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017	Index	Index
	1	2	3	1 / 2	1 / 3
Inventories	2,107,741	1,320,000	1,719,670	160	123
Current operating receivables	14,900,121	11,068,058	12,961,865	135	115
Cash and cash equivalents	7,985,724	1,068,320	9,583,904	748	83
Total	**24,993,586**	**13,456,378**	**24,265,439**	**186**	**103**

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

Table 16: Structure of liabilities of Elektro Maribor d.d.

Item in %	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017
Equity	74.17	73.34	73.81
Provisions and long-term accruals and deferred income	10.70	10.79	10.98
Non-current liabilities	8.97	9.24	8.49
Current liabilities	5.93	6.35	6.44
Short-term accrued expenses and deferred income	0.23	0.28	0.27
Total	**100**	**100**	**100**

As at 31 December 2018, the company's equity amounted to EUR 279,933,132 and is by EUR 8,563,149 or 3% higher than planned, which is mainly a result of a higher achieved profit for 2018 than planned.

Provisions and long-term accrued expenses and deferred income (accruals and deferred income) are by EUR 448,035 higher than planned, which is primarily a result of long-term accrued expenses and deferred income.

In 2018, we are indebted for EUR 11,000,000, as planned. The indebtedness is by EUR 108,333 lower than planned.

Table 17: Borrowing from banks at Elektro Maribor d.d.

in EUR	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017	Index	Index
	1	2	3	1 / 2	1 / 3
Loans (short-term + long-term part)	41,809,524	41,917,857	38,185,714	100	109

The balance of current liabilities is by EUR 1,094,834 or 5% lower than planned, and is primarily a result of lower operating trade payables for fixed assets.

Table 18: Current liabilities of Elektro Maribor d.d.

in EUR	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017	Index	Index
	1	2	3	1 / 2	1 / 3
Current operating liabilities	14,194,660	15,689,949	16,210,831	90	88
Current financial liabilities	8,189,145	7,788,690	7,297,125	105	112
Total	**22,383,805**	**23,478,639**	**23,507,956**	**95**	**95**

7.1.6 Net cash inflow or outflow and financial operations

In 2018, the net cash inflow or outflow of Elektro Maribor d.d. was by EUR 1,846,029 higher than planned, mainly due to the fact because the shareholders (holders of EMAG shares) have not shown interest in the sale of Elektro Maribor d.d. shares. to the extent as planned. For 2018, we planned a purchase in the amount of EUR 4,622,355; however, it was only realized for EUR 208,762.

Table 19: Financial operations of Elektro Maribor d.d.

in EUR	2018	Plan 2018	2017	Index	Index
	1	2	3	1 / 2	1 / 3
Cash flows from operating activities	**13,124,185**	**10,983,517**	**11,161,556**	**119**	**118**
- cash receipts from operating activities	114,667,433	106,671,852	106,667,833	107	107
– expenditures from operating activities	–101,543,248	–95,688,335	–95,506,277	106	106
Cash flows from investing activities	**–13,433,706**	**–10,140,000**	**–8,148,545**	**132**	**165**
– cash receipts from investing activities	2,027,379	1,650,000	1,885,359	123	108
– expenditures from investing activities	–15,461,085	–11,790,000	–10,033,904	131	154
Cash flows from financing activities	**–1,288,659**	**–4,287,726**	**–4,192,251**	**30**	**31**
– cash receipts from financing activities	11,000,000	11,000,000	9,000,000	100	122
– expenditures from financing activities	–12,288,659	–15,287,726	–13,192,251	80	93
Cash flow for the period	**–1,598,180**	**–3,444,209**	**–1,179,240**	**46**	**136**
Closing balance of cash and cash equivalents	**7,985,724**	**1,068,320**	**9,583,904**	**748**	**83**
Opening balance of cash and cash equivalents	**9,583,904**	**4,512,529**	**10,763,144**	**212**	**89**

At the end of 2018, the company's total financial liabilities amounted to EUR 41,809,524, and were at planned level. The share of financial liabilities with a variable interest rate amounts to 30% of all financial liabilities.

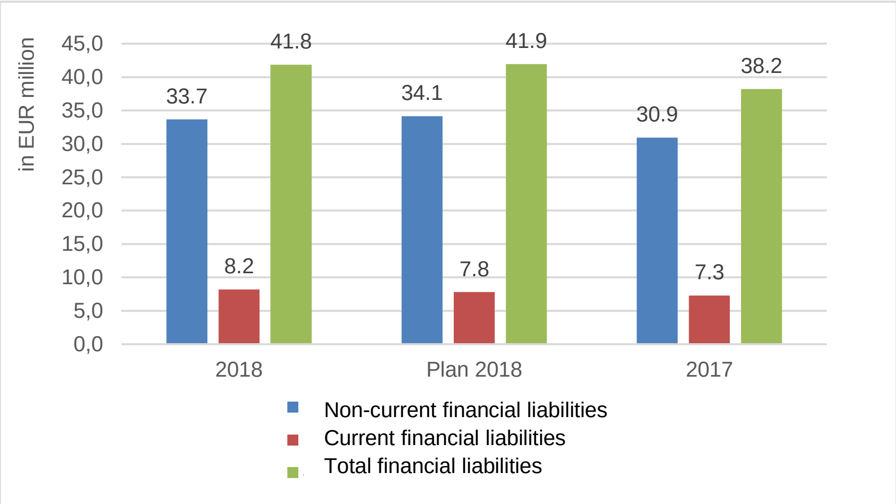


Figure 36: Financial liabilities of Elektro Maribor d.d. (in EUR million)

As at 31 December 2018, the net financial debt amounted to EUR 33,853,422, which is 17% less than planned and is a result of a higher cash balance than planned, primarily from the lower purchase of own shares.

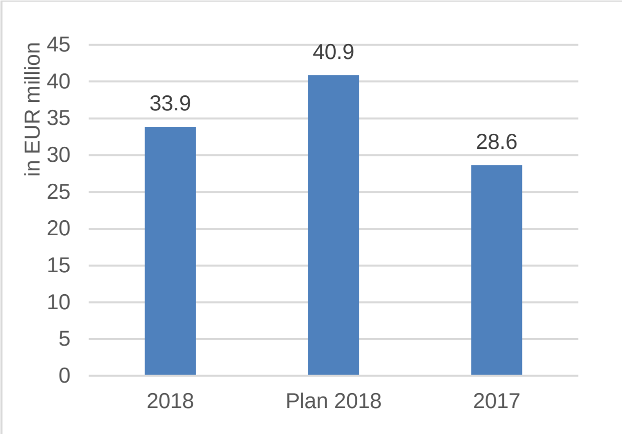


Figure 37: Net financial debt of Elektro Maribor d.d. (in EUR million)

Net financial debt = financial liabilities – current financial investments – cash and cash equivalents

The value of the net financial debt indicator on EBITDA in 2018 is lower given the value planned due to the lower net financial debt and higher EBITDA.

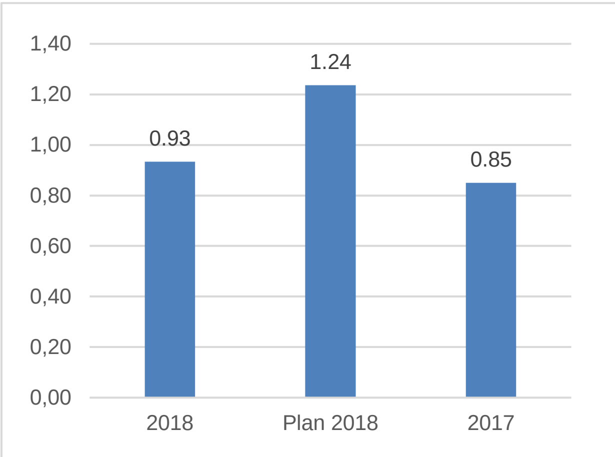


Figure 38: Net financial debt/EBITDA

For the 2015–2018 period, the company took out a long-term loan from EIB to finance investments in the total amount of EUR 34 million. From the total value of the loan taken out, EUR 10 million was drawn in 2015, EUR 8 million in 2016, EUR 9 million in 2017 and EUR 7 million in 2018. In 2018, the company Elektro Maribor d.d. borrowed another EUR 4 million from a commercial bank for financing investments. The share of the long-term loan with a variable interest rate taken out in 2018 amounts to 36%.

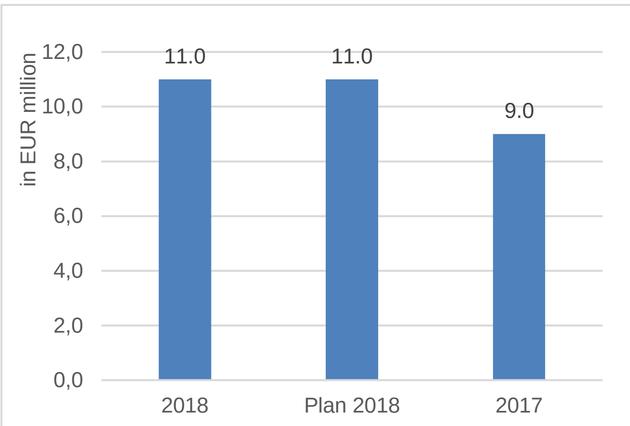


Figure 39: Borrowing with long-term loans of Elektro Maribor d.d. (in EUR million)

In 2018, the company's debt ratio decreased by 0.2 percentage points compared to the plan for 2018, which is a result of an increase in the value of assets with unchanged financial liabilities to banks.

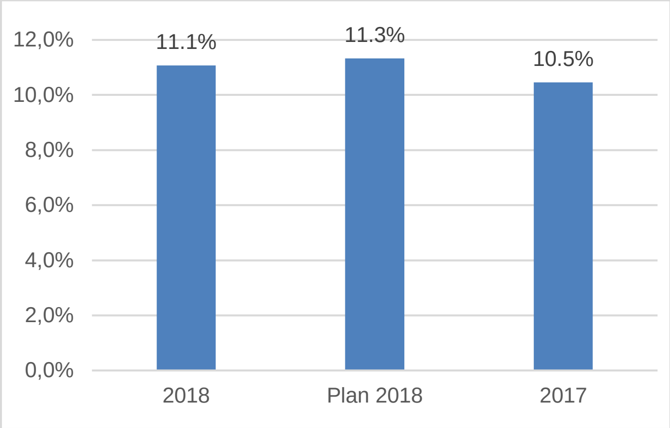


Figure 40: Debt ratio of Elektro Maribor d.d.

Debt ratio = Non-current and current financial liabilities to banks/assets

7.2 Business operation analysis of the Elektro Maribor Group

7.2.1 Net profit or loss

The Elektro Maribor Group successfully closed-out operations in 2018 and generated a net profit in the amount of EUR 15,218,892. With regard to the net profit planned, the profit was higher by 17%, and by 30% higher compared to the previous year. In relation to the planned, the higher net profit can mainly be attributed to higher operating revenue.

Table 20: Net profit or loss of the Elektro Maribor Group

in EUR	2018	Plan 2018	2017	Index	Index
	1	2	3	1 / 2	1 / 3
Operating profit or loss	18,195,262	15,402,894	14,164,584	118	128
Cash flow	–258,620	–271,069	–557,190	95	46
Other operating results	–129,072	–77,291	–124,000	167	104
Taxes	–2,588,678	–2,056,899	–1,811,336	126	143
Net profit or loss	**15,218,892**	**12,997,636**	**11,672,058**	**117**	**130**

7.2.2 Revenue

In 2018, all revenue of the Group amounted to EUR 178,049,923 and is by 10% higher than revenue planned, and by 12% higher compared to the previous year. In view of the revenue planned, the operating revenue is notably higher, namely due to higher regulated revenue under the SODO contract and higher revenue from sales of electricity.

Table 21: Revenue of the Elektro Maribor Group

in EUR	2018	Plan 2018	2017	Index	Index
	1	2	3	1 / 2	1 / 3
Operating revenue	177,757,849	161,435,593	158,677,462	110	112
Financial revenue	246,002	238,345	211,409	103	116
Other revenue	46,072	2,744	34,066	1,679	135
Total revenue	**178,049,923**	**161,676,682**	**158,922,937**	**110**	**112**

7.2.3 Costs and expenses

In 2018, all costs and expenses of the Group amounted to EUR 160,242,353 and are by 9% higher than costs and expenses planned, and by 10% higher compared to the previous year. Compared to the costs and expenses planned, the operating costs and expenses are notably higher, namely the costs of purchasing electricity above all.

Table 22: Costs and expenses of the Elektro Maribor Group

in EUR	2018	Plan 2018	2017	Index	Index
	1	2	3	1 / 2	1 / 3
Operating costs and expenses	159,562,587	146,032,699	144,512,878	109	110
– costs of material and costs of goods sold	93,532,827	81,671,377	79,145,896	115	118
– costs of services	9,893,305	10,153,525	10,868,607	97	91
– depreciation and revaluation operating expenses	22,067,493	21,267,037	21,305,286	104	104
– labour costs	32,757,724	31,913,184	32,221,344	103	102
– other operating expenses	1,311,238	1,027,576	971,745	128	135
Financial expenses	504,622	509,414	768,599	99	66
Other expenses	175,144	80,035	158,066	219	111
Total costs and expenses	**160,242,353**	**146,622,148**	**145,439,543**	**109**	**110**

7.2.4 Financial situation

The statement of financial position discloses the financial situation of the Group. As at 31 December 2018, the Group's total assets amount to EUR 404,016,449 and are by 3% higher than the balance planned, and by 3% higher than the balance in the previous year.

Table 23: Total assets of the Elektro Maribor Group

in EUR	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017	Index	Index
	1	2	3	1 / 2	1 / 3
Assets	**404,016,449**	**393,548,980**	**390,499,179**	**103**	**103**
Non-current assets	343,839,770	348,780,884	331,852,316	99	104
Current assets	60,176,679	44,768,096	58,646,863	134	103
Equity and liabilities	**404,016,449**	**393,548,980**	**390,499,179**	**103**	**103**
Equity	287,170,547	280,097,774	276,873,788	103	104
Non-current liabilities	74,755,697	74,570,197	71,578,443	100	104
Current liabilities	42,090,205	38,881,009	42,046,948	108	100

Non-current assets are predominant in the structure of assets. The structure has not changed much over the years.

Table 24: Structure of assets of the Group

in %	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017	Index	Index
	1	2	3	1 / 2	1 / 3
Non-current assets	85.11	88.62	84.98	96	100
Current assets	14.89	11.38	15.02	131	99
Total	**100.00**	**100.00**	**100.00**	**100**	**100**

The Group's liabilities as at 31 December 2018 disclose a method of financing of assets at Group's disposal. The structure has not changed much over the years.

Table 25: Structure of liabilities of as at 31 Dec

in %	31 Dec 2018	Plan 31 Dec 2018	31 Dec 2017	Index	Index
	1	2	3	1 / 2	1 / 3
Equity	71.08	71.17	70.90	100	100
Non-current liabilities	18.50	18.95	18.33	98	101
Current liabilities	10.42	9.88	10.77	105	97
Total	**100.00**	**100.00**	**100.00**	**100**	**100**

7.2.5 Net cash inflow or outflow and financial operations

In 2018, we reached a negative net cash flow in the amount of EUR 2,597,320, which is by EUR 281,295 higher than planned and by EUR 182,490 lower compared to the previous year.

Table 26: Financial operations of the Elektro Maribor Group

in EUR	2018	Plan 2018	2017	Index	Index
	1	2	3	1 / 2	1 / 3
Net cash inflow or outflow from operating activities	**14,782,418**	**35,043,856**	**12,532,459**	**42**	**118**
- cash receipts from operating activities	312,893,325	315,334,914	291,852,484	99	107
– expenditures from operating activities	–298,110,907	–280,291,058	–279,320,025	106	107
Net cash inflow or outflow from investing activities	**–16,091,079**	**–33,072,155**	**–11,120,018**	**49**	**145**
– cash receipts from investing activities	118,407	25,685	175,830	461	67
– expenditures from investing activities	–16,209,486	–33,097,840	–11,295,848	49	143
Net cash inflow or outflow from financing activities	**–1,288,659**	**–4,287,726**	**–4,192,251**	**30**	**31**
– cash receipts from financing activities	11,000,000	11,000,000	9,000,000	100	122
– expenditures from financing activities	–12,288,659	–15,287,726	–13,192,251	80	93
Net cash inflow or outflow for the period	**–2,597,320**	**–2,316,025**	**–2,779,810**	**112**	**93**
Closing balance of cash and cash equivalents	**11,129,067**	**7,512,424**	**13,726,387**	**148**	**81**

At the end of 2018, the Group's total financial liabilities amounted to EUR 41,839,145 and were at planned level, and by 9% higher compared to the previous year.

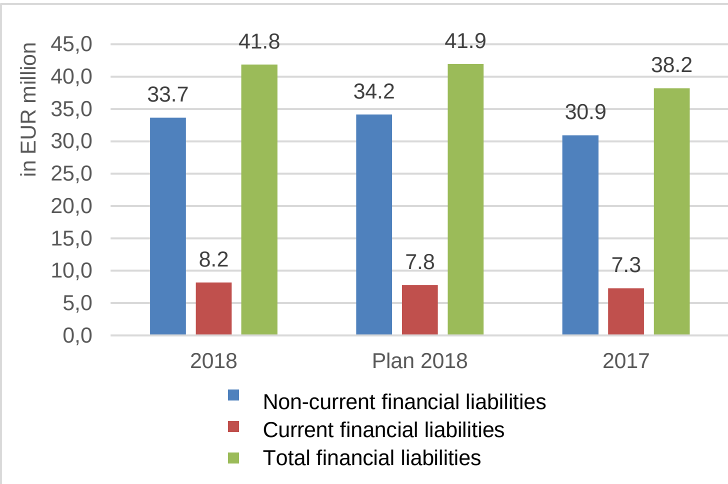


Figure 41: Financial liabilities of the Elektro Maribor Group (in EUR million)

As at 31 December 2018, the net financial debt amounted to EUR 30,710,080 and is by 11% lower than revenue planned, and by 25% higher compared to the previous year.

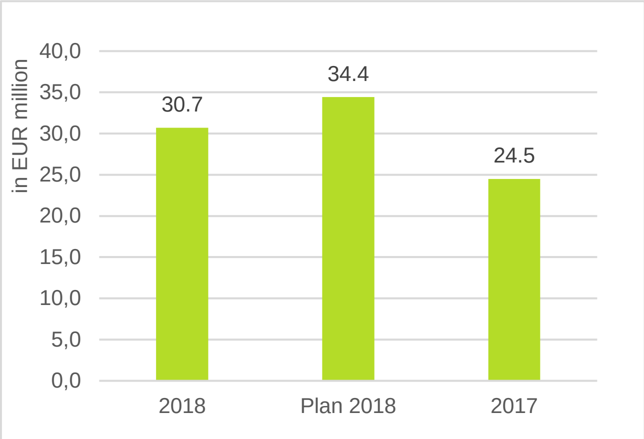


Figure 42: Net financial debt of the Elektro Maribor Group (in EUR million)

Net financial debt = financial liabilities – current financial investments – cash and cash equivalents

Net financial debt to EBITDA amounted to 0.76 and is by 19% lower than planned, and by 11% higher compared to the previous year.

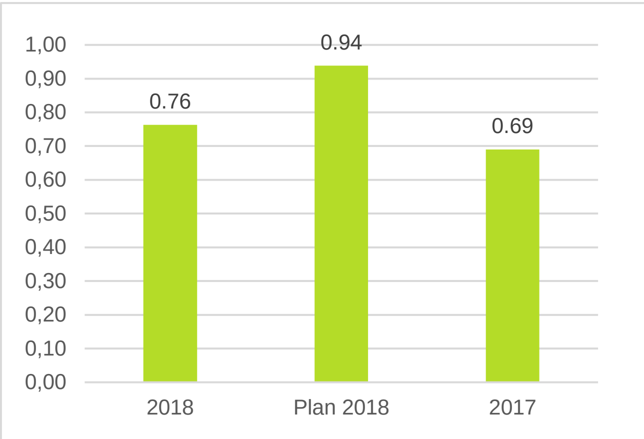


Figure 43: Net financial debt/EBITDA of the Elektro Maribor Group

8 SIGNIFICANT BUSINESS EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the end of the financial year 2018, we have not detected any business events that would have a significant impact on disclosed operations of the company and the Elektro Maribor Group in 2018.

9 DEVELOPMENT STRATEGY

9.1 Expected development

The expected development of the company is defined in the following documents: Strategy of Elektro Maribor d.d., Strategy of the technical and technological development of the electricity distribution system of Elektro Maribor d.d. for the 2015–2030 period, Annual business plan of the company and the Elektro Maribor Group for 2019, with a projection of operations for 2020 and 2021, and Development plan for the distribution network of Elektro Maribor d.d. for the 2019-2028 period.

Company's strategy

The company has its mission, vision and values determined in the Company's Strategy. In the course of business operations, we follow the strategy set, which shall be coordinated with regard to new facts of strategy documents at state level, in particular the Energy Concept of Slovenia, and based on the adopted acts and the relevant regulations. The implementation of the strategy is reviewed annually.

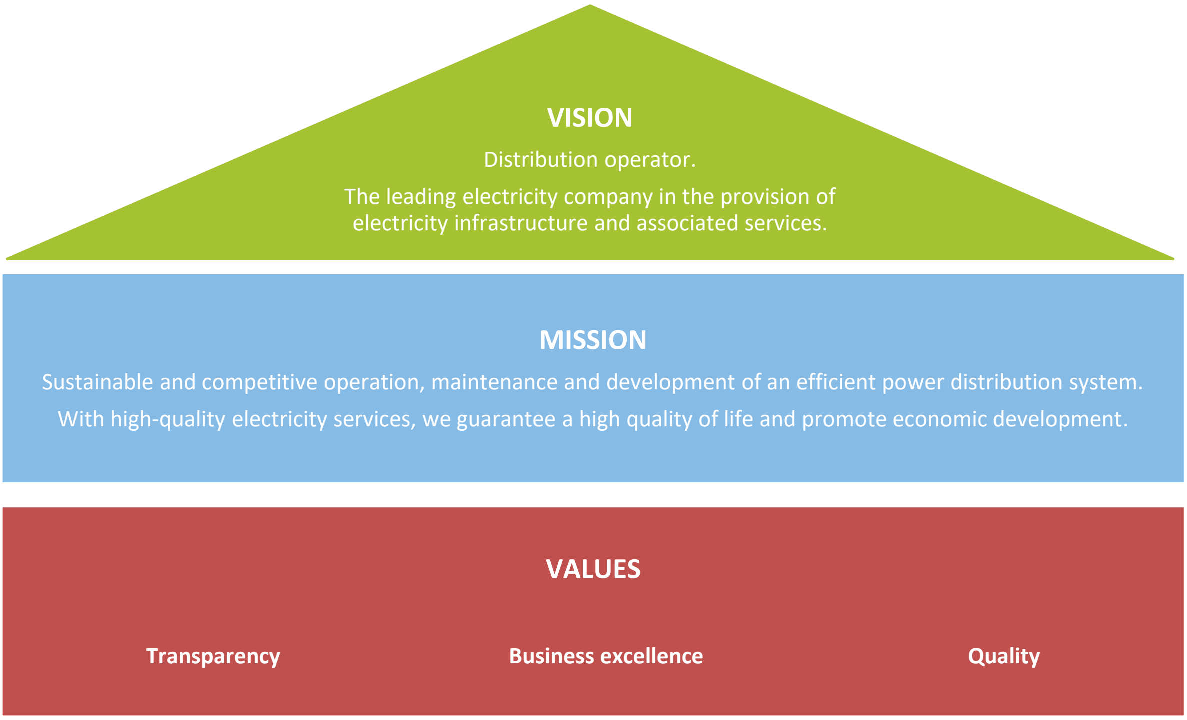


Figure 44: Vision, mission and values

Annual Business Plan 2019

The Supervisory Board of Elektro Maribor d.d. has at its regular session held on 9 October 2018 granted consent to the Annual Business Plan of the company and the Elektro Maribor Group for 2019, with a projection of operations for 2020 and 2021 (hereinafter as LPN 2019).

LPN 2019 was prepared in accordance with the Strategy of Elektro Maribor d.d. In the preparation, we also took into account the expected objectives and the economic and financial indicators arising from the Annual Asset Management Plan for 2018, and the Recommendations and Expectations of the Slovenian Sovereign Holding.

The biggest impact on company's business operations over the planned period will have the new Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system, based on which a new value-related regulatory framework is set for the 2019–2021 period, which was still unknown at the time of preparation and adoption of LPN 2019.

In planning, we have given a great emphasis on the efficient and effective operation with cost management and to the investing in electricity infrastructure, which will provide high quality and reliable supply of electricity to consumers.

Table 27: Key objectives of the company Elektro Maribor2019

	Plan 2019
Return on assets ROA in %	3.42
EBITDA margin in %	41.88
Added value per average number of employees from hours worked (in EUR thousand)	75.32
Share of losses in terms of distributed energy in %	5.00
Share of underground and insulated overhead MV and LV lines in %	71.50
Share of insulated overhead MV and LV lines in %	41.00
Share of meter points included in the advanced metering system in %	78.00
Share of revenue in the market and capitalised own products and services in all operating revenue in %	29.17
Share of investments in assets in the carrying amount of electricity infrastructure in %	10.08

Long-term network development plan

In the first half of 2018, we prepared a draft development plan for the distribution system in the area of Elektro Maribor d.d. for the period from 2019 to 2028.

The bases for preparing the development plan are numerous requirements in the field of energy, electricity and distribution of electricity, forecasts of peak loads and electricity consumption, distribution network status, operational characteristics of the network, and the status of indicators of power continuity and voltage quality from consumers.

For the ten-year period, we assessed investments in assets at the company level in the basic and extended version. To the forecast of peak loads and consumption in the extended version, we also added the estimated additional load or consumption of electricity due to the intense electrification of heating and traffic over the next ten or twenty years. In the 2019-2028 period, the investments in assets in the basic version were estimated at EUR 304 million, and in the extended version to EUR 405.6 million. Compared to the realized investments in the 2009-2018 period, in the basic version this represents an increase by 22%, and in the extended version an increase by 63%.

When preparing the development plan, we followed the policies of the strategy of the technical and technological development of the electricity distribution system of the company, mainly in the area of increasing the robustness of medium and low voltage networks by increasing the share of underground lines and overhead lines with insulated conductors, the installation of remote-controlled switches and the looping of the MV network. In the area of introduction of advanced networks, we must continue with integration of network users into the advanced metering system, which is the basis for introducing advanced services to users, and by increasing the level of awareness, by integrating voltage quality analysers into the MV/LV transformer stations.

The merged document titled Development plan for the electricity distribution system in the Republic of Slovenia from 2019 to 2028, the distribution system operator submitted for approval to the line Ministry for infrastructure, who gave its consent thereto on 23 January 2019. Therewith, the development plan became a public document, which is published on the website of the distribution system operator.

9.2 Activities in the field of research and development

Introducing the Advanced Metering Infrastructure (AMI)

As the end of 2018, there were already 76% of all meter points included in the advanced metering system of the company Elektro Maribor, i.e. 166,736 of the total of 217,994 meter points in the supply area of the company. In accordance with the Decree on measures and procedures for the introduction and interoperability of advanced electric power metering systems, all meter points will be included in the advanced metering system by the end of 2025 at the latest.

The construction of an advanced metering system for Elektro Maribor, as well as for users of the electricity distribution network and the wider social environment, is of utmost importance. In addition to all market players, this investment will also be beneficial to all network users who will be included in the advanced metering system. With this investment, as with other key electricity market players, we will encourage system users to a more active adaptation to market conditions.

The project of replacing electricity meters with smart meters is co-financed by the European Union from the Cohesion Fund and the Republic of Slovenia. The purpose of the operation is:

- purchase and installation of smart electricity meters and corresponding communication equipment (communication modules and data collectors),
- purchase of software, software and hardware for data processing of the advanced metering system,
- educational contents and marketing activities.

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Figure 45: Logo of the European Union Cohesion Fund

Pilot demonstration project NEDO

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

The Energy Agency has approved the use of the pilot dynamic network charges tariff - critical peak tariff (KKT), which is limited exclusively to electricity consumers, who voluntarily join the programme of adjustment of consumption in the context of the Slovenian-Japanese development project "MOVE CONSUMPTION". 830 users signed up into the project, whereby the implementation lasted from 1 December 2017 to 30 November 2018. The objective was a time shift of electricity use from the time of the peak load to another time period. During the period taken under consideration, we implemented all 50 planned activations of KKT. User responses were measured through a survey questionnaire and they are very encouraging, as they show that the use of advanced technologies in the project has proven to be successful, and the prospects for the future are also excellent, as the vast majority of users are willing to participate in similar projects in future. During the activation of KKT, the total load of users involved in the project "MOVE CONSUMPTION" also reduced to 34% (approximately 300 kW), depending on the season. During the course of the project, 50 one-hour activations of the KKT and 21 activations of system balancing were performed for a total duration of 32 hours. The forecasts of KKT activations were made based on the load forecast and the temperature forecasts. It is particularly important that with the activation of KKT in the system, we do not cause a new peak in the period before or after the onset of KKT.

Figure 46: Project logo

With the "DMS" project, we develop advanced and environmentally friendly solutions for the challenges of the modern power system. With the project, we want to improve reliability in the operation of the 20 kV network, reduce the time required for detection of defects, increase the maximum possible power connection of small power plants to the RTP Breg network without reinforcement or expansion, and reduce the costs of network integration of small power plants.

In 2018, in the context of the project, together with our partners, we installed tested and integrate all anticipated equipment. We successfully completed the pilot operation of the advanced distribution network management system (iDMS). In the pilot operation, we checked and coordinated the last details in exchange of information between the distribution management centre of Elektro Maribor d.d. (SCADA – DMS – CIM) and iDMS Hitachi. There was also a detailed check of the transfer and handover of commands, the correctness of dynamic and GIS-oriented operating schemes, and coordination of security procedures and rules. We also agreed on the method of preparation and implementation of tests - operation. In November and December we started with regular - supervised operation/testing.

Distribution Academy

In 2018, the Distribution Academy of Elektro Maribor implemented activities in many areas in order to strengthen the internal knowledge of employees and the recognisability of the company Elektro Maribor in the energy and social environment with expert discussions, events and, in particular, connections with the school system, local community and institutions. Activities also include participation in Earth Day events and the European Mobility Week.

Lectures in switching techniques, remote control of switches and digitization of operational processes in distribution were carried out in the context of employee training in technologies, processes and procedures of work. The outdoor training ground was the worksite for practical demonstration of safe work in the context of training of operational workers and installers in the field of health protection.

The Distribution Academy organized a series of regional expert discussions, including on the topic of the Energy Concept of Slovenia. Based on presentations and conclusions of the round tables with experts, the panel discussions contributed to an in-depth expert discussion and drafting a strategic development document of better quality. Active participation of the profession in discussions on strategic development documents in energy is a reflection of social responsibility of the modern energy company Elektro Maribor d.d., which aims at sustainable development by providing a robust, powerful and advanced distribution network as a platform for the transition into a low-carbon company.

Special attention is paid to the users. In cooperation with the Academy, regional unit organized presentations of information user support in the field of smart meters and the advanced metering system. By doing so, we promote the use of new technologies and the active role of users.

With the selected contractors, the Distribution Academy also carried out a safe driving course for employees, thus enhancing the employees' competences in terms of road safety and traffic, and educating employees in using the application computer program Excel, which coincides with the transition to a new information system.

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

In 2017, we began to redesign the ERP and EAM information systems. The majority of activities took place in 2018, which included the preparation of functional specifications, setting up test and production environments, preparation of code lists and settings, planning integrations with external system, testing IT solutions and education of users.

Both solutions, ERP Microsoft AX and EAM IBM Maximo, transitioned to production operation on 1 January 2019. The business processes that were adjusted to good practices and integrated in the IT systems were updated as well.

10 OPERATING IN THE ENVRIONMENT (GRI 201-2, 302-2)

The Elektro Maribor Group, which provides the supply of electricity and energy services in the environment in which it operates, is also largely dependent on the weather conditions of the natural environment. Compared to the previous year, 2018 was more favourable in all areas.

In 2018, the amount of energy produced was by 20% higher compared to the previous year, and by 3% lower than in 2016. A more detailed explanation is given in Chapter 12 Production of energy products.

In 2018, the amount of energy sold was by 8% higher compared to the previous year, and by 3% lower than in 2016. A more detailed explanation is given in Chapter 13 Sales of energy products.

The amount of electricity distributed to users through our own network has been increasing for the last three years. In 2018, it was by 1% higher compared to the previous year, and by 4% lower than in 2016. A more detailed explanation is given in Chapter 11.5 Access to the distribution system and billing the network use.

Table 28: Energy in the Elektro Maribor Group

	2018	2017	2016
Electricity produced in MWh	13,571	11,312	14,033
– Hydroelectric power plants	12,634	10,286	12,988
– Photovoltaic power plants	558	596	631
– Cogeneration	379	430	414
Energy sold in MWh	1,827,457	1,687,725	1,884,177
– Electricity	1,707,144	1,564,962	1,801,203
– Natural gas	118,145	120,567	80,905
– Heat	2,168	2,196	2,069
Distributed electricity in MWh	2,297,516	2,264,791	2,208,308
Share of electricity losses in %	4.75	4.71	5.06

Extreme weather conditions have a negative impact on the quality of electricity supply, and consequently a negative impact on the business operations of Elektro Maribor d.d. The indicator for the quality of supply is worse; as a result, the company may be sanctioned in regulated eligible costs. A part of the funds that we have planned to use for investments in assets must be earmarked to the rehabilitation of the damaged distribution system.

The business operation of OVEN Elektro Maribor d.o.o. is also largely dependent on weather conditions, which are reflected in the amount of precipitation. A negative impact on business operation have failures of electricity production due to drought periods, which result in lower revenue from the sales of electricity produced, while the periods with abundant precipitation, when the electricity production is at its maximum, have a positive impact.

The number and intensity of natural and other disasters due to extreme weather conditions has been increasing substantially over the recent period. In 2018, there were 27 days of extreme weather conditions recorded in the supply area of Elektro Maribor d.d., which is the same as in 2017, and significantly more than in the years before. For example, we refer to the year 2014, in which a catastrophic ice damage left a definitive mark, where there were 14 days of extreme weather conditions. In 2018, as a result thereof, we recorded 399 claims in the amount of EUR 1 million, which is significantly less than in 2018, where there were 1,147 claims in the amount of EUR 4 million.

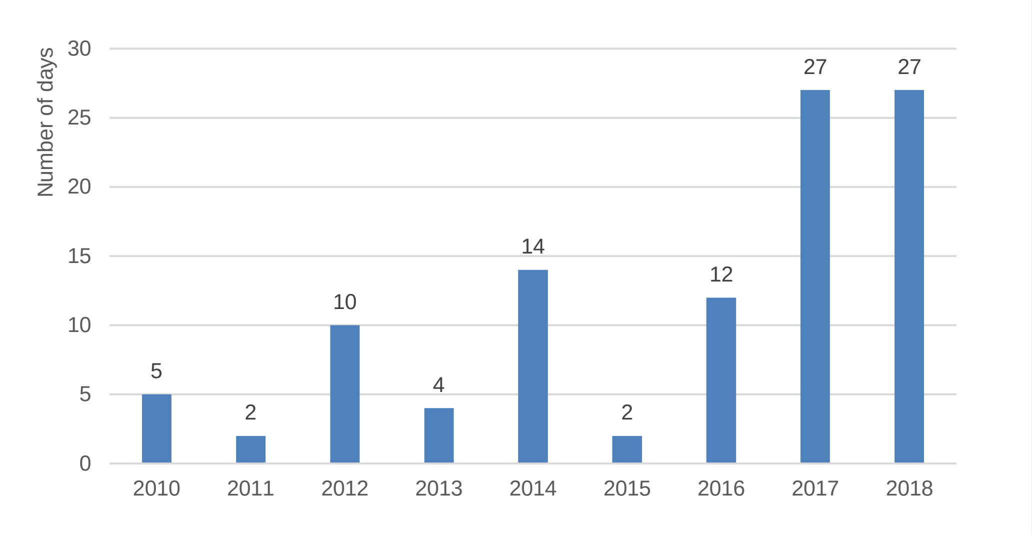


Figure 47: Number of days with extreme weather conditions

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

11 DISTRIBUTION OF ELECTRICITY

In accordance with the Energy Act, we at Elektro Maribor d.d., as the owner of the electricity infrastructure, perform a regulated activity. With the SODO Company, which holds the concession to perform the public utility service of an electricity distribution network system operator, we do business based on the Contract on the lease of electricity distribution infrastructure and provision of services for the electricity distribution network system operator (hereinafter referred to as the SODO Contract). Based on the aforementioned contract, the SODO Company and each owner of the electricity infrastructure conclude annual annexes to the contract, which determine the method of charging for the network use, leases for the infrastructure and provision of services. In 2017, we signed an Annex no. 5 to the to the SODO Contract for the 2016–2018 period.   In 2018, coordination with SODO d.o.o. took place in order to prepare a new contract for the 2019-2021 period, which was not yet signed at the time of preparation of the Annual Report.

The regulator of the Slovenian energy market is the Energy Agency, which monitors, directs and supervises the providers of energy activities. In 2018, the regulatory framework, which entered into force in 2016 for the 2016-2018 period, applied, namely based on the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system (Official Gazette of the Republic of Slovenia, no. 66/2015). The value of the regulatory framework for the period 2016-2018 was determined by the Energy Agency's decision no. 211-58/2015-121/452 (hereinafter referred to as the Decision).

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

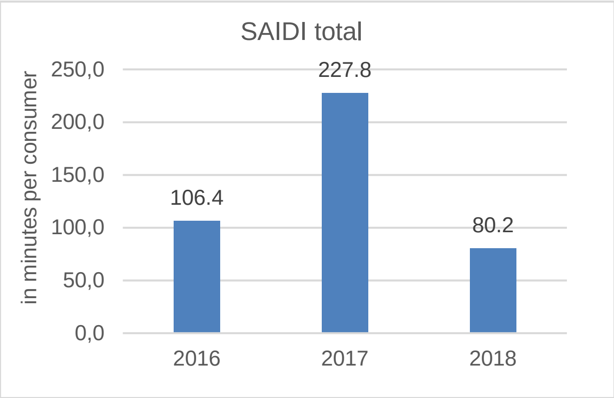
11.1 Operation of the distribution system (GRI 417-2)

The indicators of quality of supply, especially those resulting from our own causes, indirectly show the condition of our network and are improved if the network is properly refurbished or implemented in an insulated, either underground or air performance.

In 2018, the quality of supply of electricity consumers in the area that we supply with electricity and measure with SAIDI, SAIFI and MAIFI parameters improved significantly compared to 2017. This is partly a result of measures that we implement in order to ensure the prescribed quality of supply, and partly the result of favourable weather conditions in 2018.

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

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



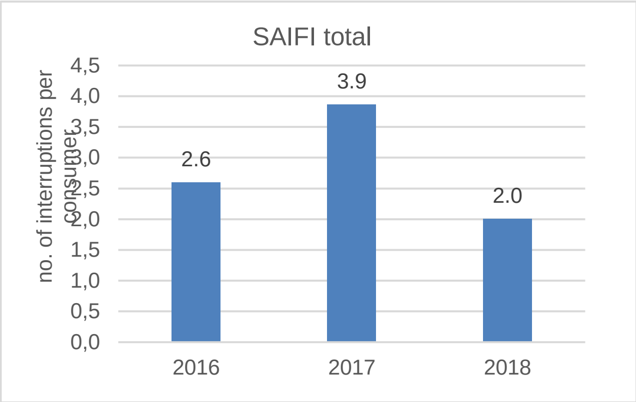


Figure 48: Trend in SAIDI and SAIFI factors

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

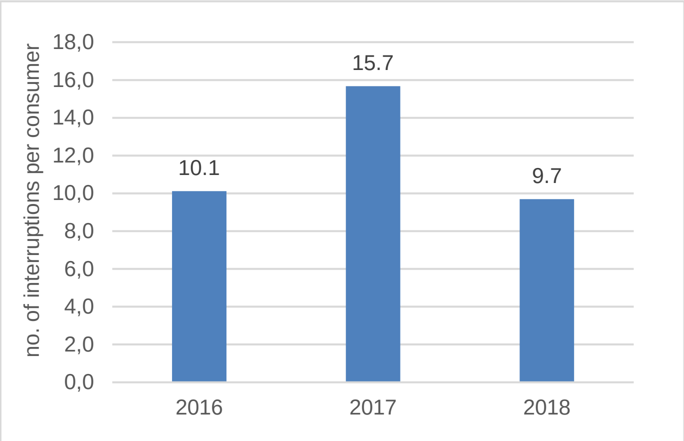


Figure 49: Trend in MAIFI factor

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

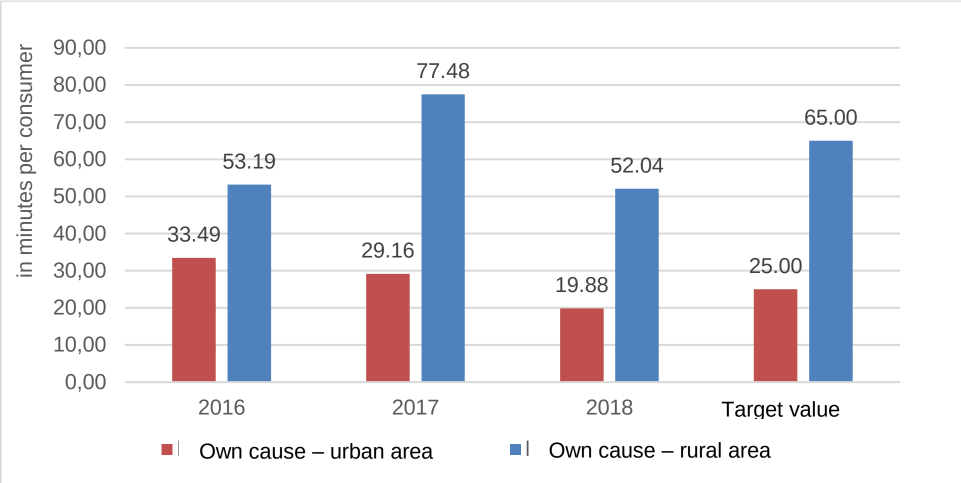


Figure 50: SAIDI own cause - average time of unplanned interruptions longer than three minutes per consumer

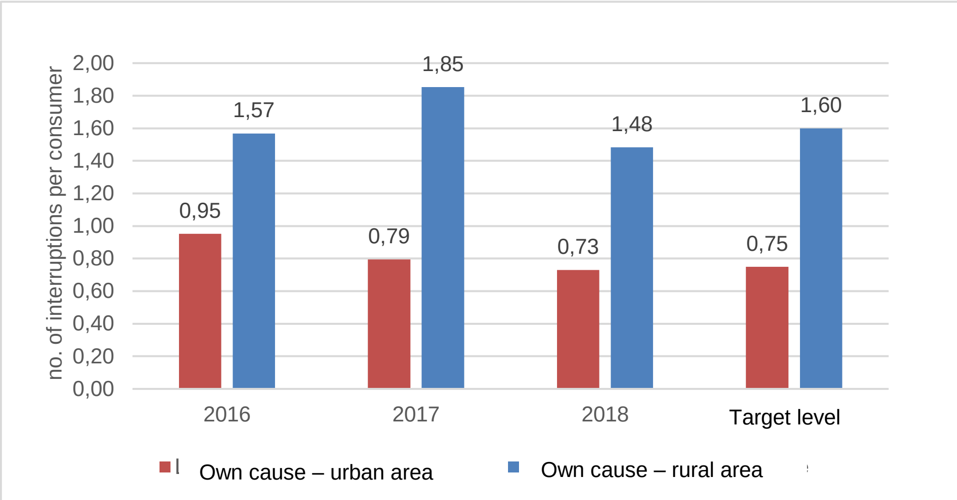


Figure 51: SAIFI own cause - average number of power failures longer than three minutes per consumer

In 2018, the entire supply area of Elektra Maribor reached a total SAIDI indicator (composed of own causes, force majeure and foreign causes) in the amount of 80.2 minutes/consumer, and is by 64.8% better than in 2017. Compared to the power failures due to own causes, the results in SAIDI factor (separate for urban and rural area) were better than in 2017. In rural area, they were better by 32.8%, and in urban area by 31.8%. The achieved values of own causes for urban and rural area are also better (lower) than target values which the Energy Agency set out in the regulatory period of 2016-2018.

The total SAIDI indicator (composed of own causes, force majeure and foreign causes) reached in the entire supply are of Elektro Maribor in 2018 was 2.01 interruptions/consumer, and is by 48.7% better than in 2017. Compared to the power failures due to own causes, the results in SAIFI factor (separate for urban and rural area) were better than in 2017. Also in the frequency of power failures, the achieved values of own causes for urban and rural area are better (lower) than target values which the Energy Agency set out in the regulatory period of 2016–2018.

11.2 Commercial quality (GRI 417-2)

Commercial quality is the quality of non-technical services provided by Elektro Maribor d.d. for distribution network users. It is measured by response time for implementation of an individual service. Services for distribution network users are regulated by the Energy Agency with the following types of commercial quality:

- Guaranteed standards of commercial quality that provide the user with a guarantee of a certain response time of the service provider (average time to activate the connection, eliminate meter failures, answers to written questions and complaints).
- System standards of commercial quality that provide the user with a guarantee of quality of certain services with average values specified for each service area (issue of consent and contract for connection, resolution of deviations and complaints regarding the voltage quality).

In 2018, we record a growth in the quality of services of almost all commercial quality indicators compared to the previous year. We also successfully improved bad voltage conditions, including those resulting from a significantly higher use of electricity due to heat pumps in particular.

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

We prepared the data of annual peak loads of medium voltage lines. The data show that the highest annual peak load of 40.9 MVA is at RTP 110/20 kV Slovenska Bistrica and 40.3 MVA at RTP 110/20 kV Slovenske Konjice. Followed by RTP Murska Sobota and RTP 110/10 kV Melje of 36 MVA each.

We carry out an electricity analysis of the medium voltage network in the area of Radenci and Gornja Radgona. The analysis has analysed the cabling of 20 kV overhead line from RTP Radenci in the direction of Gornja Radgona in the approximate length of 2.3 km and provided a solution to power the new industrial zone in Gornja Radgona.

The volume of documents issued in 2018, in the process of connecting the users to the electricity distribution system and documents that we, as owners of the electricity distribution system, must issue in accordance with the Spatial Planning Act and the Construction Act, is evident from the table below:

Table 29: Volume of documents issued

Title	2018	2017	2016
Preparation of guidelines to spatial planning acts	91	84	75
Elaboration of opinions to spatial planning acts	88	75	52
Elaboration of project requirements	1,583	1,779	1,523
Issuing opinions to project solutions	2,462	2,546	2,187
Elaboration of consents for connections	4,378	3,910	3,498
Concluding contracts for connections	3,979	3,404	3,020
Making analyses for diffuse sources	712	443	193
Total	**13,293**	**12,241**	**10,548**

The volume of all documents issued is by 9% higher compared to the previous year. The realization is higher for all documents, except for project conditions and opinions to project solutions. The volume of analyses carried out in terms of the possibility of connecting production sources was as much as 161% higher compared to the previous year. The volume of contracts issued on connections and opinions to spatial planning acts was higher by 117%, and consents for connections and guidelines to spatial planning acts by 112%. The number of analyses for integration of production sources grows with the interest to acquire electricity billing according to the net-metering principle, in accordance with the decree on self-supply and with additional support for kW of connected power, in particular to solar power plants.

11.4 Maintenance of the distribution system

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

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

- MV cable lines by 39 km,
- LV underground lines by 253 km,
- transformer stations MV/0.4 kV, MV/0.95 kV and 0.95/0.4 kV for 9 transformer stations.

Compared to the previous year, we increased the length of the network on company's distribution system by 118.8 km or 0.7%, of which the length of underground lines was increased by 292.2 km or 3.6%, and the length of overhead lines reduced by 173.4 km or 2.1%.

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

	2018	2017	2016
HV and MV network (in km)			
HV overhead lines	231.9	231.9	231.9
MV overhead lines	2,877.0	2,898.6	2,909.5
HV cable lines	8.3	8.2	8.2
MV cable lines	1,168.9	1,129.9	1,095.1
Total HV network	**240.2**	**240.2**	**240.2**
Total MV network	**4,045.9**	**4,028.5**	**4,004.7**
LVN 1 kV + 0.4 kV + 0.2 kV (in km)			
LV overhead lines	5,143.0	5,294.8	5,454.1
LV underground lines	7,187.0	6,933.9	6,734.7
Total LV network	**12,330.0**	**12,228.7**	**12,188.7**
Total network (in km)	**16,616.1**	**16,497.3**	**16,433.6**
RTP and TP (in pcs)			
110/MV kV RTP, 110 kV RP	20	20	20
RTP MV/MV, SS MV (with management and protection)	9	9	20
TS MV/0.4 kV, TS MV/0.95 kV, TS 0.95/0.4 kV	3,511	3,502	3,471

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

- Strategic maintenance represents maintenance of high voltage networks with a part of medium voltage network. In 2018, the proportion increased by 4 percentage points and varies according to the periodicity of the necessary works carried out in accordance with the Instructions for maintenance of the SODO d.o.o. electricity distribution system.
- Major parts of network maintenance works represent medium and low voltage networks.
- We were also able to decrease the share of costs for maintenance of non-energy facilities by 7 percentage points.

Table 31: Proportion of single maintenance groups

	2018	2017	2016
Strategic maintenance	13%	9%	7%
Maintenance of MV and LV	47%	43%	42%
Maintenance of non-energy facilities	40%	47%	52%
Total	**100%**	**100%**	**100%**

The replacement of pylons is carried out on medium and low voltage network by replacing mostly wooden pylons. In 2018, we replaced 650 more pylons compared to the previous year.

Table 32: Replacement of pylons on MV and LV network

	2018	2017	2016
Plan (in pcs)	10,000	9,000	8,000
Realization (in pcs)	9,199	8,549	9,010
Plan realization (in %)	92.0%	95.0%	112.6%

The performed TP reviews are exceeded at critically significant transformer stations for the purposes of increasing the reliability and robustness of the electricity system.

Table 33: Reviews of transformer stations

	2018	2017	2016
Plan (in pcs)	868	874	864
Realization (in pcs)	917	904	965
Plan realization (in %)	105.6%	103.4%	111.7%

We carry out tree removals on the entire overhead electricity network on our own and with an external contractor. Tree removal is one of the indicators of reliability of the electricity system.

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

	2018	2017	2016
Plan (in pcs)	300	317	230
Realization (in km)	332	339	338
Plan realization (in %)	110.7%	106.9%	147.3%

11.5 Access to the distribution system and billing the network use

Network use

In 2018, we distributed a record 2,298 GWh of electricity through the Elektro Maribor network at 217,994 meter points, which is the maximum in the history of Elektro Maribor. The total distributed electricity was 1.4% higher than in 2017. The use of household consumers was in 2018 by 0.9% higher than in 2017. The use of consumers at MV was higher by 1.9%, and the use of business consumers at LV by 1.5% higher than in 2017.

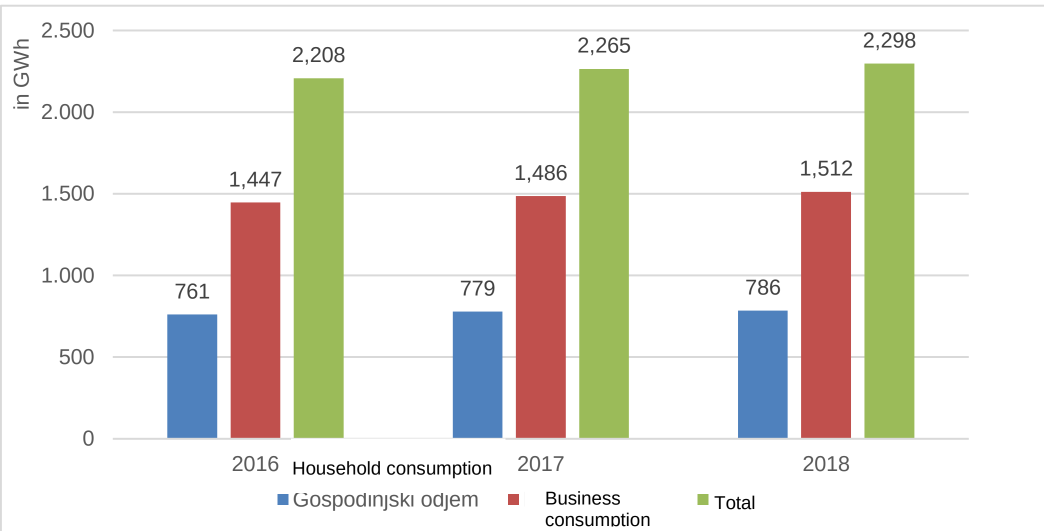


Figure 52: Quantity of distributed energy for business and household consumption (in GWh)

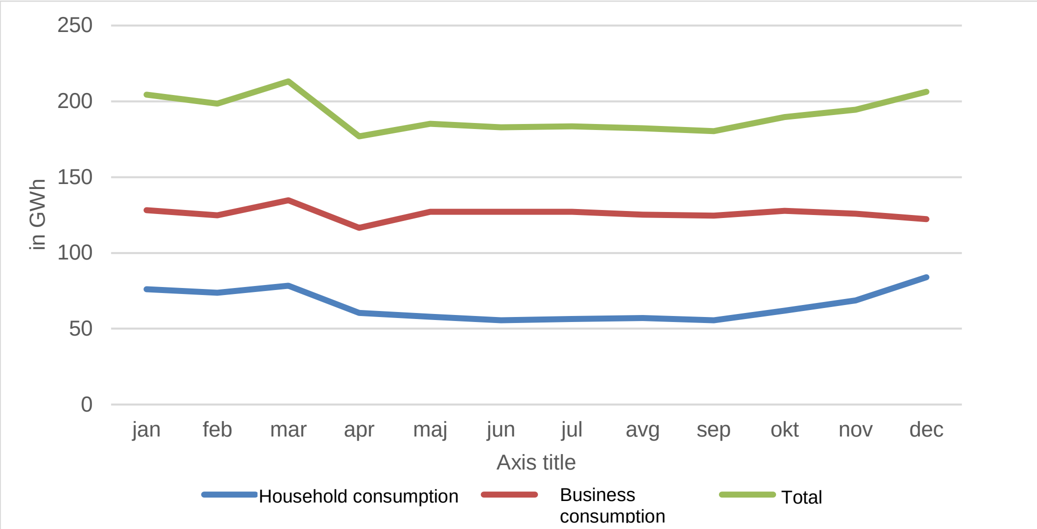


Figure 53: Monthly dynamics of distributed energy for business and household consumption (in GWh)

In 2018, we implemented billing network charges, surcharges to network charges and contributions for 217,994 meter points connected to the Elektro Maribor network. We continued with the maintenance of the system for billing the network use by remote reading according to the actual meter readings for the period from the first to the last day of the month.

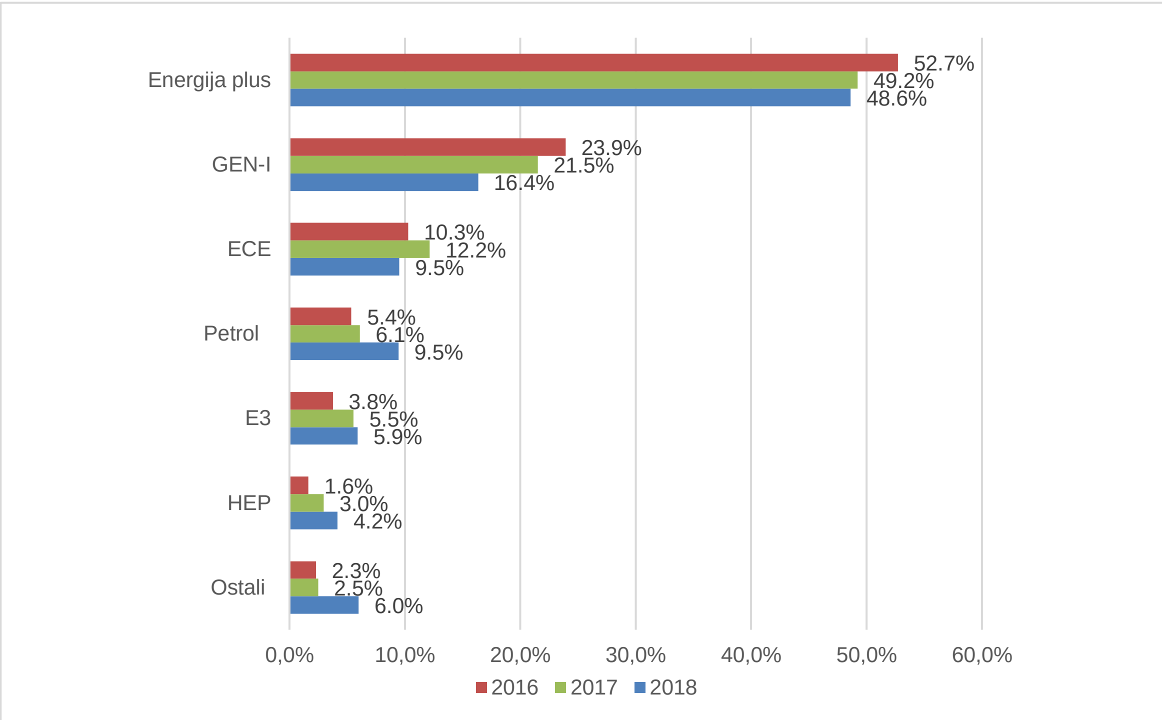


Figure 54: Distributed electricity of Elektro Maribor in the area of the SODO contractor by suppliers

The realization of the billing power was in 2018 by 0.8% higher than in 2017, and was also the highest so far. The billing power is measured or determined according to the safety fuse. In 2018, the billing power increased the most (by 1.8%) at MV. In business consumption at LV, it increased by 1.1% and in households by 0.6%.

Table 35: Trends in billing power and energy use compared to 2017

	Billing power	Energy
Medium voltage (MV)	1.8%	1.9%
Low voltage (LV) - business consumption	1.1%	1.5%
Households	0.6%	0.9%
Total	**0.8%**	**1.4%**

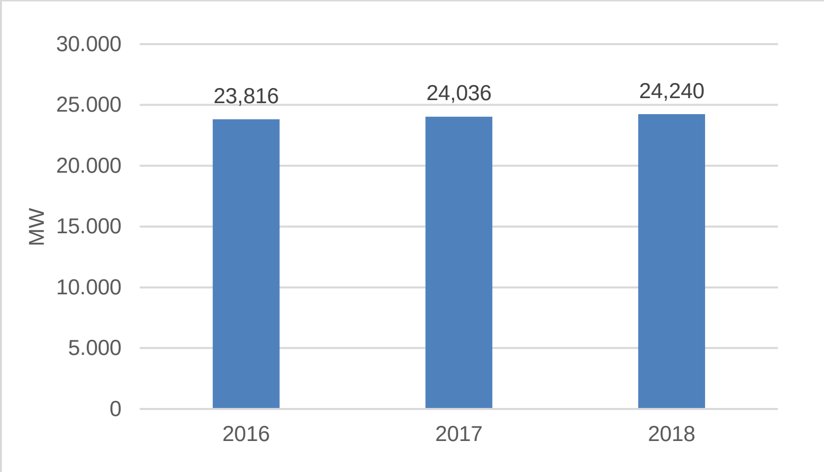


Figure 55: Billing power (in MW)

Number of consumers

In 2018, the number of consumers increased by 1,013 consumers or by 0.5% compared to the previous year, which is by 0.2 percentage points more than the increase in 2017. The number of consumers at the end of 2018 is the largest so far.

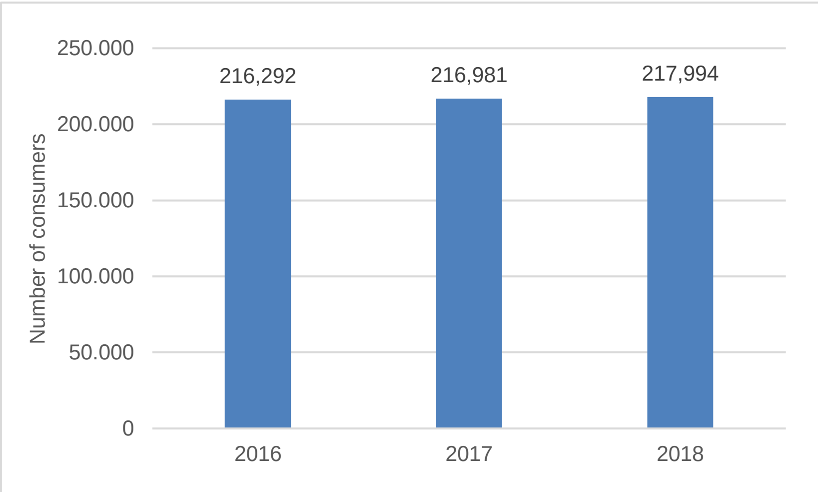


Figure 56: Number of consumers connected to the distribution system

Energy collected

The ratio between the energy collected from the transmission system and the energy from production facilities in 2018 amounted to 86:14, which is the same as in 2017.

All energy in the system, i.e. collected from the transmission system and from production facilities was by 1.5% higher than in 2017.

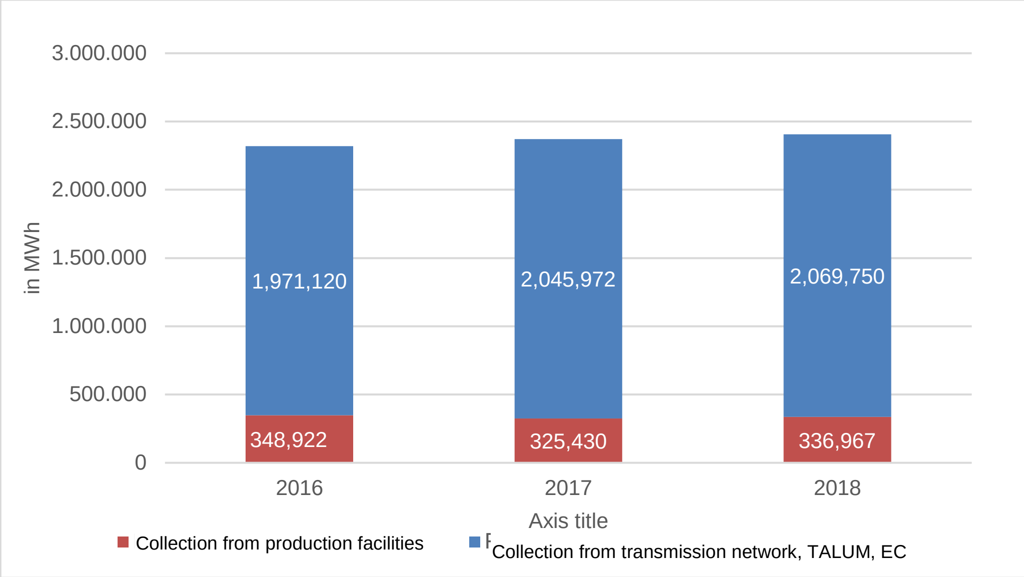


Figure 57: Trends in electricity collection (in MWh)

Peak power

The system's peak power was in 2018 the highest in March and amounted to 441 MW, which is the maximum in the history of Elektro Maribor d.d. The above was largely affected by very low temperatures. In 2017, the peak load was the highest in January, amounting to 435 MW.

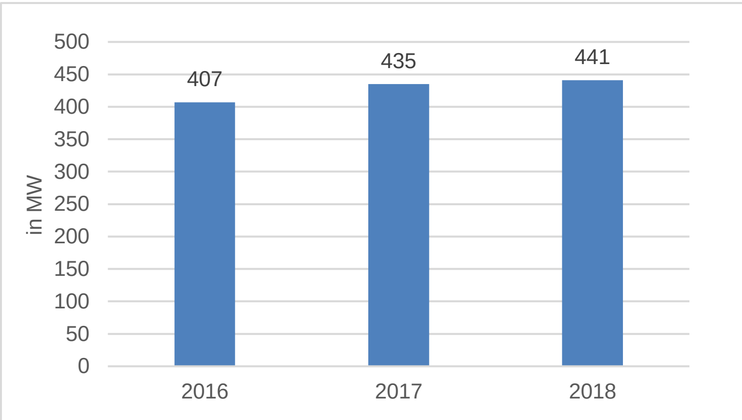


Figure 58: Peak load (in MW)

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

Electricity losses

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

In 2018, the network losses amounted to 4.75% in terms of distributed energy, which is actually the second best result in the history of the company. In 2018, the company Elektro Maribor d.d. continued the implementation of measures to tackle both technical and commercial losses.

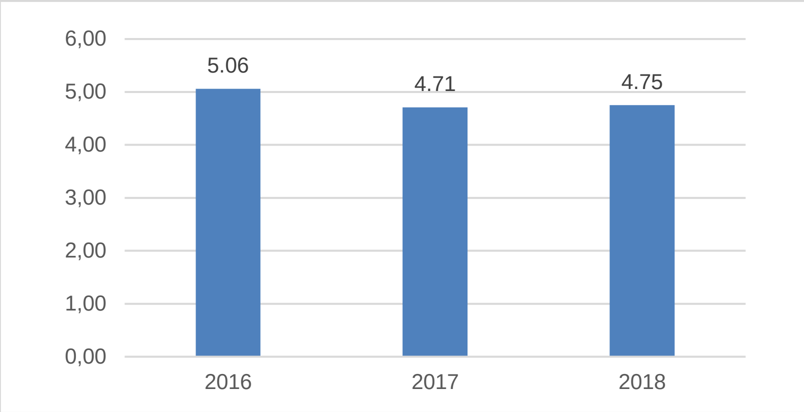


Figure 59: Trends in percentage of losses in the network according to distributed energy (in %)

Changing suppliers

The company Elektro Maribor d.d. performs the change of a supplier within the statutory time limits. In 2018, the change of electricity supplier in the distribution system of Elektro Maribor was carried out at 10,599 meter points, which represents 5.6% of all meter points. The number of changing suppliers is decreasing in the last two years.

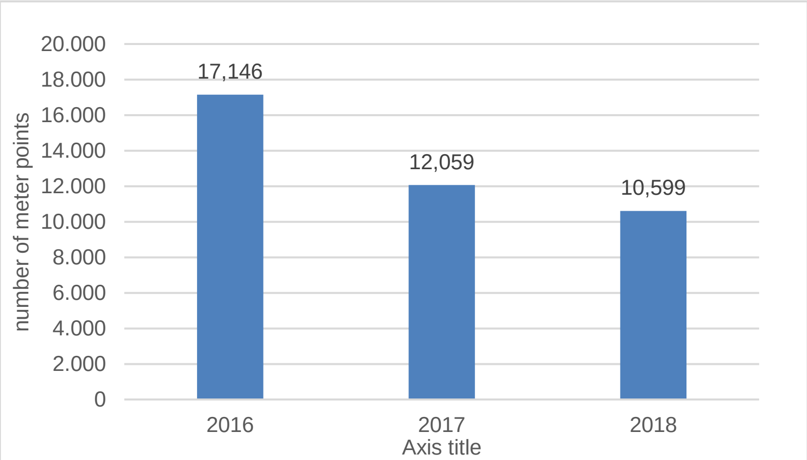


Figure 60: Trends in the number of electricity supplier changes

11.6 Measurement of electricity and provision of measure data

In accordance with the Decree on measures and procedures for the introduction and interoperability of advanced electric power metering systems and the Plan for the introduction of an advanced metering system in the electricity distribution system of Slovenia, there were 21,118 system electricity meters installed in 2018.

In 2018, we further included new network users into the advanced metering system. The total number of metering points included in the advanced metering system, thus already amounts to 166,736, which represents 76.5% of the total number of meter points in the distribution area of Elektro Maribor. All these network users were enabled payment of consumed electricity according to the actually measured monthly quantities, the transition from a single- to double-tariff or multiple-tariff metering method, or vice versa, with no costs for the metering equipment and the reactivation of the circuit-breaker in case of exceeding the connection power (with no costs for replacement of main safety fuses).

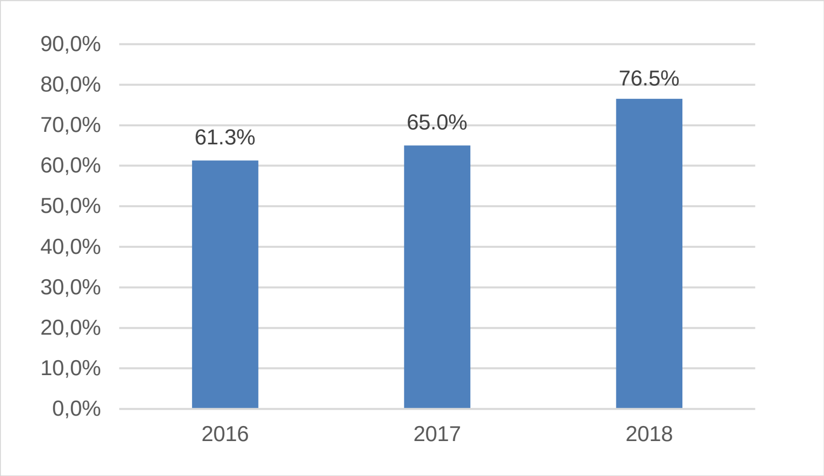


Figure 61: Share of meter points included in the advanced metering system – Elektro Maribor d.d.

Table36: Share of all meter points included in the advanced metering system by RU

Regional unit	Share 2018
Slovenska Bistrica RU	78.6%
Gornja Radgona RU	77.3%
Murska Sobota RU	73.6%
Ptuj RU	84.1%
RU Maribor with surrounding area	73.6%

In accordance with the Metrology Act and its implementing regulations, we replaced 4,278 metering devices, the certification of which expires in 2018. The annual plan of replacements was thus realised at 99.7%, the only unreplaced meters are those who are inaccessible. Meters, whose life span did not expire based on the Rules determining the period of use of the metering equipment, were properly serviced, calibrated and recertified.

For the purposes of network use billing, contributions, electricity supply, and control calculations, we provided 1,851,047 readings of electricity meters from the metering centre.

We have carried out the modernization of the MOW system (information solution of the manufacturer Erpo sistemi d.o.o.), which supports the use of new technology and systems (Android, iOS and Windows 10) by being supported with as many platforms as possible. The basic requirement is only an HTML5 browser.

We have prepared a comprehensive concept for the production of a new IT solution "System for control and rescue of PLC communications" (Power Line Communication, Data transfer via the energy system), by which we want to achieve the provision of accounting data of at least 99.5% with the meters integrated in the advanced measurement system.

We have prepared a project for modernizing the worn out HES/MDMS system SEP2W Iskraemeco and the plan for integrating the refurbished system with other internal and external systems.

11.7 Measurements and protection

In the area of maintenance in 2018, we performed 208 measurements, of which there were 41 trials and 167 measurements of and searching for defects on cable lines. We conducted 399 reviews of protective devices for protection and management (relays). We carried out 109 grounding measurements of 110 kV transmission line pylons.

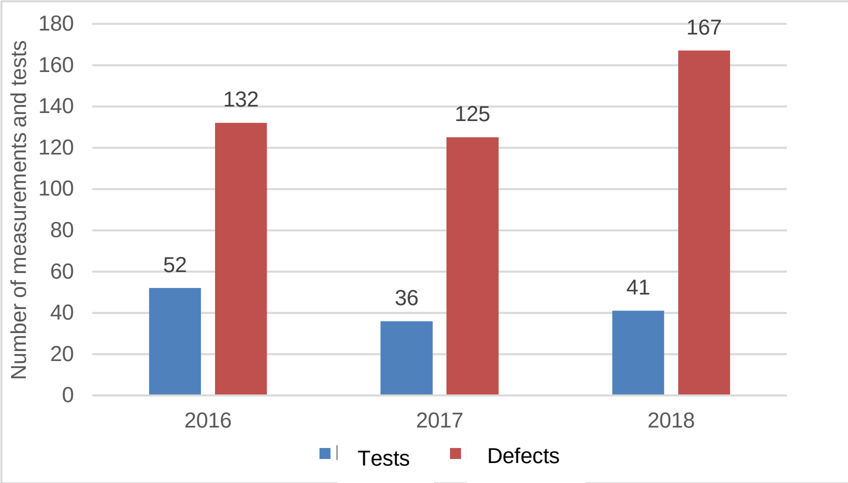


Figure 62: Number of metering services performed

We performed 1,200 measurements of voltage quality, which is by 12% higher compared to the previous year. Of which, 512 measurements were not in conformity with the SIST EN50160 standard, which amounts to 42.7%. The increase in the number of measurements performed can be attributed to 288 requests for the needs of measurements in the phase of obtaining information or consent for the connection to the network, and 100 addressed complaints with regard to the voltage quality.

At increased weather inconveniences, we monitored and analysed the majority of the MV line power failures. With most of them, there was a simultaneous power failure of two or more lines. All subsequent detailed analyses showed the correct functioning of protections, the cause, in the majority of cases, were double earth contacts in the network or the functioning of protections due to felled trees.

12 PRODUCTION OF ENERGY PRODUCTS

In 2018, the Elektro Maribor Group produced 13,571 MWh of electricity with its own production facilities, which is by 20% more than in 2017. The cause is higher production of hydroelectric power plants, which is mainly a result of favourable weather conditions or hydrological conditions.

The share of produced electricity from hydroelectric power plants in 2018 amounted to 93.1%, the share of photovoltaic power plants to 4.1% and the share of cogeneration (SPTE) amounted to 2.8%.

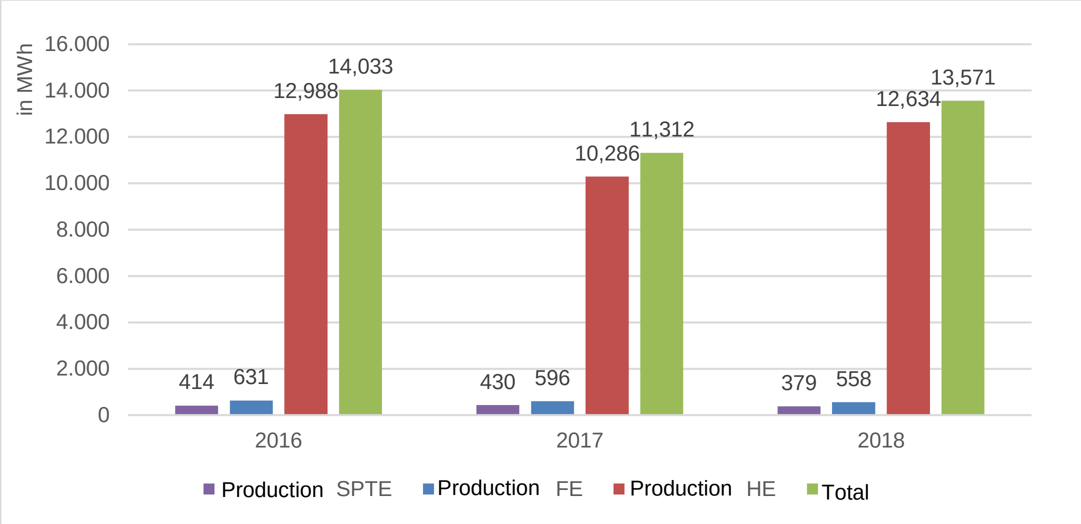


Figure 63: Generated quantities of electricity in hydroelectric power plants (HE), photovoltaic power plants (FE) and cogeneration (SPTE) in MWh

The highest production from hydroelectric power plants was recorded in April and May 2018. The entire amount of generated electricity was eligible for support premiums.

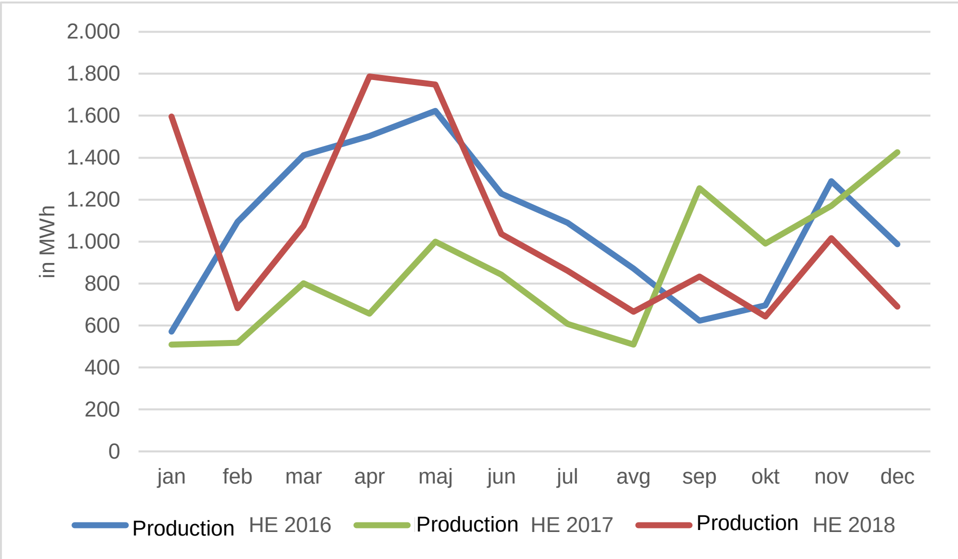


Figure 64: Monthly dynamics of electricity generated in hydroelectric power plants (HE) in MWh

The highest production from photovoltaic power plants was recorded in May and July 2018. The entire amount of generated electricity was eligible for support premiums.

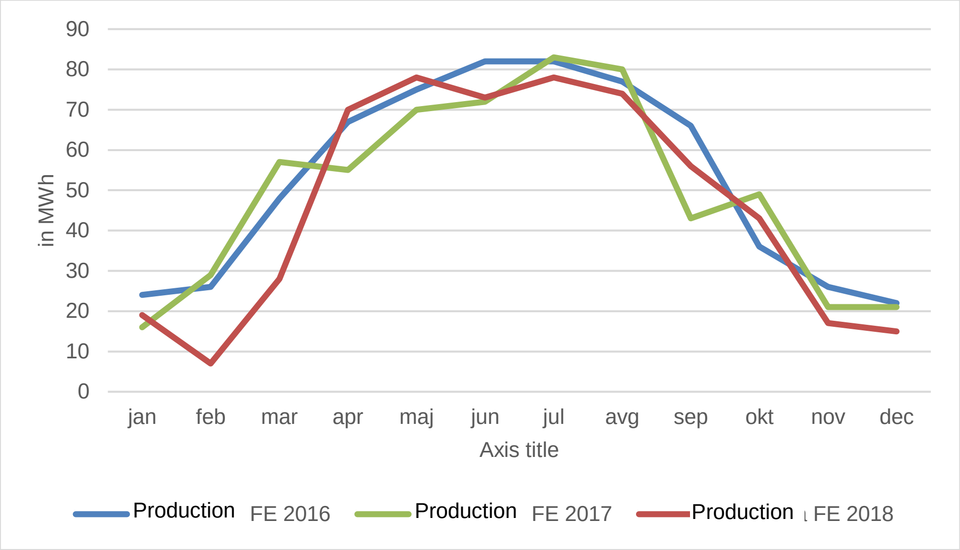


Figure 65: Monthly dynamics of electricity generated in photovoltaic power plants (FE) in MWh

The Group disposes of two facilities, which in cogeneration produce high efficiency heat and electricity (SPTE), by using natural gas. In 2018, the production of electricity in cogeneration (SPTE) amounted to 379 MWh, which is by 12% less than in 2017. The highest production from high-efficiency cogeneration of heat and electricity was recorded in January and November 2018.

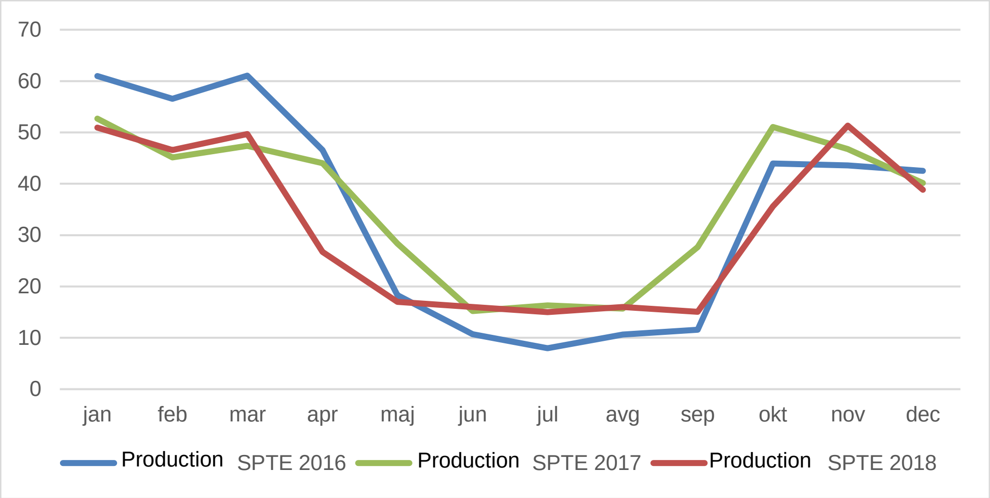


Figure 66: Monthly dynamics of electricity generated in SPTE in MWh

13 SALES OF ENERGY PRODUCTS

Energy products, electricity, natural gas and heat are sold to the end consumers by Energija plus d.o.o. All electricity generated within the Group is sold to Energija plus by OVEN Elektro Maribor d.o.o.

13.1 Electricity

The challenges of today are related to energy efficiency, reducing energy consumption, lower environmental impact, self-sufficiency, increasing customer expectations, and alike. Due to new technological solutions, environmental requirements, weather conditions and customer expectations, we are constantly upgrading the supply of electricity with additional solutions. In 2018, we focused our activities on increasing the satisfaction and loyalty of existing customers, improving the user experience and acquiring new customers. For customers, who, by self-supply of electricity, want to save considerably and at the same time contribute to a more cleaner environment by reducing CO_2 emissions, we developed the Solar plus product, which involves the construction of an optimal, customized to individual preferences, turnkey high-quality solar power plant for self-supply at the best prices.

In terms of business customers, we surpassed our planned objectives. The reasons for higher sales than planned are mainly in the changed electricity demand with major customers and concluded new contracts.

In terms of household customers, we strengthened the satisfaction and loyalty of existing customers by using different approaches (special offers and packages, loyalty programme, benefits for partner companies, free skiing, satisfaction survey, etc.), in addition, we also focused our activities in identification and acquisition of new customers with own and contract sales staff.

In 2018, the total sale of electricity amounted to 1.17 TWh, which is by 9% higher than in 2017, whereby the quantity of electricity sold to end customers was by 8% higher than in 2017.

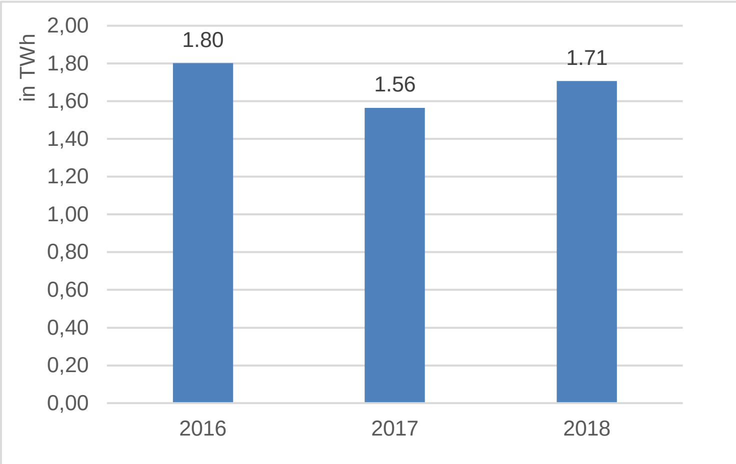


Figure 67: Quantity of electricity sold (in TWh)

In 2018, the share in the structure of the quantity of electricity sold to business customers increased by 3.9 percentage points, while the share of household customers decreased by 3.9 percentage points.

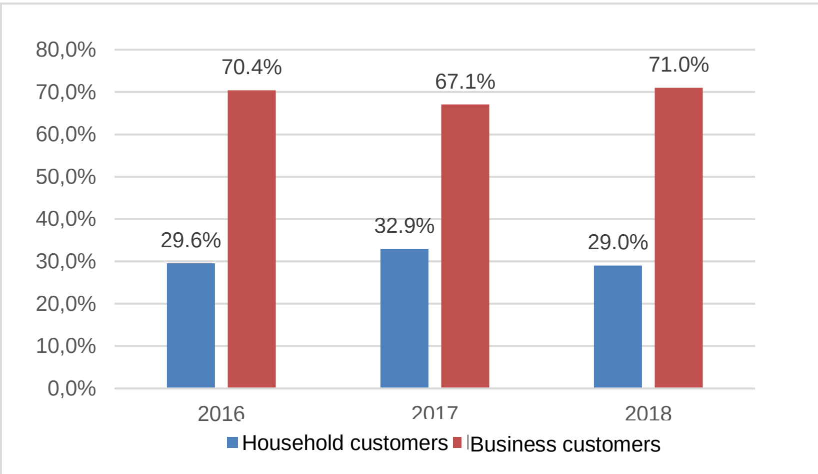


Figure 68: Share of quantities of electricity sold to end customers

Based on data available for the period January - September 2018, we reached a 11.85% market share in overall sales to end customers, which means that we increased the market share by 0.55 percentage points compared to 2017.

13.2 Natural gas

As of 2015, the trend of reducing the natural gas consumption in Slovenia has stopped and the consumption has been increasing for several years now, while the number of new consumers on the network has also been increasing. An increasing number of natural gas suppliers with diversified offers intensifies competition. Existing providers, who are also network operators, are trying to keep their customers and market share; therefore, they are making the competition more difficult in different ways. The activities on the natural gas market are not yet comparable to the electricity market, however they are strengthening.

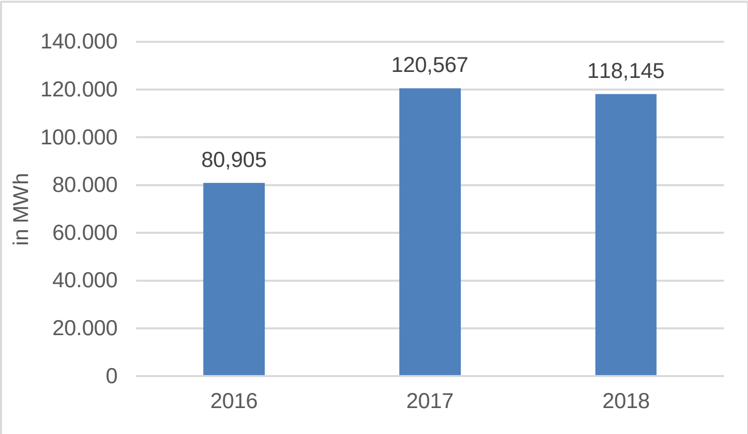


Figure 69: Quantity of natural gas sold (in MWh)

In 2018, we continued to acquire new natural gas customers, but due to strong competition, we succeeded to a lesser extent than planned. For the first time since we entered the market of natural gas, the gas sales decreased compared to the previous year. In 2018, we sold 1.8% less gas to end customers than in 2017. Largely, the smaller number of acquired customers and the increased outflow of customers due to the aggressive pricing policy of the largest natural gas suppliers affected the decline in sales, while some may also be attributed to a milder winter.

Activities for strengthening our position in the field of natural gas were implemented in various forms throughout the entire year by promotion, sales promotion campaigns, prize games, customer visits, soliciting customers in the call centre and at the points of sale, etc. New customers of natural gas are obtained by own sales and from contractual cooperation.

In order to ensure competitive prices and to acquire new and kept the existing customers, we have not increased the prices of natural gas since the beginning of the autumn despite the growth of wholesale prices. The adjustment of special offers of natural gas for household and small business customers was implemented as late as October 2018.

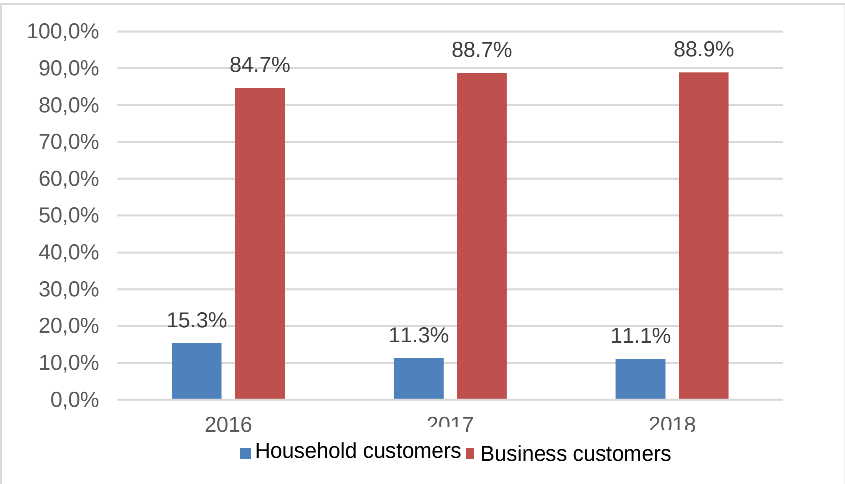


Figure 70: Share of quantities of natural gas sold to end customers

We tried to hold our position in the gas market. Based on available official data on consumption of natural gas in Slovenia (2017, source: Energy Agency), we estimate our market share in 2018 to be 1.20% on the overall retail market (transmission and distribution), and 2.69% in distribution. For 2018, we expect a decrease of the market share by 0.02 percentage point on the overall retail market, and by 0.05 percentage points in distribution.

13.3 Heat

The renovated boiler room in Pobrežje has in 2018 completed 5 years of operation. The generated heat supplies 580 apartments. In May 2017, within the scope of the public-private partnership, we began to supply the municipal building of the municipality of Zavrč and the municipal school facilities with heat. At the same time, we are also cogenerating electricity in the Pobrežje boiler room, which is transmitted to the network constituting an additions source of revenue. The sales of heat and generated revenue are directly dependent on weather conditions, which is why, especially due to a milder winter; they deviated negatively from the planned.

In 2018, we sold 2,168 MWh of heat, which is 1.3% less compared to the previous year. The negative deviation was mainly affected by the milder winter season in 2018.

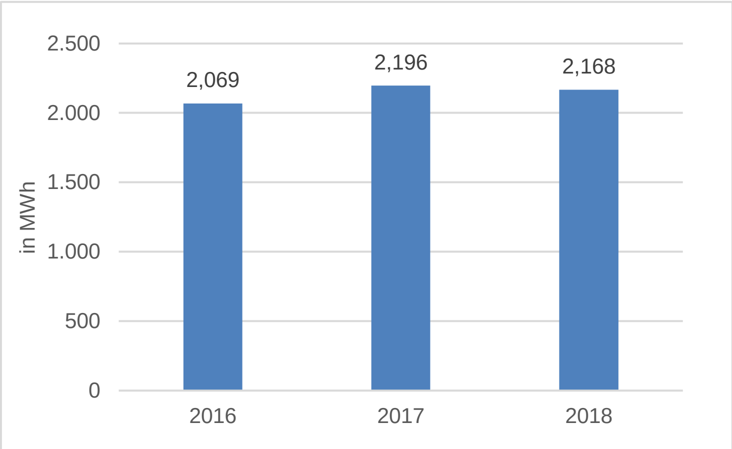


Figure 71: Quantity of heat sold (in MWh)

Given the consumption of district heating in Slovenia in 2017 (source: Energy Agency), we estimate our market share in 2018 at 0.11%.

14 INVESTMENTS (GRI 203-1)

In 2018, in the context of the company and the Group, we realized the largest investments in assets in the history of the company and the Elektro Maribor Group. In 2018, investments in assets of the Elektro Maribor Group amounted to EUR 32,502,969, which is 9.9% more compared to the previous year. In 2018, investments in assets of Elektro Maribor d.d. amounted to EUR 31,880,619, which is 11.3% more compared to the previous year.

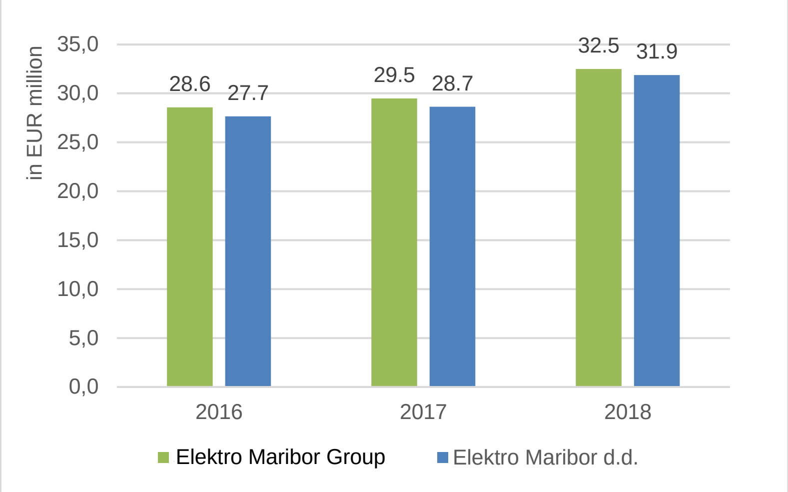


Figure 72: Group's investments in assets (in EUR million)

The largest share (98%) in the structure of investments in assets are represented by the investments of the controlling company Elektro Maribor d.d.

Table 37: Investments in assets of Elektro Maribor d.d. in 2018 by investment groups

Seq. No.		Quantity	Value in EUR
1	New HV lines		49,954
2	Refurbished HV lines		58,383
3	Refurbished MV lines	113.78 km	4,023,189
4	New MV underground cables	39.79 km	2,829,201
5	Refurbished MV underground cables	7.12 km	441,505
6	New LV overhead lines	2.64 km	159,521
7	Refurbished LV overhead lines	50.18 km	2,533,130
8	New LV cable lines	21.36 km	1,151,085
9	Refurbished LV cable lines	144.51 km	5,140,804
10	MV/LV transformer stations		1,700,634
	- New	22 pcs	
	- Refurbished	53 pcs	
11	HV/LV distribution transformer stations		4,335,726
12	Automation and telecontrol		581,667
13	VOR - Maintenance and operational reserve		179,780
14	Telecommunications		311,543
15	Metering equipment and instruments		3,091,549
16	Tools and machinery		169,258
17	Means of transport		1,250,508
18	Small tools		26,749
19	Work premises		489,492
20	Studies, development, projects		1,054,299
21	Computer equipment		1,958,313
22	Infrastructure purchase		146,373
23	Investment projects		197,957
	Total		**31,880,619**

The structure of investments in assets is not changing much over the years, the company earmarks the most funds to investing in energy facilities, but it also takes care of non-energy facilities and especially of the preparation of investment documentation.

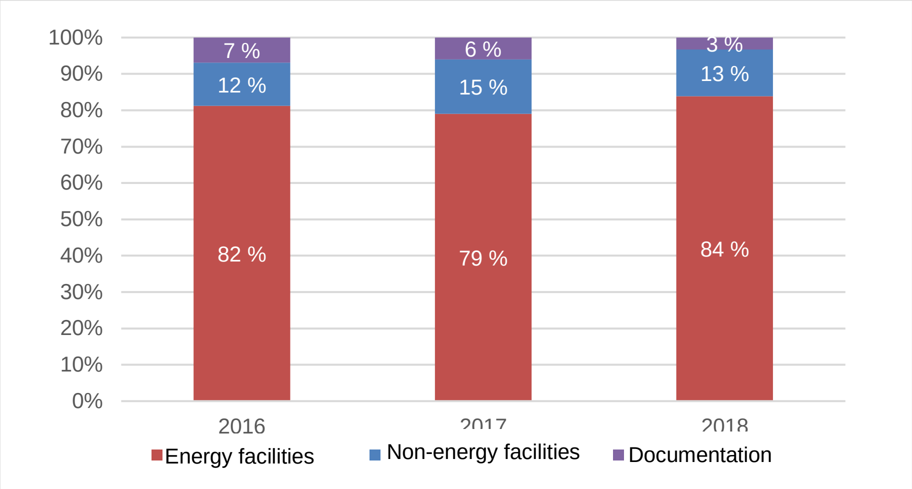


Figure 73: Structure of investments in assets of Elektro Maribor d.d.

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

Investments in RTP

In 2018, we completed the construction part of Phase I of the complete renovation of RTP 110/20/10 kV Dobrava.

Figure 74: 110 kV RTP Dobrava switchyard

Figure 75: New part of 10 kV cells of RTP Dobrava

We also completed an overall reconstruction of the 110/20 kV Slovenska Bistrica RTP.

Figure 76: New 110 kV connection of RTP Slovenska Bistrica

Investment in the new HV line

The 2 × 110 kV Murska Sobota – Mačkovci transmission line was physically completed in 2016, the technical inspections was successfully performed at the end of January 2017, and consequently, the decision on trial operation was issued at the end of February that same year. In the middle of 2018, based on the lawsuit against the Republic of Slovenia, the Administrative Court of the Republic of Slovenia set aside the decision of the Murska Sobota Administrative Unit in case of establishing easement in the public interest. The reason for setting aside the decision were irregularities in the procedure of adopting the Governmental decree on Detailed plan of national importance f and the non-implementation of the repeated public disclosure and discussion after the occurrence of changes in the originally proposed spatial solutions. The result of the decision is that the competent inspection service is required to remove part of the transmission line. The company has addressed an initiative to the competent ministry to remedy the established illegalities in the repeated part of the proceedings in order to be able to carry out the easement procedures on that basis. The Ministry of the Environment and Spatial Planning has not yet remedied the irregularities established by the Administrative Court of the Republic of Slovenia.

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

With new construction, we increased the length of the entire network by 118.8 km, namely the medium voltage network by 17.4 km and the low voltage network by 101.4 km.

Having already mentioned the increasingly frequent and severely extreme weather conditions, the network robustness is becoming more and more important. The latter is also recognized and, as an objective, written in the company's Strategy and the Guidelines for the technical and technological development of the company. We are intensively building electricity networks in underground (cable) performance, where cabling is not possible, we build overhead networks with insulated conductors.

The share of underground low voltage lines has thus at the end of 2018 amounted to 58.3%, and the share of underground medium voltage lines to 28.9%. The total share of underground medium and low voltage lines has for the first time exceeded 50%. The share of cabled and insulated medium and low voltage network has at the end of 2018 amounted to 70.8%.

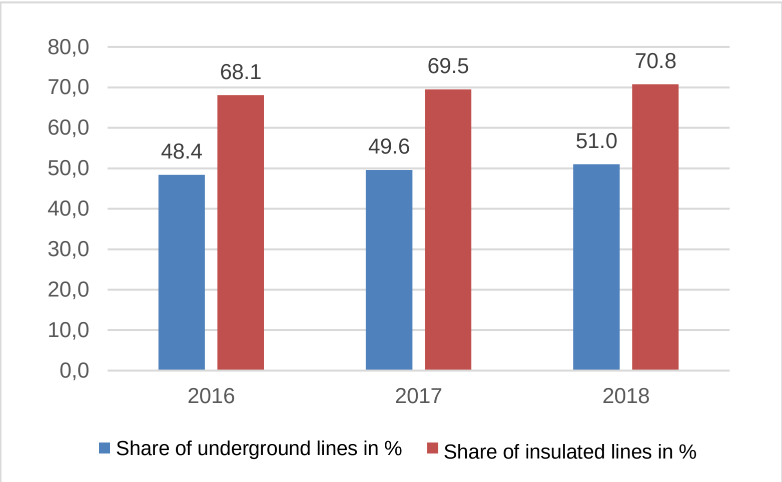


Figure 77: Share of the length of underground and insulated lines in MV and LV network

14.2 Other investments in assets

Energy facilities

In addition to strategic investments in assets, we also invested in:

- MV lines: we reconstructed and built anew 113.78 km of overhead lines, and newly laid and reconstructed 46.91 km of cable lines.

- Transformer stations: in order to improve the voltage profile and follow the needs of the users, we built 22 new transformer stations and reconstructed 53 transformer stations.

- LV lines: we reconstructed and built anew 52.82 km of overhead lines, and newly laid and reconstructed 165.87 km of cable lines.

Table38: Physical accomplishment of MV, TS and LV facility construction

Elements		Measure unit	2018	2017	2016
MV lines	transmission line	km	113.78	88.72	118.47
	cable line	km	46.91	32.78	29.26
TP MV/LV	new construction	pcs	22	22	21
	reconstruction	pcs	53	74	82
LVN	overhead line	km	52.82	60.34	68.66
	cable line	km	165.87	133.14	112.27

- Metering equipment and instruments: we have been installing the metering equipment and actively implementing the AMI project, so that presently 76% of all meter points are already integrated into the advanced metering system.

- Infrastructure purchase: we purchased the TP Muretinci trade zone with the connecting KBV, TP Velika Polana treatment facility and TP 20/0.4 kV Velika Polana Tompa (t-590).

Non-energy facilities

- Information technology: the major part of investments was earmarked for licences for IBM and Microsoft software. Other investments were aimed at replacing obsolete hardware, extending disk capacities and software upgrading. In 2018, we began to redesign the ERP and EAM information systems. In the beginning of 2019, both systems went to production.

- Telecommunications: we built the Kapla antenna tower, installed the equipment of a private radio network for the purpose of voice communication in the field, partially executed the separation of telephone and computer network, signed a contract with the provider of a public mobile and fixed network, partially connected PQM and SCADA communication services and updated IKT premises.

- Means of transport for the purposes of energy industry: in 2018, we updated the vehicle fleet with the aim of managing the costs of vehicle maintenance.

- Work premises and small tools: we carried out a replacement of the heating and cooling system at Gornja Radgona regional unit, completely renovated the Lendava control office work premises, regulated the lightning wiring of the office building of the Management, refurbished the fences around RTP and carried out some minor investments.

Documentation

We mainly carried out activities for acquiring the right for the construction of the corridor and pylons of the foreseen transmission lines, and for the elaboration of the basic design and obtaining the building permit for designed energy facilities: 2 × 110 kV Murska Sobota–Lendava transmission line and 2 × 110 kV Lenart–Radenci transmission line.

We have also been intensively acquiring the investment documentation for the implementation of electricity facilities of medium and low voltage planned for the 2018–2020 period.

14.3 Implementation of own investments

In 2018, the value of capitalized own products and own services amounted to EUR 20.8 million, and was by 11% or EUR 2 million higher compared to the previous year. In 2018, the share of own investments amounted to 65%, which is at the level of the past three years.

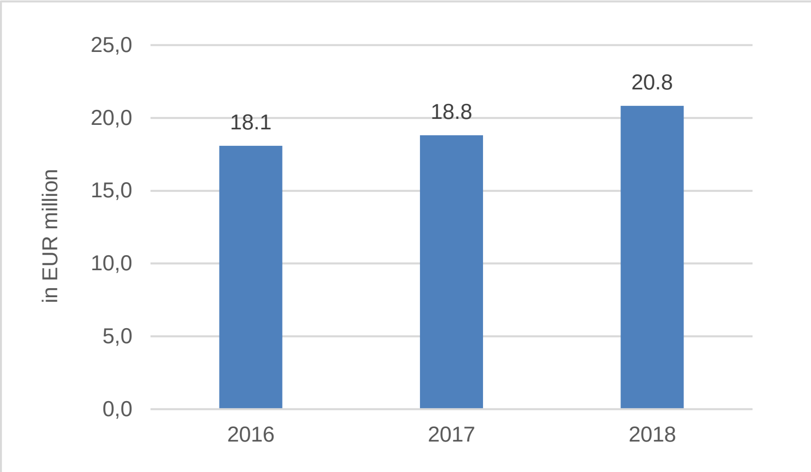


Figure 78: Revenue from own investments in assets (in EUR million)

The majority of the construction and installation works in the construction of new electricity facilities are performed by the company itself. In the construction of investment facilities, which we carry out ourselves, we have highly qualified personnel and construction machinery at our disposal. In 2018, there were not extreme weather conditions in our supply area that would cause damages on our electricity facilities and plants. Precisely for this reason, we were able to include all available capacities in the construction of new electricity facilities. In doing so, we were very successful and were able to surpass our ambitiously outlined plan.

Execution of cable conduits from RTP Murska Sobota

The largest own investment in 2018 in the area of Murska Sobota RU was the execution of cable conduits from RTP Murska Sobota. The entire construction was performed by the Ljutomer service unit. The value of works was EUR 1 million. We increased the robustness of the network and improved the reliability of consumer supply in the area of Murska Sobota RU, whereby 16 km of cable ducts were laid. Due to the safe execution of works for dismantling steel masts, there was a need for a complete closure of the A5 motorway (Pomurje motorway). The height of dismantled pylons was 25 m; therefore, the presence of two of our vehicles with the longest range of lifting devices was required.

Figure 79: Dismantling of steel masts over the A5 motorway (Pomurje motorway)

15 SERVICES ON THE MARKET

In 2018, the revenue of Elektro Maribor d.d. in consultancy, design, construction and maintenance of electricity facilities amounted to EUR 4.2 million, which is by 3.8% more compared to the previous year. The company provides comprehensive services to clients in the field of construction and maintenance of electricity plants. Realization of services on the market has surpassed our expectations.

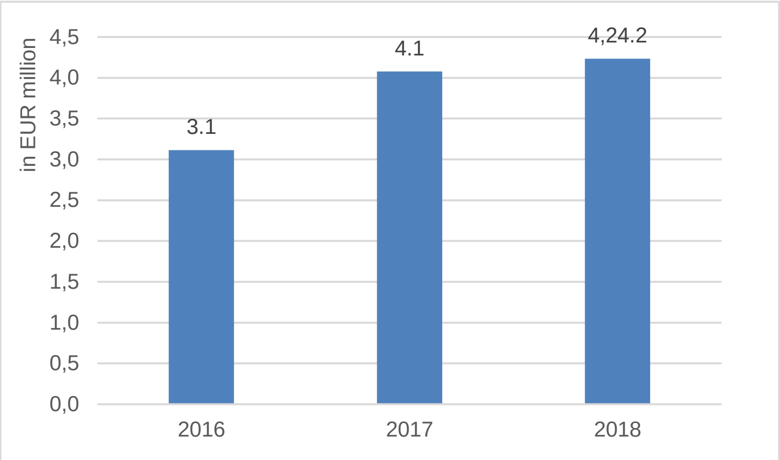


Figure 80: Trends in revenue from sales of services of Elektro Maribor d.d. (in EUR million)

The most important works successfully carried out on the market in 2018 were:

- Electrical installation work on Draženci motorway – Gruškovje International Border Crossing - Stage 2a.
  In 2018, we completed the works on the Draženci Motorway - Gruškovje International Border Crossing. For the construction of the motorway, we laid 19.6 km of medium voltage cables, 47 km of low voltage cables, built 4 transformer stations and erected 639 street lighting poles.

Figure 81: Works on Draženci Motorway - Gruškovje International Border Crossing

- Connective 20 kV cable line for Magna Hoče Nucleus.
  We laid 63.5 km of medium voltage cable for the power supply of the automobile plant Magna Hoče Nucleus from RTP Rače.

Figure 82: Cable line for Magna Hoče Nucleus

- Laying 110 kV cables in RTP Podlog.
  We laid 0.5 km of 110 kV cables for the reconstruction of RTP Podlog.

Figure 83: Laying cables in RTP Podlog

Almost half of all our works represent electrical installation works, followed by grid connections and maintenance of foreign electricity facilities.

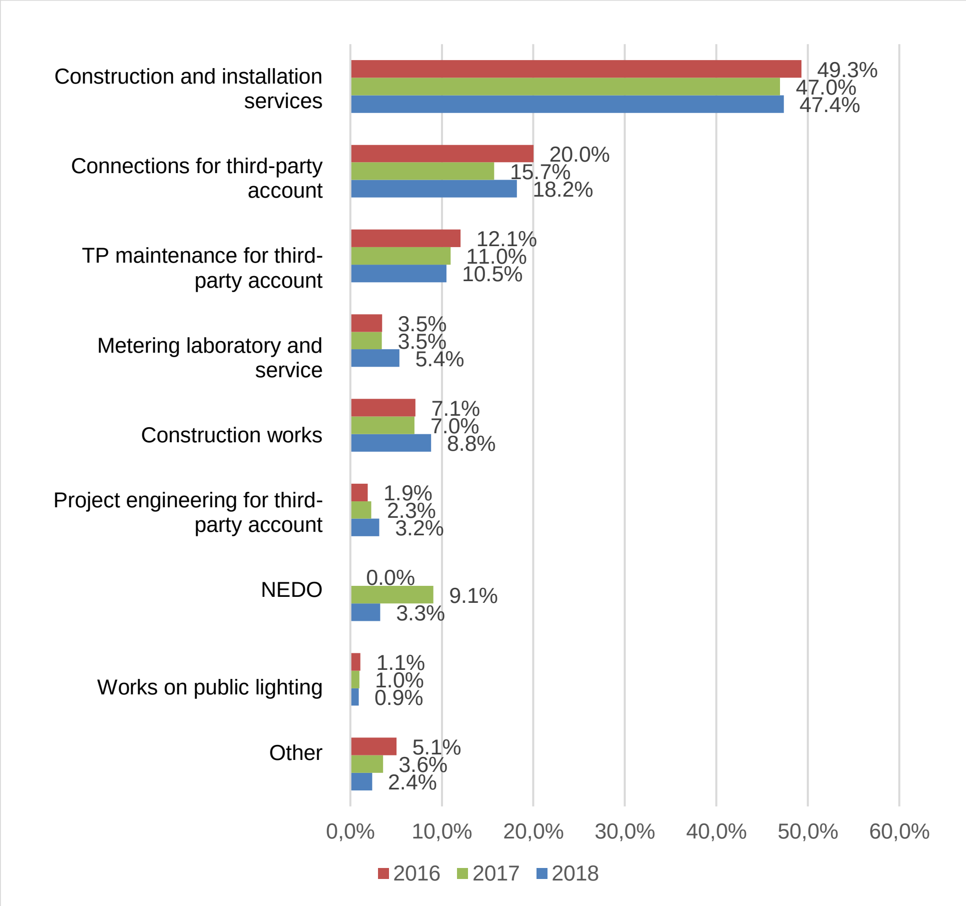


Figure 84: Structure of revenues by type of sales of Elektro Maribor d.d.

16 PURCHASE (GRI 102-9)

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

In accordance with the applicable legislation on public procurement (ZJN3) and in line with the monthly time schedule for the implementation of public procurement, we carried out 49 procurement procedures in 2018, as being liable to public procurement.
Each year by the last day in February, we publish a list of contracts awarded in the previous year on the public procurement portal, and whose estimated value is lower than margin values for public procurement and equal to or higher than EUR 10,000, VAT excluded, with the description of the subject, type of the subject and the value of the awarded contract without VAT and the name of the company to which the contract was awarded, in accordance with ZJN-3.

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

According to transparent and open policy of the company and the applicable Rules on purchase of goods, ordering services and construction of smaller values, all the orders exceeding EUR 1,000 are posted on the company’s website. In this way, the company enables a large number of providers the possibility of submitting a bid, which affects the volume of suppliers. The purchasing processes are conducted transparently through public procurement or through simplified procedures published on our website.

According to the recommendations of the Slovenian Sovereign Holding, we are providing updated information on the company's website about all contracts concluded under the public procurement procedure, regarding low-value contracts and invitations to tender procedures. The table provides information about the subject of the contract, the contract value and the name of the business partner, namely from 2010.

As at 31 December 2018, the amount of inventory was EUR 2,107,741, which is by 23% more compared to the previous year. The increase in the amount of inventory is the result of preventive inventory increase at the transition to the new IT system, which the company started to use on 1 January 2019. The majority of inventory refers to material that is intended for installation in the implementation of self-managed investments.

17 ENVIRONMENTAL PROTECTION

17.1 Environmental policy in Elektro Maribor d.d. (GRI 302-1, 302-4)

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

We are performing regular measurements of energy products consumption. Due to the nature of work (maintenance and construction of distribution network), most of the energy is used for transport and heating.

Table 39: Consumption of energy products

Energy product	Unit	2018	2017	2016
Fuel	l	623,326	654,292	605,671
Electricity	kWh	2,971,657	3,076,311	2,982,480
Fuel oil	l	1,843	1,800	1,860
Natural gas	m^3	75,619	87,766	86,950
Remote heating	kWh	804,546	705,300	718,550

Our active work in environment protection is also upgraded by energy efficiency. By regular measurements of energy use, we determine different measures for reducing the needs for it. We took a closer look at our energy management and focused on determining the measures to increase energy efficiency. By determining the organizational and investment measures, we are attempting to reduce energy consumption. Rehabilitation of energy-consuming buildings is included in the investments in assets as one of the activities.

17.2 Carbon footprint (GRI 305-1, 305-2, 305-3, 305-5)

The calculation of the carbon footprint in Elektro Maribor, d.d., with which we continued in 2018 as well, includes the following sources of greenhouse gas emissions:

- direct greenhouse gas emissions from sources owned or managed by the organization, e.g. burning of fossil fuels in heating plants or by using company vehicles and construction machinery;
- indirect greenhouse gas emissions due to electricity consumption and purchased heat or steam;
- other indirect greenhouse gas emissions occurring as a result of purchased products and services, which the company procured, e.g. purchase of materials and fuels, official transport with vehicles not owned by the company, etc.

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

Table 40: Carbon footprint (kg CO_2/employee)

	2018	2017	2016
Transport	2,942	3,009	2,871
Electricity	0	0	0
Heating	433	427	421
Paper	24	24	24
Total	**3,399**	**3,460**	**3,316**

In 2018, we reduced the produced amount of carbon dioxide mainly from transportations. In acquiring "green energy", there are no emissions of carbon dioxide and, respectively, the carbon footprint of this energy equals 0 kg/kWh.

17.3 Waste (GRI 306-2)

For the most part, when performing activities in Elektro Maribor d.d. we are facing waste as a result of maintenance of the distribution system and investments (construction waste, various metals, cables and conductors, wood, packaging, meters). Waste is separated and handed over to waste managers authorised to keep records of collected waste in the IS waste system.

Much attention is paid to waste management, since in most cases it represents secondary raw material. In the field of waste management, we have set up a "Collection waste centre" for the purpose of collecting, separating and processing dismantled equipment, where we predominantly separate waste of non-ferrous metals.

Table 41: Weight of waste

in kg	2018	2017	2016
Hazardous waste	40,100	88,798	116,368
Polluted water	61,700	89,000	83,000
Packaging	32,861	25,782	22,725
Paper, cardboard	38,901	26,721	20,550
Construction waste	2,543,374	1,990,974	2,301,946
Municipal waste	46,408	48,058	50,978
Non-ferrous metals	20,145	27,179	32,460
Other metals	219,392	231,348	193,915
Waste electric and electronic equipment	58,570	38,453	17,000
Other	105,391	95,903	120,249
Total	**3,166,842**	**2,662,216**	**2,959,191**

In 2018, the total weight of delivered company's waste was by 19% higher compared to the previous year. Compared to the previous year, the largest increase occurred in construction waste, which is a result of major investments in assets.

17.4 Quality system

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

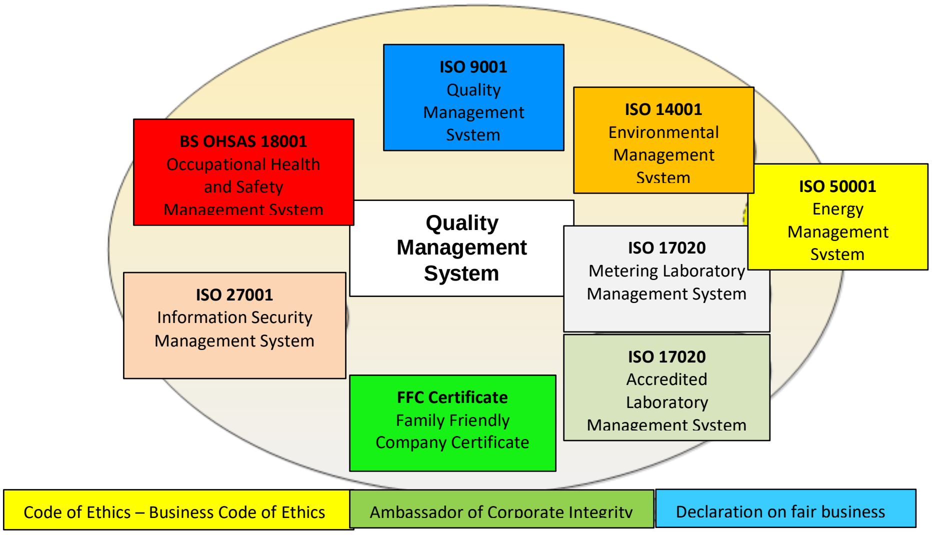


Figure 85: Quality management systems in Elektro Maribor d.d.

In 2018, in addition to the management systems in place, we acceded to the introduction of other systems that raise the level of expectations of stakeholders, such as the "Family Friendly Company" certificate, and the evaluation according to the EFQM model. Through self-assessment according to EFQM, we annually check the level of excellence and based thereon, we adopt guidelines for further work in this field. We are following the requirements of the ISO 31000 standard that defines risk management.

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

- The quality in company's operations is ensured by following the requirements of the ISO 9001 quality standard. The requirements of the standard are, on one hand, prejudicial to the operation within the company, and to relations with users or satisfying their expectations and needs on the other. We continued to work on the process approach, as we are aware that, for a general increase of the quality level in the company, it is necessary to determine our own processes, with which we shall achieve the set objectives, as well as introduce the needs for risk management.

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

- Our active work in the field of environmental protection is also upgraded in the field of energy efficiency, where by different measures we are reducing the needs for energy. We focused on determining the measures to increase energy efficiency of office buildings.

- The field of occupational health and safety is in its basis already well covered by statutory and implementing requirements. By introducing the OHSAS 18001 standard, we have systemically regulated our operation as well. The area of occupational health and safety is the basis for each activity. Employees have the right to a safe and healthy work environment.

- Managing information security was regulated in 2013 by introducing the ISO 27001 standard – Information security, and which we upgraded in 2015 due to the last version of the standard. In 2018, the GDPR Regulation was introduced, which also significantly changed the view to information security as a whole.

- Company's operations are adapted to the needs of the market. We also provide our customers with additional services. The control of metering devices is performed in the Metering laboratory and is accredited according to the requirements of the ISO 17020 standard. Thus, we provided our users with a comprehensive solution in the field of control of metering equipment.

- We were the first in Slovenia to upgrade the operation of the Metering laboratory and certified the introduction of a mobile unit for performing verifications of metering equipment in the field. Also through the Metering laboratory, we established the bases for implementing the ISO 17025 standard's requirements, which allows us to carry out measurements of electromagnetic radiation, with which we shall cover our own needs as well as the needs of the market.

- The company Elektro Maribor d.d. is convinced that upgrading the quality management system in terms of introducing the business excellence system and setting up the self-assessment system will contribute to strengthening the competitive advantages of the company. By applying to the tender for the recognition of the Republic of Slovenia for business excellence, we laid the foundations that serve us as a guide for performing self-assessment according to the EFQM model, which we carry out every year.

EFQM
Recognised for Excellence
3 Star - 2017

- The basic areas of operation in the area of quality are managed according to the aforementioned standards. However, since these are areas that mostly relate to the performance of basic activity, we also undertook to ensure a higher level of employee satisfaction. We introduced the Family-Friendly Company Certificate, were we connect requirements from the working process with the requirement of the external environment to employees. The company has obtained the full Family-Friendly Company Certificate.

POLNI CERTIFIKAT
Družini prijazno podjetje

All activities in the field of system management are managed by various approaches. Through regular consideration of individual areas, we determine the actual conditions that are then also corrected with appropriate measures.

This includes the implementation of regular and extraordinary internal audits, where 90 recommendations were given, and external audits, where 35 recommendations from all management systems were given. All recommendations that are considered in terms of their relevance are also carried out.

At work, we are pursuing the process approach; therefore, we regularly harmonize system documentation and processes through which we control the management systems. The latter are checked at the Management Review, where the activities in the area of system management are reviewed again, and if necessary, additional measures taken.

18 SOCIAL AND PERSONNEL ADMINISTRATION

18.1 Employees

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

18.1.1 Personnel and social policy

The personnel policy in the company and the Elektro Maribor Group pursues the objective of placing the appropriate staff to the appropriate posts in accordance with the applicable regulations and the development of key personnel. Affiliation and loyalty of employees are important. We follow the fundamental moral and ethical values, good relations between employees, maintain a positive climate and focus on the future and development. The foundations for Group's operation are equal opportunities for all employees, respect for each other and opposition to any kind of violence.

Within the company, we strive to take into account employee competencies also in reallocations and replacing employees during their long-term absence. Operational teams on the field are being rejuvenated with new colleagues.

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

When placing employees to job posts, the company also follows the policy of diversity and strictly adheres to prohibition of employee discrimination, as defined by applicable legislation.

An important activity in the company is employee motivation, which is carried out by appropriate communication, commendations, recognitions and cash awards. For four years now, the company has been conducting a selection of the “best employee” and the “best workgroup”, where all employees have the opportunity to vote. By setting and realizing personal annual goals, the superiors have the opportunity to monitor the work performance of employees. In the context of annual development interviews, targeted management is conducted aimed at discussions between the superior and an employee on the work process, organization, proposals of changes and interpersonal relations.

In the company, we provide trainings for work or for future professions to secondary- or tertiary-level students by allowing them to perform mandatory practical work, while at the same time we are offering annual holiday practices. Annually, we submit offers for granting scholarships to young people who are educating themselves for the professions in the electric energy sector.

Annual survey of organizational climate and employee satisfaction is one of the important tools for determining the organizational climate and satisfaction of employees in the company. In 2018, we enabled surveying for all employees. Through the online survey, we also measured employee satisfaction by carrying out the actions of the Family-Friendly Company certificate.

18.1.2 Employee turnover (GRI 102-8, 102-41, 401-1, 405-1)

At the end of 2018, there were 834 employees in the Group, which is 7 employees more compared to the previous year. Of all employees in the Group, the largest share (91%) represent the employees in Elektro Maribor d.d.

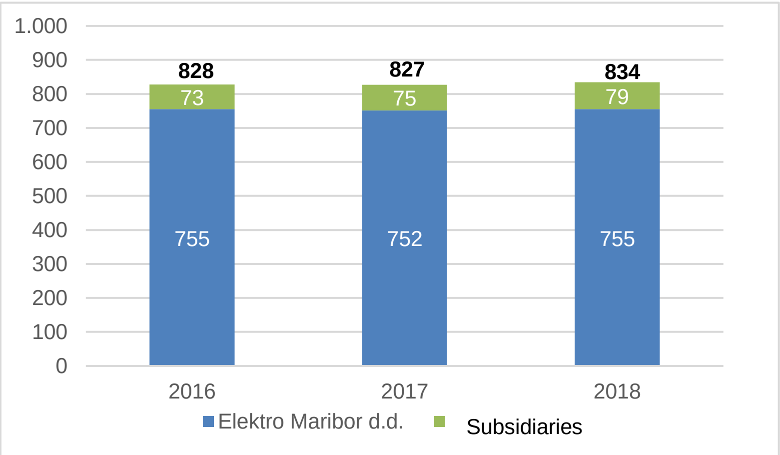


Figure 86: Number of employees as at 31 December

Compared to the previous years, there are no significant changes in the structure of employees by gender in 2018. Men represent the largest portion of the employees. In the Group, there are 699 male employees and 135 female employees, and in Elektro Maribor d.d., there are 674 male and 81 female employees.

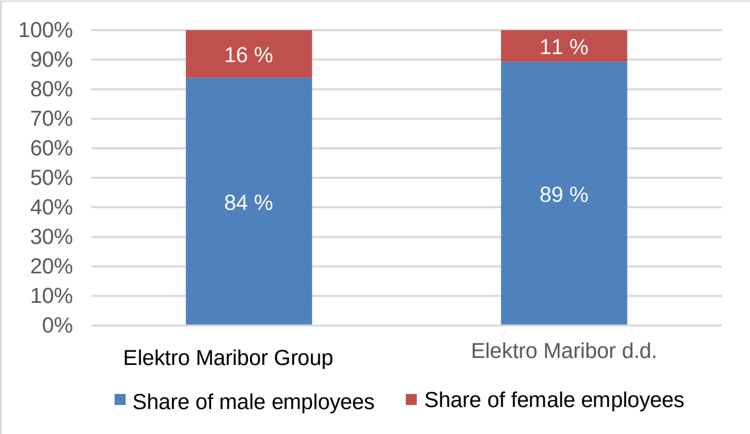


Figure 87: Share of employees in 2018 by gender

Table42: Number of employees according to duration and type of employment

	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.
Permanent employment	816	744	821	748
Fixed-term employment	18	11	6	4
Full-time employment	819	740	810	735
Part-time employment	15	15	17	17

Among the arrivals and departures in 2018 were mainly fixed-term employees (due to the increased workload and project-organized work) for the needs of the implementation of investments. 16 employees had retired, of which two were retired due to disability.

Table 43: Changes in employees

	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.
Number of arrivals	**153**	**147**	**139**	**136**
– men	148	145	137	135
– women	5	2	2	1
- up to 30 years of age	70	66	69	68
- 30-50 years of age	64	62	57	55
- over 50 years of age	19	19	13	13
Number of departures	**146**	**144**	**140**	**139**
– men	136	135	137	136
– women	10	9	3	3
up to 30 years of age	52	52	59	59
- 30-50 years of age	55	53	54	53
- over 50 years of age	39	39	27	27

The average age of employees in the Group increased by 0.4 years of age, and in the company by 0.1 years of age. The average years of service in the Group increased by 0.5 years of age, and in the company by 0.6 years of age.

Table 44: Average age and years of service

	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.
Average age of employees (in years)	45.5	45.0	45.1	44.9
Average employees' years of service (in years)	23.1	23.7	22.6	23.1

In 2018, the percentage of employees covered by provisions of collective agreements in the Elektro Maribor Group amounted to 98.5% and in Elektro Maribor d.d. to 99%, which is at the level of previous years.

in 2018, the number of employees in Elektro Maribor d.d. with recognized disability reduced to 5 employees. The reduction in the Group represents the changed in Elektro Maribor d.d.

Table 45: Number of employees with recognized disability

	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.
Number of employees with recognized disability	71	69	77	75

In 2018, based on tenders for practical work training, we enabled the performance of mandatory practice in the school year 2018/2019 to 31 secondary-level students and 4 tertiary-level students.

At the end of 2018, the company Elektro Maribor d.d. had three scholarship holders, of which one in the master's programme of the 2nd level Bologna study programme in electrical engineering, and two in secondary vocational education - electrician.

Table 46: Number of scholarship holders at year-end

	2018	2017	2016
Number of scholarship holders	3	3	7

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

In 2018, 137 employees for employed for a fixed period due to increased volume of work. We employed 71 installers, 12 drivers - engineers, 2 freelance metalworkers, 6 construction workers, 45 auxiliary workers and 1 installer engineer.

Table 47: Number of recruited employees due to increased volume of work

	2018	2017	2016
Period of employment	Feb-Dec	Feb-Dec	Jan-Dec
No. of employees	**137**	**132**	**106**
Installer	71	70	54
Auxiliary worker	45	44	28
Driver engineer	12	10	15
Other (mason, construction worker,…)	9	8	9

Table48: Number of employees arising from hours worked

	2018	2017	2016
Number of employees arising from hours worked	**831.62**	**841.04**	**823.11**
– number of employees arising from hours worked (permanent employment)	730.58	737.16	742.47
– number of employees arising from hours worked (employment due to increased volume of work)	101.04	103.88	80.64

18.1.4 Training and education of employees (GRI 404-1)

According to the needs of the work process, we include employees in educational programmes and functional trainings, which are important for professional as well as personal development. Employees attended different functional educations (seminars, conferences, workshops, proficiency exams).

Under the auspices of the Distribution Academy, several topic-related trainings and knowledge transfers among employees were carried out:

- for the first time, practical training was conducted for 34 employees;
- practical training for technical staff working in the vicinity of voltage-carrying devices (approx. 450 employees);
- education in the field of new construction legislation;
- a safe driving course and an Excel computer course were conducted with external operators.

In the field of occupational health and safety, the employees undertook the following trainings in 2018:

- all units of the company conducted a periodical occupational safety training, as well as the implementation of the demonstration of extinguishing initial fires for all employees;
- trainings for particularly dangerous works for working with heavy construction machinery, compressors and forklifts;
- internal training for coordinators of safety at work - conducting practical training in safety at work.

Since training in health and safety at work is a periodic training of every two years, the information is not taken into account in the table below Education of employees and not in the percentage of employees involved in education.

Table 49: Education of employees

	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.
Total employees	834	755	827	752
Number of participants in education	808	775	628	581
Number of hours of education	7,974	7,082	5,148	5,003
Share of employees included in education	97%	103%	76%	77%
Average number of hours of education per employee	9.6	9.4	6.2	6.7

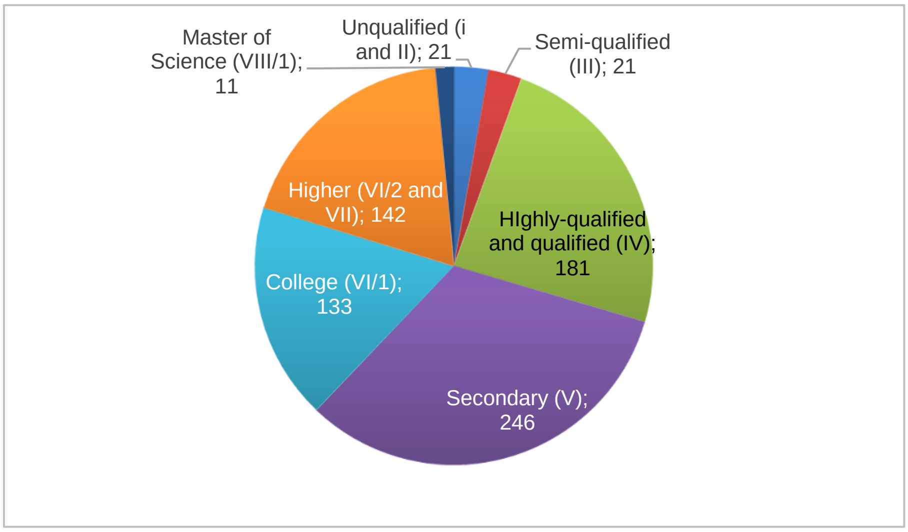


Figure 88: Average number of employees by educational structure in 2018 in Elektro Maribor d.d.

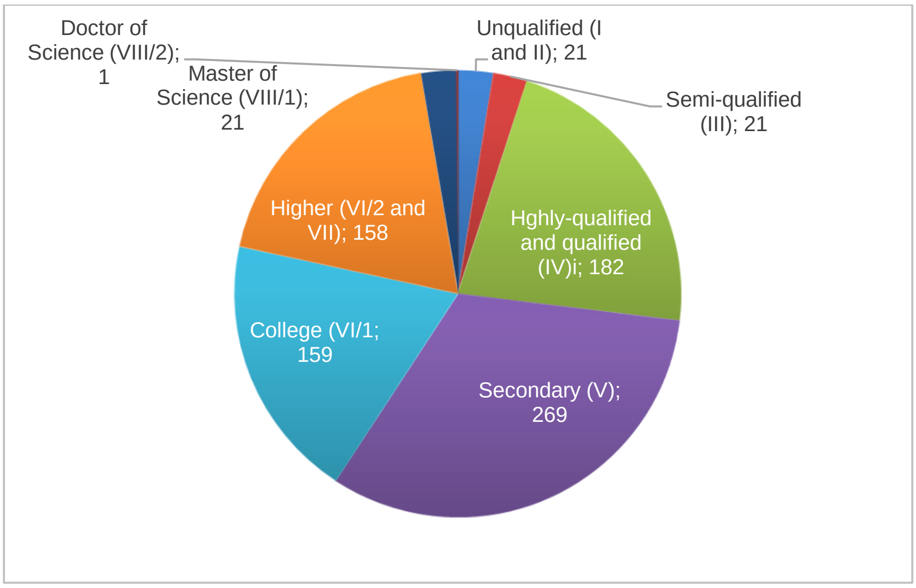


Figure 89: Average number of employees by educational structure in 2018 in the Elektro Maribor Group

18.1.5 Employee innovation

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

Table 50: Number of suggestions

	2018	2017	2016
Number of suggestions	40	45	50

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

In recognizing the most successful suggestions, we give a special emphasis on innovative proposals, by which we support the set strategic objectives of the company Elektro Maribor. Among the received proposals, the most successful in 2018 were:

- Changing the calculation of collective claims for insurance cases.
- Information on delivered measurements of voltage quality.
- Presentation board with a measuring control device intended for education.
- Storage of the service rod for remote control switch.
- Reducing costs of water network charges.
- Composting of biologically degradable waste.
- Monitoring the items ordered under the contract.
- Monitoring the costs of project implementation.
- Introducing the status of material in the storage facility.

18.1.6 Motivation and concern for employees (GRI 201-3, 401-2, 404-3)

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

Supplementary pension insurance for employees

Employees are included in the second pension pillar. Insurance premiums are paid by individual companies within the Elektro Maribor Group in a specified proportion to the maximum premium amount. The employees have the option to decide that they will additionally pay their share of the premium by themselves.

Table 51: Average annual number of employees included in supplementary pension insurance

	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.
Number of employees	917	838	906	831

Use of parental leave

According to the Parental Protection Act, the employees may use parental leave. In 2018, few more male employees used the parental leave.

Table 52: Number of employees (separated by gender) that used parental leave

	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.	2017 Elektro Maribor Group	2017 Elektro Maribor d.d.
Number of employees	55	50	54	50
– Male employees	50	47	45	44
– Female employees	5	3	9	6

Family-Friendly Company

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

- We perform periodic working meetings with senior management employees/area directors. The company's management regularly visits all organizational units of the company and presents business operations of the past year, plans for the current year to the employees, and allows employees to ask questions directly. At the end of the year, the company executives attended working meetings and awarded recognitions to the best employees and teams selected by their colleagues.
- We enable flexible working hours and child time bonus (additional free workday in the first three grades of the primary school and when the child is being introduced to nursery). In 2018, 105 employees have used the option of additional free day.
- When planning annual leave, we also take into account the ability of using the annual leave of immediate family members.
- In 2018, we continued the implementation of the free Fast anonymous psychological counselling programme for employees and their family members.

In 2018, we conducted an online survey amount the employees with regard to the satisfaction with the Family-Friendly Company certificate, the frequency of using individual measures, suggestions for improvements and employee preferences.

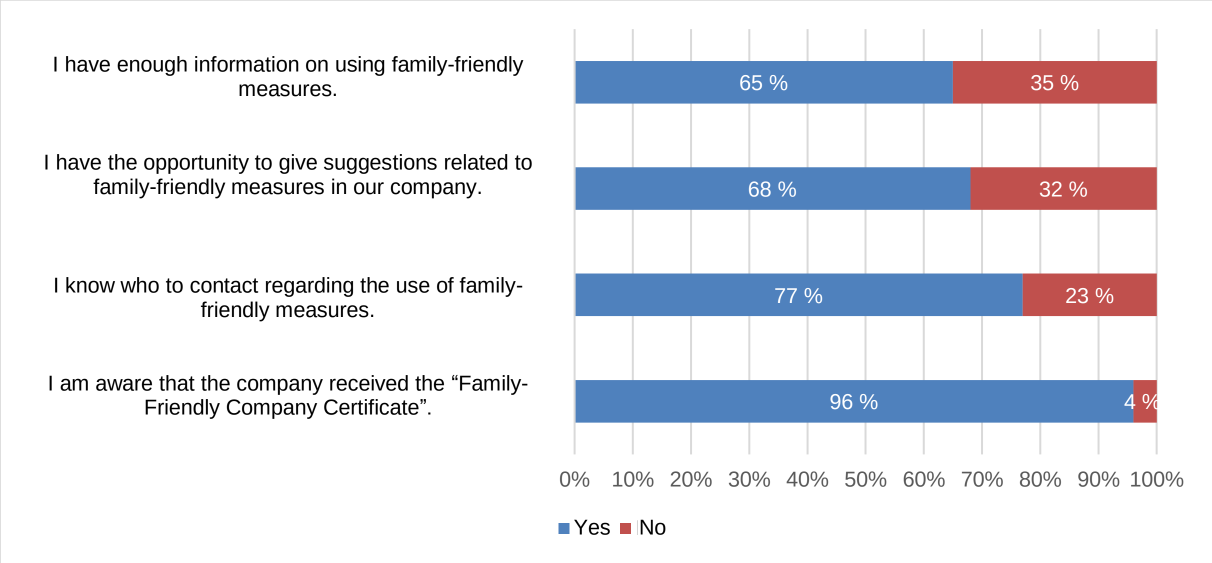


Figure 90: Online survey regarding the satisfaction with the Family-Friendly Company certificate

In 2018, the external audit confirmed the successful implementation of the measures set, and the audit council extended the validity of the full certificate for the next three-year period (November 2018 - November 2021).

Communication with employees

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

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

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

- work meetings – with the President of the Management Board, with the directors of individual regional or service unit, or with directors of individual areas at the company's headquarters;
- electronic mail – fast information of employees, sending and coordinating contents;
- letter of the Management – informing of the Management Board at significant events, turning points, such as year-end, giving thanks for additional work at major breakdowns …;
- website www.elektro-maribor.si – wide range of information about the company, news ...;
- intranet – common contents, documents and notices, calls for tenders, rules...;
- DNA – the application for managing the conduct of meetings, tasks, memos …;
- internal newsletters e-Infotok and Infotok – cover, depending on their design and communication features, short and latest news on the events in the company or longer news, conversations, interviews and more comprehensive topics;
- bulletin boards – notifications, calls for tenders, rules, ...;
- social networks Facebook and Twitter – current information on developments in the company and the situation in the distribution system, option of posting photos and videos;
- sports and social gatherings – connecting and getting to know employees for better cooperation, connectivity and affiliation to the company. Each year one of the company's organizational units prepares the Employee Day.

Figure 91: Employees Day 2018

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

- interviews with employees (annual development interviews, daily communication) – the superiors and their subordinates have set personal development goals harmonized with the company's objectives, and the work implemented was evaluated;
- monthly interviews with the management – personal conversation with the President of the Management Board;
- personal e-mail intended for one recipient only;
- call via phone or mobile phone:
- personal meetings;
- suggestion, complaint boxes...

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

Employee satisfaction

The company guarantees the equality of all employees irrespective of the type of employment. We have been monitoring the employee satisfaction and the organizational climate in Elektro Maribor d.d. since 2005. In 2018, all employees had the opportunity to participate in measuring the organizational climate and employee satisfaction.

In 2018, the employee satisfaction index was 3.41. The highest scores were given to satisfaction with working hours and stability of employment. The lowest scores were given in terms of career advancement possibilities and in terms of salary.

In 2018, the organizational climate index was 3.12. The highest scores in the field of organizational climate were achieved in respect to quality, innovation and initiative. Key challenges are, above all, reflected in the field of rewarding and career development.

In 2018, we conducted annual development interviews, in which all employees took part.

Table 53: Index of employee satisfaction and organizational climate

	2018	2017	2016
Employee satisfaction index	3.41	3.41	3.58
Organizational climate index	3.12	3.14	3.29

18.1.7 Occupational health and safety (GRI 403-2)

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

The responsibility of employees for their own safety is promoted through appropriate work equipment, personal protective equipment, adequate education and training courses.

Employees, who are already authorized to perform work on electrical power plants and who perform particularly dangerous work (work with mobile cranes, heavy construction machinery, chainsaws, work under voltage ...), were additionally trained in OHS and fire safety. All employees who were involved in work processes were trained in OHS and fire safety, the employees were also provided with the necessary personal protective equipment and we also carried out the control over its use.

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

As the first electricity distribution company in Slovenia, we started to carry out works under voltage (DPN) several years ago. The conditions for health and safety at work were provided by preparing appropriate work procedures, documentation and training courses for employees. In 2018, we additionally trained 5 installers for DPN.

Due to the prevention and reduction of absenteeism, we have encouraged health promotion at the workplace through various approaches, measures and actions, performed preventive medical examinations, and took care of and carried out vaccination against tick-borne meningoencephalitis. We performed preliminary medical examinations, targeted medical examinations, medical check-ups and periodical - preventive medical examinations.

Table 54: Number of medical examinations

	2018	2017	2016
Number of medical examinations	383	438	381

The company records all work-related accidents and dangerous events that have occurred to employees. Compared to the previous year, the number of work-related accidents decreased in 2018, despite the fact that we had newly employed workers in the field, where the exposure to work-related accidents is the highest. Most of work-related accidents were minor and were a result of mechanical factors; one accident was a result of an electric arc and was treated as a minor accident, since it did not leave any harmful effects on human health. The company regularly conducts preventive inspections of workgroups in order to establish conformity of implementation of work processes, and the use of work and personal protective equipment. In 2018, we conducted additional preventive breathalyser tests in technical and administrative services.

Table 55: Number of accidents at work

	2018	2017	2016
Number of accidents	25	31	21
– women	0	0	0
– men	25	31	21

Lost workdays due to work-related accidents and other absences are shown in the table below. The percentage of lost days shown is calculated according to the total number of working days for each year.

Table 56: Number of working days lost

	2018	2017	2016
Number of all working days lost	12,337	12,435	11,066
- due to accidents at work	388	908	782
- due to sick leave	11,949	11,527	10,284
Share of days lost due to accidents at work (in %)	0.18	0.42	0.37
Share of days lost due to sick leave (in %)	5.67	5.35	4.84

18.2 Social responsibility

Social responsibility is exercised by operating in accordance with the mission of the company, which is a sustainable and competitive operation, maintenance and development of an efficient electricity distribution system and the implementation of high-quality electricity services for ensuring quality living and promoting economic development.

With the involvement of the Group and the company Elektro Maribor in the environment, we are acting socially responsible with the objective of successful business operations, respecting sustainability objectives, improving the quality of life of employees, local communities and the wider society, while taking into account the interests of shareholders.

18.2.1 Stakeholders of Elektro Maribor d.d. (GRI 102-40, 102-42, 102-43, 102-44)

We have strengthened the cooperation with the stakeholders who are significant due to the activity that we perform in the social and natural environment, due to the placement and operation in the local environment, ownership and laws, and due to the plans in the course of company development, its services and the entire industry.

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

Social partners are included in the adoption of key decisions on company operation and development, such as company strategy, company organization, job classification, and in company’s annual strategic conferences.

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

We have intensively cooperated with the competent state institutions and with local communities, as these contribute significantly to sustainable infrastructure.

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

We were aware of the significance of cooperation of all electricity distribution companies, also in the Economic Interest Grouping (GIZ); therefore, we were effectively involved in harmonizing the typification of electricity elements of equipment and facilities, joint purchases, exchange of good practices, and preparation of professional starting points that take into account the electricity distribution profession and customer benefits when creating national strategic documents. For this purpose, we are also the initiator and, under the auspices of GIZ electricity distributions, the co-organiser of the strategic electricity distribution conference.

Investments of the company: As part of company's investment management, we have been striving to maintain the performance of the investment portfolio, the balance of operations and the maintenance of capital adequacy.

Users: By building robust networks, we strive to provide the users of the system with the highest possible quality of electricity supply, with greater network strength, we enable the integration of new devices and resources into the distribution system, and with the development of smart networks, we provide users with sustainable energy solutions. Active users are enabled integration of production facilities and modern equipment.

Media: The attention is paid to national as well as local media also by organizing press conferences at the headquarters' of our organizational units. We make efforts to build correct relationships with the media. In a responsive and proactive manner, we have informed them about our activities, and responded to their questions.

Expert community: We continued the good practice of cooperation with scientific research and educational institutions and non-governmental organizations. We participated in research in relation to our company's activities, in training of our employees; we supported the excellence in the educational process, and participated in recognition and popularisation of professions that fall under the professions of company's primary activity.

Suppliers: We have established transparent and correct relations with suppliers in the market. By internal evaluation of suppliers, we developed one of the key criteria for further cooperation.

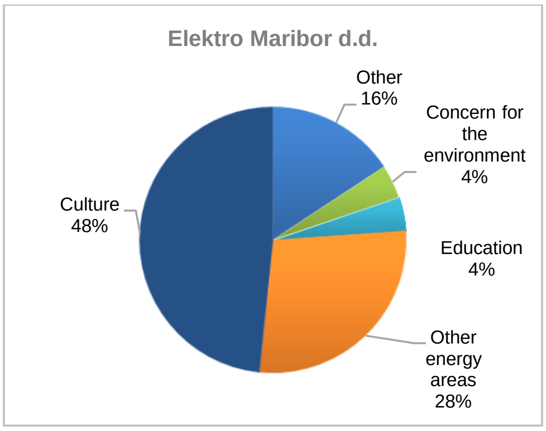
Business community: As part of business community, we have been active in associations that support the development of the electric power sector, the economy at all levels, with a view to strengthen cooperation, exchanging experience and good practices, and developing new partnerships.

Entities of social responsibility: We actively worked with and supported non-governmental organizations in different areas in the implementation of sustainable, creative and humanitarian projects.

18.2.2 Sponsorships, donations (GRI 201-1)

For many years, social responsibility has also been demonstrated through sponsorships and donations, whereby the principles of transparency, balance, economy and diversification are taken into account. We strive to support charitable organizations. We also support individual firefighting organizations that often help us with work during weather disasters that often take place in difficult and inaccessible areas.

With sponsorship projects we strengthen recognisability, support individual projects in the environment and seek synergy effects with company's stakeholders.



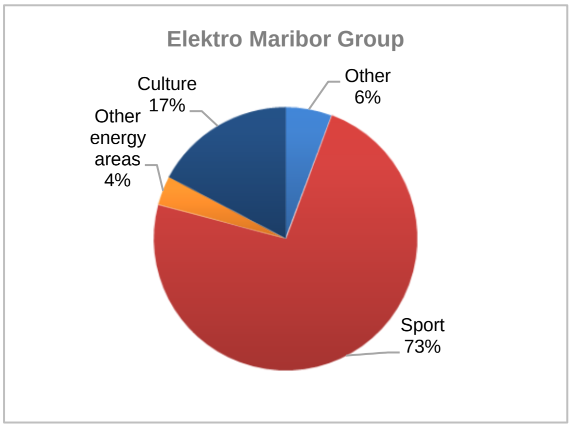
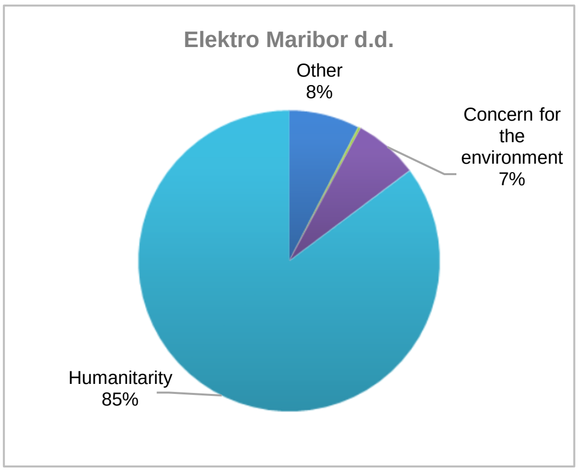


Figure 92: Distribution of sponsorships by purpose

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



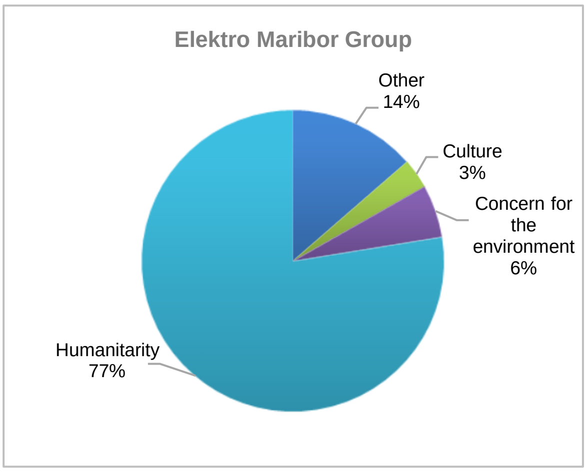


Figure 93: Distribution of donations by purpose

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

Figure 94: Awarding certificates of recognition to the best high school students of the Secondary School of Electrical Engineering and Computer Science Maribor

According to SSH’s recommendations, we set up a system for ensuring transparency in business-related transactions that involve company’s expenditures, which is why, we publish all the information required in the recommendations on the website.

According to the Public Information Access Act, we publish information on sponsorships and donations on the website as well. Granting sponsorships and donations was regulated by the Rules governing the conditions and the method of awarding sponsorships and donations, and the corresponding forms for submitting applications, recommendations, certificates and instructions related thereto.

18.2.3 Communication with external public

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

Communication channels with external public:

- Call centre – we were available to consumers at two toll-free numbers, namely 080 21 05, at which we provide a 24-hour service for reporting failures and interruptions in the network, and 080 21 01 for providing general information to consumers.
- Answers to journalists and statements – journalists were provided with content-relevant answers to their questions. Answers were given in writing, in form of an audio or a video statement.
- Press releases – were prepared them when communicating significant topics.
- Press conferences – we announced key plans and activities.
- Publications and leaflets – for presenting Elektro Maribor d.d. to the public, we issued an updated short brochure entitled *Presentation.* It contains updated key company information.
- Social networks Facebook and Twitter – we kept network users and journalists informed about current news on developments in the company, network conditions and major outages. These channels were also used by clients for questions on failure recovery and reporting the system status.
- Website – public information, information about the company and current events are always available at the company’s websitewww.elektro-maribor.si.

Figure 95: Press conference in Gornja Radgona, June 2018

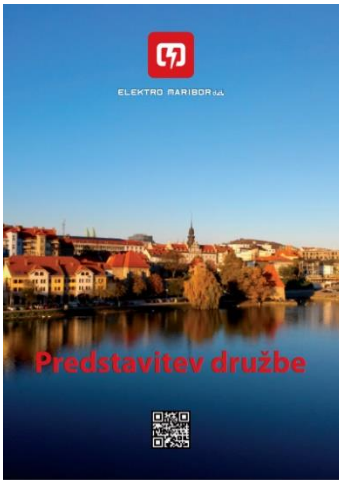


Figure 96: Publication issued in 2018

In the GIZ organization and together with other electricity distribution companies, we prepared and carried out the 4th Strategic Conference of Electricity Distribution of Slovenia entitled Electrification for 2050 - urgent provision of more robust distribution networks.

Under the auspices of Distribution Academy, we organized panel discussions on the Energy Concept of Slovenia, the Network Charges Act, Electricity in political parties' programmes.

Figure 97: Panel discussion on the Energy Concept of Slovenia, September 2018

In 2018, for the third consecutive year, we measured satisfaction in cooperation with Elektro Maribor d.d. The survey showed that as many as 87% of respondents are completely satisfied with the cooperation with Elektro Maribor (of which 61% are very satisfied and 26% satisfied).

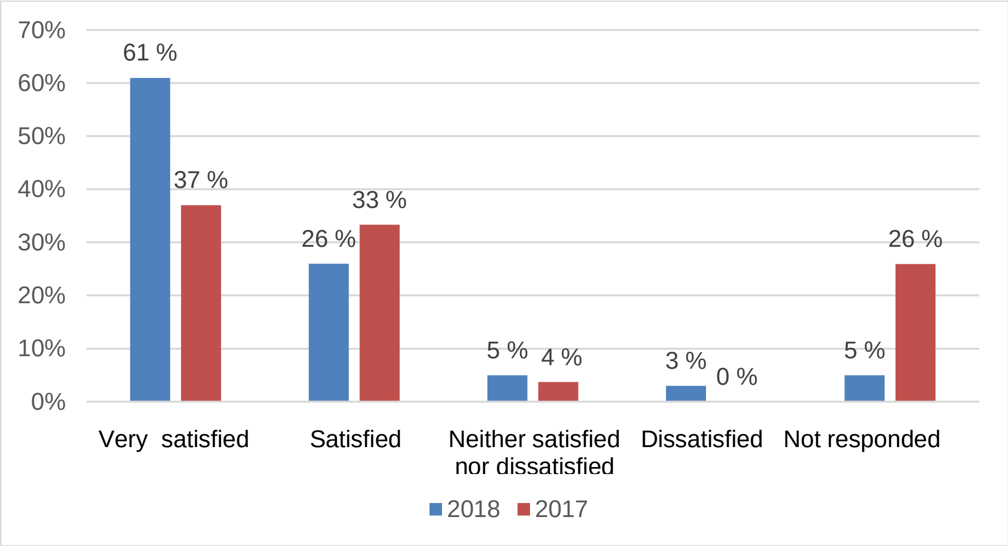


Figure 98: Results of measuring satisfaction with cooperation with Elektro Maribor d.d.

18.2.4 Contacts with system users

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

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

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

In 2018, we recorded 45,708 calls made to the blue free-toll line - 080 21 05 - used to report failures and interruptions, with a service level indicator of 79%, which means that the specified percentage of customers received the operator in a time shorter than one minute. The number of calls depends mainly on weather conditions and shutdowns due to urgent maintenance work.

At the blue free-toll line for general information – 080 21 01 – we recorded 20,908 calls, with a service level indicator of 87%, which means that the specified percentage of customers received the operator in a time shorter than one minute.

In accordance to the requirements set out by the laws, we kept our customers informed on planned interruptions of supply via the website www.elektro-maribor.si. A web application is also available to network users in order to register for notifications about planned power supply interruptions (via SMS, e-mail). The number of registrations to SMS notification messages amounts to 1,945 meter points, which is 33% more than in 2017. The number of registrations to e-mail notifications amounts to 3,659 meter points, which is 13% more than in 2017. We also informed the customers about the planned interruptions in the supply of electricity via radio stations.

Table 57: Contacts with system users

Type of contact	2018	2017	2016
Number of all calls to 080 21 05 – reporting failures and interruptions	45,708	57,247	47,324
Number of all calls to 080 21 01 – general information	20,908	16,996	17,119
Number of registrations to SMS-notifications	1,945	1,462	1,117
Number of registrations to e-mail notifications	3,659	3,152	2,532

In 2018, for the second consecutive year, we conducted a survey of users about the services we perform for SODO d.o.o. The results were similar to those in 2017. Users rated the services by selecting a mark from 1 to 5, where 1 is very negative, and 5 is very positive. The options for improvement are mainly in the simplification of procedures (improvement of user experience) and even more better responsiveness.

Table 58: Results of interviewing the users on services rendered for SODO d.o.o.

	2018 Average score	2017 Average score
1. Assessment of services rendered		
Transparency and comprehension of services	4.57	4.59
Response time and demand	4.53	4.56
Price	4.07	4.08
2. Assessment of the provider of service rendered		
Quality of execution	4.72	4.75
Term of execution	4.54	4.67
3. Assessment of quality of resolving complaints		
Professionalism	4.75	4.72
Responsiveness	4.62	4.67
4. Assessment of contact persons		
Professionalism	4.75	4.76
Responsiveness	4.70	4.70
TOTAL	**4.58**	**4.61**
N	279	224

18.3 Respect for human rights (GRI 102-16, 406-1)

We strive to continuously raise employees' awareness on ethical business operations and conduct of employees in accordance with the Code of Ethics. The effort of every individual for mutual cooperation, respect, consideration and ethical action means creating a favourable climate or culture within the company itself and externally. Accordingly, the proceedings are conducted based on written complaints, where the four-eye principle (confrontation of the notifier and the offender) is taken into account. All employment contracts include the provision on adherence to the Code of Ethics.

In 2018, two applications for granting consent to perform additional work were considered. In 2018, there were no applications for approval to participate in management and supervisory boards, and no reports on unethical business situations. There were also no cases of discrimination. In 2018, no violation was detected in terms of violations under the Code of Ethics.

With the internal newsletter eInfotok, the employees were once more informed of all the channels where they may report any suspicions on violations of the Code of Ethics, and potential events that may lead to fraud or theft.

18.4 Matters related to anti-corruption and anti-bribery (GRI 205-1,205-2,205-3)

We are a signatory of the Declaration of Fair Business since 2013. In 2014, we were among the first electrical distribution companies that signed the Slovenian Corporate Integrity Guidelines and, by doing so, entered into the circle of corporate integrity ambassadors.

Figure 99: UN Global Compact Slovenia

Figure 100: Slovenian Corporate Integrity

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

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

In 2018, there were not found cases of corruption in the company. We designed a scheme of fraud detection, which is supplemented as we go along, as it will be necessary to conduct a repeated review of the existing processes in the company upon the introduction of the new IT system and define the events for the occurrence of suspicion of fraud or theft. We adopted a Policy of prevention, detection and investigation of fraud and the Rules on prevention, detection and investigation of fraud.

III. Financial Report of Elektro Maribor d.d.

1 INDEPENDENT AUDITOR’S REPORT

[BDO]

Tel: +386 1 53 00 920
Fax: +386 1 53 00 921
info@bdo.si
www.bdo.si

Cesta v Mestni log 1
SI-1000 Ljubljana
Slovenia

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
ELEKTRO MARIBOR, d.d.
Vetrinjska ulica 2,
2000 Maribor

Opinion

We have audited the financial statements of the company Elektro Maribor d.d. (the company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit and loss, statement of other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements enclosed, in all material aspects, fairly present the financial position of the company Elektro Maribor d d.d., as at 31 December 2018, and its profit and loss, other comprehensive income and cash flows for the year then ended, in accordance with Slovene Accounting Standards.

Basis for the opinion

The audit was conducted in compliance with International Standards on Auditing (ISA). Our responsibilities based on these rules are described in the present report in paragraph Auditor’s responsibility for the audit of financial statements. In compliance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code) and ethic requirements referring to the audit of financial statements in Slovenia, we hereby confirm our independence from the company, and that we complied with all other ethic requirements in accordance with these requirements and the IESBA Code. We believe that obtained audit evidence is sufficient and adequate as a basis for our audit opinion.

Other matter

The financial statements of the company as at 31 December 2017 were audited by another auditor, who, on 12 April 2018, issued an unmodified opinion.

Other information

The management is responsible for the other information. Other information include the business report, which is an integral part of the Annual Report of Elektro Maribor, d.d., however it does not include financial statements and our auditor’s report thereon. Other information was obtained before the date of the auditor’s report, except the report of the Supervisory Board, which shall be available later. Our opinion on financial statements does not refer to other information and we do not express any form of guarantee about them.
In connection with the performed audit of financial statements, it is our responsibility to read other information and, by doing so, assess, whether other information is significantly non-compliant with financial statements, statutory requirements or our knowledge obtained during auditing, or prove to be significantly false in any other way. If we conclude based on the work performed that there is a significantly false statement on other information, we must report such circumstances. In this regard, we report based on procedures described that:

- other information is compliant with the audited financial statements in all significant aspects;
- other information was prepared in accordance with the applicable laws and regulations; and
- based on the knowledge and understanding of the company that we obtained during the audit; we have not established any significantly false statements.

Responsibility of the management and the supervisory board for financial statements

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

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

The Supervisory Board is responsible to supervise the preparation of financial statements and to approve the audited Annual Report.

Auditor's responsibility for the audit of financial statements

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

During the implementation of the audit in compliance with the auditing rules, we apply professional discretion and maintain occupational distrust. In addition, we:

- recognize and assess risks of a significantly false statement in financial standards, either due to error or fraud, create and implement audit procedures as responses to assessed risks and obtain sufficient and adequate audit evidence that provide the basis for our opinion. The risk that we shall not detect a false statement originating from fraud is higher than the one related to an error, since fraud may include secret agreements, forgery, intentional omission, false interpretation or avoidance of internal controls;
- carry out procedures of verification and comprehension of internal controls significant for the audit with the purpose to create audit procedures that are appropriate to the circumstance, however not with the intention to express an opinion about the effectiveness of internal controls of the company;
- assess adequacy of applied accounting guidelines and acceptability of accounting prices and related disclosures of the management;
- based on obtained audit evidence about the existence of significant uncertainty with regard to events or circumstances that raise doubt in the ability of the organisation to continue on a going concern basis, we adopt a decision on the adequacy of management's use of the going concern assumption as the basis of accounting. If we adopt a decision on the existence of significant uncertainty, we are obliged to draw the attention in the auditor's report to corresponding disclosures in financial statements or if such disclosures are inadequate, to adjust the opinion. The auditor's decisions are based on audit evidence obtained up to the date of the issue of the auditor's report. However, later events or circumstances may cause termination of organisation as a going concern.
- evaluate general presentation, structure, contents of financial statements including disclosures and, whether financial statements present relevant business transactions and events in a way that a fair presentation is achieved;

The Audit Committee and the Supervisory Board are among other things informed about the planned scope and time of auditing and significant audit findings including deficiencies of internal controls that we detected during our audit.

The Audit Committee and the Supervisory Board was presented with our statement on meeting all ethical requirements in terms of independence, and informed of all relationships and other matters, for which it would be reasonably believed that they affect our independence, and notified of supervisory actions taken in this regard.

Ljubljana, 15 April 2019

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

Maruša Hauptman, Certified Auditor
Procurator

2 MANAGEMENT BOARD'S STATEMENT OF RESPONSIBILITY

The Management Board of Elektro Maribor d.d. hereby confirms the financial statements published and presented in this Annual Report, as well as all other integral parts of this Annual Report for the financial year 2018.

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

The Management Board hereby declares that:

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

Maribor, 29 March 2019

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

5 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Conformity declaration

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

Management Board's statement of responsibility

On 29 March 2019, the Management Board approved and adopted the financial statements and notes, and respectively the accounting policies to the financial statements, and the presented Annual Report for 2018.

Functional currency

The financial statements have been prepared in euro, rounded to a unit, and for the financial year, that equals the calendar year. Due to rounding, slight differences may occur in adding up.

Changes in accounting policies

There were no changes in accounting policies in 2018.

Fundamental accounting assumptions and quality features of financial statements

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

- accruals, and
- going concern,

in addition, the following required quality features:

- comprehensibility,
- relevance,
- reliability,
- comparability.

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

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

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

Elektro Maribor d.d. is liable to monthly VAT returns under the Value Added Tax Act, as well as liable to corporate income tax under the Corporate Income Tax Act.

Bases for the preparation of financial statements

The bases for the preparation of financial statements are the legislative and professional accounting rules and hereinafter stated guidelines, policies and rules that are consistently applied throughout all reporting periods.

In 2018, the value of the investment in the Infond Alfa mutual fund has not changed by more than 10%, therefore, changes in the statement of comprehensive income are not disclosed.

The presentation of information refers to the current and past financial year.

Relevance of disclosures

The company has determined the significance of disclosures in financial statements by internal acts, namely for each category of assets and liabilities and revenue and expenditures separately.

Accounting policies

In the disclosure and valuation of items in the financial statements, the company directly applied the SAS provisions, except in the valuation of items for which the SAS provisions provide the option of choosing between different valuation methods. In such cases, the selected option of valuation is defined in the Rules of Accounting, or they were determined by decisions passed by the Management Board.

In preparation of the financial statements for the financial year, we disclosed the provisions for all potential liabilities, for which it is assumed with a more than 50 % certainty that they will be settled in the future, in accordance with the principle of prudence.

Comparability of information

The information in the financial statements for the financial year in question is in substance comparable to the information of the previous financial year.

Events after the reporting period

Events that occurred after the reporting period have no significant impact on the financial statements for 2018 that they would need additional disclosure in the financial report.

The financial statements for 2018 took into account the preliminary settlement for the regulatory year 2018, which shows the deficit of the received funds in relation to the recognized contractual values of the lease and services in the amount of EUR 3,083,512. The final settlement of the regulatory year 2018, which will be based on the audited data for 2018, which is not yet known until the compilation of the financial statements, however when preparing financial statement for 2018, we have taken into account the estimate of the final settlement for 2018, in the amount of EUR 69,457 surplus of funds received.

The indicated values are handled in accordance with Article 60a, paragraphs 4 and 5 of the Contract on the lease of the electricity distribution infrastructure and the provision of services for SODO, and therefore have an impact on the cash flow in the next regulatory period.

Relations with associated companies

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

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

Table 59: Operations of associated companies in 2018

in EUR	Equity	Amount of assets	Net profit or loss	Amount of revenue
Energija plus d.o.o., Vetrinjska ul. 2, Maribor	19,453,309	38,767,679	1,813,793	90,874,820
OVEN Elektro Maribor d.o.o., Vetrinjska ul. 2, Maribor	4,442,601	4,612,435	339,120	1,486,955
Moja energija d.o.o., Jadranska cesta 28, Maribor	2,678,283	5,499,947	–88,995	4,087,178
Eldom d.o.o., Obrežna ulica 170, Maribor	283,112	421,598	4,920	660,293
Informatika d.d., Vetrinjska ulica 2, Maribor	1,514,672	6,388,472	115,802	11,145,680

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

4 SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

Intangible assets are measured at cost less accumulated amortisation.

After initial recognition, intangible assets are measured at cost, which also includes all purchase charges and all directly attributable costs after feasibility of their use has been established.

Long-term property rights are amortised separately using the straight-line amortisation method. They begin to amortise when they are available for use. Amortisation applies amortisation that are determined for individual types of long-term property rights based on the estimated useful life.

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

Property, plant and equipment

Property, plant and equipment are part of company's non-current assets used for carrying out the activities of the company.

Property, plant and equipment is carried at cost less accumulated depreciation. The cost includes the purchase price, non-refundable purchase charges and costs directly necessary to bring the asset to working condition for its intended use. The cost is also increased by interest on loans for acquiring the items of property, plant and equipment until its brought to working condition for its intended use with those items of property plant and equipment where the period, for bringing the asset to working condition for its intended use, is longer than one year and with a cost that is significant. The cost does not include the costs of removal and renovation, since the management believes that they are of no significant value. The significance is determined in the Rules on Accounting.

The company performs the activity of own construction of facilities and equipment, and records it in its books after the constructions is completed. Assets are recorded in the books at the value that corresponds to SAS 1.12. The cost of an item of property, plant and equipment constructed or manufactured in the company consists of costs incurred by its construction or manufacture, and indirect costs of its construction or production that can be attributed to it. It does not include costs not related to its construction or manufacture, and costs not recognized by the market, but it includes borrowing costs for its construction or production and bringing it to its working condition. The cost of such item of property, plant and equipment cannot exceed the cost of the one determined in the SAS 1.10.

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

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

Costs that are subsequently incurred in connection with an item of property, plant and equipment increase its cost if future benefits increase in relation to the originally estimated costs.

Investments in property, plant and equipment are accrued based on systemic instruction for accrual of investments in property, plant and equipment and maintenance costs, as annexed to the Rules on accounting.

Depreciation is accounted for separately by using the straight-line depreciation method.

The company has no items of property, plant and equipment that would be acquired by finance lease. All property, plant and equipment are owned by the company and are not pledged as security for liabilities.

The company's Management Board actively monitors the events in the market and estimates that, in 2018, there was no objective evidence on factors pointing to the need for impairment of property, plant and equipment.

Investment property
Investment property is held to earn rentals or for long-term capital appreciation.

Investment properties are measured at cost less the accumulated depreciation. Holiday homes and owned apartments are disclosed as investment property.

Depreciation is accounted for separately by using the straight-line depreciation method. The estimated useful life is 50 years.

The company’s Management Board actively monitors the events in the market and estimates that, in 2018, there was no objective evidence on factors pointing to the need for impairment of investment property.

Amortisation/Depreciation
The carrying amount of property, plant and equipment, intangible asset and investment property is reduced by amortisation/depreciation.

All of the company's fixed assets are classified in amortisation/depreciation groups. The company applies amortisation/depreciation rates, which are harmonized between electricity distribution companies in Slovenia. Amortisation/Depreciation is accounted for separately by using the straight-line amortisation/depreciation method.

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

The company independently determines the useful lives of individual fixed assets, which are harmonized between electricity distribution companies in Slovenia. In the calculation of amortisation/depreciation, the company uses the useful lives that shown in the table below.

Table 60: Service life of fixed assets

	2018	2017
Buildings	50 years	50 years
Cable underground system, HV overhead lines, HV cable lines, MV overhead lines	40 years	40 years
Construction part of RTP, RP in TP	40 years	40 years
MV cable lines with XHP and EHP, LV overhead line and CR with wooden poles, TP mast on wooden pole	33 years	33 years
Equipment RTP and RP secondary	15 years	15 years
Equipment RTP, RP and DKS primary	30 years	30 years
HV/MV energy transformer	35 years	35 years
MV/LV energy transformer	30 years	30 years
Measuring and control devices (meters)	5-24 years	5-24 years
Motor vehicles	7-12 years	7-12 years
Computer equipment	2-5 years	2-5 years
Intangible assets (application software)	2-10 years	2-10 years
Easements	1-100 years	1-100 years

Changes in accounting estimates
In 2018, a project group for fixed assets appointed by the workgroup for technical matters met within the Economic Interest Grouping (GIZ) for distribution of electricity. The members inspected the useful lives of fixed assets by depreciation/amortisation groups and established that no significant changes incurred since the last inspection, therefore there is no reason to change the useful lives of fixed assets in 2018.

Financial investments
Financial investments are disclosed in the statement of financial position as non-current and current financial investments. Non-current financial investments are those held in possession for a period longer than a year, and not held for trading.

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

Non-current financial investments in subsidiaries and associates are in financial statements measured at cost.

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

As at each end of the reporting period, 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 resulting from revaluation are recognised in the company's equity as increases or decreases in revaluation surplus.

Inventories

An inventory unit of materials is measured at cost consisting of the purchase price, import duties and direct cost of purchase net of trade discounts received.

When disclosing the consumption of inventories of material, the company uses the moving average price method.

Inventories of materials are revaluated due to impairment if the carrying amount exceeds the net realisable value.

Receivables

At initial recognition, all types of receivables are disclosed in amounts arising from relevant documents assuming to be repaid. Original receivables may be subsequently increased or, regardless of the payment received or any other settlement, they may also be reduced by any amount substantiated by the contract.

The company regularly checks the adequacy of receivables disclosed. Receivables under the presumption of not being settled are disclosed as doubtful or or disputed.

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

In forming value adjustments for doubtful or disputable receivables, the company uses the approach of a 100% value adjustment of trade receivables, irrespective of the degree of recoverability, namely for receivables, for which an insolvency proceeding or lawsuit has been introduced, and for receivables not paid within 90 days from the maturity date. The value adjustment of receivables is being formed separately by individual business partners.

In the statement of financial position, receivables are disclosed in net value, which means that they are decreased by the value adjustments for disputable or doubtful receivables.

Cash and cash equivalents

Cash and cash equivalents represent cash on current bank accounts and cash equivalents - investments that are readily convertible to a known amount of cash.

At initial recognition, they are disclosed in amounts arising from relevant documents following verification that they have such nature.

Short-term accrued and deferred items

Short-term deferred expenses and accrued income include receivables and other assets expected to arise within one year following the end of the reporting period, and whose occurrence is probable, and their size can be reliably measured.

At their occurrence, these are amounts are not yet chargeable to company’s activities and do not yet affect the company's profit or loss. In the statement of financial position, these items are disclosed in real amounts do not include any hidden reserves.

Short-term accrued expenses and deferred income include accrued costs (expenses) and short-term deferred revenue. They may only be used for initially recognized items. In the statement of financial position, they are recognized in amounts reliably measure without any hidden reserves.

Equity

The total equity of the company is defined by the amounts invested by the owners and the amounts that incurred in the course of business and belong to the owners.

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

Own shares shall be acquired based on the authority of the company's General Meeting.
Reserves for own shares are being formed in the amounts, which were paid for their acquisition.

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

Reserves arising from valuation at fair value are recognised based on the performed revaluation of investments at the end of the financial year and based on recording actuarial gains/losses arising from the calculation of provisions for termination benefits upon retirement.

The net profit or loss constitutes an undistributed part of the company's net profit or loss of the current year.

The company discloses changes in equity items in the statement of changes in equity.

Provisions and long-term accrued expenses and deferred income

Provisions are formed for liabilities that are, based on data from past events, expected to occur in the following periods. Their amount is based on the estimated current amount of expenditures, which will be necessary to settle these liabilities.

The company forms provisions for termination benefits and jubilee benefits. They are formed based on the calculation of a certified actuary at the beginning and at the end of the financial year. The actuarial calculation is based on the provisions of SAS10, the International Accounting Standards (hereinafter referred to as the IAS) IAS19 and IAS 26, and performed at the end of each financial year when the company adjusts the value and balance of provisions. They were calculated using the Projected Unit Credit method based on a multiple decrement model taking into account the following decrements: probability of mortality, probability of retirement, probability of employee turnover, and probability of disability. The most important actuarial assumptions used in measurement are:

- probability of mortality (SLO2007; selection factor for economically active population 75%);
- probability of disability (in accordance with the model based on BUZ/BV1990x, BUZ/BV1990y);
- retirement in accordance with the model based on the Pension and Disability Insurance Act (ZPIZ-2A; Official Gazette of the Republic of Slovenia, no. 96/2012);
- employee turnover:
- 5.0 % in the interval up to 35 years;
- 4.0 % in the interval from 36 to 45 years;
- 3.0 % in the interval from 46 years;
- discount rate 1.3%;
- salary increases in the Republic of Slovenia 3.0 %;
- salary increases in the company 2.0 %;
- salary increases in the electricity sector 2.5 %;
- employer's contribution rate 16.1 % (in case of payments higher than the amounts determined by the Decree on the tax treatment of reimbursement of costs and other income from employment (Official Gazette of the Republic of Slovenia, no. 76/08));
- increases in amounts under the Decree 0.25%;
- provisions of the corporate collective agreement.

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

The company forms long-term accrued expenses and deferred income from accrued costs and assigned contributions payable for pension and disability insurance of disabled employees. This revenue is used by the company for the actual incurred costs of salaries for disabled employees.

The company also forms long-term accrued expenses and deferred income from deferred revenue for fixed assets acquired free of charge and from contributions for co-financing, which are intended to cover the depreciation costs of the latter.

In 2018, the company formed long-term accrued expenses and deferred income from cohesion funds arising from co-financing the purchase and installation of smart meters for the 2017-2022 period. The company's revenue in this respect is drawn at 33% of the actual cost of depreciation of the installed meters.

Debts

In terms of content, liabilities are categorised as financial and operating, and in terms of maturity, as current and non-current.

At initial recognition, all debts are measured in amounts arising from the relevant documents upon their occurrence, on the assumption that creditors request their repayment. Liabilities are later increased by imputed income (interest, other considerations) for which there is an agreement with the creditor. They are reduced by the amounts paid and any other settlements in agreement with the creditor.

The carrying amount of debts equals their original value less their repayments.

The statement of financial position separately discloses long-term and short-term debts, and are further broken down to financial and operating.

At least once a year, during preparation of financial statements, the company evaluates the fair value of debts. The company neither determines nor discloses impairments of debts.

Off-balance sheet

The off-balance sheet shows the amounts of bills of exchange granted for loans received, guarantees granted and received, amounts of contingent liabilities for payments of compensations, amounts pertaining to small tools in use, and values of fixed assets transferred to SODO d.o.o.

Recognition of revenue

Revenue is recognized if the increase of economic benefits in an accounting period is related to the increased value of an asset or to reduction of debt, and if such increase can be reliably measured. Revenue is recognized when it is reasonably expected that they will lead to receipts if they have not been realized at the time of inception.

Revenue is disaggregated to operating, financial, and other income.

Operating revenue is revenue from sales representing sales values of products, services and material sold in the accounting period. They are measured based on selling prices quoted in invoices or other documents less amounts charged by the company for a third party account (duties), discounts granted at sale, and later also for the value of the quantities returned and subsequently granted discounts.

Revenue arising from the rendering of services is measured at selling prices of services completed by reference to the stage of their completion quoted in invoices or other documents.

Revaluation operating revenue is generated at disposals of items of property, plant and equipment and intangible assets, and when the receivables are repaid, the value adjustment of which was formed in the previous years.

Financial revenue is revenue from investment activities and arises in connection with current and non-current financial investments, and also in connection with receivables in the form of interest charged and as revaluation finance income.

They are recognized at settlement, irrespective of receipts, unless there is reasonable doubt as to their size, maturity and repayment. Interest are charged in proportion to the elapsed period and in relation to the unpaid part of the principal amount and the applicable interest rate.

Other revenue pertains to non-recurring items and other income that increases the profit and loss.

Recognition of expenses

Expenses are recognized if the reduction in economic benefits in the accounting period is related to the reduction of assets or the increase of debt, and if such reduction can be measured reliably.

Expenses are disaggregated to operating, finance and other expenses.

Operating expenses are recognized when costs are no longer retained in the value of inventories of products. In general, they equal the accrued expenses in the accounting period.

Revaluation operating expenses are recognized when appropriate revaluation has been carried out and arise in respect of plant, property and equipment, intangible non-current assets and current assets due to their impairment.

Finance expenses are expenses from financial and operating liabilities. They are recognized at settlement, regardless of the related payments.

Other expenses include non-recurring items and other expenses that reduce the profit and loss.

Labour costs and employee expense reimbursements

The company in its labour costs discloses:

- wages and salaries;
- compensated absences (paid vacation and sick leave);
- costs of supplementary pension insurance;
- costs of contributions and other charges;
- other costs such as holiday pay, reimbursements for costs of material, solidarity assistance, and other.

Labour costs and reimbursements are calculated and paid in accordance with the law, the Collective Agreement for the energy sector and the Corporate Collective Agreement.

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

Taxes

The company is liable for payment of taxes in accordance with the Value Added Tax Act and the Corporate Income Tax Act.

The corporate income tax is calculated based on revenue and expenses disclosed in the statement of profit and loss by taking into account the provisions of the Corporate Income Tax Act.

Such current tax is a tax payable by the company on taxable profit for the financial year using the tax rates established at the date of the statement of financial position, taking into account any adjustments of taxes of prior periods.

The company discloses deferred tax by using the comprehensive balance sheet method based on temporary differences between the carrying amount and tax values of individual assets and liabilities. The amount of deferred tax is based on future recovery or settlement of the carrying amount of assets and liabilities by using tax rates applicable at the end of the reporting period.

Deferred tax assets are recognized only to the extent for which it is probable that the future taxable profit, from which deferred taxes can be used in the future, will be available.

Statement of cash flows

The statement of cash flows has been prepared using the direct method. The statement of cash flows presents cash and cash equivalents cash in bank accounts and deposits with maturity up to three months.

Segment reporting

In accordance with the EZ-1, the company is liable to segment reporting (segments). Two activities are defined for that purpose:

- the contract with SODO d.o.o., which takes into account the tasks performed by the company in accordance with the Contract on the lease of the electricity distribution infrastructure and provision of services for SODO d.o.o., and
- services, which include other market activities performed by the company.

5 FINANCIAL STATEMENT OF ELEKTRO MARIBOR D.D.

Table 61: Statement of financial position

in EUR

	Item	Note	31 Dec 2018	31 Dec 2017
A.	**Non-current assets (I–VI)**		**352,203,321**	**339,762,966**
I.	**Intangible assets and long-term deferred expenses and accrued income (1 to 6)**	**1**	**1,969,359**	**1,983,941**
	1. Long-term property rights		1,969,359	1,835,917
	3. Advances for intangible assets		0	148,024
II.	**Property, plant and equipment (1 to 6)**	**2**	**331,202,232**	**318,606,382**
	1. Land and buildings (a to c)		246,133,299	237,310,647
	a. Land		9,853,760	9,835,184
	b. Buildings		236,279,539	227,475,463
	2. Production equipment and machinery		74,537,424	73,282,078
	4. Property, plant and equipment being acquired (a + b)		10,531,509	8,013,657
	a. Property, plant and equipment under construction		10,471,605	7,978,290
	b. Advances for acquisition of property, plant and equipment		59,904	35,367
III.	**Investment property**	**3**	**650,009**	**659,422**
IV.	**Non-current financial investments (1 to 2)**	**4**	**17,541,680**	**17,541,680**
	1. Non-current financial investments excluding loans (a to č)		17,541,680	17,541,680
	a. Shares and stakes of companies in the Group		16,983,478	16,983,478
	b. Shares and interests in associates		349,854	349,854
	c. Other shares and interests		56,594	56,594
	č. Other non-current financial investments		151,754	151,754
V.	**Non-current operating receivables (1 to 3)**	**5**	**51,576**	**68,242**
	3. Non-current operating receivables due from others		51,576	68,242
VI.	**Deferred tax assets**	**6**	**788,465**	**903,298**
B.	**Current assets (I–V)**		**24,993,586**	**24,265,439**
II.	**Inventories (1 to 4)**	**7**	**2,107,741**	**1,719,670**
	1. Material		2,107,741	1,719,670
IV.	**Current operating receivables (1 to 3)**	**8**	**14,900,121**	**12,961,865**
	1. Current operating receivables due from companies in the Group		25,095	16,818
	2. Current operating trade receivables		13,452,378	12,164,701
	3. Current operating receivables due from others		1,422,648	780,345
V.	**Cash and cash equivalents**	**9**	**7,985,724**	**9,583,904**
C.	**Short-term deferred expenses and accrued income**	**10**	**230,517**	**915,695**
	ASSETS (A + B + C)		**377,427,424**	**364,944,100**

in EUR

	Item	Note	31 Dec 2018	31 Dec 2017
A.	**Equity**	**11**	**279,933,132**	**269,381,842**
I.	**Called-up capital (1 to 2)**		**139,773,510**	**139,773,510**
	1. Share capital		139,773,510	139,773,510
II.	**Capital reserve**		**75,121,586**	**75,121,586**
III.	**Revenue reserves (1 to 5)**		**61,037,303**	**51,018,469**
	1. Legal reserves		5,255,607	4,510,810
	2. Reserves for own shares and own business interests		363,301	154,539
	3. Own shares and own business interests		–363,301	–154,539
	5. Other revenue reserves		55,781,696	46,507,659
V.	**Reserves arising from valuation at fair value**		**–667,609**	**–876,458**
VI.	**Net profit or loss carried forward**		**0**	**59,128**
	1. Net profit carried forward from previous years		0	59,128
VII.	**Net profit or loss for the financial year**		**4,668,342**	**4,285,607**
	1. Residual net profit for the financial year		4,668,342	4,069,836
B.	**Provisions and long-term accrued expenses and deferred income (1 to 3)**	**12**	**40,367,502**	**40,086,984**
	1. Provisions for pensions and similar liabilities		5,504,902	5,603,543
	2. Other provisions		1,205,805	1,523,747
	3. Long-term accrued expenses and deferred income		33,656,795	32,959,694
C.	**Non-current liabilities (I to III)**	**13**	**33,859,014**	**30,971,748**
I.	**Non-current financial liabilities (1 to 4)**		**33,650,000**	**30,917,857**
	2. Non-current financial liabilities to banks		33,650,000	30,917,857
II.	**Non-current operating liabilities**		**209,014**	**53,891**
	2. Non-current operating accounts payable		209,014	53,891
Č.	**Current liabilities (I to III)**	**14**	**22,383,805**	**23,507,956**
II.	**Current financial liabilities (1 to 4)**		**8,189,145**	**7,297,125**
	2. Current financial liabilities to banks		8,159,523	7,267,857
	4. Other current financial liabilities		29,622	29,268
III.	**Current operating liabilities (1 to 8)**		**14,194,660**	**16,210,831**
	1. Current operating liabilities to companies in the Group		39,735	68,278
	2. Current operating accounts payable		4,474,572	7,398,885
	3. Other current financial liabilities		9,680,353	8,743,668
D.	**Short-term accrued expenses and deferred income**	**15**	**883,971**	**995,570**
	LIABILITIES (A to D)		**377,427,424**	**364,944,100**

Table 62: Statement of profit and loss

in EUR

	Item	Note	I–XII 2018	I–XII 2017
1.	**Net sales revenues**	**17**	**62,690,799**	**60,476,292**
	a. in the domestic market		62,690,799	60,476,292
3.	**Capitalized own products and services**	**18**	**20,826,413**	**18,821,162**
4.	**Other operating revenue (with revaluated operating revenue)**	**19**	**2,931,151**	**2,753,389**
5.	**Costs of goods, material and services**	**20**	**19,269,124**	**18,073,684**
	a. Cost of goods sold and costs of material used		12,551,174	10,819,298
	b. Costs of services		6,717,950	7,254,386
6.	**Labour costs**	**21**	**29,769,102**	**29,444,776**
	a. Costs of wages and salaries		20,944,867	20,525,072
	b. Social security costs		4,552,373	4,449,862
	–of which pension insurance costs		3,138,250	2,940,404
	c. Other labour costs		4,271,862	4,469,842
7.	**Write-downs**	**22**	**20,515,409**	**19,728,458**
	a. Depreciation/Amortisation		19,840,041	19,272,945
	b. Revaluation operating expenses for intangible assets and property, plant and equipment		432,926	265,652
	c. Revaluation operating expenses for current assets		242,442	189,861
8.	**Other operating expenses**	**23**	**1,164,422**	**853,289**
9.	**Finance income from stakes**	**24**	**1,909,572**	**1,774,792**
	a) Finance income from stakes in companies of the Group		1,909,572	1,710,000
	b) Finance income from stakes in associates		0	64,792
10.	**Finance income from loans granted**	**25**	**81**	**341**
	b. Finance income from loans granted to others		81	341
11.	**Finance income from operating receivables**	**26**	**53,184**	**24,859**
	b. Finance income from operating receivables due from others		53,184	24,859
13.	**Finance expenses from financial liabilities**	**28**	**366,982**	**416,251**
	b. Finance expenses from loans received from banks		362,685	393,031
	č. Finance expenses from other financial liabilities		4,297	23,220
14.	**Finance expenses from operating liabilities**	**29**	**68,638**	**59,789**
	b. Finance expenses from accounts payable and notes payable		1,494	401
	c. Finance expenses from other operating liabilities		67,144	59,388
15.	**Other income**	**30**	**37,611**	**13,437**
16.	**Other expenses**	**31**	**149,597**	**135,103**
17.	**Taxes on income**		**2,082,811**	**1,837,846**
18.	**Deferred taxes**		**114,833**	**162,869**
19.	**NET PROFIT OR LOSS FOR THE PERIOD (1 ± 2 +3 + 4 – 5 – 6 – 7 – 8 + 9 + 10 + 11 – 12 – 13 – 14 + 15 – 16 – 17 + 18)**	**32**	**14,947,893**	**13,477,945**

Table 63: Statement of other comprehensive income

in EUR

	Item	I–XII 2018	I–XII 2017
19.	Net profit or loss for the period	14,947,893	13,477,945
23.	Other items of comprehensive income	156,894	-333,149
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19 + 20 + 21 + 22 + 23)**	**15,104,787**	**13,144,796**

Table 64: Statement of cash flows

in EUR

Item	Note	I–XII 2018	I–XII 2017
A. Cash flows from operating activities			
a) Cash receipts from operating activities	***33***	***114,667,433***	***106,667,833***
Cash receipts from the sale of products and services		111,847,098	104,724,154
Other cash receipts from operating activities		2,820,335	1,943,679
b) Expenditures from operating activities	***34***	***–101,543,248***	***–95,506,277***
Expenditures for purchases of material and services		–63,749,625	–57,736,970
Expenditures for salaries and employee shares in profit		–28,475,050	–28,154,868
Expenditures for levies of all types		-7,146,617	-7,536,146
Other expenditures from operating activities		-2,171,956	-2,078,293
c) Positive cash flow from operating activities (a + b)		***13,124,185***	***11,161,556***
B. Cash flows from investing activities			
a) Cash receipts from investing activities	***35***	***2,027,379***	***1,885,359***
Cash receipts from interest received and shares in the profits of others that refer to investing		1,909,661	1,775,218
Cash receipts from the disposal of property, plant and equipment		117,718	110,141
b) Expenditures from investing activities	***36***	***–15,461,085***	***–10,033,904***
Expenditures for acquisition of intangible assets		-3,501,139	-1,653,408
Expenditures for acquisition of property, plant and equipment		-11,959,946	-8,380,496
c) Negative cash flow from investing activities (a + b)		***–13,433,706***	***–8,148,545***
C. Cash flows from financing activities			
a) Cash receipts from financing activities	***37***	***11,000,000***	***9,000,000***
Cash receipts from increasing financial liabilities		11,000,000	9,000,000
b) Expenditures from financing activities	***38***	***–12,288,659***	***–13,192,251***
Expenditures for interest paid related to financing		-359,550	-407,469
Expenditures for capital repayments		-208,762	-3,716
Expenditures for repayments of financial liabilities		-7,376,190	-8,757,143
Expenditures for payments of dividends and other shares in profit		4,344,157	-4,023,923
c) Negative cash flow from investing activities (a + b)		***–1,288,659***	***–4,192,251***
Č. Closing balance of cash and cash equivalents		**7,985,724**	**9,583,904**
x) Cash flow for the period (sum of cash outcomes Ac, Bc and Cc)		**–1,598,180**	**–1,179,240**
+			
y) Opening balance of cash and cash equivalents		**9,583,904**	**10,763,144**

Table 65: Statement of changes in equity 2018

in EUR

Item		Called-up capital	Capital reserves	Revenue reserves				Reserves arising from valuation at fair value	Net profit or loss carried forward	Net profit or loss for the financial year	Total
		Share capital		Legal reserves	Reserves for own shares	Own shares	Other revenue reserves		Net income carried forward	Net income	
		I/1	II	III/1	III/2	III/3	III/5	V	VI/1	VII/1	
A.1.	**Balance at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**4,510,810**	**154,539**	**–154,539**	**46,507,659**	**–876,458**	**59,128**	**4,285,607**	**269,381,842**
a.	Retrospective restatements										
A.2	**Opening balance of the reporting period**	**139,773,510**	**75,121,586**	**4,510,810**	**154,539**	**–154,539**	**46,507,659**	**–876,458**	**59,128**	**4,285,607**	**269,381,842**
B.1	**Changes in equity capital - transactions with owners**	**0**	**0**	**0**	**0**	**–208,762**	**0**	**0**	**-4,344,735**	**0**	**-4,553,497**
d.	Purchase of own shares					–208,762					**–208,762**
g.	Dividend payment								-4,344,735	0	**-4,344,735**
B.2	**Total comprehensive income of the reporting period**	**0**	**0**	**0**	**0**	**0**	**0**	**156,894**	**0**	**14,947,893**	**15,104,787**
a.	Entry of net profit or loss for the financial year									14,947,893	**14,947,893**
d.	Other items of comprehensive income							156,894			**156,894**
B.3	**Changes in equity**	**0**	**0**	**744,797**	**208,762**	**0**	**9,274,037**	**51,954**	**4,285,607**	**-14,565,157**	**0**
a.	Allocation of residual net profit of the comparative reporting period to other equity components								4,285,607	-4,285,607	**0**
b.	Allocation of residual net profit of the reporting period to other equity components according to the decision of the management and supervisory bodies			744,797			9,274,037		51,954	-10,070,788	**0**
d.	Forming reserves for own shares				208,762					–208,762	**0**
e.	Other changes in equity							51,954	–51,954		**0**
C.	**Closing balance of the reporting period**	**139,773,510**	**75,121,586**	**5,255,607**	**363,301**	**–363,301**	**55,781,696**	**–667,610**	**0**	**4,668,343**	**279,933,132**
	DISTRIBUTABLE PROFIT								**0**	**4,668,343**	**4,668,343**

Table 66: Statement of changes in equity 2017

in EUR

	Item	Called-up capital	Capital reserves	Legal reserves	Revenue reserves			Reserves arising from valuation at fair value	Net profit or loss carried forward	Net profit or loss for the financial year	Total
		Share capital			Reserves for own shares	Own shares	Other revenue reserves		Net income carried forward	Net income	
		I/1	II	III/1	III/2	III/3	III/5	V	VI/1	VII/1	
A.1.	**Balance at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**–150,599**	**37,993,158**	**–543,309**	**0**	**4,069,836**	**260,251,694**
b.	Retrospective adjustments						1		0		1
A.2	**Opening balance of the reporting period**	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**–150,599**	**37,993,159**	**–543,309**	**0**	**4,069,836**	**260,251,695**
B.1	**Changes in equity capital - transactions with owners**	**0**	**0**	**0**	**0**	**–3,940**	**0**	**0**	**-4,010,709**	**0**	**-4,014,649**
d.	Purchase of own shares				0	–3,940					–3,940
g.	Dividend payment								-4,010,709		-4,010,709
B.2	**Total comprehensive income of the reporting period**	**0**	**0**	**0**	**0**	**0**	**0**	**-333,149**	**0**	**13,477,945**	**13,144,796**
a.	Entry of net profit or loss for the financial year									13,477,945	13,477,945
d.	Other items of comprehensive income							-333,149			-333,149
B.3	**Changes in equity**	**0**	**0**	**673,897**	**3,940**	**0**	**8,514,500**	**0**	**4,069,837**	**-13,262,174**	**0**
a.	Allocation of residual net profit of the comparative reporting period to other equity components								4,069,837	-4,069,837	0
b.	Allocation of residual net profit of the reporting period to other equity components according to the decision of the management and supervisory bodies			673,897			8,514,500			-9,188,397	0
d.	Forming reserves for own shares				3,940					–3,940	0
C.	**Closing balance of the reporting period**	**139,773,510**	**75,121,586**	**4,510,810**	**154,539**	**–154,539**	**46,507,659**	**–876,458**	**59,128**	**4,285,606**	**269,381,842**
	DISTRIBUTABLE PROFIT								**59,128**	**4,285,607**	**4,344,735**

Table 67: Notes to the statements - performance indicators according to the PSR

Item	2018	2017
I. BASIC FINANCING RATIOS (according to PSR 8.26)		
Equity financing rate in % = equity/liabilities	74.17	73.81
Long-term financing ratio in % = equity + long-term debt + provisions + long-term accruals and deferred income/liabilities	93.84	93.29
II. II. BASIC INVESTMENT INDICATORS (according to PSR 8.27)		
Fixed assets to total assets ratio in % =fixed assets/assets	88.27	87.85
Non-current assets to assets ratio in % =fixed assets and long-term prepayments and accrued income + long-term finan. invest. + invest. property + long-term operat. receivables/assets	93.11	92.85
III. III. BASIC RATIOS OF HORIZONTAL FINANCIAL STRUCTURE (according to PSR 8.28)		
Equity to fixed assets ratio = equity/fixed assets	0.84	0.84
Cash ratio = liquid assets/current liabilities	0.36	0.41
Quick ratio = liquid assets + current receivables/current liabilities	1.02	0.96
Current ratio = current assets/current liabilities	1.12	1.03
IV. BASIC EFFICIENCY RATIOS (according to PSR 8.30)		
Operating efficiency ratio = operating revenue/operating expenses	1.22	1.20
V. BASIC PROFITABILITY RATIOS (PSR 8.31)		
Return on equity in % = net profit or loss/average equity (excluding net profit or loss for the accounting period)	5.53	5.17
Dividend payment ratio = dividend for the financial year (*distributable profit)/net profit or loss	0.31	0.32

6 NOTES AND DISCLOSURES OF FINANCIAL STATEMENT ITEMS

6.1 Notes to the statement of financial position

The statement of financial position is a basic financial statement presenting those assets and liabilities relating to company's operations.

In accordance with SAS 20.4, it is in a form of line items, and the values are shown for the current and past period.

Items in the statement of financial position are presented at their carrying amounts as the difference between the cost and the deducted value adjustment. The statement of financial position has been prepared taking account of the principle of individual asset and liability valuation.

The company does not dispose of any additional information that would be relevant for a fair presentation of the company’s financial position, and these items are not prescribed in the form of the statement of financial position.

The information about the basis of preparation of the statement of financial position and the specific accounting policies and methods used for disclosing company’s business events is presented below in the notes related to individual items in the statement of financial position.

The notes are an integral part of the financial statements and should therefore be read in conjunction with them.

Intangible assets

Note 1

Intangible assets comprise property rights from the use of licenses and software application equipment classified as assets with a finite useful life of between 2 and 10 years and are amortized using the straight-line amortization method. The amortization rates applied range from 10% to 50%.

Intangible assets also include easements that allow use of land under company’s distribution network lines, which are, in accordance with the provision of Article 65 of the ZGD-1, disclosed as an item of land and buildings in the statement of financial position

Intangible assets are not pledged for the repayment of debts, and the company does not dispose of assets acquired through government grants.

At the end of the financial year, the company discloses EUR 454,833 of operating liabilities regarding the purchase of licences for the use of information technology based on a contract. The company settles its liabilities on a monthly basis based on the invoices received.

Major supplies of intangible assets primarily relate to the purchase of licences for the use of information technology and the purchase of the new ERP solution MS Dynamics AX.

Table 68: Changes in intangible assets in 2018

in EUR	Intangible assets	Ongoing investments	Advances given	Total
Cost				
Balance as at 1 Jan 2018	7,010,493	0	148,024	7,158,517
Increase	*1,087,065*	*0*		1,087,065
- New purchases		1,087,065	0	1,087,065
– Activation	1,087,065	-1,087,065		0
Decrease			148,024	148,024
Balance as at 31 Dec 2018	8,097,558	0	0	8,097,558
Written down value				
Balance as at 1 Jan 2018	5,174,576			5,174,576
Adjustments	95,608			95,608
Disposals	0			0
Amortization	858,014			858,014
Balance as at 31 Dec 2018	6,128,198			6,128,198
Carrying amount				
Balance as at 1 Jan 2018	1,835,917	0	148,024	1,983,941
Balance as at 31 Dec 2018	1,969,360	0	0	1,969,360

Table 69: Changes in intangible assets in 2017:

in EUR	Intangible assets	Ongoing investments	Advances given	Total
Cost				
Balance as at 1 Jan 2017	5,685,224			5,685,224
Increase	*1,325,269*	*0*	*148,024*	1,473,293
- New purchases		1,325,269	148,024	1,473,293
– Activation	1,325,269	-1,325,269		0
Balance as at 31 Dec 2017	7,010,493	0	148,024	7,158,517
Written down value				
Balance as at 1 Jan 2017	4,567,710			4,567,710
Disposals	76,486			76,486
Amortization	683,352			683,352
Balance as at 31 Dec 2017	5,174,576			5,174,576
Carrying amount				
Balance as at 1 Jan 2017	1,117,514			1,117,514
Balance as at 31 Dec 2017	1,835,917	0	148,024	1,983,941

Property, plant and equipment

Note 2

Table 70: Balance and changes in property, plant and equipment in 2018

in EUR	Land	Construction facilities	Easement	Production equipment and machinery	Ongoing investments	Advances given	Total property, plant and equipment
Cost							
Balance as at 1 Jan 2018	7,760,448	713,997,828	2,124,519	178,824,963	7,978,290	35,368	910,721,416
Acquisitions, of which:					31,940,889	27,075	31,967,964
- Acquisitions (new purchases)					30,769,624		30,769,624
- Acquisitions (free acquisition)					1,171,265		1,171,265
Activations	31,795	20,959,859	10,346	8,445,575	–29,447,575	0	0
- Activation (new purchases)	31,795	19,788,593	10,346	8,445,575			28,276,309
– Activation (free acquisition)		1,171,265					1,171,265
Decrease	2,303	6,299,488		6,275,322		2,538	12,579,652
Transfers		205,388		-205,388			0
Balance as at 31 Dec 2018	7,789,939	728,863,586	2,134,865	180,789,828	10,471,605	59,905	930,109,728
Written down value							
Balance as at 1 Jan 2018	0	486,522,365	49,783	105,542,885	0	0	592,115,033
Disposals		6,088,499		6,405,634			12,494,133
Depreciation		12,104,091	21,262	6,832,929			18,958,282
Transfers		46,091		282,224			328,314
Balance as at 31 Dec 2018	0	492,584,047	71,045	106,252,404	0	0	598,907,497
Carrying amount							
Balance as at 1 Jan 2018	7,760,448	227,475,463	2,074,736	73,282,078	7,978,290	35,368	318,606,383
Balance as at 31 Dec 2018	7,789,939	236,279,539	2,063,820	74,537,424	10,471,605	59,905	331,202,231

Table 71: Balance and changes in useful lives of fixed assets in 2017

in EUR	Land	Construction facilities	Easement	Production equipment and machinery	Ongoing investments	Advances given	Total property, plant and equipment
Cost							
Balance as at 1 Jan 2017	7,738,239	703,945,451	1,615,180	175,726,022	5,008,831	10,630	894,044,354
Acquisitions, of which:					28,646,547	29,733	28,646,547
- Acquisitions (new purchases)					27,313,048		27,313,048
- Acquisitions (free acquisition)					1,333,499		1,333,499
Activations	20,782	17,630,526	509,339	7,515,950	-25,676,596	0	0
- Activation (new purchases)	20,782	16,309,752	509,339	7,503,224		0	24,343,097
– Activation (free acquisition)		1,320,773		12,726			1,333,499
Decrease		7,577,187		4,416,543	492	4,996	11,999,218
Transfers	1,426	–961		–465			0
Balance as at 31 Dec 2017	7,760,448	713,997,828	2,124,519	178,824,963	7,978,290	35,368	910,721,416
Written down value							
Balance as at 1 Jan 2017	0	481,789,494	32,833	103,424,559	0	0	585,246,886
Disposals		7,355,615		4,342,151			11,697,766
Depreciation		12,088,485	16,950	6,460,478			18,565,913
Transfers							
Balance as at 31 Dec 2017	0	486,522,365	49,783	105,542,885	0	0	592,115,033
Carrying amount							
Balance as at 1 Jan 2017	7,738,239	222,155,957	1,582,347	72,301,463	5,008,831	10,630	308,797,468
Balance as at 31 Dec 2017	7,760,448	227,475,463	2,074,736	73,282,078	7,978,290	35,368	318,606,383

Major purchases of items of property, plant and equipment in 2018 refer particularly to:

Table 72: Major purchases of items of property, plant and equipment

	2018	2017
LV lines	8,984,539	8,500,241
Metering equipment and instruments	3,091,549	1,827,665
TP MV/HV	1,700,634	1,923,932
MV lines (joining)	5,697,782	4,868,854
HV lines new	49,954	36,271
MV lines (connecting)	1,593,113	1,482,254

Decrease in property, plant and equipment refers to construction facilities at cost of 6,299,488 euro and equipment at cost of EUR 6,275,322, mainly due to write-downs resulting from destructions and replacements.

Property, plant and equipment not yet available for use (ongoing investments) are disclosed in the amount of EUR 10,471,605.

The company has no items of property, plant and equipment that would be acquired by finance lease. All assets are owned by the company and are not pledged as security for liabilities.

The company still has some contractual commitments for purchasing items of property, plant and equipment; however, the latter were concluded for successive supplies of equipment being ordered in accordance with the time schedule.

All long-term borrowings are intended to finance investments in property, plant and equipment of the company.

The company signed Annex No. 5 to the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for the period 2016–2018 with the company SODO, which defines the amount of rent and the services rendered to SODO.

The amounts of future leases cannot be presented reliably, since the price and scope of the lease are changing over the years. The rent for the electricity infrastructure for 2018 amounts to EUR 30,239,544.

The carrying amount of the rented out electricity structure as at 31 December 2018 amounts to EUR 295,089,809.

Table 73: Balance and changes in electricity infrastructure in 2018

in EUR	Land	Construction facilities	Easement	Production equipment and machinery	Total property, plant and equipment
Cost					
Balance as at 1 Jan 2018	4,951,765	686,225,748	2,124,519	152,947,220	846,249,252
Transfers					
Balance as at 1 Jan 2018	4,951,765	686,225,748	2,124,519	152,947,220	846,249,252
Increase, of which:	31,404	20,546,440	10,347	6,487,163	27,075,354
- Activations	31,404	20,546,440	10,347	6,487,163	27,075,354
Disposals		–6,240,384		-4,012,780	-10,253,164
Transfers		340,280		-70,625	269,655
Balance as at 31 Dec 2018	4,983,169	700,872,084	2,134,866	155,350,978	863,341,097
Written down value					
Balance as at 1 Jan 2018		473,257,840	49,783	87,835,514	561,143,137
Decrease		5,969,090		3,802,635	9,771,725
Depreciation		11,564,138	21,262	5,294,476	16,879,876
Balance as at 31 Dec 2018	0	478,852,888	71,045	89,327,355	568,251,288
Carrying amount					
Balance as at 1 Jan 2018	4,951,765	212,967,908	2,074,736	65,111,706	285,106,115
Balance as at 31 Dec 2018	4,983,169	222,019,196	2,063,821	66,023,623	295,089,809

Investment property

Note 3

The company's Management Board actively monitors the events in the market and estimates that, in 2018, there was no objective evidence on factors pointing to the need for impairment of investment property.

Table 74: Balance and changes in investment property in 2018

in EUR	31 Dec 2018
Cost	
Balance as at 1 Jan 2018	1,479,612
Increase	23,207
Decrease	64,740
Balance as at 31 Dec 2018	1,438,079
Written down value	
Balance as at 1 Jan 2018	820,190
Disposals	55,864
Depreciation	23,744
Balance as at 31 Dec 2018	788,070
Carrying amount	
Balance as at 1 Jan 2018	659,422
Balance as at 31 Dec 2018	650,009

All the investment property is owned by the company and is not pledged as security for liabilities.

Table 75: Investment property in 2018

in EUR	Value	Revenue	Costs
Holiday facilities	610,675	122,415	122,636
Apartments	39,334	9,822	6,338
Total	**650,009**	**132,237**	**128,974**

Non-current financial investments
Note 4

In 2018, the company has not impaired any investments in associates

Table 76: Non-current financial investments

in EUR	Balance 31 Dec 2018	Balance 31 Dec 2017
Investments in interests of Group companies:	16,983,478	16,983,478
– Energija plus d.o.o.	15,291,511	15,291,511
– OVEN Elektro Maribor d.o.o.	1,691,967	1,691,967
Investments in interests and shares of associates:	349,854	349,854
– Informatika d.d.	299,478	299,478
– Eldom d.o.o.	50,376	50,376
– Moja energija d.o.o.	0	0
Other non-current investments in interests	56,594	56,594
Other non-current financial investments	151,754	151,754
Total	**17,541,680**	**17,541,680**

Table 77: Changes in non-current financial investments

in EUR	Investments in interests of Group companies	Investments in stakes and shares of associates	Other non-current investments in interests	Other non-current financial investments	Total
Balance as at 1 Jan 2018	16,983,478	349,854	56,594	151,754	17,541,680
Decrease	0	0	0	0	0
Balance as at 31 Dec 2018	**16,983,478**	**349,854**	**56,594**	**151,754**	**17,541,680**

The Management Board estimates that non-current financial investments, as at 31 December 2018, are not exposed to risks or they are exposed to risk equal to the amount of the investment in equity of these companies.

The company has all non-current investments, except investments in subsidiaries and associates, classified as available for sale.

Other non-current financial investments, above all, disclose the investment in the Alfa financial fund.

Non-current operating receivables
Note 5

Other non-current operating receivables include receivables from the collection of assets to the reserve fund of owner-occupied residential buildings.

Deferred tax assets
Note 6

In 2018, the company recognized a decrease in deferred tax assets for deductible temporary differences arising from past and current design and consumption or reversal of provisions for jubilee benefits and termination benefits, and formed value adjustments of receivables.

In calculating deferred tax assets, a tax rate of 19% was applied, which is expected to be used in future financial years as well.

In 2018, the company reduced deferred tax assets arising from provisions for jubilee and termination benefits in a total amount of EUR 66,042, and deferred tax assets arising from value adjustments of receivables for EUR 48,791. The net profit of loss for 2018 was reduced by EUR 114,833. The balance of deferred tax assets, as at 31 December 2018, is disclosed in the amount of EUR 788,465.

Table 78: Changes in deferred tax assets

in EUR	Balance 31 Dec 2017	Decrease	Increase	Balance 31 Dec 2018
Deferred tax assets				
- arising from value adjustments of receivables	*370,962*	*48,791*	*0*	*322,171*
- arising from provisions for jubilee benefits and termination benefits upon retirement	*532,337*	*66,042*	*0*	*466,295*
Total	**903,298**	**114,833**	**0**	**788,465**

Inventories

Note 7

The inventories mainly include inventories of material for installation in case of own investments, inventories of material for the provision of services on the market and inventories of spare parts for maintenance of property, plant and equipment.

The company's Management Board estimates that the carrying amount of inventories is at the level of net realizable value.

Table 79: Inventories

in EUR	31 Dec 2018	31 Dec 2017
Raw materials and material	2,010,485	1,617,122
Fuel and lubricants	11,628	14,029
Office supplies	19,223	8,383
Small tools and packaging inventories	66,405	80,136
Total	**2,107,741**	**1,719,670**

As at 31 December 2018, the company discloses EUR 11,959 of inventories, where there were no changes in the period from 1 January 2015 to 31 December 2018, however, operating reserves are identified as inventories.

Table 80: Value of inventories

in EUR	31 Dec 2018	31 Dec 2017
Gross value of inventories	2,107,741	1,772,669
Value adjustments	0	52,998
Net value of inventories	**2,107,741**	**1,719,670**

In annual inventory of stock, the company established a deficit of EUR 133.95 and a surplus of EUR 508.32. In 2018, the company has written down EUR 54,520 of material due to damages, destruction and obsolescence, which is recognized in company's expenses.

All inventories are owned by the company and are not pledged as security for liabilities.

Current operating receivables

Note 8

Table 81: Current operating receivables

in EUR	31 Dec 2018	31 Dec 2017
Current operating receivables due from Group companies, of which:	25,095	16,818
- receivables due from Energija plus d.o.o.	17,099	14,452
- receivables due from OVEN Elektro Maribor d.o.o.	7,996	2,366
Current operating trade receivables for network use	3,680,587	3,647,497
Current operating trade receivables for services	9,768,623	8,512,260
Current operating receivables for interest	3,168	4,944
Other current receivables	1,422,648	780,345
Total	**14,900,121**	**12,961,865**

The customers mostly settle their claims within the deadline or with a slight delay. In case of delay, the customers are charged with contractually agreed default interest.

In 2018, in accordance with the Rules on the management of receivables, the company formed a value adjustment for disputable, doubtful and overdue receivables exceeding 90 days.

Table 82: Value of receivables

in EUR	31 Dec 2018	31 Dec 2017
Gross receivables	16,732,191	15,079,381
Value adjustment	1,832,070	2,117,516
Net receivables	**14,900,121**	**12,961,865**

Table 83: Changes in value adjustments of receivables

in EUR	Balance 1 Jan 2018	Decrease	Increase	Balance 31 Dec 2018
Value adjustments of current operating receivables:				
- decrease in value adjustments due to payments		125,276		
- decrease in value adjustments due to write-downs		348,092		
Total	**2,117,516**	**473,368**	**187,922**	**1,832,070**

Trade receivables for network use amount to EUR 3,680,587 net and are mostly not secured by instruments for securing payments, as the latter is not foreseen by the Decree on general conditions for the supply and consumption of electricity.

The company's receivables due from SODO d.o.o. for the lease of the electricity distribution infrastructure are secured with bills of exchange. As at 31 December 2018, the disclosed balance of current receivables due from SODO d.o.o. amounts to EUR 3,196,349 for rent and EUR 5,826,026 for services.

At the end of the financial year 2018, the company has no receivables due from the Management Board and members of the Supervisory Board.

Table 84: Breakdown of current operating receivables by maturity

in EUR	31 Dec 2018	Structure in %	31 Dec 2017	Structure in %
Receivables not yet due	14,273,586	95.80	12,195,128	94.08
Overdue up to 30 days	472,898	3.17	590,884	4.56
Overdue from 31 to 60 days	70,093	0.47	55,177	0.43
Overdue from 61 to 90 days	5,700	0.04	9,958	0.08
Overdue over 90 days	77,844	0.52	110,718	0.85
Total	**14,900,121**	**100.00**	**12,961,865**	**100.00**

Cash and cash equivalents

Note 9

Table 85: Cash and cash equivalents

in EUR	31 Dec 2018	31 Dec 2017
Cash at banks	755,724	733,904
Demand deposits	7,230,000	8,850,000
Total	**7,985,724**	**9,583,904**

Demand deposits represent those cash equivalents with a maturity of not more than three months.

Short-term deferred expenses and accrued income

Note 10

Short-term deferred expenses and accrued income are mainly disclosed as amounts of short-term accrued income from the lease of operating bases.

Table 86: Short-term deferred expenses and accrued income

in EUR	31 Dec 2018	31 Dec 2017
Short-term accrued income	227,299	911,508
Short-term deferred expenses	3,217	4,188
Total	**230,517**	**915,695**

Table 87: Changes in short-term deferred expenses and accrued income

in EUR	Balance 1 Jan 2018	Increase	Decrease	Balance 31 Dec 2018
Short-term accrued income	911,508	121,403	805,612	227,299
Short-term deferred expenses	4,187	1,037,089	1,038,058	3,217
Total	**915,696**	**1,158,492**	**1,843,670**	**230,517**

Equity

Note 11

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

Table 88: Equity

in EUR	31 Dec 2018	31 Dec 2017
Share capital	139,773,510	139,773,510
Capital reserves	75,121,586	75,121,586
Legal reserves	5,255,607	4,510,810
Reserves for own shares and business interests	363,301	154,539
Own shares and own business interests	-363,301	–154,539
Other revenue reserves	55,781,696	46,507,659
Reserves arising from valuation at fair value	-667,609	–876,458
Net profit or loss carried forward	0	59,128
Net profit or loss for the financial year	4,668,342	4,285,607
Total	**279,933,132**	**269,381,842**

Capital reserves result entirely from the general equity revaluation adjustment.

In 2018, the company acquired 75,735 own shares in the amount of EUR 208,762 in accordance with the powers of the General Meeting. In the same amount, it created reserves for own shares.

Legal reserves and other revenue reserves were formed from net profit of the current financial years since 2003. Reserves for own shares are formed from net profit of 2016, 2017 and 2018.

Reserves arising from valuation at fair value are disclosing the value of non-current financial investments and the amount of actuarial loss arising from provision restatements for termination benefits upon retirement.

Table 89: Changes in reserves incurred at fair value

in EUR	Balance as at 31 Dec 2017	Creation	Use	Carryforward to profit or loss	Balance as at 31 Dec 2018
Reserves from valuation of non-current financial investments	105,184				105,184
Actuarial gains/losses from termination benefits upon retirement	-981,642	–996	157,890	51,954	-772,794
Total	**–876,458**	**–996**	**157,890**	**51,954**	**–667,609**

In 2018, the company disclosed net profit in the amount of EUR 14,947,893. According to the powers defined in the ZGD-1, the company's Management Board used part of the net profit in the amount of EUR 51,954 to cover the losses carried forward from the actuarial calculations, the amount of EUR 744,797 to create legal reserves, a part in the amount of EUR 208,762 to create reserves for own shares, and a part in the amount of EUR 9,274,037 to create other revenue reserves.

The distributable profit is disclosed in the amount of EUR 4,668,343, and presented in the appendix to the statement of changes in equity, and shall be subject to distribution at the shareholder's General Meeting in 2019.

As at 31 December 2018, the carrying amount of one share in consideration of own shares of Elektro Maribor d.d., amounted to EUR 8.36; whereas, as at 31 December 2017, the carrying amount of one share in consideration of own shares of Elektro Maribor d.d. amounted to EUR 8.04.

In 2018, the net income per share in consideration of own shares of Elektro Maribor d.d. amounted to EUR 0.45.

Provisions and long-term accrued expenses and deferred income

Note 12

Table 90: Provisions

in EUR	Balance 31 Dec 2018	Balance 31 Dec 2017
Provisions for jubilee benefits	1,803,801	1,747,309
Provisions for termination benefits upon retirement	3,701,101	3,856,235
Provisions for guarantees issued	31,511	35,567
Provisions for long-term accruals	1,174,294	1,488,180
Total	**6,710,707**	**7,127,290**

Provisions for termination benefits upon retirement and for jubilee benefits were formed based on the calculation of a certified actuary. The methodology for their calculation is presented in the Chapter Significant accounting policies.

Provisions for guarantees issued are formed for cases when the company approves a warranty period of up to five years for the elimination of potential defects in the construction of buildings to foreign clients. The company formed the aforementioned provisions in the estimated amount of 10% of the total exposed contractual value.

The amount of provisions recognized from legal obligations amounts to EUR 1,174,294 and is the best estimate of expenditures necessary for their settlement.

In achieving the best estimate, we took into account the risks and uncertainties that inevitably accompany legal proceedings for which the provisions were formed.

The company estimates that no type of provisions is exposed to risks.

The amount of provisions is equal to the current amount of expenditures expected as necessary to settle these obligations.

Table 91: Changes in provisions

in EUR	Balance 31 Dec 2017	Provisioning	Use	Reversal	Balance 31 Dec 2018
Provisions for jubilee benefits	1,747,309	291,046	234,553	0	1,803,801
Provisions for termination benefits upon retirement	3,856,235	206,850	204,094	157,890	3,701,101
Provisions for guarantees issued	35,567	0	0	4,056	31,511
Provisions for long-term accruals	1,488,180	646,428	83,129	877,185	1,174,294
Total	**7,127,290**	**1,144,324**	**521,776**	**1,039,131**	**6,710,707**

Long-term accrued expenses and deferred income are formed from property, plant and equipment acquired free of charge and from co-financing. The company uses the aforementioned long-term accrued expenses and deferred income to cover the cost of their depreciation using the annual depreciation rate of 2.93%.

Since 2010, the amounts used to cover the depreciation costs for the formed long-term accrued expenses and deferred income are those that match the actual depreciation rate of an individual item of property, plant and equipment.

Long-term accrued costs and deferred revenues from assigned contributions for disabled persons are fully used by the company to cover the costs of their salaries.

Table 92: Changes in long-term accrued expenses and deferred income

in EUR	Balance 31 Dec 2017	Decrease	Increase	Balance 31 Dec 2018
Long-term deferred income from house connections acquired free of charge	17,692,592	745,320	1,093,789	18,041,061
Long-term deferred income from property, plant and equipment acquired free of charge	8,298,860	305,987	77,476	8,070,349
Long-term deferred income from average connection costs	3,657,539	174,357	0	3,483,182
Long-term deferred income from co-financing	3,310,703	168,963	116,757	3,258,497
Long-term deferred income from assigned contributions for disabled persons	0	106,724	106,724	0
Long-term deferred income - EU projects	0	31,883	835,589	803,706
Total	**32,959,694**	**1,533,235**	**2,230,335**	**33,656,795**

Non-current liabilities

Note 13

Non-current financial liabilities refer entirely to long-term loans received from commercial banks
In 2018, the company took out a long-term loan of EUR 11,000,000 in order to finance investments.

The maturity of loans received is between 5 and 11 years. The interest rate is between 1- and 6-month EURIBOR, in the range from 1.0% to 1.65% profit margin or a fixed interest rate in the range from 0.721% to 1.198% p.a.

The carrying amount of long-term debts is equal to their fair value. Company's long-term debts are not exposed to any currency or credit risks. The exposure to interest risk is presented only by a negative trend in EURIBOR reference interest rate.

Most of company's loans are secured by bills of exchange.

Principal amounts of EUR 11,625,000 fall due after five years from the end of the reporting period. The company regularly and in due time settles all outstanding instalments of principal amount and interest.

Table 93: Non-current financial liabilities to banks

in EUR	31 Dec 2018	31 Dec 2017
Non-current financial liabilities to banks	41,809,524	38,185,714
Current part of non-current financial liabilities to banks	-8,159,524	-7,267,857
Total	**33,650,000**	**30,917,857**

Non-current operating liabilities include non-current securities received as a supplier's performance bond.

At the end of the financial year 2018, the company does not disclose any non-current liabilities to the Management Board and members of the Supervisory Board.

Current liabilities

Note 14

Current financial liabilities amount to EUR 8,189,145 and show the balance of the short-term portion of long-term loans received that fall due within one year from the end of the reporting period in the amount of EUR 8,159,523, and liabilities to shareholders in relation to profit distribution in the amount of EUR 29,622.

Current operating liabilities amount to EUR 14,194,660 and show the balance as disclosed in the table below. They mainly include trade payables for fixed assets, obligations to employees that relate to salaries for December and a bonus at the end of the year, and liabilities to SODO d.o.o.

Table 94: Current operating liabilities

in EUR	31 Dec 2018	31 Dec 2017
Current operating liabilities to Group companies, of which:	39,735	68,278
– liabilities to Energija plus d.o.o.	39,735	68,278
Current operating liabilities to associates	90,067	182,066
Current operating trade payables for fixed assets	3,109,874	4,395,238
Current operating trade payables for working capital	1,274,631	2,821,580
Current operating liabilities to SODO d.o.o.	3,452,697	3,318,821
Current operating liabilities to employees	4,333,109	3,452,697
Current operating liabilities to government and other institutions	937,402	832,915
Current operating liabilities from advances	773,996	714,913
Other current financial liabilities	183,149	193,014
Total	**14,194,660**	**16,210,831**

The company settles all current liabilities in due time.

As at 31 December 2018, the company disclosed EUR 497,838 of trade payables secured by instruments of insurance.

As at 31 December 2018, the company disclosed an obligation to the President of the Management Board for the salary and reimbursement of material costs arising from December 2018 in gross amount of EUR 8,216.

Short-term accrued expenses and deferred income

Note 15

Short-term accrued expenses and deferred income disclose the balance of all short-term accrued costs and short-term accrued revenue. They include receivables and liabilities that are expected to arise within one year following the end of the reporting period, and the incurrence of which is probable, and their size very likely to be measured.

Table 95: Short-term accrued expenses and deferred income

in EUR	31 Dec 2018	31 Dec 2017
Accrued costs for unused annual leave	795,634	810,001
Short-term accrued costs from legal cases	969	0
Short-term accrued costs from depreciation	0	95,608
Short-term accrued costs for interest from long-term loans	17,911	27,546
Accrued costs for services (SE)	0	62,414
Short-term deferred costs for SODO – RO	69,457	0
Total	**883,971**	**995,570**

Table 96: Changes in short-term accrued expenses and deferred income

in EUR	Balance as at 31 Dec 2017	Creation	Use	Reversal	Balance as at 31 Dec 2018
Accrued costs for unused annual leave	810,001	795,634	0	810,001	795,634
Short-term accrued costs from legal cases	0	969	0	0	969
Short-term accrued depreciation costs	95,608	76,486	172,094	0	0
Short-term accrued costs for interest from long-term loans	27,546	223,209	232,844	0	17,911
Accrued costs for services (SE)	62,414	0	0	62,414	0
Short-term deferred costs for SODO – RO	0	69,457	0	0	69,457
Total	**995,570**	**1,165,755**	**404,938**	**872,415**	**883,971**

Off-balance-sheet assets/liabilities

Note 16

Table 97: Off-balance-sheet assets/liabilities

in EUR	31 Dec 2018	31 Dec 2017
Security instruments to insure payments– guarantees	795,198	434,918
Security instruments to insure payments– bills of exchange	41,809,524	38,185,714
Receivables for bank guarantees received	3,562,168	4,240,044
Enforcement drafts received	106,483	113,512
Enforcement drafts issued	136,918	149,968
Contingent liabilities for payment of indemnities	7,483	17,112
Small tools in use	1,290,565	1,510,530
Average connection costs of SODO d.o.o., transfer of assets from 1 July to 31 December 2009	3,436,298	3,594,136
Average connection costs of SODO d.o.o., transfer of fixed assets from 1 January 2010	984,437	1,020,945
Assets for holiday facilities – Eldom d.o.o.	184,870	184,870
Total	**52,313,943**	**49,451,750**

The company estimates that the probability of cash receipts and expenditures from the aforementioned receivables and liabilities is very small, therefore the amounts disclosed only for information purposes. Assets that are included in off-balance sheet items do not qualify for recognition as balance sheet items.

6.2 Notes to the statement of profit and loss

The statement of profit and loss includes all the revenue, costs and expenses incurred during the accounting period of company's operations.

The statement of profit and loss is drawn up according to the Version I, defined in item 21.6 of SAS.

The information on the basis for preparing the statement of profit and loss, and the specific special accounting policies used by the company, is presented in disclosures of individual significant items.

Revenue

The amount of revenue is also affected by the methods, policies and estimates explained in disclosures of the statement of financial position.

The company has not changed the methods and accounting policies in 2018.

Table 98: Revenue

in EUR	2018	2017
Operating revenue	86,448,363	82,050,843
Financial revenue	1,962,837	1,799,992
Other income	37,611	13,438
Total	**88,448,811**	**83,864,273**

Table 99: Revenue generated from relationships with Group companies in 2018

in EUR	Energija plus d.o.o.	OVEN Elektro Maribor d.o.o.
Revenue from sales of services	65,036	15,304
Revenue from rents of business premises	69,547	9.084
Total	**134,583**	**24,388**

Revenue from sales of services to Energija plus d.o.o. mainly refer to the charged accounting services and IT support services rendered.

Net sales revenues

Note 17

Table 100: Net sales revenues

in EUR	2018	2017
Rents charged	30,705,474	29,735,213
– SODO d.o.o. – rent	30,239,544	29,249,690
- other	465.930	485.523
SODO d.o.o. contractual services	27,546,183	26,468,386
Services charged	4,317,671	4,184,441
Sales of waste material	121,332	88,251
Total	**62,690,660**	**60,476,292**

Net sales revenues constitute 71% share of all generated operating revenues. Net sales revenues also include reconciliation bills for SODO d.o.o. in regulatory years 2014, 2016, 2017 and 2018.

Table 101: Considering reconciliation bills for SODO d.o.o. in regulatory years 2014, 2016, 2017 and 2018

in EUR	Revenue achieved in 2018	Preliminary reconciliation bill for 2018	Final 2014	Final 2017	Preliminary reconciliation bill for 2017	Reversal of provisions from quality supply for 2014	Final 2016	Final 2018	Total 2018
Rent	30,103,785	115,104	0	20,371	0	0	0	284	**30,239,544**
Services	24,102,185	2,968,408	-2,315	–152,591	–1,477	704,806	–3,092	–69,741	**27,546,183**
Total	**54,205,970**	**3,083,512**	**-2,315**	**132,220**	**–1,477**	**704,806**	**–3,092**	**–69,457**	**57,855,184**

Capitalized own products and services

Note 18

Capitalized own products and services include their own investments and revenues from internal services (finalisation of equipment)

Table 102: Capitalized own products and services

in EUR	2018	2017
Capitalized products	20,255,247	18,204,907
Capitalized services	571.166	616.255
Total	**20,826,413**	**18,821,162**

Other operating revenue

Note 19

Table 103: Other operating revenue

in EUR	2018	2017
Reversal of provisions	218,845	212,592
Reversal of long-term accrued expenses and deferred income	1,547,724	1,467,077
Indemnities received from the insurance company	837,049	794,524
Profit from sales of fixed assets	119,829	91,428
Recovered claims from previous years	142,329	99,833
Other operating revenue	65,375	87,935
Total	**2,931,151**	**2,753,389**

Costs by functional groups

Table 104: Costs by functional groups

in EUR	2018	2017
Production costs of products sold	64,469,984	62,243,303
Selling costs	1,954,115	1,805,276
Costs of general activities	3,618,590	3,596,115
Total	**70,042,689**	**67,644,694**

Costs of goods, material and services

Note 20

Table 105: Costs of material

in EUR	2018	2017
Costs of material, of which:	10,199,187	8,659,056
- material for investments	8,490,914	6,574,451
- material for eliminating damages	299,231	524,369
- material for services	1,401,246	1,545,657
- other costs of material	7,795	14,578
Costs of spare parts for fixed assets	800,642	762,253
Energy costs	972,525	955,267
Write-down of small tools and packaging	347,049	220,476
Costs of office supplies and specialised literature	224,211	216,380
Other costs of material	7.560	5.867
Total	**12,551,174**	**10,819,299**

In transactions with Group companies, the company recorded the cost of purchase of electricity for own use in the amount of EUR 65,366 and the cost of gas purchase in the amount of EUR 28,830. All costs were recorded in transactions with Energija plus d.o.o.

Table 106: Costs of services

in EUR	2018	2017
Costs of services for further settlement	815,446	780,799
Costs of services related to maintenance	1,987,830	1,969,039
Costs of rents	296,882	327,627
Reimbursement of costs to employees	109,978	89,151
Costs of payment transactions, bank services and insurance premiums	1,114,302	1,745,340
Costs of intellectual and personal services	314,356	346,391
Costs of fairs, advertisements and representation	38,570	46,428
Costs of services of natural persons	210,217	189,795
Postal, telecommunication and internet services	200,437	144,747
IT services	1,213,832	1,242,067
Other costs of services	416,099	373,002
Total	**6,717,950**	**7,254,386**

Labour costs

Note 21

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

Labour costs disclose accrued costs in the amount of EUR 2,976,448, and refer to:

- unused annual leave;
- additional obligations of employees based on the corporate collective agreement that refer to the bonus at the end of the year.

Table 107: Labour costs

in EUR	2018	2017
Costs of wages and salaries	20,944,867	20,525,072
Costs of supplementary pension insurance for employees	1,059,959	1,031,086
Costs of employer's contributions and other charges arising from salaries	3,492,414	3,418,776
Other labour costs	4,271,862	4,469,842
- Holiday pay	1,515,043	1,450,286
- Commuting to work	1,068,605	1,056,971
- Meal allowance	1,044,507	1,062,696
- Collective accident insurance	110,045	110,489
- Provisions for jubilee and termination benefits	429,756	677,599
– Other labour costs	103,905	111,801
Total	**29,769,102**	**29,444,776**

Information by groups of persons - Management Board

The cost of salaries represents the salary of the President of the Management Board.

As at 31 December 2018, the company disclosed and obligation to the President of the Management Board for the salary from December 2018 in the amount of EUR 4,649 net.

Table 108: Assets paid– Management Board

in EUR	Gross 2018
Cash receipts from salaries	98,598
Reimbursements of business travel expenses	351
Reimbursements of other material costs	2,157
Voluntary supplementary pension insurance	2,819
Holiday pay	1,792
Total	**105,734**

The President of the Management Board received bonuses in the amount of EUR 319 net. In 2018, the President of the Management Board has not received any payment arising from the variable part of the salary.

Information by groups of persons - other employees under individual contracts

In 2018, ten employees had concluded an individual employment contract.

Table 109: Calculated assets - other employees under individual contracts (IP)

in EUR	2018
Cash receipts from salaries	680,065
Reimbursements of business travel expenses	1,414
Reimbursements of other material costs	21,871
Voluntary supplementary pension insurance	28,190
Holiday pay	17,919
Jubilee benefits	5,059
Total	**754,518**

Employees under individual contracts received bonuses in the amount of EUR 2,223 net.

The company has an obligation to this group of persons for payment of December salary and bonus at the end of the year.

Information by groups of persons - Supervisory Board and Supervisory Board's committees

In accordance with the decision of the 23th session of the General Meeting of the public limited company Elektro Maribor d.d. of 28 June 2018, the Supervisory Board and its committees are entitled to reimbursement of attendance fees and payments for performing their function.

Table 110: Amount of attendance fees and payments for performing functions of the Supervisory Board

in EUR	2018 Gross	2017 Gross
Regular and extraordinary session		
amount of attendance fee for the Chairman of the SB	275	275
amount of attendance fee for members of the SB	275	275
Correspondence session		
amount of attendance fee for the Chairman of the SB	220	220
amount of attendance fee for members of the SB	220	220
Payment for performing the function		
amount of payment for the Chairman of the SB (since 28 June 2018)	19,500	16,950
amount of payment for the Deputy Chairman of the SB (since 28 June 2018)	14,300	12,430
amount of payment for members of the SB (since 28 June 2018)	13,000	11,300

Table 111: Gross remunerations of members of the Supervisory Board arising from attendance fees and other reimbursements in 2018 (in EUR)

Name and surname	Gross	10%	6.36% health insurance contribution	Base for income tax 90%	25%	Payment	8.85% pension and disability insurance contribution	0.53% lump-sum for work-related injuries and occupational diseases
Tomaž Orešič	2,475	248	157	2,070	518	1,800	219	13
Mateja Čuk	3,024	302	192	2,529	632	2,199	268	16
David Klarič	3,780	378	239	3,162	790	2,749	335	20
Ciril Pucko	3,176	318	202	2,757	664	2,310	281	17
Jože Golobič	411	41	26	344	86	299	36	2
Alojz Kovše	293	29	19	245	61	213	26	2
Darko Nemec	1,579	158	100	1,320	330	1,148	140	8
Nenad Kajtezovič	1,114	111	71	932	233	810	99	6
Dušan Kovačič	2,475	248	157	2,070	518	1,800	219	13
Total	**18,328**	**1,833**	**1,165**	**15,430**	**3,832**	**13,330**	**1,622**	**97**

Gross remunerations of members of the Supervisory Board arising from attendance fees and reimbursements of costs in total amount to EUR 18,328, of which gross remunerations arising from attendance fees amount to EUR 13,200 and additional costs for travelling to the Supervisory Board sessions and educational meetings to EUR 3,149 gross.

Remunerations from employment relationship of Supervisory Board members, who are employee representatives, amount to EUR 120,777.

Table 112: Payment for performing the function of the Supervisory Board members (SB)

Name and surname	Gross in EUR
Tomaž Orešič (Chairman of the SB)	18,013
Čuk Mateja (Vice-Chairman of the SB)	13,209
David Klarič (Member of the SB and Vice-Chairman of the SB)	12,008
Ciril Pucko (Member of the SB)	12,008
Dušan Kovačič (Member of the SB)	12,008
Darko Nemec (Member of the SB)	6,592
Nenad Kajtezovič (Member of the SB)	5,417
Total	**79,255**

The Audit Committee (AC) operates under the auspices of the Supervisory Board.

Table 113: Amount of attendance fees and payments for performing functions of the Audit Committee of the Supervisory Board

in EUR	2018 Gross	2017 Gross
Regular and extraordinary session		
amount of attendance fee for the Chairman of the AC	220	220
amount of attendance fee for members of the AC	220	220
Correspondence session		
amount of attendance fee for the Chairman of the AC	176	176
amount of attendance fee for members of the AC	176	176
Payment for performing the function		
amount of payment for the Chairman of the AC (since 28 June 2018)	4,875	4,238
amount of payment for the Deputy Chairman of the AC (since 28 June 2018)	3,250	2,825
amount of payment for members of the AC (since 28 June 2018)	3,250	2,825

Table 114: Calculated and paid assets for attendance fees and reimbursements of costs to the members of the Audit Committee in 2018

Name and surname	Gross in EUR
Ciril Pucko	4,108
Mateja Čuk	3,598
Ivana Kuhar	2,996
Total	**10,702**

Table 115: Calculated and paid assets for performing the function to the members of the Audit Committee in 20188

Name and surname	Gross in EUR
Ciril Pucko (Chairman of the SB's Committee)	4,503
Mateja Čuk (Member of the SB's Committee)	3,002
Ivana Kuhar (External Member of the SB's Committee)	3,002
Total	**10,507**

The company has not granted any advances or loans to employees under individual contract, Management Board, members of the Supervisory Board and members of Supervisory Board committees.

Write-downs

Note 22

Table 116: Amortisation/Depreciation

in EUR	2018	2017
Amortization of intangible assets	858,014	683,352
Amortization of intangible assets – easements	21,262	16,949
Depreciation of property, plant and equipment, of which:	18,937,020	18,548,963
– construction part	12,104,091	12,088,485
– equipment	6,832,929	6,460,478
Depreciation of investment property	23,744	23,681
Total	**19,840,041**	**19,272,945**

Revaluation operating expenses in property, plant and equipment mainly refer to write-downs of damaged or destroyed parts of constructions facilities and equipment due to reconstruction or replacement of assets.

The company forms value adjustments of receivables in accordance with the adopted accounting policy, namely individually for each individual business partner separately.

Table 117: Revaluation operating expenses

in EUR	2018	2017
Revaluation operating expenses for property, plant and equipment, and intangible assets	432,926	265,652
Revaluation operating expenses related to inventories	54,520	4,489
Revaluation operating expenses from receivables, of which:	187,922	170,524
– from network use	163,492	154,254
– from services rendered	22,133	13,429
– from interest	2,297	2,841
Other revaluation operating expenses	0	14,847
Total	**675,368**	**455,513**

Other operating expenses

Note 23

Table 118: Other operating expenses

in EUR	2018	2017
Provisions for guarantees issued	0	12,913
Provisions for legal proceedings	646,428	292,204
Fee for the use of construction land	269,126	270,001
Other duties and expenditures	248,867	278,171
Total	**1,164,422**	**853,289**

Other duties and expenditures include expenses that relate mainly to costs of holiday stays, court costs and scholarships.

Finance income from interests

Note 24

In 2018, the company received profit from Group companies Energija plus d.o.o. in the amount of EUR 1,410,688, and OVEN Elektro Maribor d.o.o. in the amount of EUR 498,884, based on shareholder's decision.

Finance income from loans granted

Note 25

Finance income from loans granted are recorded in the amount of EUR 81 and refer to revenue from cash deposits held with commercial banks.

Finance income from operating receivables

Note 26

Table 119: Finance income from operating receivables

in EUR	2018	2017
Interest revenue for network use	15,302	20,496
Interest revenue from services	739	2,262
Interest revenue from lawsuits won	37,144	2,101
Total	**53,184**	**24,859**

Finance expenses from financial liabilities

Note 27

Table 120: Finance expenses from financial liabilities

in EUR	2018	2017
Finance expenses from bank loans received	364,660	403,002
Finance expenses from other financial liabilities	2,322	13,249
Total	**366,982**	**416,251**

Finance expenses from operating liabilities

Note 28

Table 121: Finance expenses from operating liabilities

in EUR	2018	2017
Finance expenses from accounts payable and notes payable	1,494	401
Finance expenses from other operating liabilities	67,144	59,388
Total	**68,638**	**59,789**

Finance expenses from other operating liabilities include the amount of accrued interest arising from actuarial calculations of provisions for jubilee benefits and termination benefits upon retirement.

Other income

Note 29

Other income in the amount of EUR 37,611 indicate, in particular, the amounts of contractual penalties charged.

Other expenses

Note 30

Table 122: Other expenses

in EUR	2018	2017
Penalties and fines	1,500	0
Indemnities arising from annuity	13,040	12,963
Deductibles and other expenses	20,299	15,212
Donations	70,400	37,789
Other expenses	44,358	69,139
Total	**149,597**	**135,103**

Net profit or loss for the period

Note 31

Profit and loss for the period before taxes is disclosed in the amount of EUR 17,145,537.

Table123: Profit or loss before taxes

in EUR	2018	2017
Operating result	15,730,306	13,950,635
Financial result	1,527,217	1,323,953
Result from other revenue and expenses	–111,986	–121,666
Profit or loss before taxes	**17,145,537**	**15,152,922**

Taxes on income

Based on the tax return for the financial year 2018, the company calculated the liability for corporate income tax in the amount of EUR 2,082.811.

6.3 Notes to the statement of cash flows

The statement of cash flows has been prepared in accordance with SAS 22.2 using the direct method - Version I. The information for preparing the statement were obtained from records on cash receipts and expenditures on company's current bank accounts.

In 2018, all company's cash receipts amounted to EUR 127,694,812, whereas, the expenditures to EUR 129,292,992. The net cash inflow or outflow was negative in the amount of EUR 1,598,180, in particular due to higher expenditures arising from trade payables as a result of greater investments in assets. Closing balance of cash and cash equivalents on company's accounts as at 31 December 2018 amounted to EUR 7,985,724.

Cash receipts from operating activities

Note 32

In 2018, cash receipts from operating activities amounted to EUR 114,667,433, which is by EUR 7,999,600 or 8% more than in 2017. The highest share of cash receipts from operating activities (57%) is presented by cash receipts from renting and services under the contract with SODO d.o.o.

Table124: Cash receipts from operating activities

in EUR	2018	2017
Cash receipts from renting and services under the SODO contract	65,856,322	64,550,399
Cash receipts from network charges and contributions charged	35,994,476	32,774,409
Cash receipts from customers of other services	5,186,616	4,087,445
Residual cash receipts from operating activities	4,809,684	3,311,901
Other cash receipts from operating activities	2,766,248	1,916,702
Interest receipts from operating activities	54,087	26,977
Total	**114,667,433**	**106,667,833**

Expenditures from operating activities

Note 33

In 2018, the expenditures from operating activities amounted to EUR 101,543,248, which is by EUR 6,036,971 or 6% more than in 2017.. The highest share of expenditures from operating activities (63%) is presented by expenditures for purchase of material and services.

Table 125: Expenditures from operating activities

in EUR	2018	2017
Expenditures for purchases of material and services	–63,749,625	–57,736,970
Expenditures on salaries and employee shares in profit	-28,475,050	–28,154,868
Expenditures for duties of all types	-7,146,617	–7,536,146
Other expenditures from operating activities	–2,171,956	–2,078,293
Total	**–101,543,248**	**–95,506,277**

The positive cash flow from operating activities is in the amount of EUR 13,124,185, and is by EUR 1,962,629 or 18% higher compared to 2017.

Cash receipts from investing activities

Note 34

Cash receipts from investing activities amounted to EUR 2,027,379, which is by EUR 142,020 or 8% more than in 2017, in particular due to higher receipts from shares in profit received from others.

Expenditures from investing activities

Note 35

Expenditures from investing activities amounted to EUR 15,461,085, which is by EUR 5,427,181 or 54% more than in 2017, in particular from the purchase of intangible assets and items of property, plant and equipment for the needs of the implementation of the ERP solution.

Cash receipts from financing activities

Note 36

Cash receipts from financing activities disclose the long-term loan for EUR 7,000,000, which the company took out from EIB for a period of ten years, and the long-term loan for EUR 4,000,000, which the company took out from one of the commercial banks in Slovenia for a period of eight years. Both long-term loans were taken out by the company to finance the construction of electricity facilities and plants.

Expenditures from financing activities

Note 37

In 2018, the expenditures from financing activities amounted to EUR 12,288,659, which is by EUR 903,592 or 7% less than in 2017, and refer to the expenditures for repayments of financial liabilities in the amount of EUR 7,7376,190, expenditures for dividend payments in the amount of EUR 4,344,157, expenditures of interest paid in the amount of EUR 359,550, and expenditures for purchasing own shares in 2018 in the amount of EUR 208,762.

6.4 Notes to the statement of changes in equity

The statement of changes in equity shows changes of individual capital items during the financial year. It is divided into items that show changes between equity items and changes that could result in changes in equity elements.

The statutory provision (Article 11 of the Articles of Association of Elektro Maribor d.d.) allows the company to form other reserves from profit share up to two thirds of net income that, after its use, remains for the purposes referred to in Article 230, Paragraph 1 of the Companies Act (ZGD-1).

Table 126: Establishment of and proposal for using the distributable profit

in EUR	2018	2017
a) Net profit or loss for the financial year	**14,947,893**	**13,477,945**
b) Net profit / loss carried forward	**–51,954**	**59,128**
d) Increase of revenue reserves according to the decision of the management and supervisory bodies	**953,559**	**677,837**
Legal reserves	744,797	673,897
Reserves for own shares	208,762	3,940
d) Increase of revenue reserves according to the decision of the management and supervisory bodies	**9,274,037**	**8,514,500**
Other revenue reserves	9,274,037	8,514,500
DISTRIBUTABLE PROFIT (a + b – d – e)	**4,668,342**	**4,344,735**

The General Meeting of Elektro Maribor d.d. has at is session held on 28 June 2018 decided on allocation of distributable profit for 2017. The General Meeting adopted a decision that shareholders are given EUR 0.13 gross per share for dividends, which in total amounts to EUR 4,344,735.

The Management Board and the Supervisory Board suggested to the shareholder's General Meeting that the distributable profit of 2018, amounting to EUR 4,668,342, be allocated for dividend payments in the amount of EUR 0.14 gross per share, which in total amounts to EUR 4,668,342.

6.5 Reporting in accordance with the SAS and the EZ-1

6.5.1 Segment reporting

Table 127: Statement of financial position by segments

in EUR	as at 31 Dec 2018			as at 31 Dec 2017		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
A. Non-current assets	**340,524,853**	**11,678,469**	**352,203,321**	**328,265,149**	**11,497,815**	**339,762,965**
I. Intangible assets and long-term deferred expenses and accrued income	1,939,816	29,543	**1,969,359**	1,875,154	108,787	**1,983,941**
II. Property, plant and equipment	325,678,704	5,523,529	**331,202,232**	313,163,492	5,442,890	**318,606,382**
III. Investment property	0	650,009	**650,009**	0	659,422	**659,422**
IV. Non-current financial investments	12,391,693	5,149,987	**17,541,680**	12,616,466	4,925,214	**17,541,680**
V. Non-current operating receivables	21,266	30,310	**51,576**	41,397	26,845	**68,242**
VI. Deferred tax assets	493,374	295,091	**788,465**	568,641	334,657	**903,298**
B. Current assets	**22,599,855**	**2,393,731**	**24,993,586**	**22,150,274**	**2,115,165**	**24,265,439**
II. Inventories	786,629	1,321,112	**2,107,741**	803,512	916,158	**1,719,670**
IV. Current operating receivables	14,129,037	771,084	**14,900,121**	11,962,134	999,731	**12,961,865**
V. Cash and cash equivalents	7,684,189	301,535	**7,985,724**	9,384,628	199,276	**9,583,904**
C. Short-term deferred expenses and accrued income	**229,657**	**860**	**230,517**	**767,513**	**148,182**	**915,695**
A S S E T S (A + B + C)	**363,354,365**	**14,073,059**	**377,427,424**	**351,182,937**	**13,761,163**	**364,944,100**
Off-balance-sheet assets	49,619,387	2,694,556	**52,313,943**	46,351,319	3,100,431	**49,451,750**
A. Equity	**271,652,794**	**8,280,338**	**279,933,132**	**262,404,381**	**6,977,460**	**269,381,841**
I. Called-up capital	137,570,835	2,202,675	**139,773,510**	138,213,759	1,559,751	**139,773,510**
II. Capital reserves	73,937,753	1,183,833	**75,121,586**	74,283,294	838,292	**75,121,586**
III. Revenue reserves	55,706,475	5,330,828	**61,037,303**	46,068,095	4,950,373	**51,018,468**
V. Reserves arising from valuation at fair value	–53,249	–614,360	**–667,609**	–212,364	–664,094	**–876,458**
VI. Net profit or loss carried forward			**0**	55,139	3,989	**59,128**
VII. Net profit or loss for the financial year	4,490,980	177,362	**4,668,342**	3,996,458	289,149	**4,285,607**
B. Provisions and long-term accrued expenses and deferred income	**38,247,686**	**2,119,816**	**40,367,502**	**37,804,621**	**2,282,363**	**40,086,984**
C. Non-current liabilities	**33,840,958**	**18,056**	**33,859,014**	**30,917,857**	**53,891**	**30,971,748**
I. Non-current financial liabilities	33,650,000	0	**33,650,000**	30,917,857	0	**30,917,857**
II. Non-current operating liabilities	190,958	18,056	**209,014**	0	53,891	**53,891**
Č. Current liabilities	**19,028,938**	**3,354,866**	**22,383,804**	**19,421,368**	**4,086,590**	**23,507,958**
II. Current financial liabilities	8,187,146	1,999	**8,189,145**	7,295,151	1,974	**7,297,125**
III. Current operating liabilities	10,841,792	3,352,868	**14,194,660**	12,126,217	4,084,616	**16,210,833**
D. Short-term accrued expenses and deferred income	**583,989**	**299,982**	**883,971**	**634,710**	**360,860**	**995,570**
LIABILITIES (A + B + C + Č + D)	**363,354,365**	**14,073,059**	**377,427,424**	**351,182,937**	**13,761,163**	**364,944,100**
Off-balance-sheet liabilities	49,619,387	2,694,556	**52,313,943**	46,351,319	3,100,431	**49,451,750**

Table 128: Statement of profit and loss

in EUR	I–XII 2018			I–XII 2017		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
Net sales revenue	58,392,939	4,297,861	**62,690,799**	56,439,614	4,036,678	**60,476,292**
Capitalized own products and services	0	20,826,413	**20,826,413**	0	18,821,162	**18,821,162**
Other operating revenue (with revaluated operating revenue)	2,686,625	244,525	**2,931,151**	2,586,392	166,997	**2,753,389**
Costs of goods, material and services	7,001,338	12,267,787	**19,269,124**	7,806,273	10,267,411	**18,073,684**
Labour costs	17,654,669	12,114,433	**29,769,102**	17,950,982	11,493,795	**29,444,776**
Write-downs	19,883,006	632,402	**20,515,408**	19,208,854	519,604	**19,728,458**
Other operating expenses	946,203	218,219	**1,164,422**	582,127	271,161	**853,289**
Finance income from interests	1,466,551	443,021	**1,909,572**	1,380,788	394,004	**1,774,792**
Finance income from loans granted	62	19	**81**	265	76	**341**
Finance income from operating receivables	44,390	8,795	**53,184**	23,183	1,676	**24,859**
Finance expenses from financial liabilities	366,443	539	**366,982**	414,854	1,397	**416,251**
Finance expenses from operating liabilities	46,856	21,782	**68,638**	39,997	19,792	**59,789**
Other income	31,511	6,100	**37,611**	11,914	1,523	**13,438**
Other expenses	109,917	39,681	**149,597**	113,621	21,483	**135,103**
Income tax	2,163,452	–80,641	**2,082,811**	1,847,919	–10,073	**1,837,846**
Deferred taxes	–65,455	–49,378	**–114,833**	91,299	71,570	**162,869**
NET PROFIT OR LOSS FOR THE PERIOD	**14,384,740**	**563,153**	**14,947,893**	**12,568,829**	**909,116**	**13,477,945**

Table 129: Statement of cash flows

in EUR	I–XII 2018			I–XII 2017		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
A. Cash flows from operating activities						
a) Cash receipts from operating activities	***109,230,632***	***26,263,960***	***135,494,592***	***102,147,894***	***23,139,014***	***125,286,908***
Cash receipts from the sale of products and services	106,849,944	25,824,313	**132,674,257**	100,888,738	22,454,491	123,343,229
Other cash receipts from operating activities	2,380,688	439,647	**2,820,335**	1,259,156	684,523	1,943,679
b) Expenditures from operating activities	***–75,609,689***	***–25,933,559***	***–101,543,248***	***–72,117,791***	***–23,388,486***	***–95,506,277***
Expenditures for purchases of material and services	–50,059,355	–13,690,271	**–63,749,625**	–45,668,999	–12,067,971	–57,736,970
Expenditures for salaries and employee shares in profit	–17,207,402	–11,267,648	**–28,475,050**	–17,304,903	–10,849,965	–28,154,868
Expenditures for duties of all types	–6,627,215	–519,402	**–7,146,617**	–7,507,557	–28,589	–7,536,146
Other expenditures from operating activities	–1,715,718	–456,238	**–2,171,956**	–1,636,332	–441,961	–2,078,293
c) Positive cash flow from operating activities (a + b)	***33,620,944***	***330,400***	***33,951,344***	***30,030,103***	***–249,472***	***29,780,631***
B. Cash flows from investing activities						
a) Cash receipts from investing activities	***1,548,338***	***479,041***	***2,027,379***	***1,484,160***	***401,199***	***1,885,359***
Cash receipts from interest received and shares in the profits of others that refer to investing	1,466,620	443,041	**1,909,661**	1,374,019	401,199	1,775,218
Cash receipts from the disposal of property, plant and equipment	81,718	36,000	**117,718**	110,141		110,141
b) Expenditures from investing activities	***–35,874,457***	***–413,786***	***–36,288,243***	***–28,440,453***	***–212,526***	***–28,652,979***
Expenditures for acquisition of intangible assets	–3,314,591	–186,547	**–3,501,139**	–1,608,491	–44,917	–1,653,408
Expenditures for acquisition of property, plant and equipment	–32,559,866	–227,239	**–32,787,105**	–26,831,962	–167,609	–26,999,571
c) Negative cash flow from investing activities (a + b)	***–34,326,119***	***65,255***	***–34,260,864***	***–26,956,293***	***188,673***	***–26,767,620***
C. Cash flows from financing activities						
a) Cash receipts from financing activities	***11,000,000***	***0***	***11,000,000***	***9,000,000***	***0***	***9,000,000***
Cash receipts from increasing financial liabilities	11,000,000		**11,000,000**	9,000,000		9,000,000
b) Expenditures from financing activities	***–11,995,263***	***–293,397***	***–12,288,660***	***–13,079,529***	***–112,722***	***–13,192,251***
Expenditures for interest paid related to financing	–359,550	0	**–359,550**	–407,469		–407,469
Expenditures for capital repayments	–206,424	–2,338	**–208,762**	–3,664	–52	–3,716
Expenditures for repayments of financial liabilities	–7,376,190	0	**–7,376,190**	–8,757,143		–8,757,143
Expenditures for payments of dividends and other shares in profit	–4,053,099	–291,059	**–4,344,157**	–3,911,253	–112,670	–4,023,923
c) Negative cash flow from investing activities (a + b)	***–995,263***	***–293,397***	***–1,288,660***	***–4,079,529***	***–112,722***	***–4,192,251***
Č. Closing balance of cash and cash equivalents	**7,684,189**	**301,535**	**7,985,724**	**9,384,628**	**199,276**	**9,583,904**
x) Cash flow for the period (sum of cash outcomes Ac, Bc and Cc)	**–1,700,439**	**102,259**	**–1,598,180**	**–1,005,719**	**–173,521**	**–1,179,240**
+						
y) Opening balance of cash and cash equivalents	**9,384,628**	**199,276**	**9,583,904**	**10,390,347**	**372,797**	**10,763,144**

Table 130: Net sales revenue by segments

in EUR	I–XII 2018			I–XII 2017		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
Rents charged	30,670,642	34,832	**30,705,474**	29,700,889	34,324	**29,735,213**
– SODO d.o.o. – rent	*30,239,544*	*0*	***30,239,544***	*29,249,690*	*0*	***29,249,690***
- other	*431,098*	*34,832*	***465.930***	*451,199*	*34,324*	***485.523***
SODO d.o.o. contractual services	27,546,183	0	**27,546,183**	26,468,386	0	**26,468,386**
Services charged	134,717	4,182,955	**4,317,671**	239,109	3,945,332	**4,184,441**
Sales of waste material	41,397	80,074	**121,471**	31,229	57,022	**88,251**
Total	**58,392,939**	**4,297,861**	**62,690,799**	**56,439,614**	**4,036,678**	**60,476,292**

Table 131: Profit or loss by segments

in EUR	I–XII 2018			I–XII 2017		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
Operating result	15,594,349	135,957	**15,730,306**	13,477,770	472,865	**13,950,635**
Financial result	1,097,704	429,513	**1,527,217**	949,385	374,567	**1,323,953**
Result from other revenue and expenses	-78,405	-33,581	**-111,986**	-101,706	-19,959	**-121,666**
Total	**16,613,647**	**531,890**	**17,145,537**	**14,325,449**	**827,473**	**15,152,922**

Table 132: Costs by functional groups

in EUR	I–XII 2018			I–XII 2017		
	Distribution	Services	**Total Elektro Maribor d.d.**	Distribution	Services	**Total Elektro Maribor d.d.**
Production costs of products sold	41,464,226	23,005,978	**64,470,205**	41,733,668	20,509,635	**62,243,303**
Selling costs	0	1,953,894	**1,953,894**	0	1,805,276	**1,805,276**
Costs of general activities	3,379,103	239,488	**3,618,590**	3,371,019	225,096	**3,596,115**
Total	**44,843,329**	**25,199,360**	**70,042,689**	**45,104,687**	**22,540,007**	**67,644,694**

In accordance with Article 109 of the EZ-1, the company keeps separate accounting records for distribution activities and other activities. In accordance with Article 110 of EZ-1, the company determines the criteria for the allocation of assets, liabilities, revenue, costs and expenses, receipts and expenditures in the Rules on the criteria for separate accounting monitoring and reporting of Elektro Maribor d.d.

For the purposes of reporting by activities, the company has specified the following activities:
- distribution (which mostly includes the tasks performed by the company in accordance with the Contract on the lease of the electricity distribution infrastructure and provision of services for SODO d.o.o.), and
- services (which include other market services performed by the company).

The financial statements for individual activities are thus compiled based on the following assumptions:
- business events for which it is possible to identify the activity to which they relate, beyond any doubt, are already recorded in the corresponding activity at the time of their occurrence;
- business events with common character, or which cannot be properly defined at the time of the recording, are recorded at the level of support processes;
- balance of assets and liabilities, and revenue, costs and expenses, which are recorded at the level of support processes, are broken down to activities in accordance with the criteria determined in the Rules on the criteria for separate accounting monitoring and reporting of Elektro Maribor d.d.;
- sub-balance sheet items are subjected to the selection of appropriate criteria and their limited scope of expression.

6.5.1.1 Criteria for allocation of assets and liabilities

K-1 Share of average monthly employees by individual activities are used for allocation of: long-term accrued costs, intangible assets, non-current financial investments, non-current receivables, deferred tax assets arising from provisions for jubilee benefits and pensions, receivables for reimbursement and advance payments of daily allowances, health insurance, trade payables for intangible assets, small tools inventory, liabilities from salaries and wages, liabilities to government and other institutions, liabilities relating to employees' deductions, revaluation surplus, provisions for pensions and similar liabilities, other provisions and non-current operating liabilities, and small tools in use. In terms of their contents and volume, these assets and liabilities are related to the number of employees.

K-2 Share of the carrying amount of property, plant and equipment at the end of the reporting period by individual activity is used for allocation of: property, plant and equipment, receivables for items of property, plant and equipment sold, advances given, fixed assets under construction and production, and trade payables for items of property, plant and equipment. Since fixed assets that are used within Support processes by several activities are proportionately charged to each individual activity, based on the volume of property, plant and equipment at disposal of that particular activity, by using the aforementioned criteria.

K-3 Share of total revenue by individual activity is used for allocation of: current receivables, current and non-current financial investments other than loans, deferred tax assets arising from formed allowances for receivables, current advances and securities received, and deferred and accrued items. The balance of the aforementioned assets is subject to the volume of invoicing and related total revenue.

K-9 Share of costs of material used by individual activity is used for allocation of: material stock. Since we do not dispose of information on the purchase of material by individual activity, we are taking as bases the material used, as it is assumed that the greater use of material results in increased purchase of material and, consequently, a larger stock related thereto. This takes into account the costs of material, which are transferred to use through the warehouse of materials.

K-10 Share of net profit or loss (by transfers) is used for distribution of current liabilities related to distribution of profit or loss.

K-11 Share of costs of material and services (excluding use of material) is used to distribute current advance payments and security deposits received and other current liabilities.

K-12 Share of costs of material and services, excluding costs of material for investments, is used to distribute input VAT receivables, since these receivables are directly related to costs incurred.

K–14 Share of costs of material and services is used for distribution of trade payables for working capital. Since these liabilities result from invoices received for material and services, which are recorded at the level of Support processes upon occurrence and then distributed in accordance with the criterion of the material and services used by individual activity that are reasonably assumed to have caused those liabilities.

6.5.1.2 Criteria for allocation of revenue, costs and expenses

K-1 Share of average monthly employees by individual activities is used to allocate revenue, costs and expenses of joint expert services.

K-2 Share of the carrying amount of property, plant and equipment at the end of the reporting period by individual activity is used for allocation of revenue, costs and expenses of the finance and economics department.

K-3 Share of total revenue by individual activity is used to allocate revenue, costs and expenses of the Management Board.

Individual shares for the distribution are calculated based on the criteria, based on which the average proportion for the distribution is calculated, which is the foundation for attribution of revenue, costs and expenses of the support processes to individual activity.

Depreciation costs of the support processes are distributed by the same criterion that is applied for the preparation of the statement of financial position by activities, namely for the distribution of tangible and intangible fixed assets.

6.5.1.3 Criteria for allocation of cash receipts and expenditures

The company prepares its statement of cash flows by activities using the direct method.

K-2 Share of the carrying amount of property, plant and equipment at the end of the reporting period by individual activity is used for allocation of expenditures for acquisition of items of property, plant and equipment.

K-4 Share of net profit or loss for the previous year by individual activity is used for allocation of expenditures for dividend payments and other interests in profit.

K-5 Share of opening balance of share capital by activities at the end of the previous year is used to distribute expenditures for the repayment of equity.

K-6 Share for the distribution of revenue, costs and expenses of support processes is used for expenditures on salaries, contributions, taxes, refunds, expenditures for purchases of material and services, other operating expenditures, fees, court costs, shares in the profit of others, cash receipts from operating activities (excluding refunds and receipts from supplementary pension insurance) and cash receipts from investing activities.

K-2 Share of the carrying amount of intangible fixed assets of the previous year is used for distribution of expenditures for acquisition of intangible fixed assets.

6.5.2 Transactions with related parties

In 2018, the company Elektro Maribor d.d. conducted business with its subsidiaries Energija plus d.o.o. and OVEN Elektro Maribor d.o.o., and with associate companies Eldom d.o.o., Moja energija d.o.o. and Informatika d.d.

Contractual prices have been formed under the conditions applying to business transactions with non-associated entities.

Table 133: Transactions with related parties in 2018

in EUR	Eldom d.o.o.	Energija plus d.o.o.	Informatika d.d.	Moja energija d.o.o.	OVEN Elektro Maribor d.o.o.	Total associated companies
REVENUE	**1,745**	**1,545,271**	**5,973**	**4,031**	**523,273**	**2,080,293**
Net sales revenue	1,745	134,583	5,973	4,031	24,388	170,720
Finance income from interests		1,410,688			498,885	1,909,573
COSTS AND EXPENSES	**227,878**	**111,303**	**1,251,063**	**0**	**0**	**1,590,244**
Costs of material	75,830	94,196	14,561	0	0	184,587
Costs of services	145,510	12,225	1,236,502	0	0	1,394,237
Other operating expenses	6,538	4,882	0	0	0	11,420
ASSETS	**2,261**	**265,229**	**7,287**	**4,031**	**20,505**	**299,313**
Current operating receivables	2,261	265,229	7,287	4,031	20,505	299,313
LIABILITIES	**274,167**	**268,550**	**3,650,996**	**0**	**0**	**4,193,713**
Current operating liabilities	274,167	268,550	3,650,996	0	0	4,193,713

6.5.3 Reporting in accordance with the provisions of Article 69 of the ZGD-1

The company Elektro Maribor d.d. as the controlling company draws up consolidated financial statements and the consolidated annual report. Both subsidiary companies, Energija plus d.o.o. and OVEN Elektro Maribor d.o.o., are included in the consolidation.

The consolidated annual report of the Group is an integral part of the Annual Report of the controlling company, and is available at the headquarters of Elektro Maribor d.d., Vetrinjska ul. 2, 2000 Maribor, and on the company's website.

Notes in the appendix to the financial statements are shown in the same order as the items in the statements.

The adopted accounting policies are presented in the accounting report.

The company has included contingent financial liabilities into the financial statements, and the liabilities to Group companies are also disclosed separately.

The company has no liabilities arising from payments of pensions.

The company has no liabilities that would be secured by collateral.

The company has not granted any advances or loans to the Management Board, other workers and employees based on a contract for which the tariff part of the collective agreement does not apply.

Revenue and expenses of extreme significance or scope are disclosed among individual types of the latter.

In period exceeding five years, liabilities in the amount of EUR 11,625,000 fall due, and in the period up to five years, liabilities in the amount of EUR 30,184,524.

Data on employees are specified in the business section of the annual report.

As at 31 December 2018, the company holds 150,022 own shares. The total value of own shares that the company holds as at 31 December 2018 amounts to EUR 363,301, which represents a 0.26% share of the share capital. In 2018, the company acquired 75,735 own shares in the amount of EUR 208,762. The lowest issue price equalled EUR 2.7 /share, while the highest issue price equalled EUR 2.76 /share. The redemption of own shares was conducted through the brokerage firm Ilirika d.d., by days, as shown in the table below.

Table 134: Redemption of own shares by days

Date of redemption	No. of shares	Value in EUR	Cost in EUR
4 Jan 2018	280	756.00	2.70
18 Jan 2018	160	432.00	2.70
20 Feb 2018	5	13.50	2.70
28 Feb 2018	46	124.20	2.70
1 Mar 2018	3,949	10,662.30	2.70
6 Mar 2018	1	2.70	2.70
29 Mar 2018	2	5.40	2.70
16 Nov 2018	1	2.76	2.76
12 Dec 2018	3,622	9,996.72	2.76
12 Dec 2018	40,084	110,631.84	2.76
13 Dec 2018	21,964	60,620.64	2.76
27 Dec 2018	5,621	15,513.96	2.76
Total	**75,735**	**208,762.02**	

The value of all the remunerations of the Management Board and other employees, for which the tariff part of the collective agreement does not apply, has been disclosed within the context of the notes to labour costs.

The Management Board suggested the net income to be distributed as shown in the notes to the statement of changes in equity.

Data on operations of the company, in the capital of which the company holds at least 20%, have been disclosed within the context of the Chapter Bases for the preparation of financial statements.

After the end of the financial year, the company records no significant business events that would not be included in the financial statements.

All transactions between associated companies are disclosed in a separate chapter of the accounting part of the report. All transactions were conducted under normal market conditions.

All amounts of provisions disclosed in financial statements are explained in detail within the context of the notes to the statement of financial position.

Capital reserves result entirely from the general equity revaluation adjustment.

Deferred tax assets and changes in the latter were presented within the context of notes to the statement of financial position.

Breakdown of net revenue by individual areas of business is presented in the context of the Chapter Segment reporting.

In 2018, an audit contract for EUR 14,300 was concluded for the audit of the annual report. This amount also includes the costs of audit of the consolidated annual report in the amount of EUR 1,440. In 2018, the company also performed and produced a report on the agreed procedures, in accordance with the provisions of the Energy Act (EZ-1), the costs of which amounted to EUR 1,150. There were no other transactions with the selected auditor in 2018.

IV. Financial Report of the Elektro Maribor Group

2 INDEPENDENT AUDITOR'S REPORT

BDO

Tel: + 386 1 53 00 920
Fax: + 386 1 53 00 921
info@bdo.si
www.bdo.si

Cesta v mestni log
SI-1000 Ljubljana
Slovenia

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the company
ELEKTRO MARIBOR d.d.
Vetrinjska ulica 2
2000 Maribor

Opinion

We audited the financial statements of the Elektro Maribor Group (the Group), comprising the consolidated statement of financial position of the Group as at 31 December 2018, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for year then ended, and the summary of significant accounting principles and other explanatory notes.

In our opinion the financial statements are in all important aspects a real and fair presentation of the consolidated financial position of the Elektro Maribor Group as at 31 December 2018 as well as its income statement, comprehensive income and cash flows for the year then ended, and are in compliance with the International Financial Reporting Standards.

Basis for the opinion

We carried out the audit in accordance with the International Auditing Standards (IAS). Our responsibilities on the basis of these rules are presented in this report in the paragraph Auditor's responsibility for auditing financial statements. We confirm, in line with the Ethics Code for financial experts, which was issued by the International Ethics Standards Board of Accountants (IESBA Code) and ethical requirements which are related to the audit of financial statements in Slovenia, that we realized all other ethical requirements in compliance with the requirements of the IESBA Code. We believe that the acquired audit proofs are a sufficient and relevant basis for our audit opinion.

Other matter

The financial statements of the company as at 31 December 2017 were audited by another auditor, who issued an unmodified opinion on 12 April 2018.

Other information

The management is responsible for other pieces of information. Other information comprises the financial report, which is an integral part of the annual report of Elektro Maribor Group, however, it doesn't comprise the financial statements and our auditor's report about it. Other information was obtained prior to the date of the auditor's report, other than the report of the Supervisory Board, which will be available at a later point. Our opinion about consolidated financial statements is not related to the other information and we don't express any form of assurance. In relation to the conducted audit of consolidated financial statements it is our responsibility to read other pieces of information and to judge whether other information is significantly non-compliant with the financial statements, legal requirements or our knowledge acquired in auditing, or they are presented in other ways as significantly wrong. If the conducted audit reveals a significantly wrong representation of other information, such circumstances must immediately be reported. On the basis of the processes described we report that:

- other information in all important aspects complies with the audited consolidated financial statements;
- other information is prepared in line with the valid laws and regulations; and
- no significantly wrong statements have been identified in relation to other information on the basis of the knowledge and understanding of the group and its environment we acquired in the course of the audit.

Responsibility of the management and the Supervisory Board for consolidated financial statements

The management bears overall responsibility for the preparation and fair representation of the consolidated financial statements in accordance with the International Financial Reporting Standards, as adopted by EU, and in accordance with the internal control as deemed necessary by the management to ensure the preparation of consolidated financial statements free of any material misstatement due to fraud or mistake.

In preparation of the financial statements, the management is responsible for the assessment of the economic ability of the Group so that it can continue as an active company and disclose the issues related to the active company and the use of the assumptions of the active company as a basis for accountancy unless the management intends to liquidate the Group or cease trading, or if it has no other alternative but to do so. The Supervisory Board is responsible for the control over the preparation of consolidated financial statements as well as for the confirmation of the audited consolidated annual report.

Author’s responsibility for the audit of consolidated financial statements

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement due to fraud or mistake as well as to issue an audit report which includes our opinion. A reasonable assurance is a high level of assurance, however, there is no guarantee that the audit, carried out in compliance with the International Auditing Standards, will always identify a significant wrong statement, if such exists. Misstatements can derive from a fraud or mistake and are considered significant, if it is reasonable to expect that they individually or combined affect the economic decisions of users, adopted on the basis of those financial statements.

In carrying out the audit in compliance with the rules of auditing, we use expert judgement and maintain professional scepticism. Also:

- we recognize and assess the risks of a significant wrong statement in the consolidated financial statements due to mistake or fraud and we form and carry out auditing processes as reactions on the assessed risks and we obtain sufficient and relevant proofs which ensure the basis of our opinion. The risk that a misstatement that originates from fraud won't be identified is higher than the one linked with a mistake, as the fraud involves secret agreements, counterfeiting, voluntary omission, incorrect explanation and avoidance from internal controls;
- we perform procedures of a verification and understanding of internal controls, important for an audit in order to express an opinion about the efficiency of the internal control of the company;
- we judge the relevance of applied accounting policies and the acceptance of accounting assessments and the related disclosures of the management;
- on the basis of obtained auditing proofs about a significant uncertainty related to events or circumstances which lead to doubts about the capability of the organization to continue as a going concern, we adopt a conclusion about the relevance of the management use of assumption of a going concern as a basis for accounting. If we adopt a conclusion of a significant uncertainty, we therefore must signal the importance in the auditing report of relevant disclosures in the consolidated financial statements or if such disclosures are irrelevant, we must adapt our opinion. The auditor's conclusions are founded on the auditor's proofs obtained by the date of the issue of the auditor's report. However, supplementary events or circumstances can lead to a termination of the organization as a going concern;
- we estimate a general presentation, structure, contents of the consolidated financial statements including the disclosures and whether the consolidated financial statements present the operations in questions and events in a way that a fair presentation has been obtained;
- in auditing we obtain sufficient and appropriate auditing proofs related to financial information of the company or business activities in the Group in order to express an opinion about consolidated financial statements. We are responsible for an appropriate guideline, control and performance of the audit of the company. At the same time, we are responsible for our audit opinion.

Among other things, we also notify the Audit Committee and the Supervisory Board about the planned scope and time of auditing and important audit findings, including the deficiencies of internal controls, which were identified in the course of the audit.

We have submitted a statement to the Audit Committee and the Supervisory Board that all ethical requirements in relation to the independence have been met and further informed them of all relations and other matters that would justifiably be identified as affecting our independence, and informed them about the related supervisory actions.

Ljubljana, 15 April 2019

BDO Revizija d.o.o.
Cestna v Mestni log 1, Ljubljana
[stamp and signature]

Maruša Hauptman, Certified Auditor,
Holder of Procuration

2 STATEMENT OF RESPONSIBILITY BY THE MANAGEMENT BOARD OF ELEKTRO MARIBOR D.D. FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Elektro Maribor d.d. is responsible for the preparation of consolidated financial statements and presentation thereof to the interested public. The financial statements provide a true and fair presentation of the Group’s financial position and its results for the business year 2018.

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

The Management Board hereby declares that:

- All financial statements of the Group have been prepared in line with professional standards and the legislation pertaining to operations, accounting, taxes and finance;
- The financial statements of the Group have been compiled in compliance with the requirements of the International Financial Reporting Standards, as adopted and valid in the EU, with relevant views and notes;
- The financial statements have been prepared under the going concern assumption;
- The selected accounting policies are being applied consistently and any changes in the accounting policies are disclosed;
- The accounting estimates have been prepared in accordance with the principles of prudence and good management;
- The Group's Annual Report represents a true and fair view of its operational results and financial position;
- The financial statements do not include any material or non-material errors made in order to achieve a particular presentation of operations.

Maribor, 12 April 2019

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

3 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Reporting company

In compliance with ZGD-1 for the business years that start on 1 January 2016, the consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (hereinafter: IFRS) which provide hereinafter the detailed bases, important financial guidelines and explanations for the use of standards which are valid in the current period.

The valuation of individual items of consolidated financial statements is based on unified and joint accounting policies of the Elektro Maribor Group determined in the Rules of Accounting. All financial items are taken into consideration as well as IFRS and Companies Act.

The consolidated financial statements of Elektro Maribor are in compliance with International Financial Reporting Standards, as adopted by the EU, and with the notes adopted by the International Financial Reporting Standards Interpretations Committee (hereinafter: IFRIC) and were adopted also by the EU, and in line with the provisions of the Companies Act (ZGD-1).

The company Elektro Maribor d.d. as the parent company composes consolidated financial statements and a consolidated report. Both subsidiaries Energija Plus d.o.o. and OVEN Elektro Maribor are involved in the consolidation.

Like the parent company, both subsidiaries prepare their annual business reports which comprise financial statements of each company.

Below are presented the consolidated financial statements for the year that ended on 31 December 2018. The consolidated financial statements include the controlling entity and its subsidiaries as well as the shares of the group in the associated companies.

A more detailed overview of the group's composition is presented under Chapter 5 Presentation of the Group and the company Elektro Maribor d.d.

3.1 Basis for the preparation of consolidated financial statements

- Conformity statement

The group financial statements of the company have been prepared in accordance with IFRS, as adopted by the EU, and with the notes adopted by the International Financial Reporting Interpretations Committee and in accordance with the requirements of the Companies Act (ZGD-1).

- Basis for measurement

Consolidated financial statements are prepared by observing the historical cost.

- Functional currency and presentation currency

The attached consolidated financial statements have been prepared in Euros, which is a functional and presentation currency of the group. All financial information have been prepared in Euros and rounded to unit. Slight differences in sums in the tables may have resulted from rounding.

- Use of evaluation and estimation

In composing the financial statements in compliance with IFRS, as adopted by the EU, the group must deliver assessments, estimations and assumptions which affect the use of financial guidelines and the stated values of assets, liabilities, revenues and expenses. The assessments, estimations and assumptions are regularly examined. All changes in financial assessments, estimations and assumptions are recognized in the period in which the assessments were changed, if the change affects only that period, or in the period of change and in the following periods, if the change affects the following periods.

The assessments and assumptions in the group are used mostly in the following areas:

- Assessment of useful life of depreciable assets.
  In assessing the useful life of depreciated assets in the group, the expected physical exploitation, technical and economic obsolescence and expected lawful and other limited use are taken into account.

- Assessment of influence in associated companies.
  The examination of impact change is carried out regularly for associated companies, in order to make sure investments are properly discussed in financial statements. For the investor's relevant influence the following facts are important:
  - The agency in management bodies and control in companies in which a company holds an investment.
  - Cooperation in the procedures of forming a policy and cooperation in decisions about dividends or shares.
  - Essential transactions between the investor and a company in which a company holds an investment.

- Assessment of provisions for filing a suit
  Companies in the group have filed several legal claims, which are 50% or more likely to be repaid, and thus result in the outflow of cash.

  Other contingent liabilities are recognized in the financial statements off balance sheet. The management of individual companies is regularly controlled in case that the payment for possible liabilities derives from cash drains. If cash drains are probable, the possible liability is distributed by forming provisions in financial statements as soon as the probability level changes.

- Assessment of provisions for post-employment and other long-term employee benefits
  Obligations of post-employment benefit assets are stated obligations for retirement grants and long-service bonuses. They are recognized on the basis of actuarial calculation which is approved by the management of individual companies. The actuarial calculation is based on assumptions and assessment that were valid at the time the calculation was made. In the future, the calculation may differ from actual assumptions that will be valid then. This is mostly related to the definition of discount rate, assessment of employee fluctuation, assessment of mortality and assessment of salary growth in the company. This assessment is sensitive for the changes of the above mentioned assessment due to the complex actuarial calculation and its long-term characteristic.

- Assessment of possible use of deferred tax assets
  The company forms deferred tax assets as regards the formation of provisions for long-service bonuses and retirement grants and for receivables which are impaired due to a doubt about their payment.

  The Group checks the amount of deferred tax assets on the day of the final financial statements. A deferred tax is recognized in the Group, since an available net profit may exist in the future, to which the deferred assets could be charged in the future.

- Changes of financial guidelines
  In 2018, the Group recalculated the correction of value of trade receivables through profit or loss brought forward on 1 January 2018, as defined by preliminary provisions of IFRS 9 – Financial Instruments. The effect has been disclosed in the profit or loss brought forward in the amount of EUR –489,045.

3.2 New standards and notes adopted, but not yet valid

Standards and notes, which are presented hereunder, have not yet been valid by the date of consolidated financial statements or the EU hasn't confirmed them yet. The Group will use the relevant standards for the preparation of its own financial statements when they are adopted, if this is related to the management of the Group.

The standards which we estimate that won't be used in the management of the Group are not included and will not be included in the future.

Amendments to IFRS 9 – Prepayment features with negative compensation

Amendments to the standard enable an entity to measure at amortised cost or fair value through other comprehensive income such financial assets which have prepayment features, which enable a client to receive or demand payment of reasonable compensation for early termination of contract.

The amendments to the IFRS 9 standard apply to all reporting periods beginning on or after 1 January 2019, with earlier application permitted.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

IFRS 16 – Leases

The scope of application of IFRS 16 specifies leases of all assets, but with some exceptions. In accordance with the standard, the lessee is required to calculate all leases according to the single accounting model within the balance sheet, which is similar to the method used for financial leases. The standard provides the lessees with two recognition exemptions, i.e. leases where the underlying asset has a low value and leases with a lease term of 12 months or less. On the day the lease begins, the lessee recognizes a liability to pay the rent and an asset that represents the right to use an underlying asset throughout the duration of the lease.

Lessees are required to recognize interest expenses related to the liability arising from lease and costs of depreciation in the an asset from the right to use. Accounting by a lessor does not significantly differ from the currently valid accounting. The IFRS standard applies to annual reporting periods beginning on or after 1 January 2019.

The Group will not apply the standard for short-term leases and leases with a low value.

The Group examines the impact of the new standard and will be used, if required, when enforced.

Note IFRIC23 – Uncertainty over Income Tax Treatments

The interpretation clarifies the accounting of income tax when there is uncertainty over income tax treatments, which impacts the use of IAS 12 Income Taxes. The note further introduces the guidelines for accounting uncertain tax treatments individually or collectively, inspections of tax authorities, application of the appropriate method, which shows such uncertainties and also considers the effect of changes in facts and circumstances. The note is effective for annual periods beginning on or after 1 January 2019.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

3.3 New standards and notes not yet adopted by the European Union

Conceptual framework of IFRS

On 29 March 2018, the International Accounting Standards Board issued the revised conceptual framework for financial reporting standards. It specifies a range of concepts in financial reporting, definition of standards and instructions for producers of accounting guidelines. The aim of the Board is to provide support in transition to the revised conceptual framework to the companies that adopt their accounting guidelines on the basis of instructions of the conceptual framework in cases, when no IFRS Standard applies to a particular transaction. For draftsmen who adopt accounting guidelines on the basis of the conceptual framework, this framework is effective for annual periods beginning on or after 1 January 2020.

The Group examines the impact of the conceptual framework for standards and will apply it after it enters into force, if required.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting policies, changes in accounting estimates and errors

The amendments clarify the definition of the term material and the method of its application. The amendments are in compliance with all IFRS standards. Hence, information is defined as material, if omitting, misstating or obscuring it could reasonably be expected to influence decisions of users of financial statements.

The amendments apply for annual periods beginning on or after 1 January 2020, while its earlier application is also permitted.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

Amendments to IAS 19 – Plan amendment, curtailment or settlement in relation to employee benefits

The amendment requires an entity to determine the amount of any past service cost, or gain or loss on settlement, by re-measuring the net defined benefit liability before and after the amendment, using current assumptions and the fair value of plan assets at the time of the amendment. An entity must then define the effect of the asset ceiling after the amendment, curtailment or settlement of the plan and recognize all changes.

The amendments apply for annual periods beginning on or after 1 January 2020, while its earlier application is also permitted.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

Amendments to IAS 28 – Long-term Investments in Associates and Joint Ventures

The amendments clarify whether the measurement of long-term financial investments forms part of IFRS 9, IAS 28 or a combination of both. The amendments also clarify that in recognising long-term investments not measured using the equity method an entity must apply provisions of IFRS MSRP 9 before applying IAS.

An entity must recognise profit or loss from sales or contribution of assets, that does not constitute a business, only to the extent of unrelated investors' interests in an associate or joint venture.

The amendments apply for annual periods beginning on or after 1 January 2019, while its earlier application is also permitted.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

The amendments clarify that a full gain or loss resulting from the sale or contribution of a subsidiary that constitutes a business as defined in IFRS 3 should be recognised by an entity. Gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture should only be recognised to the extent of unrelated investors' interests in the associate or joint venture.

Effective date of the amendments has been postponed for an indefinite period of time.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

3.4 Standard amendments and notes adopted in the 2015–2017 period

Amendments to IAS 12 – Income Taxes

The amendments clarify that an entity must recognise tax consequences of payments on instruments classified as equity under the same item in which past transactions were recognised in which balance-sheet profit was recognised.

The amendments apply for annual periods beginning on or after 1 January 2019, while its earlier application is also permitted.

The Group doesn't expect that the stated amendments will have a significant impact on consolidated financial statements.

Amendments to IAS 23 – Borrowing Costs

Note of Article 14 of the standard states that at the moment an assets fulfils the conditions for its intended use or sale and a part of the loan that relates to that asset has not been settled, an entity must include the loan under assets of received loans.

The amendments apply for annual periods beginning on or after 1 January 2019, while its earlier application is also permitted.

The Group examines the impact of the amendments and will be used, if required, when enforced.

3.5 Standard amendments and notes adopted in the 2014–2016 period

Amendments to IAS 28 – Investments in Associates and Joint Ventures

The amendments clarify that the measurement in investments in associates and joint ventures are undertaken by an entity that deals with risk capital or any other authorized company, and could be chosen at fair value through profit or loss upon initial recognition for each investment in an associate or joint venture, where each investment is considered separately. The amendments apply to annual periods beginning on 1 January 2018.

The Group controls the impact of the standard amendments and will apply them, if necessary, when they come into force. Considering the performance of the Group companies, the change has no consequences for the Group (it relates to the entities that deal with risk capital).

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendments deleted short-term exemptions in articles E3-E7 of IFRS 1. The amendments are applicable to annual periods beginning on or after 1 January 2018.
Amendments to the IAS 1 standard clarify:

- requirements of IAS 1 relating to materiality;
- that companies can disregard individual items in income statement, comprehensive income statement and statement of financial position;
- that the company can freely select the order of presentation of notes to financial statements, and
- that the share of other comprehensive income arising from investments accounted for under the equity method is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Additionally, the amendments clarify the requirements in additional presentation of subtotals in the statement of financial position, income statement or statement of comprehensive income.

The Group doesn't expect that the amendments will have a significant impact on consolidated financial statements.

3.6 New adopted standards and notes that entered into force on 1 January 2018

Below are presented the standards that entered into force on 1 January 2018; only the standards applied by the Group in its business operations are discussed in more detail.

Amendments to IAS 40 – Transfer of Investment Property

The amendments clarify the requirements for transfers to and from investment property. They apply to the change in use, which occurs in the beginning of the annual reporting period.

The amendments had no impact on consolidated financial statements.

Amendments to IFRS 2 – Classification and measurement of share-based payment transactions

The amendments relate to the following areas:

- Effects of vesting/non-vesting conditions on factoring of cash-settled share-based payment transactions and clarify that the method of accounting vesting/non-vesting conditions in measurement of equity-settled share-based payment transactions also applies to cash-settled share-based payment transactions.
- Classification of share-based payments that have a net settlement feature within the framework of an equity-settled plan.
- Accounting for modifications that change the classification of payments from cash-settled to equity-settled.

The amendments did not have any impact on consolidated financial statements.

IFRS 9 – Financial instruments

The standard introduces new requirements regarding the classification and measurement of financial assets and liabilities, recognition of their impairment and hedge accounting.

The assessment of impairment of receivables is based on expected credit losses also for receivables with a maturity date of up to 90 days. The Group designed a methodology for the calculation of credit risk for trade receivables, as specified by IFRS 9.

The new standard impacts the consolidated financial statements. The Group carried out an analysis and designed a methodology, which is based on the analysis of receivables at the Group level for the period from 1 January 2016 to 31 December 2018. On the basis of the methodology the Group calculated the amount of value adjustments for receivables of up to 90 days, which are on average not expected to be recovered. The sum of such calculated amount is added to the value adjustments of receivables on the day of the drawing up of consolidated financial statements, prepared in accordance with SAS. Consolidation entries are performed for the difference in the consolidation process.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board published IFRS 15, which introduces a new, five-stage revenue recognition model that the companies achieve on the basis of contracts with customers. In accordance with the provisions of IFRS 15, the company recognises revenue in the amount that shows the amount of purchase price, which an entity believes a customer is entitled to in respect of the transfer of goods and services to the customer. The new standard applies to all entities and substitutes all existing IFRS requirements in relation to revenue recognition.

The Group companies have examined the impact of the application of the new standard to financial statements and determined that there is no significant impact on consolidated statements.

Clarifications to IFRS 15 – Revenue from Contracts with Customers

In April 2016, the International Accounting Standards Board issued amendments to IFRS 15, which discuss several issues. The amendments clarify:

- When the promised goods or service is not in compliance with the content of the transaction,
- How the company should observe principal versus agent considerations,
- When company's activities have a significant impact on intellectual property the customer is entitled to,
- Scope of application of the exception for sales-based or usage-based royalties on licences of intellectual property in relation to other promised goods or services in the contract,
- Two practical expedients to meet preliminary provisions of IFRS 15 for completed contracts under the full retrospective transition method and recognition for previous periods and adjustment of contracts upon the transition to the new standard.

The amendments had no impact on consolidated financial statements.

7 ACCOUNTING POLICIES

In 2018, Group companies consistently applied the accounting policies and guidelines defined hereunder, which are presented in consolidated financial statements for the reporting period. Equal policies and guidelines will be applied by the Group in the future.

- Basis for consolidation

  Subsidiaries are companies, which are controlled by the Group. Financial statements of subsidiaries are included in the consolidated financial statements as at the date, when the control begins, until the date it terminates.

- Subsidiaries

  Subsidiaries are companies, which are controlled by the Group. A control occurs, when:
  - An investor is exposed or entitled to variable-yield securities from involvement or a company in which he/she invested;
  - The investor can influence upon the yield on the basis his/her control over a company in which he/she invested or over the investee;
  - There is a link between the power and the yield.

  The accounting policies of subsidiaries comply with the policies of the Group.

- Investments in associates

  Investments in associates are calculated according to the equity method and are recognized as a purchase value. Consolidated financial statements include a share of the Group in profit and losses and other comprehensive income. If the share of the Group in losses of companies is larger than its share, the carrying amount of the Group share reduces to zero, however, the share in the following losses stops being recognized, but only to the extent that can be controlled by the Group.

- Businesses, excluded from the consolidated financial statements

  In composing consolidated financial statements, balance sheet and circulation, unrealized gains and losses, which result from transactions inside the Group, are excluded. Unrealized gains from transactions of associates are excluded only in the scope of the share of the Group in this company. Unrealized losses are excluded in the same way as gains, providing that there is no proof of impairment.

- Financial statements of companies in the Group

  Consolidated financial statements of the Group are presented in Euros. Items of each entity in the Group, which is involved in financial statements, are presented in the same way and in Euros for the purposes of consolidated financial statements.

- Financial instruments

  Non-derivative financial assets such as loans, receivables and deposits are recognized by the Group as at the day of their occurrence. Non-derivative financial instruments of the Group are liabilities and receivables, financial assets, available for a sale, and financial assets and cash equivalents.

  Liabilities and receivables are financial assets with definite or particular payments not quoted in an active market. These assets are recognized initially at an amount of a fair value increased by a direct cost of a transaction. After the initial recognition, the liabilities and receivables are measured at amortized cost applying the effective interest method and impairment losses.

  Cash and cash equivalents consist of money on a current account and an investment (deposit, if it falls due within a period of three months).

  Financial investments are classified under financial instruments at fair value through other comprehensive income. After the initial recognition investments are measured at fair value, increased by ancillary costs, and changes in fair value are recorded within reserves for fair value in other comprehensive income. As at 1 January 2018, due to the transition to IFRS 9 – Financial instruments other than reclassification from the group of available-for-sale financial assets to the group at fair value through other comprehensive income, there have been no other effects.

- Non-derivative financial liabilities

  The Group recognizes financial liabilities as at the date of trading, when the Group becomes a contract customer related to the instrument. The Group discloses loans, business and other liabilities as other financial liabilities.

- Nominal capital

  Called-up capital of the controlling company Elektro Maribor d.d. occurs as share capital which is designated as a nominal capital in the company statute, registered at the court and paid by its owners.

  Dividends are recognized as liabilities in the period in which a decision about the payment of the dividends is adopted by the General Meeting.

  Statutory reserves are amounts which are purposely retained earnings from previous years mostly to pay potential future losses. They are recorded on the basis of a decision of the company Management Board on amounts of net profit of the current year.

  Fair value reserves show effects of the evaluation of assets on fair values and the actuarial gains and losses linked to provisions for post-employment and other long-term revenue of employees.

  Reserve for own shares include a paid amount of own shares including transaction costs without tax. Reserve for own shares are deducted from the entire capital as own shares until these shares are withdrawn, reissued or sold. If own shares are subsequently sold or reissued, all the received payments without transaction costs and related tax effects are included in the capital reserve.

- Property, plant and equipment

  Property is carried at its purchase value, reduced by accumulated depreciation and accumulated impairment losses. The purchase value comprises costs which are directly attributed to assets purchased. The purchase value does not include costs of removal and renewal because the Group assesses that it is not about important values. The costs in their own framework of assets include costs of material, direct labour costs and other costs which may be directly attributed to commissioning an asset for the intended use. Items of property, plant and equipment with different useful lives are considered as separate items of property, plant and equipment. Gain or loss recognized on immovable property, plant and equipment are defined as a difference between the disposal revenue of its carrying amount and is disclosed in the financial statements among other income and other expense.

Items of property, plant and equipment are depreciated individually using the straight-line depreciation method, which reflects the assessment of the usefulness of assets. Useful lives are estimated annually by responsible persons and are coordinated on the level of a working group in the scope of the GIZ distribution of electricity.

- Reallocation to investment property

  The Group reallocates the owner-occupied property into investment property. The Group evaluates the investment property according to a model of a purchase value. The depreciation method and depreciation rates are equal as other property, plant and equipment.

- Subsequent costs

  Costs of replacement of some part of property, plant and equipment are recognized as carrying values of this asset, if it is possible that the Group will obtain future economic benefits related to a part of this asset, and the fair value can be measured with sufficient reliability. The recognition of carrying values of the replaced part is eliminated. All other costs (e.g. maintenance, servicing, etc.) are recognized in the operating result as immediate expenses when they occur.

- Depreciation

  Items of property, plant and equipment are depreciated individually using the straight-line depreciation method. The land is not depreciated.

Table 135: Estimated useful lives

	2018	2017
Property – construction part	20–50 years	20–50 years
Plant and equipment	2–33 years	2–33 years

- Intangible assets

  Other intangible assets, which the Group obtained, are related to the application software and have final useful lives, reduced for an accumulated depreciation and possible impairment loss. Items of property, plant and equipment are depreciated individually using the straight-line depreciation method considering useful lives of intangible assets. An item of property, plant and equipment starts being depreciated when it has been made available for use.

Table 136: Estimated useful life

	2018	2017
Application software	2–10 years	2–10 years
Servitude and building title	1–100 years	1–100 years

- Inventories

  An inventory unit of materials is measured at historical cost or a net realizable value. The Group evaluates the inventories using the moving weighted average method.

  The write-offs of damaged and useless inventories are carried out regularly during a year according to individual items. At the end of the financial year, the inventories as at 31 December abate related to their immobility in the period of three years. The assessment of inventories values is carried out at least once a year, namely, as at the day of the preparation status of annual financial statements of the Group.

- Impairment of assets

  In accordance with IFRS 9, in the valuation of trade receivables the Group transitioned to the expected credit loss model, in accordance with which it also recognises losses, which are expected to occur in the future as well.

- Impairment of receivables

  The Group checks the suitability of disclosed receivables on a regular basis. The amounts of receivables that are believed to be uncollected are recorded as doubtful or disputable receivables.

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

  Assessment of impairment of receivables is based on expected credit loss also for receivables with the maturity date of up to 90 days. The Group formed the methodology of calculation of credit risk for trade receivables, as specified by IFRS 9. The policy of formation of value adjustments according to IFRS 9 is based on the collectability matrix, where value adjustment of receivables is recognised also for receivables not due and where previous payments are observed on the basis of which the collectability matrix of receivables was made. In forming revaluation adjustments for doubtful or disputable receivables the Group uses the approach of the 100 % value adjustment of a receivable due from a client, no matter the level of recoverability. The Group also forms revaluation adjustments for receivables when it disposes with data on initiated insolvency proceedings or legal actions and for receivables which are not paid within 90 days from the maturity date. Value adjustments are also made individually for those receivables due from individual partners.

  In the statement of financial position of the Group, receivables are shown in the net value, meaning they are decreased by the revaluation adjustments for disputable or doubtful receivables.

- Employee's earnings

  Short-term earnings of employees are measured without discounting and are carried at expenses when the work of an employee, connected with short-term earnings, is carried out.

- Provisions

  Provisions are recognized if the Group has legal or indirect liabilities due to the previous event, which can be assessed with sufficient reliability and it is possible that an outflow of resources, which ensures economic benefits, will be necessary for payment of liability.

  Provisions for guarantees for products and services are carried at the sale of products or services for which the guarantee is granted. A provision is formed on the basis of initial data of a guarantee and on the estimation of possible results related to their probability. The Group has chosen a policy related to the amount for which it guarantees and the amount is 10 % on the amount of a granted guarantee in a contract.

  Provisions for severance payments and service awards for employees are formed in the amount of assessed future payments, discounted as at the day of balance sheet. The calculation is made for each individual employee by considering the costs of severance payment and the costs of expected service awards until the retirement. The status is checked every year on the basis of the calculation which is prepared by an authorized actuary. Actuarial profits and losses in provisions for severance payment are recognized in the revaluation reserve.

  The Group forms provisions for severance payments and service awards for employees. They are formed on the basis of the calculation of the authorised actuary as at the beginning and end of the business year. The actuarial calculation is based on the provisions of International Accounting Standards (hereinafter also IAS) IAS 19 and IAS 26 and is carried out at the end of every financial year, when the Group harmonizes the value and status of provisions. They were calculated using the Projected Unit Credit method on the basis of multiple decrement model by taking into account the decrements: mortality probability, retirement probability, employee fluctuation and disability probability. The most important assumptions used in the actuarial calculation are as follows:

  - Mortality probability (SLO2007; selection factor for active population 75%);
  - Disability probability (in accordance with the model on the basis of BUZ/BV1990x, BUZ/BV1990y);
  - Retirement in accordance with the model on the basis of the Pension and Disability Insurance Act (ZPIZ-2; Official Gazette of RS, no. 96/2012);
  - Employee fluctuation:

- up to 5.0% in the interval of up to 35 years;
- up to 4.0% in the interval from 36 to 45 years;
- up to 3.0% in the interval from 46 years;
- discount rate from 1.3 to 1.57%;
- wage growth in the Republic of Slovenia 3.0%;
- wage growth in the company 2.0%;
- wage growth in the power industry 2.5%;
- employee contribution rate 16.1% (upon payments higher than the amounts specified by the Decree on the tax treatment of reimbursement of costs and other income from employment (Official Gazette of RS, no. 76/08));
- growth of amounts referred to in the Decree 0.25%;
- provisions of the Corporate collective agreement.

- Long-term deferred revenue

  Long-term deferred revenue presents a deferred income as regards the obtained fixed assets free of charge. The deferred revenue is transferred among income pursuant to the calculated depreciation of thus received assets.

In 2018, the Group formed long-term accruals and deferred income in respect of received cohesion funds in respect of co-financing of purchase and installation of smart counters for the 2017–2022 period. Revenue in this respect are drawn by the Group in accordance with IAS 20 in the amount of 33% of actual costs of installed counters financing in this way.

- Revenue

  Revenue from sales of products, goods and material are recognized relating to the fair value of a received payment or receivables, namely reduced for recovery, rebate and quantity discount. The revenue appears when a buyer takes all important risks and benefits related to ownership of assets, when a certainty of payment exists and when the Group ceases the future decisions about sold products.

  The revenue from provided services is recognized in financial statement according to the degree of the transaction completion as at the date of reporting. The degree of completion is assessed by checking individual contracts.

  Lease revenue is recognized as revenue on a straight-line basis over the lease term.

- Revenue and expenses

  Financial revenue comprises revenue from interests, investments, dividends and from transfers of available-for-sale financial assets. The revenue from interests is recognized in the results after their creation by using the method of the effective interest rate. The revenue from dividends is recognized in the results after their creation as at the day, when a shareholder’s right is established.

  Expenses comprise the costs of borrowings, losses due to impairment of assets. The costs from borrowings are recognized in the results according to a method of effective interests.

- Income tax

  Tax from profit or losses of the financial year comprises an amount of current and deferred tax. Income tax is shown in the income statement and is determined by the Group as at the end of the financial year.

  Current tax is the tax, which is expected to be paid from taxable profit for the financial year by using the rate of tax that came into force as at the date of reporting, and probable adjustment of tax liabilities connected to the previous financial years.

  Deferred tax is recognized by considering temporary differences between carrying and tax values of assets and liabilities. The amount of the tax is founded on the expected way to recover or settle the carrying amount of its assets by using the tax rate, determined as at the reporting date. The company forms deferred tax assets as regards the formation of provisions for severance payment and service awards as regards the fiscally unrecognized value adjustments of receivables. Deferred tax assets are calculated only at the end of the financial year.

- The basic earnings per share

  The nominal capital of the Group comprises the share capital of the parent company, which is divided into ordinary no-par-value registered shares. The basic profitability of a share is calculated by the weighted average number of ordinary shares in the financial year.

- Comparative information

  Comparative information mostly matches the presentation of information in the current year.

Definition of fair value

Fair value of individual groups of assets for the needs of measurement or reporting is defined by the Group according to methods which are described hereinafter.

Fair value of property, plant and equipment is their market value and is equal to the estimated value according to which the property, as at the date of the assessment and according to relevant marketing, could exchange in an arm’s length transaction between a willing seller and a willing buyer, while clients are well informed and act reasonably, independently and in an unforced manner.

Fair value of intangible assets is based on the method of discounted cash flows for which it is expected that they will derive from the use and probable sale of assets.

Fair value of investment property is based on the market value which is equal to the estimated value according to which the property, as at the date of the assessment and according to a relevant marketing, could exchange in an arm’s length transaction between seller and a buyer. The Group actively monitors market developments and assesses at the end of every financial year if there were/were not any objective proofs about elements which would indicate the need for impairments of investment property.

Fair value of debt and equity securities is defined according to their offered price at the end of the trading day as at the date of reporting and is concluded at the end of the financial year.

Fair value of long-term operating receivables and other receivables are calculated as the present value of the future cash flows, discounted at the current market rate as at the date of reporting.

Short-term operating receivables aren’t discounted due to the short-term nature, however, the impairment of fair values is taken into account.

Capital management

Solvency is the basic purpose of capital management in the Group. Besides capital adequacy, the objectives of capital management are as follows: long-term payment capability, high financial stability and reaching the highest possible values for shareholders of the Group.

Cash flow statement

Cash flow statement has been prepared using the direct method on the basis of the revenue and expenses on the transaction accounts of companies in the Group.

Composition of the Elektro Maribor Group

In accordance with IFRS, the consolidated financial statements of the Elektro Maribor Group include the financial statements of the parent company Elektro Maribor and the subsidiaries Energija plus and OVEN.

Associates

In 2018, the share of profit/losses of associates amounted to EUR -3,002.

Table 137: Overview of assets, liabilities, revenues and expenses of associates for the I–XII 2018 period

in EUR

Company	Non-current assets	Current assets	Long-term liabilities	Short-term liabilities	Revenue	Expenses	Profit/loss
Moja energija d.o.o.	3,541,271	1,958,664	1,825,250	996,414	4,087,178	4,176,174	–88,995
Eldom d.o.o.	142,103	275,670	11,333	126,787	660,293	655,373	4,920
Informatika d.d.	2,031,860	3,549,858	582,784	3,116,811	11,145,680	11,023,285	115,802

Table 138: Overview of assets, liabilities, revenues and expenses of associates for the I–XII 2017 period

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Company	Non-current assets	Current assets	Long-term liabilities	Short-term liabilities	Revenue	Expenses	Profit/loss
Moja energija d.o.o.	3,907,258	685,957	1,100,324	725,627	2,262,756	3,172,334	–909,578
Eldom d.o.o.	143,426	281,322	17,287	131,047	641,301	633,454	7,847
Informatika d.d.	2,744,653	5,558,545	763,887	3,661,088	12,859,310	12,778,328	71,650

Consolidated financial statements are made according to the method of complete consolidation which means that the following policies are considered:

- Uniform accounting policies are used in individual financial statements for similar transactions;
- Items in individual financial statements of subsidiaries are equally and formally presented;
- Individual financial statements of consolidated companies are composed for the same period which ends on the same day.

Consolidated financial statements are composed on the basis of individual financial statements of consolidated companies with relevant consolidation corrections which have not been made subject to financial statements of consolidated companies.

8 CONSOLIDATED FINANCIAL STATEMENTS OF THE ELEKTRO MARIBOR GROUP

Table 139: Consolidated statement of financial position

in EUR	Note	31 Dec 2018	31 Dec 2017
Non-current assets		**343,839,770**	**331,852,316**
Intangible assets	1	4,123,300	4,336,173
Property, plant and equipment	2	335,866,881	323,431,345
Investment property	3	650,009	659,422
Financial investments	4	208,348	208,348
Investments in associated companies	5	1,133,224	1,136,226
Operating receivables	6	51,576	68,242
Deferred tax assets	7	1,806,432	2,012,560
Current assets		**60,176,679**	**58,646,863**
Inventories	8	2,129,371	1,739,527
Trade receivables	9	43,778,072	39,557,116
Income tax receivable		0	238,567
Other assets	10	2,756,187	3,385,266
Assets from contracts with customers	11	383,984	0
Cash and cash equivalents	12	11,129,065	13,726,387
TOTAL ASSETS		**404,016,449**	**390,499,179**
Capital/equity	**13**	**287,170,547**	**276,873,788**
Called-up capital		139,773,510	139,773,510
Capital reserves		75,121,586	75,121,586
Profit reserves		65,812,923	55,794,088
Fair value reserves		–732,803	–905,167
Profit or loss from previous years		2,255,991	4,608,902
Profit or loss for the financial year		4,939,340	2,480,869
Long-term liabilities		**74,755,697**	**71,578,443**
Provisions	14	7,202,457	7,530,653
Deferred revenue	15	33,656,795	32,959,694
Financial liabilities	16	33,650,000	30,917,857
Operating liabilities	17	246,445	170,239
Short-term liabilities		**42,090,205**	**42,046,948**
Financial liabilities	18	8,189,145	7,297,125
Operating liabilities	19	32,237,136	33,221,009
Income tax liabilities	20	371,638	0
Other liabilities	21	1,292,286	1,528,814
TOTAL CAPITAL AND LIABILITIES		**404,016,449**	**390,499,179**

Table 140: Consolidated income statement

in EUR	Note	I-XII 2018	I-XII 2017
Net sales revenue	23	153,363,632	136,344,167
Capitalized own products and services	24	20,826,413	18,821,162
Other operating revenues	25	3,567,804	3,512,133
Gross return on sales		**177,757,849**	**158,677,462**
Cost of goods, material and services	26	103,426,132	90,014,503
Cost of goods sold and costs of material		93,532,827	79,145,896
Costs of services		9,893,305	10,868,607
Labour costs	27	32,757,724	32,221,344
Depreciation	28	20,789,585	20,189,799
Revaluation operating expenses	29	1,277,908	1,115,487
Other operating expenses	30	1,311,238	971,745
Operating profit or loss		**18,195,262**	**14,164,584**
Financial revenue	31	246,002	211,409
Financial expenses	32	501,620	483,133
Share in profit (losses) of associates	33	–3,002	–285,466
Other revenue	34	46,072	34,066
Other expenses		175,144	158,066
Profit or loss before tax		**17,807,570**	**13,483,394**
Income tax	35	2,382,550	1,847,441
Deferred taxes	36	206,128	36,105
Tax		2,176,422	1,811,336
Net profit or loss	**37**	**15,218,892**	**11,672,058**
Net profit or loss belonging to owners of the controlling company		15,218,892	11,672,058
Basic and diluted earnings per share (EUR/share)		0.45	0.35

Table 141: Consolidated statement of comprehensive income

in EUR	I-XII 2018	I-XII 2017
Net profit or loss for the accounting period	15,218,892	11,672,058
Items of other comprehensive income that will not be reclassified to profit or loss in the future	**120,409**	–316,810
Actuarial losses/profits	120,409	–316,810
Total comprehensive income for the accounting period	**15,339,301**	**11,355,248**

Table 142: Consolidated cash flow statement

in EUR	Note	I–XII 2018	I–XII 2017
Cash flows from operating activities	**38**		
Cash receipts from operating activities		**312,893,324**	**291,852,484**
Cash receipts from sales of products and services		309,812,943	289,600,199
Other cash receipts from operating activities		3,080,381	2,252,285
Cash disbursements from operating activities		**–298,110,908**	**–279,320,025**
Cash disbursements from the purchase of material and services		–248,986,072	–230,491,980
Cash disbursements from salaries and employees' participation in profit		–31,388,952	–30,951,473
Cash disbursements from taxes		–15,384,789	–15,590,500
Other cash disbursements from operating activities		–2,351,095	–2,286,072
Positive cash result in operating activities		**14,782,416**	**12,532,459**
Cash flows from investing activities	**39**		
Cash receipts from investing activities		**118,407**	**175,830**
Cash receipts from interest and shares in profit received from others		689	797
Cash receipts from stakes received in profit of others relating to investment activities		0	64,792
Cash receipts from disposal of tangible fixed assets		117,718	110,241
Cash disbursements from investing activities		**–16,209,486**	**–11,295,848**
Cash disbursements from acquisition of intangible assets		–3,837,114	–2,286,626
Cash disbursements from acquisition of property, plant and equipment		–12,372,372	–9,009,222
Negative cash result from investing activities		**–16,091,079**	**–11,120,018**
Cash flows from financing activities	**40**		
Cash receipts from financing activities		**11,000,000**	**9,000,000**
Cash receipts from increase of long-term financial liabilities		11,000,000	9,000,000
Cash disbursements from financing activities		**–12,288,659**	**–13,192,251**
Cash disbursements from interest paid on financing		–359,550	–407,469
Cash repayments of equity		–208,762	–3,716
Cash disbursements from repayment of financial liabilities		–7,376,190	–8,757,143
Cash disbursements from dividends and other participation in profit		–4,344,157	–4,023,923
Negative cash result from financing activities		**–1,288,659**	**–4,192,251**
Closing balance of cash and cash equivalents		**11,129,065**	**13,726,387**
Cash flow result for the period	41	–2,597,322	–2,779,810
Opening balance of cash and cash equivalents		**13,726,387**	**16,506,197**

Table 143: Consolidated statement of changes in equity 2018

in EUR

	Item	Called-up capital	Kapitalske rezerve	Profit reserves				Fair value reserves	Retained net profit or loss	Net profit/loss for the period	Total
		Share capital		Legal reserves	Reserves for own shares	Net profit brought forward	Net profit		Preneseni čisti dobiček	Čisti dobiček	
		I/1	II	III/1	III/2	III/3	III/5	IV	V/1	VI/1	
A.1	**Closing balance as at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**4,510,810**	**154,539**	**–154,539**	**51,283,278**	**–905,167**	**4,608,902**	**2,480,869**	**276,873,788**
	b) Effect of transition to IFRS 9								–489,045		**–489,045**
A.2	**Opening balance for the reporting period**	**139,773,510**	**75,121,586**	**4,510,810**	**154,539**	**–154,539**	**51,283,278**	**–905,167**	**4,119,857**	**2,480,869**	**276,384,743**
B.1	**Changes in equity – transactions with owners**	**0**	**0**	**0**	**0**	**–208,763**	**0**	**0**	**–4,344,735**	**0**	**–4,553,498**
d.	Purchase of own shares			0		–208,763					**–208,763**
g.	Payment of dividend								–4,344,735		**–4,344,735**
B.2	**Total comprehensive income for the reporting period**	**0**	**0**	**0**	**0**	**0**	**0**	**120,409**	**0**	**15,218,892**	**15,339,301**
a.	Entry of net profit/loss for the period									15,218,892	**15,218,892**
d.	Other items of comprehensive income							120,409			**120,409**
B.3	**Changes in equity**	**0**	**0**	**744,797**	**208,763**	**0**	**9,274,038**	**51,954**	**2,480,869**	**–12,760,421**	**0**
a.	Allocation of the remaining part of the net profit for the compared reporting period to other items of equity			**0**			**0**		2,480,869	–2,480,869	**0**
b.	Allocation of the remaining part of the net profit for the reporting period pursuant to the decision by the Management and Supervisory Boards			744,797		0	9,274,038		0	–10,018,835	**0**
c.	Loss settlement as deductible equity component							0	51,954	–51,954	**0**
d.	Building up reserves for own shares			0	208,763					–208,763	**0**
e.	Other changes in equity							51,954	–51,954		**0**
C.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**5,255,607**	**363,302**	**–363,302**	**60,557,316**	**–732,804**	**2,255,991**	**4,939,340**	**287,170,547**

Table 144: Consolidated statement of changes in equity 2017

in EUR

	Item	Called-up capital	Capital reserves	Profit reserves				Fair value reserves	Retained net profit or loss	Net profit/loss for the period	Total
		Share capital		Legal reserves	Reserves for own shares	Net profit brought forward	Net profit		Net profit brought forward	Net profit	
		I/1	II	III/1	III/2	III/3	III/5	IV	V/1	VI/1	
A.1	**Closing balance as at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**–150,599**	**42,769,926**	**–588,357**	**3,834,504**	**4,785,107**	**269,533,189**
A.2	**Opening balance for the reporting period**	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**–150,599**	**42,769,926**	**–588,357**	**3,834,504**	**4,785,107**	**269,533,189**
B.1	**Changes in equity – transactions with owners**	**0**	**0**	**0**	**0**	**–3,940**	**0**	**0**	**–4,010,709**	**0**	**–4,014,649**
d.	Purchase of own shares					–3,940					**–3,940**
g.	Payment of dividend								–4,010,709		**–4,010,709**
B.2	**Total comprehensive income for the reporting period**	**0**	**0**	**0**	**0**	**0**	**0**	**–316,810**	**0**	**11,672,058**	**11,355,248**
a.	Entry of net profit/loss for the period									11,672,058	**11,672,058**
d.	Other items of comprehensive income							–316,810			**–316,810**
B.3	**Changes in equity**	**0**	**0**	**673,897**	**3,940**	**0**	**8,513,352**	**0**	**4,785,107**	**–13,976,296**	**0**
a.	Allocation of the remaining part of the net profit for the compared reporting period to other items of equity			**0**			**0**		4,785,107	–4,785,107	**0**
b.	Allocation of the remaining part of the net profit for the compared reporting period pursuant to the decision by the Management and Supervisory Boards			673,897			8,513,352			–9,187,249	**0**
d.	Building up reserves for own shares				3,940					–3,940	**0**
C.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**4,510,810**	**154,539**	**–154,539**	**51,283,278**	**–905,167**	**4,608,902**	**2,480,869**	**276,873,788**

9 NOTES AND DISCLOSURES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

9.1 Notes to the items of the consolidated statement of financial position

Consolidated statement of financial position is the fundamental financial statement, which presents real and fair assets and liabilities of the Group at the end of the financial year on 31 December 2018.

Items in the statement of financial position are presented at their carrying amounts as the difference between the cost and the deducted value adjustment. In the preparation of the consolidated balance sheet we considered the principle of individual asset and liability valuation.

No significant adjustments were made in any of the statement of financial position items.

Intangible assets

Note 1

Intangible assets comprise property rights from the use of licenses and application software. Intangible assets also include servitudes for the use of the land under the routes of the company's distribution network, which are shown in the balance sheet between items land and buildings, in accordance with the provisions of Article 65 of the Companies Act (ZGD-1).

Intangible assets are not pledged for the repayment of debts and the company does not dispose with assets acquired through government grant.

Table 145: Changes in intangible assets in 2018

in EUR	Intangible assets	Current investments	Advances given	Total
Purchase value				
As at 1 January 2018	10,592,890		148,025	10,592,890
Increase	1,311,910			1,311,910
- New purchases	1,330,645	1,330,645		2,661,290
Eliminations	–18,735	–1,330,645		–1,349,380
Transfers			148,025	0
As at 31 December 2018	11,904,800	0	0	11,904,800
Write-offs				
As at 1 January 2018	6,404,742			6,404,742
Adjustments	95,608			95,608
Exclusion	–18,735			–18,735
Depreciation	1,299,885			1,299,885
As at 31 December 2018	7,781,500			7,781,500
Carrying amount				
As at 1 January 2018	4,188,148	0	148,025	4,336,173
As at 31 December 2018	4,123,300	0	0	4,123,300

Table 146: Changes in intangible assets in 2017

in EUR	Intangible assets	Current investments	Advances given	Total
Purchase value				
As at 1 January 2017	9,141,869			9,141,869
Increase	1,451,021	0		1,451,021
- New purchases	1,656,966	1,325,268	148,025	2,982,234
Eliminations	−205,945	−1,325,268		−1,531,213
Transfers				0
As at 31 December 2017	10,592,890	0	148,025	10,592,890
Write-offs				
As at 1 January 2017	5,586,435			5,586,435
Eliminations	−282,432			−282,432
Depreciation				0
As at 31 December 2017	6,404,742			6,404,742
Carrying amount				
As at 1 January 2017	3,555,434	0	0	3,555,434
As at 31 December 2017	4,188,148	0	148,025	4,336,173

Major acquisitions relate to the acquisition of licences for the introduction of the new ERP solution MS Dynamics AX in the parent company and the modernization and upgrade of IIS and the introduction of the new information system in the company Energija plus d.o.o.

As at 31 December 2018, 65.4% of intangible assets were fully depreciated (60.5% in 2017). The share is calculated according to their purchase value.

At the end of the financial year, the Group discloses long-term operating liabilities regarding the acquisition of intangible assets in the amount of EUR 37,431.

Property, plant and equipment

Note 2

In recognizing property, plant and equipment the Group applies the cost model.

In 2018, depreciation of property, plant and equipment in the Group amounted EUR 19,465,984.

The Group does not possess tangible assets that would be acquired by financial lease. All fixed assets in the Group are owned by the individual companies and are not pledged as collateral for debts.

The Group still has some contractual commitments for the acquisition of tangible fixed assets, but these are concluded for successive supplies of equipment ordered in accordance with the time schedule. As at 31 December 2018, the Group disclosed EUR 2,655,040 of liabilities relating to the acquisitions of items of property, plant and equipment.

Table 147: Property, plant and equipment

in EUR	31 Dec 2018	31 Dec 2017
Land and buildings	248,252,649	239,282,908
- Land	10,055,492	10,036,916
- Buildings	238,197,157	229,245,992
Production machinery	77,119,825	75,893,194
Property, plant and equipment under construction or in production	10,494,407	8,255,243
Total	**335,866,881**	**323,431,345**

Table 148: Changes in property, plant and equipment in 2018

in EUR	Land and rights	Building	Plant and machinery	Investments in foreign property, plant and equipment	Current investments	Total property, plant and equipment
Purchase value						
As at 1 January 2018	10,086,699	717,454,532	184,137,880	367,643	8,255,243	920,301,997
Increase, of which:	42,141	21,198,244	8,832,673	563	32,330,571	62,404,192
- Acquisitions	42,141	21,198,244	8,832,673	563	32,330,571	62,404,192
Activation	0	0	0	0	–29,477,972	–29,477,972
- Activation (new purchases)					–29,477,972	–29,477,972
Disposals	–2,303	–6,299,487	–6,522,114			–12,823,904
Transfers		205,388	–205,388		–613,435	–613,435
As at 31 December 2018	10,126,537	732,558,677	186,243,051	368,206	10,494,407	939,790,878
Write-offs						
As at 1 January 2018	49,783	488,208,540	108,531,716	80,611		596,870,650
Disposals		–6,088,499	–6,652,454			–12,740,953
Depreciation	21,262	12,195,388	7,228,019	21,315		19,465,984
Transfers		46,091	282,224			328,315
As at 31 December 2018	71,045	494,361,520	109,389,505	101,926	0	603,923,996
Carrying amount						
As at 1 January 2018	10,036,916	229,245,992	75,606,164	287,032	8,255,243	323,431,345
As at 31 December 2018	10,055,492	238,197,157	76,853,546	266,280	10,494,407	335,866,881

Table 149: Changes in property, plant and equipment in 2017

in EUR	Land and rights	Building	Plant and machinery	Investments in foreign property, plant and equipment	Current investments	Total property, plant and equipment
Purchase value						
As at 1 January 2017	9,555,151	707,351,156	180,885,482	367,643	5,040,948	903,200,380
Increase, of which:	0	0	0	0	29,166,350	29,166,350
- Acquisitions	0	0	0		29,166,350	29,166,350
Activation	530,121	17,683,448	7,732,713	0	–25,837,559	108,723
- Activation (new purchases)	530,121	17,683,448	7,732,713		–25,837,559	108,723
Disposals		–7,579,113	–4,479,849			–12,058,962
Transfers	1,426	–961	–465		–114,496	–114,496
As at 31 December 2017	10,086,698	717,454,530	184,137,881	367,643	8,255,243	920,301,995
Write-offs						
As at 1 January 2017	32,833	483,385,140	106,056,121	59,352		589,533,446
Disposals		–7,356,743	–4,371,433			–11,728,176
Depreciation	16,949	12,180,141	6,847,031	21,259		19,065,380
Transfers						0
As at 31 December 2017	49,782	488,208,538	108,531,719	80,611	0	596,870,650
Carrying amount						
As at 1 January 2017	9,522,318	223,966,016	74,829,361	308,291	5,040,948	313,666,934
As at 31 December 2017	10,036,916	229,245,992	75,606,162	287,032	8,255,243	323,431,345

Major purchases relate primarily to the purchase of electricity facilities and equipment in the company Elektro Maribor.

The parent company Elektro Maribor as the owner of the electricity distribution infrastructure for 2011 concluded a new Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator with the company SODO d.o.o., which is the sole concessionaire for performing the public utility service of a distribution network system operator in the Republic of Slovenia. In accordance with this contract, annexes are concluded for an individual current year, stipulating the amount of lease and services which Elektro Maribor performs for SODO, and the amount of assets for covering losses in the Elektro Maribor distribution network.

Table 150: Balance and changes in electricity distribution infrastructure in 2018

in EUR	Land and rights	Buildings	Plant and machinery	Total intangible and intangible fixed assets
Purchase value				
As at 1 January 2018	7,076,284	686,225,748	152,947,220	846,249,252
Increase, of which:	41,750	20,546,440	6,487,163	27,075,354
- Activation	41,750	20,546,440	6,487,163	27,075,354
Disposals		–6,240,384	–4,012,780	–10,253,164
Transfers		340,279	–70,625	269,655
As at 31 December 2018	7,118,034	700,872,084	155,350,979	863,341,097
Write-offs				
As at 1 January 2018	49,782	473,257,840	87,835,515	561,143,137
Decrease		5,969,090	3,802,635	9,771,725
Depreciation	21,262	11,564,138	5,294,476	16,879,876
As at 31 December 2018	71,045	478,852,887	89,327,356	568,251,288
Carrying amount				
As at 1 January 2018	7,026,502	212,967,908	65,111,705	285,106,115
As at 31 December 2018	7,046,990	222,019,196	66,023,623	295,089,809

The amounts of future leases cannot be presented reliably, since the price and scope of the lease change in accordance with the planned regulatory framework for each year.
The carrying amount for the leased electricity distribution infrastructure as at 31 December 2018 amounted to EUR 295,089,809.

Investment property

Note 3

The Group owns investments in apartments that are leased as well as holiday facilities which are marketed. The purchase value method is used for assessing investment property. The applied depreciation method is the method of straight-line depreciation method and is calculated individually, based on each item of property. The Group assessed that market values are an approximation of official GURS appraisals.

Persons in charge in each Group company actively monitor the events on the market and assess that there was no objective evidence in 2018 on the facts that would point to the need for impairment of investment property. As at 31 December 2018, the Group did not obtain the assessment of fair value of investment property, prepared by the certified real estate appraiser.

Table 151: Balance and changes in investment property

in EUR	31 Dec 2018
Purchase value	
As at 1 January 2018	1,479,612
Increase	23,931
Disposals	65,464
As at 31 Dec 2018	1,438,079
Write-offs	
As at 1 January 2018	820,190
Eliminations	55,864
Depreciation	23,744
As at 31 Dec 2018	788,070
Carrying amount	
As at 1 January 2017	659,422
As at 31 Dec 2018	650,009

Table 152: Investment property in 2018

in EUR	Value	Revenue	Costs
Holiday facilities	610,675	122,415	122,636
Apartments	39,334	9,822	6,338
Total	**650,009**	**132,237**	**128,974**

Financial investments

Note 4

Financial investment are classified in the group at fair value through other comprehensive income, except for those investments in shares in the amount of EUR 56.594, which is recognised at purchase value, because fair value could not have been assessed.

Table 153: Long-term financial investments of the Group

in EUR	31 Dec 2018	31 Dec 2017
Long-term financial investments excluding loans	208,348	208,348
– Other long-term financial investments in shares and stakes	56,594	56,594
– Financial investments in the Investment Fund	151,754	151,754

Investments in associates

Note 5

In individual financial statements, the financial investments of subsidiaries, jointly controlled entities and associates are calculated according to the purchase value.

In consolidated financial statements, the investments in group companies are excluded while the investments in associates demonstrate the equity method.

Table 154: Balance and changes in investments in associates

in EUR	As at 1 January 2018	Payment of participations in profit	Attribution of profit/loss	As at 31 December 2018
Investment in Informatika d.d.	196,794	0	25,430	222,224
Investment in Eldom d.o.o.	17,254	0	1,230	18,484
Investment in Mojo energija d.o.o.	922,177	0	–29,662	892,515
Total	**1,136,226**	**0**	**–3,002**	**1,133,224**

Long-term operating receivables

Note 6

Long-term operating receivables comprise receivables from the collection of assets to the reserve fund of owner-occupied residential buildings.

Receivables in the Group are not pledged as collateral for liabilities.

Deferred tax assets

Note 7

In 2018, the Group recognised a decrease in deferred tax assets for temporary deductible tax differences based on past and current formed expenses not recognized for tax purposes, i.e. on the basis of formed provisions for service awards and severance pays, and a decrease in operating expenses for receivables, which are not recognised for tax purposes.

The tax rate used in the calculation of deferred tax assets was 19%. The same rate is also expected to be applied in the future business years.

In 2018, the Group decreased deferred tax assets in the amount of EUR 206,128. Net profit or loss for 2018 decreased by the same amount. The balance of deferred tax assets as at 31 December 2018 amounted to EUR 1,806,432.

Table 155: Changes in deferred tax assets in 2018

in EUR	As at 31 Dec 2017	Decrease	Increase	As at 31 Dec 2018
Deferred tax assets				
– Relating to value adjustment of receivables	1,441,726	145,938	0	1,295,788
– Relating to the provisions for service awards and severance pays	570,834	66,042	5,853	510,645
Total	**2,012,559**	**211,980**	**5,853**	**1,806,432**

Inventories

Note 8

Table 156: Inventories

in EUR	31 Dec 2018	31 Dec 2017
Raw material and material	2,010,485	1,617,122
Fuel and lubricants	11,628	14,029
Office supplies	19,223	8,383
Small tools and packaging inventories	66,405	80,136
Products and merchandise	21,630	19,857
Total	**2,129,371**	**1,739,527**

Inventories consist of inventories of material for use in own investments, material for provision of services on the market and spare parts for the maintenance of fixed assets.

The management has assessed that the book value of inventories is at the level of net marketable value.

On 31 December 2018, the Group reported inventories with no changes in the period from 1 January 2015 to 31 December 2018, in the amount of EUR 11,959, wherein this is determined as the current reserve.

Table 157: Value of inventories

in EUR	31 Dec 2018	31 Dec 2017
Gross value of inventories of material and merchandise	2,129,371	1,792,525
Value adjustments	0	52,998
Net value of inventories of material and merchandise	2,129,371	1,739,527

Merchandise inventories include inventories of wood pellets and other merchandise at Energija plus d.o.o., and are intended for further sale.

All inventories are owned by the Group and are not pledged as collateral for debts.

Accounts receivable

Note 9

Table 158: Accounts receivable

in EUR	31 Dec 2018	31 Dec 2017
Current operating receivables due from clients, of which:	**43,778,072**	**39,557,116**
- Receivables for sold energy products	33,869,857	30,981,058
- Receivables for the lease and services according to the SODO d.o.o. contract	9,022,375	7,617,300
- Receivables for other charged services	836,715	913,113
- Receivables for charged interest	49,126	45,645

Customers usually settle their receivables in due time or with minor delays. In the event of delays customers are charged default interest in accordance with the contract.

The Group's receivables are mostly insured with bills of exchange. No receivables are pledged as collateral for guarantee.

The Group forms adjustments of receivables in accordance with the uniform accounting policy. Value adjustments are made for doubtful, disputable receivables and those with a maturity of over 90 days.

As at 1 January 2018, in accordance with the IFRS provisions, the Group additionally adjusted the value of receivables in the total amount of EUR 489,045 and disclosed the impact in the profit or loss brought forward.

In Group companies, adjustments are considered only if the company is in bankruptcy or compulsory settlement, and, if so, they are considered in the total value.

At the end of the business year, the Group has no receivables due to the Management Board and members of the Supervisory Board, except regular receivables for sold electricity.

Table 159: Value of accounts receivable

in EUR	31 Dec 2018	31 Dec 2017
Gross receivables	51,429,077	47,994,405
Value adjustment	7,651,005	8,437,289
Net receivables	**43,778,072**	**39,557,116**

Other assets

Note 10

Other assets are disclosed in the amount of EUR 2,756,187 and particularly disclose the amounts of receivables for input VAT and short-term deferred expenses.

Table 160: Other assets

in EUR	31 Dec 2018	31 Dec 2017
Other operating receivables	2,700,615	3,324,822
Short-term deferred expenses	14,058	16,736
VAT in received advance payments	41,514	43,708
Total	**2,756,187**	**3,385,266**

Revenue from contracts with customers

Note 11

Revenue from contract with customers is disclosed in the amount of EUR 383,984 and particularly discloses the amounts of uncharged leases for telecommunication sites and uncharged amounts of deviations for the sold electric power.

Cash and cash equivalents

Note 12

Table 161: Cash

in EUR	31 Dec 2018	31 Dec 2017
Assets on accounts	1,222,831	1,302,683
Deposits redeemable	9,906,234	12,423,704
Total	**11,129,065**	**13,726,387**

Capital/equity

Note 13

The share capital of the Group is the equity of the parent company, and is distributed to 33,495,324 ordinary no-par-value registered shares.

Capital reserves disclose the fully paid-up surplus of capital.

Table 162: Capital/equity

in EUR	31 Dec 2018	31 Dec 2017
Share capital	139,773,510	139,773,510
Capital reserves	75,121,586	75,121,586
Legal reserves	5,255,607	4,510,810
Reserves for own shares	363,301	154,539
Own shares	–363,301	–154,539
Other profit reserves	60,557,316	51,283,278
Fair value reserves	–732,803	–905,167
Retained net profit or loss	2,255,991	4,608,902
Net profit or loss for the financial year	4,939,340	2,480,869
Total	**287,170,547**	**276,873,788**

In 2018, in accordance with the powers of the Assembly, the company obtained 75,735 own shares in the amount of EUR 208,762. In the same amount, it formed reserves for own shares.

Fair value reserves disclose actuarial loss related to the calculation of provisions for long-service bonuses and severance pays in Group companies.

Legal reserves and other profit reserves are formed from net profit or loss of the business periods since 2003. Reserves for own shares are formed from net profit or loss for 2016, 2017 and 2018.

In 2018, the Group generated net profit in the amount of EUR 15,218,892. Net profit per share in the Group amounts to EUR 0.45.

Book value of a share in the Group amounts to EUR 8.57.

Provisions

Note 14

Table 163: Provisions

in EUR	As at 1 Jan 2018	Spent	Increase	Release	As at 31 Dec 2018
Provisions for long-service bonuses	1,909,164	242,216	322,625	0	1,989,573
Provisions for pensions	4,097,743	204,094	271,321	157,890	4,007,080
Provisions for guarantees issued	35,567	0	0	4,056	31,511
Provisions for non-current accrued costs	1,488,179	83,129	646,428	877,185	1,174,293
Total	**7,530,653**	**529,439**	**1,240,374**	**1,039,132**	**7,202,457**

Table 164: Sensitivity analysis

	Discount rate		Wage growth		Employee fluctuation	
Change in percentage point	0.5	–0.5	0.5	–0.5	1.0	–1.0
Impact on liabilities in EUR	–244,365	264,280	270,131	–252,473	–495,420	569,728

Provisions for guarantees issued are formed for cases when the company grants a warranty period for the elimination of possible errors in the construction of buildings to foreign clients and this period lasts about five years. The Group formed these provisions in the estimated amount of 10% of the total exposed contractual value.

The amount of provisions from legal liabilities equals EUR 1,174,293 and is the best evaluation of costs required for their settlement. In making the best estimate, we observed the risks and uncertainties, which inevitably accompany the legal proceedings for which the provisions were formed.

The amount of provisions equals the current value of expenses, which are expected to be needed for the settlement of such commitments.

Deferred income

Note 15

The deferred revenue discloses the balance of tangible fixed assets acquired free of charge and the balance of co-financing assets. The Group uses these long-term accrued expenses and deferred revenues in order to cover the costs of the depreciation thereof using the annual depreciation rate of 2.93%.

Since 2010, the amounts used to cover the depreciation costs for the formed non-current deferred revenue have been those that match the actual depreciation rate of an individual fixed asset.

Table 165: Changes in non-current deferred revenue

in EUR	As at 31 December 2017	Decrease	Increase	As at 31 December 2018
Non-current deferred revenues from house connections acquired free of charge	17,692,591	745,320	1,093,789	18,041,060
Non-current deferred revenues from fixed assets acquired free of charge	8,298,860	305,987	77,476	8,070,349
Non-current deferred revenues from average connection costs	3,657,540	174,357	0	3,483,183
Non-current deferred revenues from co-financing	3,310,703	168,963	116,757	3,258,497
Non-current deferred revenues from contributions for disabled employees	0	106,724	106,724	0
Non-current deferred revenues from EU projects	0	31,883	835,589	803,706
Total	**32,959,694**	**1,533,234**	**2,230,335**	**33,656,795**

Financial liabilities

Note 16

Non-current financial liabilities completely refer to received non-current loans from banks. In 2018, the Group took a long-term loan of EUR 11,000,000 to finance investments.

The maturity of loans ranges between 5 and 11 years. Interest rate is between 1-and 6-month EURIBOR, with 1.0 to 1.65% profit margin or a fixed interest rate with 0.721 to 1.198 annually.

The majority of loans in the Group is secured with bill of exchange and are taken for the purposes of financing investments. The principal and interests are paid regularly and within due date. In a deadline over five years principals in the amount of EUR 11,625,000 fall due.

The value of approved, undrawn loans as at 31 December 2018 equals EUR 15,000,000.

Table 166: Non-current financial liabilities to banks

in EUR	31 Dec 2018	31 Dec 2017
Non-current financial liabilities to banks	41,809,524	38,185,714
Current portion of non-current financial liabilities to banks	–8,159,524	–7,267,857
Total	**33,650,000**	**30,917,857**

Operating liabilities

Note 17

Non-current operating liabilities of the group disclose mainly the amounts of the long-term part for the repayment of liabilities for the final balance to the company SODO d.o.o. and liability for the supplied application equipment.

Financial liabilities

Note 18

Current or short-term financial liabilities amount to EUR 8,189,145 and include amounts of the current part of long-term loans falling due within one year from the balance sheet date and amount to EUR 8,159,524, and liabilities to shareholders related to the distribution of profit in the amount of EUR 29,622.

Operating liabilities

Note 19

Current operating liabilities are disclosed in the amount of EUR 32,237,136.

Table 167: Current operating liabilities

in EUR	31 Dec 2018	31 Dec 2017
Current operating liabilities to suppliers for fixed assets	3,199,155	4,436,921
Current operating liabilities to suppliers for current assets	10,476,888	10,790,955
Current operating liabilities to SODO d.o.o.	11,094,554	11,029,004
Current operating liabilities to employees	4,722,114	4,001,981
Current operating liabilities to state and other institutions	1,275,020	1,216,299
Current operating liabilities from advance payments	1,187,959	1,039,901
Other current operating liabilities	281,446	204,545
Total	**32,237,136**	**32,719,605**

Income tax liability

Note 20

Liabilities for income tax of the Group show the calculated liabilities based on the tax return for 2018, which have been offset against paid advanced payments. The group discloses EUR 371,638 of liabilities for corporate income tax, which falls due in April 2019.

Other liabilities

Note 21

Other liabilities disclose short-term accrued expenses and short-term deferred revenues. They include receivables and liabilities, which are assumed to appear within a year and are probable, with their size assessed reliably.

Table 168: Other liabilities

in EUR	31 Dec 2018	31 Dec 2017
Accrued costs for unused annual leave	865,827	900,681
Current accrued costs for legal matters	969	0
Current accrued costs of deviations	323,189	442,563
Other accrued costs	102,301	185,569
Total	**1,292,286**	**1,528,814**

Table 169: Changes in other liabilities

in EUR	As at 31 Dec 2017	Formation	Spent	Elimination	As at 31 Dec 2018
Accrued costs for unused annual leave	900,680	865,827	0	900,680	865,827
Current accrued costs for legal matters	0	969	0	0	969
Current accrued costs of deviations	442,563	323,189	442,563	0	323,189
Other accrued costs	185,568	429,884	450,736	62,414	102,302
Total	**1,528,814**	**1,619,869**	**893,299**	**963,094**	**1,292,286**

Contingent liabilities and other off-balance sheet records

Note 22

Table 170: Contingent liabilities and other off-balance sheet records

in EUR	31 Dec 2018	31 Dec 2017
Contingent liabilities	**68,607,643**	**64,143,803**
Securities for insurance of payments – guarantees	21,631,762	19,855,588
Securities for insurance of payments – bills of exchange	41,809,524	38,185,714
Bank guarantees given	3,678,508	4,356,384
Enforcement drafts given	136,918	149,968
Potential liabilities for damages	7,483	17,112
Potential liabilities for payment due to leasing	52,883	68,507
Other off-balance sheet records	**4,712,088**	**4,913,463**
Average cost of connection SODO d.o.o. transfer of assets 1 July to 31 Dec 2009	3,436,298	3,594,136
Average cost of connection SODO d.o.o. transfer of fixed assets as of 1 January 2010	984,437	1,020,945
Assets for holiday facilities – Eldom d.o.o.	184,870	184,870
Enforcement drafts received	106,483	113,512

The management estimates that the probability of receipts and expenditures from the above-mentioned receivables and liabilities is very small, therefore the amounts disclosed are merely informative. The Group does not disclose off-balance contingent liabilities as set forth by the Companies Act (ZGD-1).

Definition of fair value

Table 171: Fair and book value of assets and liabilities

in EUR	31 Dec 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial investments at fair value through other comprehensive income	151,754	177,586	151,754	184,989
Financial investments measured at purchase value	56,594	56,594	56,594	56,594
Long-term trade receivables	51,576	51,576	68,242	68,242
Received loans	41,809,524	41,809,524	38,185,714	38,185,714
Long-term operating receivables	246,445	246,445	170,239	170,239
Total	**42,315,893**	**42,341,725**	**38,632,543**	**38,665,778**

The table includes assets and financial liabilities, measured at fair value, with fair value also disclosed. Short-term trade receivables, cash and short-term trade receivables are not shown, since they are counted as a good approximate to fair value, according to IFRS.

With regard to their definition of fair value, assets and liabilities are classified to the following levels: level 1 assets at market price, level 2 assets whose value is determined on the basis of comparable market data, and level 3 assets and liabilities whose value cannot be obtained from market data.

Table 172: Assets and liabilities regarding their fair value

	31 Dec 2018				31. 12. 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments available for sale	177,586			**177,586**	184,989			**184,989**
Financial investments measured at fair value			56,594	**56,594**			56,594	**56,594**
Long-term trade receivables			51,576	**51,576**			68,242	**68,242**
Long-term trade receivables			246,445	**245,445**			170,239	**170,239**
Received loans			41,809,524	**41,809,524**			38,185,714	**38,185,714**

9.2 Notes to the items of the consolidated income statement

Table 173: Types of revenue

in EUR	2018	2017
Operating revenue	177,757,849	158,677,462
Financial revenue	246,002	211,409
Other revenue	46,072	34,066
Total	**178,049,923**	**158,922,937**

Net sales revenue

Note 23

Table 174: Net sales revenue

in EUR	2018	2017
Sale of electricity and other energy products	90,423,883	75,512,894
Charged rents	30,644,284	29,550,229
– SODO d.o.o. – rent	30,239,544	29,249,690
– other	404,740	300,539
SODO d.o.o. contract services	27,546,183	26,468,386
Charged services	4,626,634	4,724,405
Sale of waste material	122,647	88,252
Total	**153,363,632**	**136,344,167**

Table 175: Considered settlements of SODO d.o.o. in regulatory years 2016, 2017 and 2018

in EUR	Actual revenue 2018	Preliminary balance 2018	Elimination of accrued final settlem. 2016	Final 2016	Prelim 2017 (settlement of losses)	Elimination of accrued final settlem. 2017	Final 2016	Final 2018	Total 2018
Rent	30,103,785	115,104		20,371				284	30,239,544
Services	24,102,185	2,968,408	–2,315	–152,591	–1,477	704,806	–3,092	–69,741	27,546,183
Total	**54,205,970**	**3,083,512**	**–2,315**	**–132,220**	**–1,477**	**704,806**	**–3,092**	**–69,457**	**57,855,184**

Net sales revenue account for 86% of total revenues achieved in the Group.

Capitalised own products and services

Note 24

Table 176: Capitalised own products and services

in EUR	2018	2017
Capitalised products	20,255,247	18,204,907
Capitalised services	571,166	616,255
Total	**20,826,413**	**18,821,162**

Capitalised own products and services include own construction of investments and revenues from internal services (finalisation of equipment).

Other operating revenue

Note 25

Table 177: Other operating revenue

in EUR	2018	2017
Reversal of provisions and accrued costs and deferred revenue	222,502	216,275
Drawing of non-current accrued costs and deferred revenue	1,547,724	1,467,077
Indemnifications received from the insurance company	838,414	794,524
Profit from the sale of fixed assets	119,829	91,510
Recovered receivables from previous years	623,930	782,793
Other operating revenue	215,405	159,954
Total	**3,567,804**	**3,512,133**

Other operating revenue relates primarily to the revenue from drawing long-term accrued costs and deferred revenue for amounts covering the cost of depreciation of tangible fixed assets acquired free of charge and co-financing of power plants, compensation received from insurance companies for damage to the electricity network and recovered receivables for electricity and network usage.

Costs of goods, materials and services

Note 26

Table 178: Costs of goods, materials and services

in EUR	2018	2017
Cost of goods sold	81,474,617	68,622,151
Costs of material	12,058,210	10,523,744
Costs of services	9,893,305	10,868,607
Total	**103,426,132**	**90,014,502**

Costs of material mainly include the costs of material in investment and construction works in the parent company.

Costs of services are disclosed in the amount of EUR 9,893,305 and contain mainly the amounts of maintenance services of fixed assets, insurance premiums and IT.

An auditing contract was concluded for the auditing of financial statements and the annual report of the Group for 2018 in the amount of EUR 25,755. This amount also includes the costs of auditing of the consolidated annual report in the amount of EUR 1,440. There were no other transactions with the selected auditor in 2018.

Labour costs

Note 27

Table 179: Labour costs

in EUR	2018	2017
Costs of wages and salaries	23,106,154	22,517,155
Cost of supplemental pension insurance for employees	1,154,848	1,136,506
Employer contributions and other salary duties	3,852,367	3,735,188
Other labour costs	4,644,355	4,832,495
Total	**32,757,724**	**32,221,344**

Salaries were paid on the basis of the provisions of the general and Corporate Collective Agreement and individual employment contracts.

Other labour costs also include pay for annual leave, reimbursement to employees for material costs, and the amount of formed provisions for long-service bonuses and severance pays upon retirement.

Table 180: Gross receipts of special groups of employees

	2018	
in EUR	Number	Amount
Members of Management Boards and the management		266,105
- mag. Boris Sovič, President of Elektro Maribor d.d.	1	105,734
- Bojan Horvat, Director of Energija plus d.o.o.	1	110,135
- Miroslav Prešern, Director of OVEN Elektro Maribor d.o.o.	1	50,236
Other employees under individual contracts	13	1,013,024
Members of the Supervisory Board of the Elektro Maribor d.d. Group companies	9	97,583
Audit Committee	3	21,209
Human Resources Committee	3	3,350
Total	**31**	**1,401,271**

Only the parent company of the Group, Elektro Maribor, has a Supervisory Board, and the members' names are disclosed in Chapter II. Business Report, which also discloses the names of the members of the Management Boards of companies in the Group.

The companies in the Group have no receivables and liabilities to the members of the Management and Supervisory Boards, except for December salaries which were paid in January 2018.

The Group did not give any advances or loans to employees under individual contracts, the Management Boards of individual Group companies, or the members of the Supervisory Board and its committees.

Depreciation

Note 28

Table 181: Depreciation

in EUR	2018	2017
Depreciation of intangible assets	1,299,885	1,100,739
Depreciation of intangible assets – servitudes	21,262	16,949
Depreciation of property, plant and equipment	19,444,693	19,048,430
Depreciation of investment property	23,744	23,681
Total	**20,789,585**	**20,189,799**

Revaluation operating expenses

Note 29

Value adjustments of receivables refer to receivables, where there was doubt about their payment with regard to the sale of electricity and use of network, as well as the services rendered.

Table 182: Revaluation operating expenses

in EUR	2018	2017
Revaluation operating expenses in intangible assets and property, plant and equipment	439,801	300,472
Revaluation operating expenses pertaining to inventories	54,520	4,489
Revaluation operating expenses pertaining to receivables, of which:	783,587	795,678
- from the use of network and sale of electricity	734,990	758,586
- from the services rendered	22,133	13,429
- from interest	26,464	23,663
Other revaluation operating expenses	0	14,848
Total	**1,277,908**	**1,115,487**

Other operating expenses

Note 30

Table 183: Other operating expenses

in EUR	2018	2017
Provisions for securities	0	12,913
Provisions for legal proceedings	646,429	292,204
Construction land compensation	287,320	287,965
Other duties and expenses	377,489	378,663
Total	**1,311,238**	**971,745**

Financial revenue

Note 31

Table 184: Financial revenue

in EUR	2018	2017
Financial revenue from loans granted	**150**	**441**
Financial revenue from loans granted to others	150	441
Financial revenues from operating receivables	**245,852**	**210,968**
Financial revenue from operating receivables due from others	245,852	210,968
Total	**246,002**	**211,409**

Financial expenses

Note 32

Table 185: Financial expenses

in EUR	2018	2017
Finance expenses from financial liabilities	**432,982**	**423,337**
Financial expenses from loans received from others	364,660	403,002
Financial expenses from other financial liabilities	68,322	20,335
Financial expenses from operating liabilities	**68,638**	**59,796**
Financial expenses from liabilities to suppliers	1,494	408
Financial expenses from other operating liabilities	67,144	59,388
Total	**501,620**	**483,133**

Share in profit (loss) of associates

Note 33

Table 186: Share in profit (loss) of associates

in EUR	2018	2017
Share in profit (loss) of associates	–3,002	–285,466

The table shows the attribution of profits of associates in the amount of EUR 26,660 and the attribution of losses of associates in the amount of EUR 29,662.

Other revenue and expenses

Note 34

Table 187: Other revenue and expenses

in EUR	2018	2017
Other revenue	46,072	34,066
Other expenses	175,144	158,066

Other expenses in the Group mainly represent the amounts of donations in the amount of EUR 86,550.

Deferred taxes

Note 36

Table 188: Deferred taxes

in EUR	2018	2017
Deferred tax for provisions for long-service bonuses and severance pays	60,190	165,974
Deferred tax from formed revaluation adjustments of receivables	145,938	–129,869
Total	**206,128**	**36,105**

In 2018, the Group recognised decrease in deferred tax assets for temporary deductible tax differences based on past and current expenses not recognised for tax purposes, i.e. on the basis of formed provisions for long-service bonuses and severance pays upon retirement, as well as for revaluation operating expenses for receivables, which are not recognised for tax purposes. The tax rate applied in the calculation of deferred tax assets was 19%. The same rate is also expected to be applied in the future financial years.

In 2018, such receivables decreased the Group's profit or loss by EUR 206,128.

Table 189: Presentation of coordination of actually charged tax calculated from accounting profit prior to

	2018		2017	
	Rate	in EUR	Rate	in EUR
Pre-tax earnings		17,807,570		13,483,394
Income tax by applying official rate	19.00 %	3,383,438	19.00 %	2,561,845
Amounts that have a negative effect on tax basis		480,425		485,171
– Amount from decrease of expenses to the level of tax deductible expenses		480,425		485,171
– Amount from increase of income to the level of taxable income				
Amounts that have a positive effect on tax basis (+)(-)		730,182		342,006
– Amount from increase of expenses to the level of tax deductible expenses		231,148		195,177
– Amount from decrease of income to the level of taxable income		499,034		146,828
Tax relief		1,141,741		944,305
– Applied that impact the reduction of tax liability		1,141,741		944,305
Change of tax basis due to transition		14,905		–31,649
Increase of tax basis		18,141		168
Current tax for the period	**13.38 %**	**2,382,550**	**13.70 %**	**1,847,441**
Increase/decrease of deferred tax		206,128		–36,105
Tax in income statement	**14.54 %**	**2,588,678**	**13.43 %**	**1,811,336**

Net profit or loss

Note 37

Table 190: Profit or loss before tax

in EUR	2018	2017
Operating result	18,195,262	14,164,584
Financial result	–258,620	–557,190
Result from other revenue and expenditure	–129,072	–124,000
Total	**17,807,570**	**13,483,394**

Table 191: Net profit or loss in 2018

in EUR	Elektro Maribor d.d.	Energija plus d.o.o.	Oven d.o.o.	Group companies and associates	Total
Profit or loss before tax	17,145,537	2,123,900	420,047	0	19,689,484
Elimination of profits within the Group				–1,909,570	–1,909,570
Elimination of associate's profits				–3,002	–3,002
Recalculated value adjustment of receivables					30,658
Corporate income tax	2,082,811	218,812	80,927		2,382,550
Deferred taxes	114,833	91,295	0		206,128
Net profit or loss	**14,947,893**	**1,813,793**	**339,120**	**–1,912,574**	**15,218,892**

Participations in profits paid within the Group amounted to EUR 1,909,572 and were eliminated. Elimination of the amount EUR 3,002 is offset and originates from the attribution of profit in the share of companies Informatika d.d. and Eldom d.o.o. in the amount of EUR 26,660 and loss in the share of the company Moja energija in the amount of EUR 29,662.

9.3 Notes to the items of the consolidated cash flow statement

The consolidated cash flow statement was compiled according to the direct method based on turnover and bank account data of individual companies in the Group.

The consolidated cash flow statement does not include receipts and disbursements among companies in the Group.

Cash flows from operating activities

Note 38

Table 192: Cash flows from operating activities

in EUR	I–XII 2018	I–XII 2017
Cash receipts from operating activities	**312,893,324**	**291,852,484**
Cash receipts from sales of products and services	309,812,943	289,600,199
Other cash receipts from operating activities	3,080,381	2,252,285
Cash disbursements from operating activities	**–298,110,908**	**–279,320,025**
Cash disbursements from purchases of material and services	–248,986,072	–230,491,980
Cash disbursements from salaries and employees' participation in profit	–31,388,952	–30,951,473
Cash disbursements for charges of all kinds	–15,384,789	–15,590,500
Other cash disbursements from operating activities	–2,351,095	–2,286,072
Positive cash flow from operating activities	**14,782,416**	**12,532,459**

Cash flows from investing activities

Note 39

Table 193: Cash flows from investing activities

in EUR	I–XII 2018	I–XII 2017
Cash receipts from investing activities	**118,407**	**175,830**
Interest received and shares in profit received, relating to investment activities	689	797
Cash receipts from received participation in profit of others relating to investment activities	0	64,792
Cash receipts from disposal of property, plant and equipment	117,718	110,241
Cash disbursements from investing activities	**–16,209,486**	**–11,295,848**
Cash disbursements from acquisition of intangible assets	–3,837,114	–2,286,626
Cash disbursements from acquisition of property, plant and equipment	–12,372,372	–9,009,222
Negative cash flow from investing activities	**–16,091,079**	**–11,120,018**

Cash flows from financing activities

Note 40

Table 194: Cash flows from financing activities

in EUR	I–XII 2018	I–XII 2017
Cash receipts from financing activities	**11,000,000**	**9,000,000**
Cash receipts from increase in non-current financial liabilities	11,000,000	9,000,000
Cash disbursements from financing activities	**–12,288,659**	**–13,192,251**
Cash disbursements from interest paid on financing	–359,550	–407,469
Cash repayments of equity	–208,762	–3,716
Cash disbursements from repayment of non-current financial liabilities	–7,376,190	–8,757,143
Cash disbursements from repayment of current financial liabilities	0	0
Cash disbursements from dividends and other participation in profit	–4,344,157	–4,023,923
Negative cash flow from financing activities	**–1,288,659**	**–4,192,251**

Net cash flow

Note 41

Net cash flow in the Group for the period is negative and amounts to EUR -2,597,322.

Table 195: Net cash flow

in EUR	I–XII 2018	I–XII 2017
Closing balance of cash	**11,129,065**	**13,726,387**
Net cash flow for the period	–2,597,322	–2,779,810
Opening balance of cash	**13,726,387**	**16,506,197**

10 FINANCIAL RISKS

Financial risks are potential events, which may have an (un)favourable effect on achieving strategic and annual financing goals of the company or the Group, and include:

- Credit risk in terms of losses (benefits) due to (non)settlement of receivables from a debtor to each company in the Group.
- Market risk in terms of losses (benefits) due to changes in prices of goods, currencies or financial instruments, or changes in interest rates.
- Liquidity risk in terms of losses (benefits) due to current (in)solvency.
- Capital risk in terms of the risk that a company of the Group does (not) always have at disposal sufficient long-term funding sources regarding the amount and type of business it performs, and risks, which it faces in operation.

Risk management and respective management and control procedures have been explained in the Risk Management chapter hereunder.

10.1 Credit risk

In 2018, the Group actively monitored the status of accounts receivables and appropriately implemented the proper recovery procedures.

Exposure to credit risk is actively managed by the Group by continuous monitoring and financial insurance of open receivables, active recovery of due and unpaid receivables and charged penalty interest for untimely payment.

Table 196: Breakdown of current trade receivables upon maturity

in EUR	31 Dec 2018	Structure in %	31 Dec 2017	Structure in %
Receivables not due	40,839,702	93.3	35,819,226	90.6
Past due up to 30 days	2,532,665	5.8	2,901,288	7.3
Past due up to 31–60 days	224,987	0.5	375,780	0.9
Past due up to 61–90 days	12,615	0.0	147,872	0.4
Past due over 90 days	168,104	0.4	312,950	0.8
Total	**43,778,072**	**100.0**	**39,557,116**	**100.0**

As at the reporting date, current trade receivables are most exposed to credit risk and increased by EUR 4,220,956 or 11% in comparison to the previous year. The reason for the increase in receivables is mainly higher sale of electricity, which leads to higher outstanding claims.

Value adjustment of receivables for the Group was formed in the amount of EUR 1,158,545, whereby the adjustment value due to coordination equals EUR 489,045. The total adjustment of the Group as at 31 December 2018 is EUR 782,566 or 9% lower than in 2017.

Table 197: Changes in value adjustments of receivables in 2018

in EUR	As at 1 Jan 2018	Decrease	Increase	As at 31 Dec 2018
Value adjustments of current operating receivables				
- Decrease in value adjustments due to payments		480,385		
- Decrease of value adjustments due to write-offs		1,006,057		
Coordination with IFRS 9		458,387	489,045	
Total	**8,437,289**	**1,944,829**	**1,158,545**	**7,651,005**

Table 198: Changes in value adjustments of receivables in 2017

in EUR	As at 1 Jan 2017	Decrease	Increase	As at 31 Dec 2017
Value adjustments of current operating receivables				
- Decrease in value adjustments due to payments		530,627		
- Decrease of value adjustments due to write-offs		950,798		
Total	**9,105,744**	**1,481,425**	**812,970**	**8,437,289**

As assessed, credit risk has a medium impact on operations. The probability of occurrence of an (un)wanted event is between 25% and 50%. The probability of impact in income or expenses of the Group ranges between EUR 10,000 and EUR 100,000.

10.2 Market risk

Carrying amount of long-term debts equals their fair value. Long-term debts of the Group are not exposed to special foreign-exchange risks and credit risks. Exposure of interest risk represents only a possible unfavourable movement of reference interest rate EURIBOR. Changes in the interest rate in the Group is not specifically secured by financial instruments. Exposure to the interest risk of the Group is namely assessed as low, because only 10.4% of assets are financed by bank loans.

As assessed, market risk has a low impact on operations. The probability of the occurrence of an (un)wanted event is less than 25%. The probability of the impact on income or expenses of the Group is up to EUR 10,000.

Cash flow sensitivity analysis is based on the sensitivity of change of interest rate for borrowings. Considering the volume of borrowings as at 31 December 2018 and assuming that all other variables remain unchanged, the change in interest rate by 0.1% would suggest higher expenses by EUR 1,835, the change in interest rate by 0.2% would suggest higher expenses by EUR 3,671, and the change in interest rate by 0.3% would suggest higher expenses by EUR 5,506.

10.3 Liquidity risk

Liquidity risk assumes the lack of coordination of maturity of assets and payments of liabilities, which may result in payment insolvency of the Group, and is reflected in the fact that in the given moment the Group is not capable of settling their liabilities. Exposure to liquidity risk is managed by the Group by weekly planning and monitoring of realised inflows and outflows and timely approach to expected borrowing.

To finance investments, the Group timely approaches to obtaining opinions and required consents to borrow from line ministries and the company SODO d.o.o.

Table 199: Maturity of liabilities as at 31 December 2018

in EUR	Carrying amount as at 31 December 2018	Maturity		
		Up to 1 year	From 1 to 5 years	Over 5 years
Loans for financing investments	43,285,231	8,519,941	22,888,020	11,877,270
Non-current operating liabilities	246,445		246,445	
Current operating liabilities	32,237,136			

Liquidity risk is managed by monitoring key indicators of the horizontal financial structure.

Table 200: Key indicators of liquidity risk

	31 Dec 2018	31 Dec 2017
KEY INDICATORS OF HORIZONTAL FINANCIAL STRUCTURE		
Fast coefficient (coefficient of direct coverage of current liabilities) = liquid assets/current liabilities	0.27	0.34
Accelerated coefficient (coefficient of accelerated coverage of current liabilities) = liquid assets + amounts receivable/current liabilities	1.41	1.38
Short-term coefficient (coefficient of short-term coverage of current liabilities) = current assets/current liabilities	1.46	1.42

As assessed, liquidity risk has a low impact on operations. The probability of the occurrence of an (un)wanted event is less than 25%. The probability of the impact on income or expenses of the Group is up to EUR 10,000.

10.4 Capital risk

The main purpose of capital management is to ensure capital adequacy, financial stability, long-term payment solvency and the lowest possible value for shareholders.

Table 201: Key capital risk indicators

	31 Dec 2018	31 Dec 2017
KEY FINANCIAL INDICATORS		
Share of equity financing in % = equity/liabilities	72.15	72.01
Share of long-term financing in % = equity + long-term liabilities + provisions + long-term accruals and deferred income/liabilities	89.43	89.06
KEY INDICATORS OF HORIZONTAL FINANCIAL STRUCTURE		
Coefficient of capital coverage of fixed assets = equity/fixed assets	0.84	0.84
KEY PROFITABILITY INDICATORS		
Return on equity in % = net profit or loss/average equity (no net profit or loss for the accounting period)	5.47	4.33

Creditors demand that the values of financial commitments set forth in loan contracts are met, particularly because the failure to do so would result in early maturity of loans. As at 31 December 2018, the Group fulfilled all contractual provisions with regard to the creditors.

In its operations, the Group observed the expected goals and economic and financial indicators, which originate from the Annual plan of management of capital assets of the state and Recommendations and expectations of SDH. In 2018, the Group fulfilled the expectations of SDH and realised ROE in the amount of 5.47%.

As assessed, capital risk has a low impact on operations. The probability of the occurrence of an (un)wanted event is less than 25%. The probability of the impact on income or expenses of the Group is up to EUR 10,000.

V. Contact information

Elektro Maribor d.d.
Vetrinjska ulica 2
2000 Maribor

Phone: (02) 22 00 000
Toll-free numbers:
- 080 21 05 – 24-hour service for reporting failures and disturbances on the network
- 080 21 01 – General information

Fax: (02) 22 00 109

Website: http://www.eletro-maribor.si
E-mail: info@elektro-maribor.si

Regional units

Maribor Regional Unit
Vodovodna ulica 2, 2000 Maribor, Phone: (02) 22 00 300, Fax: (02) 22 00 336

Slovenska Bistrica Regional Unit
Kolodvorska ulica 21a, 2310 Slovenska Bistrica, Phone: (02) 22 00 500, Fax: (02) 81 81 246

Gornja Radgona Regional Unit
Lackova ulica 4, 9250 Gornja Radgona, Phone: (02) 22 00 800, Fax: (02) 22 00 808

Murska Sobota Regional Unit
Lendavska ulica 31a, 9000 Murska Sobota, Phone: (02) 22 00 700, Fax: (02) 52 31 443

Ptuj Regional Unit
Ormoška cesta 26a, 2250 Ptuj, Phone: (02) 22 00 600, Fax: (02) 77 60 901

Service units

Ljutomer Service Unit
Ulica Rada Pušenjaka 5, 9240 Ljutomer, Phone: (02) 22 00 850, Fax: (02) 58 21 492

Maribor Service Unit
Veselova ulica 6, 2000 Maribor, Phone: (02) 22 00 451, Fax: (02) 42 01 369

Energija plus d.o.o.
Vetrinjska ulica 2
2000 Maribor

Toll-free number:
080 21 15 – General information

Website: http://www.energijaplus.si
E-mail: info@energijaplus.si

OVEN Elektro Maribor d.o.o.
Vetrinjska ulica 2
2000 Maribor

Phone: (02) 22 00 782
Fax: (02) 22 00 781
Website: http://www.oven-em.si
E-mail: info@oven-emb.si

LIST OF ABBREVIATIONS

AC	Motorway
AČR	Accrued revenues and deferred costs
AMI	Advanced Metering Infrastructure
BDP	Gross domestic product
CAPEX	Capital Expenditure
CIM	Common Information Model
CR	Street lighting
DDV	Value added tax
DEEO	Electricity distribution network
DKS	Remotely controlled switch
DMS	Distribution Management System
DPN	Live-line working
DV	Electric line
EAM	Enterprise Asset Management
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EDP	Electricity distribution networks
EEN	Electric device
EFQM	European Foundation for Quality Management
EHP	Power cable with polyethylene insulation, with semi-conductive layer around insulation and external polyvinylchloride layer
EIB	European Investment Bank
EMAG	Designation for Elektro Maribor d.d. shares
ERP	Enterprise Resource Planning
EURIBOR	Euro Interbank Offered Rate
EZ-1	Energy Act
GIS	Geographical information system
GIZ	Economic Interest Grouping
GRI	Global Resource Planning
GWh	Gigawatt hours
HE	Hydroelectric power plant
IEC	International Electrotechnical Commission
IIS	Integrated information system
IKT	Information communication technology
ISO	International Organization for Standardization
KBV	Cable conduit
KDD	Centralna klirinško depotna družba d.d. (clearing company)
kV	Kilovolt
LPN	Annual business plan
MDMS	Meter Data Management System
MFE	Small photo-voltaic power plant
MHE	Small hydroelectric power plant
MMP	International border crossing
MOW	Commercial name for the information solution of Erpo sistemi d.o.o.
MRS	International accounting standards

MSE	Small solar power plant
MSRP	International Financial Reporting Standards
MVA	Mega Volt Ampere
MW	Mega Watt
MWh	Megawatt hours
NEDO	New Energy and Industrial Technology Development Organization
NMS	Network Management System
NN	Low voltage
NNO	Low voltage network
NS	Supervisory Board
OE	Regional unit
OHSAS	Occupational Health and Safety Advisory Services
OPEX	Operating expense
OPMSRP	IFRS Interpretations Committee
OVE	Renewable source of energy
PČR	Accrued costs and deferred revenue
PKP	Corporate collective agreement
PLC	Power Line Carrier
PRSPO	Business Excellence Award of the Republic of Slovenia
PSR	Professional accounting rules
REDOS	Development of Slovenian electric power distribution network (project)
RK	Audit Committee
ROA	Return On Assets
ROE	Return On Equity
RP	Switching station/substation
RS	Republic of Slovenia
RTP	Switching transformer station
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SDH	Slovenian Sovereign Holding
SE	Service unit
SE	Solar power plant
SHE	Medium-sized solar power plant
SIST	Slovenian Institute for Standardization
SN	Medium voltage
SODO	Slovenian distribution network system operator
SPTE	Heat and Power Cogeneration
SRS	Slovenian accounting standards
STPE	Heat and Power Cogeneration
TP	Transformer station
TR	Transformer
TRR	Transaction account
TTP	Load centre substation
TWh	Terawatt hours
UMAR	Institute of the Republic of Slovenia for Macroeconomic Analyses and Development
VN	High voltage

VOR	Maintenance operating reserve
VZD	Occupational safety and health
XHP	Power cable with cross-linked polyethylene insulation, with semi-conductive layer around insulation and external polyvinylchloride layer
ZGD-1	Companies Act
ZJN3	Public procurement Act

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