ELEKTRO MARIBOR

Annual Report 2019

ELEKTRO MARIBOR

Annual Report of the company Elektro Maribor d. d. and the Elektro Maribor Group 2019

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[1] GRI 102-55

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I. Introduction

1 LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD[2]

Dear stakeholders!

Business operation in 2019 was marked by demanding business circumstances. The expectations of our users are reasonably increasing, while at the same time, the funds for the provision of public utility services of electricity distribution are being reduced due to the amended network act. The biggest impact on the company's business operations in 2019, compared to the previous year, has thus had the new Network Charges Act, which entered into force in 2018, and based on which, the company generated lower regulated revenue from the lower recognized return on assets due to the disputable state of the WACC calculation.

Compared to 2018, the regulator with the new regulatory framework reduced the return on the regulatory asset base from 7.14% for new electricity infrastructure, and 4.13% for existing infrastructure, and other assets to 5.26%, for all assets. Such approaches of the regulator, however, represent not only a deviation from its past practice, but also the practice of most European countries. The reduction in the rate of return may have a significant impact on the company's investment ability in the future, and this precisely at a time when, due to the needs of our users and the transition to a low carbon company, it is necessary to increase investments in electricity distribution networks.

In 2019, we performed very well. Despite lower regulated revenue of EUR 2.5 million, we achieved a net profit of EUR 14.3 million by high engagement, which is only EUR 0.7 million less than in 2018. As a result, the operating result (EBIT) is also lower, since such magnitudes of regulated revenue shortfalls, despite optimization and cost rationalization, could not be fully compensated. In 2019, we are complying with all expectations of the Annual equity investment management plan for 2019, except for the criteria relating to the technical indicators of the quality of supply of SAIDI and SAIFI, which depend primarily on weather conditions.

In 2019, the quality of supply of electricity users in the area that we supply with electricity and measure with SAIDI and SAIFI parameters worsened, but the quality of supply measured with MAIFI parameters has improved. The extent and frequency of extreme weather conditions adversely affect the quality of supply indicators, and as a result, the company is sanctioned in regulated eligible costs. In 2019, 27 days of extreme weather conditions were recorded in the supply area of Elektro Maribor, which is at the level of the previous two years and significantly more than before 2017.

We are proud that, in recent years, we have been creating an intensive investment cycle, considering the needs of the population and the economy. In 2019, we made record investments worth EUR 32.3 million, which is the highest in the company's history. We are systematically increasing the robustness of medium- and low-voltage networks, also by laying underground low- and medium-voltage lines and isolating overhead low- and medium-voltage lines. In cabled design, we have 51.8% of medium- and low-voltage networks are available, 19.7% in overhead insulated design, and 28.5% in overhead uninsulated design. Since we have systematically developed our own production potential in recent years, more than half of our investments in assets have been realized with our own resources. At the end of 2019, the advanced metering system already included 189,925 metering points, which represents 86.4% of all users of the Elektro Maribor's distribution area.

The year 2019 was also marked by significant movements in the network. The volume of distribution system users is increasing all the time. At the end of 2019, we had 219,905 users, which is the most so far. The maximum peak load achieved was 425 MW. The average monthly billing power reached 2,027 MW, which is 7 MW more than in the same period of 2018, and the connection load increased by 38 MW. In 2019, both reached the highest values so far. This also applies to production sources. We distributed 2,279 GWh of electricity to users at 218,559 meter points. The total electricity distributed is slightly lower than in the previous year, and is the second highest ever.

In 2019, there was a sharp increase in the number of issued documents in the process of connecting users to the electricity distribution system and other documents that we, as the owner of the electricity distribution system, must issue in accordance with the legislation. In particular, the number of applications for issuing consent for connecting installations for self-supply and, consequently also of connection contracts and analyses

[2] GRI 102-14

for integration of production sources into the network, has increased. The company's supply area has the highest density of grid-integrated renewable energy sources in the country. At the end of 2019, 2,874 were integrated into the network, which is 42% more than the year before and the most so far.

The year 2019 was also marked by the demanding introduction of new information systems for business support. With the purpose of using modern IT technologies for more efficient support of operations and management of strategic assets, digitalization of business processes and integration with other information systems in the company, we switched to new information systems for business support (ERP) and asset management (EAM) as at 1 January 2019.

We provided jobs for more than 755 employees. Working in the electricity distribution industry is very demanding, it is connected to many challenges and risks, and often takes place under difficult conditions. Our determination for realising the mission of the company, a safe, reliable and effective management and development of the electricity distribution system and the implementation of quality electricity service, is of key importance. Due to the high engagement of our employees, we have obtained numerous business deals in demanding competition in the market. Through hard work, we have generated market revenues of EUR 4 million.

We are aware of corporate social responsibility and the transparency of sustainable reporting. In the Annual Report, we also disclose non-financial operation based on most recent international guidelines for sustainability reporting GRI (Global Reporting Initiative). We have been calculating our carbon footprint for many years. In 2019, it reached 3,315 kg of CO_2/employee, which is 6.5% less than the year before.

For several years in a row, we have achieved the highest creditworthiness rating, so in 2019 we received the Platinum Creditworthiness Certificate. We have management systems in place according to the ISO 9001, ISO 14001, BS OHSAS 18001, ISO 17020, ISO 17025 and ISO 27001 standards that represent the guiding principle of our operations. 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.

Our Distribution Academy is intended for transferring and developing knowledge in the field of electricity distribution to employees, users and general professional public. Due to the corporate social responsibility of professional standards for development, we have organized a number of themed panel discussions on strategic development documents in the field of energy and formed a number of professionally substantiated proposals, many of which are incorporated in the NEPN, for example. In 2019, we joined the "Competence centre for HR development in the field of energy, KOC Energy" project in order to conduct professional education and training.

The time of preparation of this report coincides with the spread of a new coronavirus (SARS-CoV-2) and the increase in infections. As we write this report, we do not yet know how long the new coronavirus epidemic will last, nor what else it will demand from us. However, we are aware that it is our duty to do everything in our power and to take all necessary measures to protect the employees, and so maintain the sustainability of capacities, ensure the functioning of the distribution system for the uninterrupted supply of electricity to our users in any conditions, and care for the stability of the company's operations.

The company's mission is safe, reliable and efficient governance and maintenance, and development and long-term planning of the electricity distribution system and the provision of quality electricity services. We also understand our corporate social responsibility by practicing it in virtually any situation, as we have demonstrated in peace and in war, and which we are proving in normal and emergency conditions, even now.

We strive to act for the benefit of our users, employees, shareholders and the wider social community at all times. We are firmly determined to continue to act like that in the future.

President of the Management Board
Mag. Boris Sovič

2 HIGHLIGHTS OF OPERATIONS IN 2019 – ELEKTRO MARIBOR D. D.

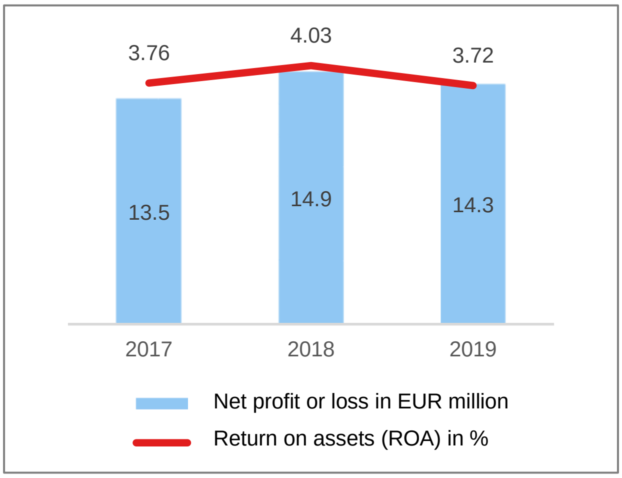


Figure 1: Net profit or loss and ROA

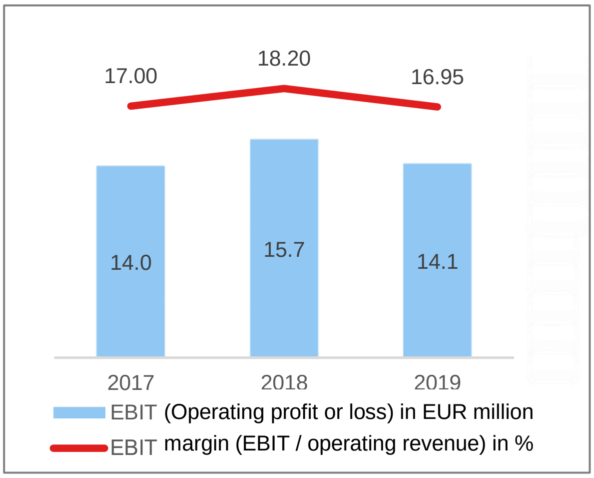


Figure 2: EBIT and EBIT margin

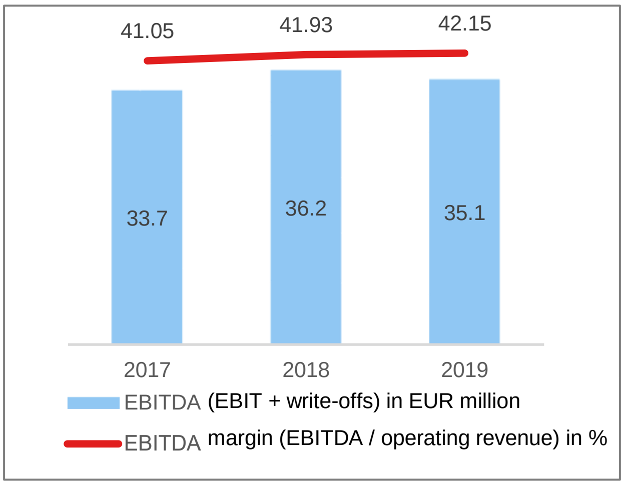


Figure 3: EBITDA and EBITDA margin

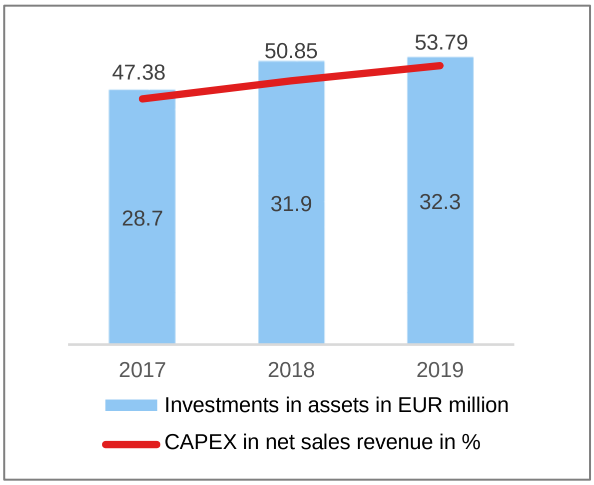


Figure 4: Investments in assets and net sales revenue

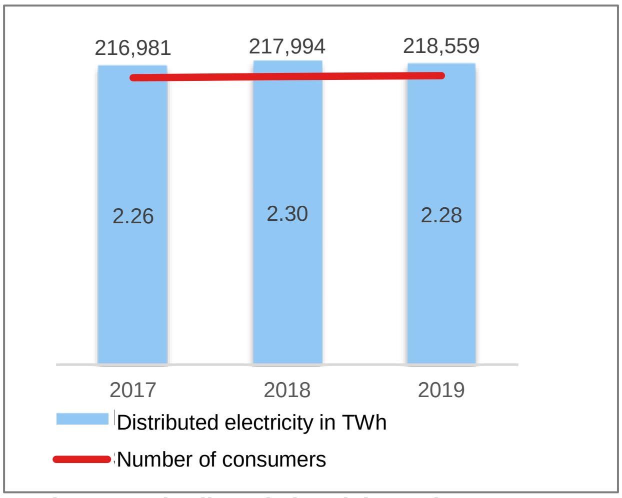


Figure 5: Distributed electricity and number of consumers

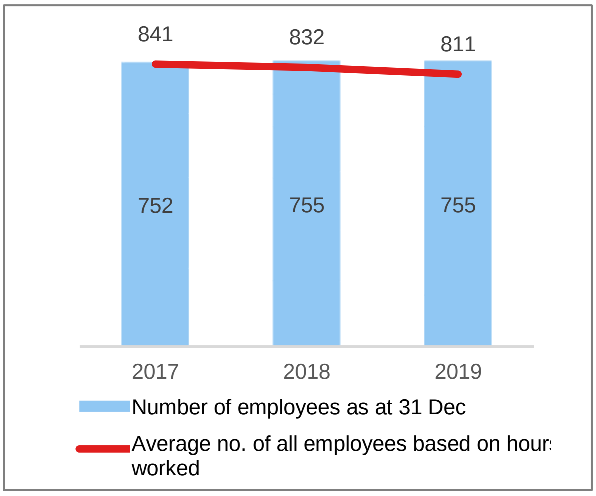


Figure 6: Number of employees

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

Financial indicators	2019	2018	2017	2016
Net profit or loss in EUR	14,274,681	14,947,893	13,477,945	12,786,019
Return on assets (ROA) in %*	3.72	4.03	3.76	3.66
Return on equity (ROE) in %	5.02	5.44	5.09	4.97
EBIT (Operating profit or loss) in EUR	14,105,310	15,730,306	13,950,635	13,004,950
EBIT margin (EBIT/operating revenue) in %	16.95	18.20	17.00	16.39
EBITDA (EBIT + write-offs) in EUR	35,071,784	36,245,714	33,679,093	32,220,715
***EBITDA margin (EBITDA/operating revenue) in %**	42.15	41.93	41.05	40.61
All revenue total in EUR	85,398,803	88,448,811	83,864,273	80,791,259
Operating revenue (gross operating profit) in EUR	83,201,815	86,448,363	82,050,843	79,345,897
Net sales revenue in EUR	60,049,868	62,690,799	60,476,292	57,941,225
Added value in EUR[3]	64,573,336	66,014,817	63,123,870	60,665,087
Added value per employee from hours worked in EUR*	79,608	79,381	75,055	73,702
All costs and expenses total in EUR	69,671,608	71,303,274	68,711,350	66,987,411
Operating costs and expenses in EUR	69,096,506	70,718,057	68,100,207	66,340,947
Assets as at 31 Dec in EUR	390,758,423	377,427,424	364,944,100	352,584,706
Equity as at 31 Dec in EUR	289,312,301	279,933,132	269,381,842	260,251,694
Share of own resources in liabilities in %	74.04	74.17	73.81	73.81
Financial liabilities/EBITDA	1.29	1.15	1.13	1.18
Net financial debt in EUR[4]	36,132,266	33,853,422	28,631,079	27,222,144
Net financial debt/EBITDA*	1.03	0.93	0.85	0.84
Shares	**2019**	**2018**	**2017**	**2016**
Number of all shares	33,345,302	33,495,324	33,495,324	33,495,324
Own shares	0	150,022	74,287	72,753
Number of shares	33,345,302	33,345,302	33,421,037	33,422,571
Employees	**2019**	**2018**	**2017**	**2016**
Number of employees as at 31 Dec	755	755	752	755
Average monthly number of employees as at	818.75	833.90	839.25	830.83
Average no. of all employees based on working hours[5]	811.14	831.62	841.04	823.11
Average no. of full-time employees based on working hours	728.65	730.58	737.66	742.47
Average salary cost per employee from hours worked	2,130	2,099	2,034	2,026
Principal activity indicators	**2019**	**2018**	**2017**	**2016**
Investments in assets in EUR	32,302,073	31,880,619	28,655,344	27,673,982
CAPEX[6]in net sales revenue in %*	53.79	50.85	47.38	47.76
Distributed electricity in MWh	2,279,153	2,297,616	2,264,791	2,208,308
Number of consumers connected to the distribution network	218,559	217,994	216,981	216,292
Distributed MWh per number of consumers	10.43	10.54	10.44	10.21
SAIDI (own causes)*	66.69	38.08	56.54	44.72
SAIFI (own causes)*	1.73	1.16	1.39	1.30
MAIFI*	6.50	9.70	15.67	10.12
Share of losses per distributed energy in %*	4.60	4.75	4.71	5.06
OPEX [7]per distributed energy (EUR/MWh)	30.32	30.78	30.07	30.04
OPEX regulated activities subject to distrib. energy (EUR/MWh)*	20.02	19.78	20.11	20.11
OPEX regulated activities per no. of consumers (EUR/consum.)	208.74	208.51	209.92	117.73
OPEX regulated activities per network length (EUR/km)	2,733.25	2,735.48	2,760.95	1,549.55

* SSH performance monitoring indicators from LNU 2019

[3]Added value = operating revenue – costs of goods, material and services – other operating expenses

[4]Net financial debt = non-curr. finan. liab. - current finan. liab. – short-term finan. investments – cash

[5]Number of hours worked / annual quota of all

[6] CAPEX = investments in assets

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

3 HIGHLIGHTS OF OPERATIONS IN 2019 – ELEKTRO MARIBOR GROUP

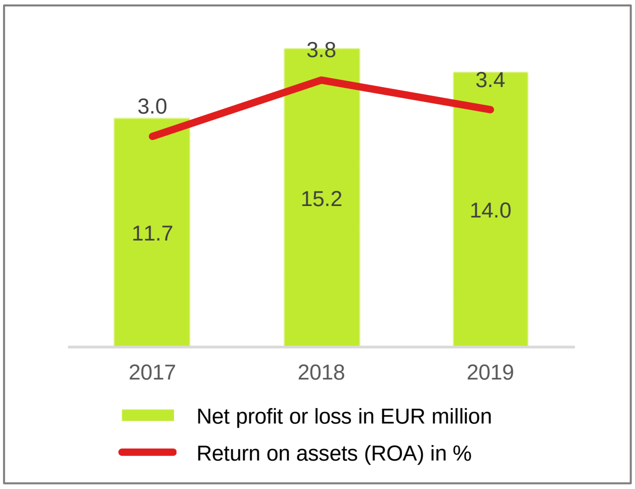


Figure 7: Net profit or loss and ROA

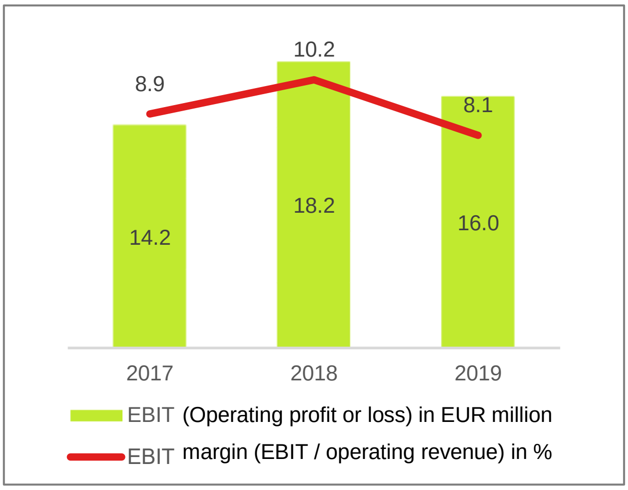


Figure 8: EBIT and EBIT margin

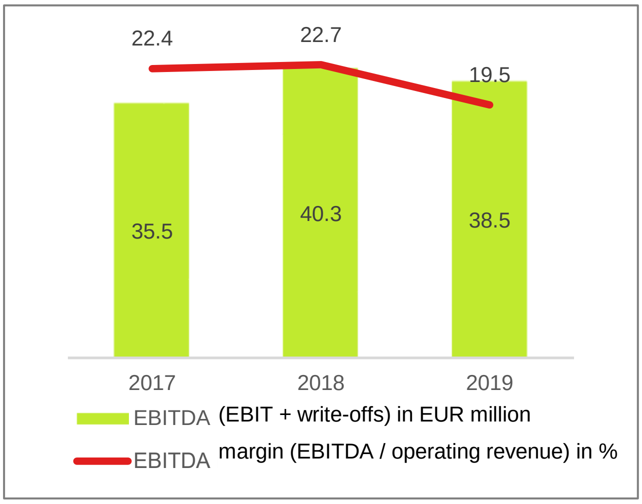


Figure 9: EBITDA and EBITDA margin

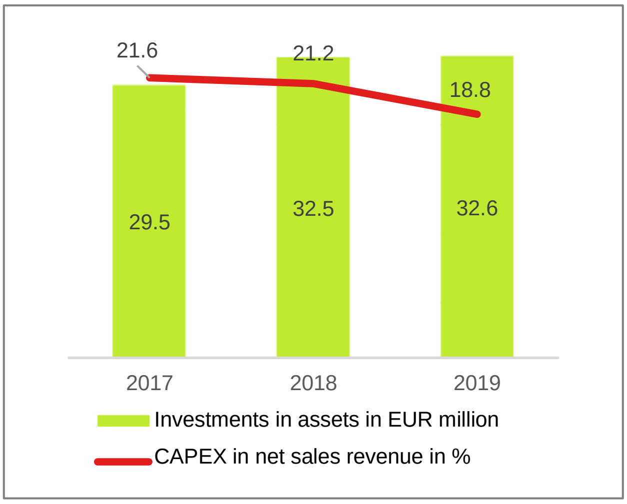


Figure 10: Investments in assets and net sales revenue

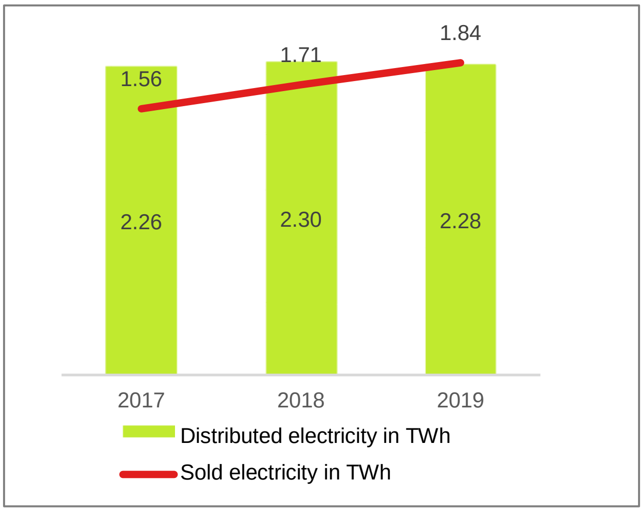


Figure 11: Electricity distributed and sold

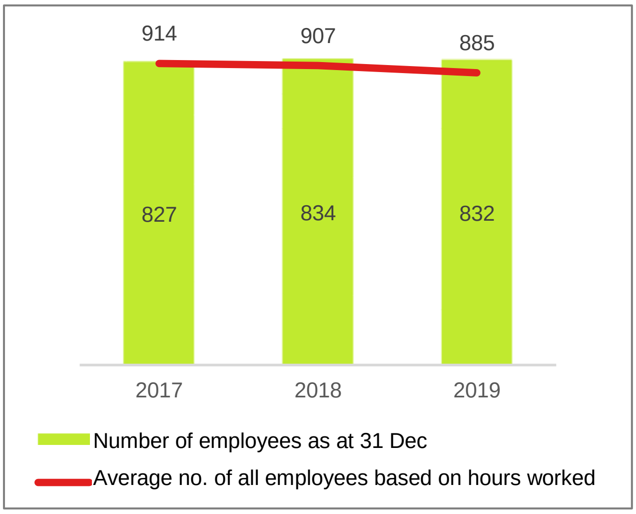


Figure 12: Number of employees

Table 2: Performance indicators of the Elektro Maribor Group

Financial indicators	2019	2018	2017	2016
Net profit or loss in EUR	14,021,539	15,218,892	11,672,058	15,092,354
Return on assets (ROA) in %	3.41	3.83	3.02	4.02
Return on equity (ROE) in %*	4.81	5.40	4.27	5.69
EBIT (Operating profit or loss) in EUR	15,979,388	18,195,262	14,164,584	16,846,974
EBIT margin (EBIT/operating revenue) in %	8.12	10.24	8.93	9.92
EBITDA (EBIT + write-offs) in EUR	38,476,639	40,262,755	35,469,870	38,012,489
EBITDA margin (EBITDA/operating revenue) in %	19.54	22.65	22.35	22.37
All revenue total in EUR	197,356,230	178,049,923	158,922,937	170,330,135
Operating revenue in EUR	196,888,514	177,757,849	158,677,462	169,895,716
Net sales revenue in EUR	173,307,896	153,363,632	136,344,167	147,986,222
Added value [8]in EUR	71,117,327	73,020,479	67,691,214	69,270,761
Added value per employee from hours worked in EUR	80,339	80,513	74,100	77,552
All costs and expenses total in EUR	181,530,335	160,242,353	145,439,543	153,737,913
Operating costs and expenses in EUR	180,909,126	159,562,587	144,512,878	153,048,742
Assets as at 31 Dec in EUR	419,418,011	404,016,449	390,499,179	381,664,254
Equity as at 31 Dec in EUR	296,215,772	287,170,547	276,873,788	269,533,189
Share of own resources in liabilities in %	70.63	71.08	70.90	70.62
Financial liabilities/EBITDA	1.18	1.04	1.08	1.00
Net financial debt [9]in EUR	34,037,232	30,710,080	24,488,595	21,479,091
Net financial debt/EBITDA	0.88	0.76	0.69	0.57
Shares	**2019**	**2018**	**2017**	**2016**
Number of all shares	33,345,302	33,495,324	33,495,324	33,495,324
Own shares	0	150,022	74,287	72,753
Number of shares	33,345,302	33,345,302	33,421,037	33,422,571
Employees	**2019**	**2018**	**2017**	**2016**
Number of employees as at 31 Dec	832	834	827	828
Average no. of employees based on working hours[10]	885.22	906.94	913.51	893.22
Activity	**2019**	**2018**	**2017**	**2016**
Investments in assets in EUR	32,617,115	32,502,969	29,501,563	28,568,713
CAPEX [11]in net sales revenue in %	18.82	21.19	21.64	19.30
Distributed electricity in GWh	2,279	2,298	2,265	2,208
Number of consumers connected to the distribution system	218,559	217,994	216,981	216,292
Sold electricity in GWh	1,836	1,707	1,565	1,801
Produced electricity in MWh	13,047	13,571	11,312	14.33

* SSH performance monitoring indicators from LNU 2019

[8]Added value = operating revenue – costs of goods, material and services – other operating expenses
[9]Net financial debt = non-curr. finan. liab. - current finan. liab. – short-term finan. investments – cash
[10]Number of hours worked / annual quota of all
[11] CAPEX = investments in assets

4 REPORT OF THE SUPERVISORY BOARD

Composition

In 2019, the Supervisory Board of Elektro Maribor d.d. operated in the following composition:

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

Memberships in other bodies

The member of the Supervisory Board, Mag. David Klarič, is a member of a management and a supervisory body of the unrelated companies, the Pension and Disability Insurance Institute of Slovenia and the Public Scholarship, Development, Disability and Maintenance Fund of the Republic of Slovenia, respectively. Member of the Supervisory Board, Jože Golobič, is a member of the supervisory body of the unrelated company UNIOR d. d., Zreče, and Chairman of the Council of the University Medical Centre Ljubljana. Member of the Supervisory Board, Alojz Kovše, is a member of the supervisory body of the unrelated company PLINOVODI, Družba za upravljanje s prenosnim sistemom, d. o. o. Other members of the Supervisory Board are not members of the management or supervisory bodies of related and unrelated companies.

Monitoring the company's business operations

In the financial year 2019, the Supervisory Board of Elektro Maribor d.d. performed its work following the basic function of supervising the management of the company's business operations and the duty of diligent and conscientious management based on the powers conferred on it by the applicable regulations and company acts. The Supervisory Board supervised the management and operations of Elektro Maribor d. d. based on the provisions of the Companies Act, the Articles of Association of the public limited company Elektro Maribor d. d. and the applicable legislation.

The work of the Supervisory Board was organized and conducted under the provisions of the Rules of procedure for the work of the Supervisory Board. The Supervisory Board prepared for the topics discussed, made constructive suggestions and, based on the materials prepared by the Management Board, responsibly reached decisions. The Management Board of the company was invited to all sessions of the Supervisory Board in 2019, which provided additional explanations to the Supervisory Board in addition to the submitted materials.

At eight regular and four correspondence sessions, the Supervisory Board discussed and adopted the following important resolutions:

- gave consent to the Annual Business Plan of the company and the Elektro Maribor Group for 2020, with a business projection for 2021 and 2022;
- approved the Annual Report of Elektro Maribor d.d. and the Elektro Maribor Group for 2018;
- gave its consent to the Management Board for withdrawing 150,022 shares acquired based on the resolution of the 21st Annual General Meeting of Elektro Maribor d.d. of 31 August 2016 and the resolution of the 23rd Annual General Meeting of Elektro Maribor d.d. of 28 June 2018, without further resolutions of the General Meeting on the reduction of share capital;
- harmonized the company's Articles of Association regarding the reduction of share capital, which was carried out due to the withdrawal of shares acquired based on the resolution of the 21st Annual General Meeting of Elektro Maribor d.d. of 31 August 2016 and the resolution of the 23rd Annual General Meeting of Elektro Maribor d. d. of 28 June 2018;
- appointed the President of the Management Board for a new 4-year term;

- gave consent to the Management Board to sign the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution system operator after receiving a positive opinion from the Energy Agency;
- on 19 April 2019, based on Article 40, indent 9 of the Articles of Association of the public limited company Elektro Maribor, gave a positive opinion to the Management Board for appointing a representative and appointing the director of OVEN Elektro Maribor d. o. o., and positive opinion on the proposal of the company's Management Board for appointing the director of Energija Plus d.o.o. ;
- took note of the strategy of financial investments in shares of Group companies;
- agreed that the company's Management Board commences with the activities of selling a business interest in a subsidiary;
- gave a positive opinion on the Independent Auditor's Report on the Financial Statements of Elektro Maribor d.d. and the Independent Auditor's Report on the Consolidated Financial Statements of Elektro Maribor for 2018;
- proposed to the General Meeting to adopt a resolution on granting discharge to the Management Board and Supervisory Board of the company for 2018, proposed to the General Meeting to appoint a certified audit company, gave its consent to the proposed allocation of distributable profit for 2018, and approved the material of the 24th Annual General Meeting of Elektro Maribor d. d.;
- performed self-assessment for 2018;
- took note of buying back own shares;
- took note of the Annual Asset Management Plan for 2019;
- took note of the Report on the work of the Audit Committee of the Supervisory Board of Elektro Maribor d.d., and agreed with it;
- gave its consent to the decision on awarding the public contract for performing audit services of the Elektro Maribor Group for the 2019 - 2021 period with accompanying statements of independence, and proposed the General Meeting of Elektro Maribor d.d. to appoint the selected company BDO Revizija d. o. o. as a certified audit firm for the 2019-2021 three-year period.
- gave consent to select a provider and sign a contract with the selected provider for the purpose of independent external quality assessment of internal audit in the Elektro Maribor Group;
- gave consent to the signing of the Contract for the provision of information services;
- gave consent to the Management Board to sign the Guarantee Line Agreement;
- gave consent to the company's Management Board for signing a long-term loan agreement;
- agreed with the Plan of Internal Audits in the Elektro Maribor Group for 2020 with a projection for 2021 and 2022;
- took note of the reports on relations with related companies of subsidiaries Energija plus d. o. o. and OVEN d. o. o.;
- took note of the information regarding the adoption of the Development plan of the electricity distribution system in the Republic of Slovenia from 2019 to 2028;
- took note of the report on the status of the 2 × 110 kV Murska Sobota – Mačkovci transmission line project;
- decided on rewarding the President of the Management Board with a variable part of the remuneration for business performance;
- took note of the Report on business operations of the company and the Elektro Maribor Group;
- took note on the report on the work of internal audit in 2018 in the Elektro Maribor Group;
- took note of the annual report of the Works' Council of Elektro Maribor d. d., and addressed it in accordance with Article 80 of the ZSDU;
- took note of the Report of the risk management coordinator in the company/ EM group for 2018;
- took note of the Report of the corporate integrity and fraud risk management officer in Elektro Maribor d.d. for 2018;
- took note of the debt situation for using the network;
- took note of the course of public procurement;
- adopted amendments to the Rules of procedure for the work of the Supervisory Board of Elektro Maribor d. d.;
- adopted the Ruled on the work of the Audit Committee of the Supervisory Board of Elektro Maribor d. d.;
- took note of the course of self-assessment according to the EFQM model for 2018;

- took note of the information on a uniform Security Operations Centre (VOC) in the field of information security;
- took note of the information on the course of adopting the NEPN;
- and others.

Attendance at sessions

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

	Regular session	Correspondence session
Tomaž Orešič	49, 50, 51, 52, 53, 54, 55, 56	33, 34, 35, 36
David Klarič	49, 50, 51, 52, 53, 54, 55, 56	33, 34, 35, 36
Alojz Kovše	49, 50, 51, 52, 53, 54, 55, 56	33, 34, 35, 36
Jože Golobič	49, 50, 51, 52, 53, 54, 55, 56	33, 34, 35, 36
Dušan Kovačič	49, 50, 51, 52, 53, 54, 55, 56	33, 34, 35, 36
Nenad Kajtezovič	49, 50, 51, 52, 53, 54, 55, 56	33, 34, 35, 36

Operating costs of the Supervisory Board

Costs of the Supervisory Board and its committees in 2019, in EUR	127,179
Supervisory Board's attendance fees – gross	17,812
Remuneration for performing the function of the Supervisory Board	87,628
Audit Committee's attendance fees – gross	9,039
Remuneration for performing the function of the Audit Committee	11,375
Education	1,105
Attorney's fees	60
Membership fees	160

Work of the Supervisory Board's committees

The Supervisory Board has set up a three-member Audit Committee of the Supervisory Board, which held eleven regular sessions in 2019.

	Regular session
Alojz Kovše	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11
David Klarič	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11
Ivana Kuhar	2, 3, 5, 6, 7, 8, 9, 10, 11

At its 48th regular session held on 14 December 2018, the Supervisory Board of Elektro Maribor d.d. appointed Mag. Alojz Kovše as Chairman, and Mag. David Klarič as a member of the Audit Committee of Elektro Maribor d.d. In 2014, Ivana Kuhar had been appointed from the ranks of independent experts trained in accounting and auditing.

The Audit Committee of the Supervisory Board of Elektro Maribor d.d. held 11 regular sessions in 2019, in the context of which it adopted 98 resolutions.

Based on the Recommendations for Audit Committees by the Slovenian Directors' Association (item 4.3.2.), the Audit Committee sessions were planned in such a way that there was sufficient time between the session of the Audit Committee and the session of the Supervisory Board to resolve all issues discussed at the Audit

Committee session and have required additional monitoring of corrections, that this could be reported to the Supervisory Board of Elektro Maribor d. d.

The Audit Committee of the Supervisory Board discussed the following important issues at its sessions:

- **Financial reporting**

  Review of annual and interim financial statements and business reports of the Elektro Maribor d. d. company/Group in 2019; review of accounting policies of the Elektro Maribor d.d. company/Group and all their amendments made in 2019, review of the Elektro Maribor d.d. company/Group planning, strategies, policies, annual business plans, accounting and/or business treatment of significant transactions in 2019, review of all internal accounting and business reports and information.

- **Internal controls and risk management**

  During the period considered, the Audit Committee of Elektro Maribor d.d. monitored the internal control system and the risk management and risk control system by reviewing or taking note of the procedures of Elektro Maribor d. d. for fraud detection, risk management systems in Elektro Maribor d. d. reports of the risk management coordinator in Elektro Maribor d.d. company/Group, internal and external audit reports and adopted resolutions to improve the system of internal controls and risk management.

- **Internal audit**

  Internal audit in the company Elektro Maribor d. d. has been operating as an independent function since 2013, in the Elektro Maribor Group since 2014. The Audit Committee monitored the effectiveness of the internal audit work in the Elektro Maribor d.d. company/Group by reviewing the annual work plan of the internal audit 2020, which is based on the areas that pose the greatest risk and financial impact on business operations, and submitted it for approval or consensus to the Supervisory Board of Elektro Maribor d.d. The Audit Committee of Elektro Maribor d.d. met with the Head of Internal Audit, without the presence of the Management Board, at each Audit Committee session, and regularly adopted and discussed all final internal audit reports issued, quarterly reports on the work of internal audit and reports on the implementation of internal audit recommendations, and examined the adequacy and timeliness of responding to them. It also took note of the programme for improving the quality of internal audit for 2019, and the self-assessment of internal audit for 2018. The Audit Committee of the Supervisory Board of Elektro Maribor d.d. took note of the assessment of the external assessment of internal audit quality.

- **External audit**

  The Audit Committee met with the external auditor after the audit performed for 2018, and has together with the external auditor reviewed the findings of their work, including any significant irregularities that occurred during the audit and were rectified during the audit; reviewed and monitored the content and recommendations written in the letters to the management for the financial years 2017 and 2018; approved the call for tender and the criteria, and monitored the procedure for selecting an external auditor for the period put up for tender for auditing the financial statements of the Elektro Maribor d. d. company/Group from 2019 to 2021, at the General Meeting it proposed an external auditor for appointment to the Supervisory Board for the selected period, from 2019 to 2021; reviewed the draft contracts on auditing the financial statements for an individual year and submitted them to the Chairman of the Supervisory Board of Elektro Maribor d.d. for signing; met with the external auditor before starting the audit, and reviewed and discussed the proposed audit plan; met with the external auditor after the pre-audit performed for 2019.

  The Audit Committee of the Supervisory Board conducted a self-assessment of the work of the Audit Committee of the Supervisory Board for 2019.

Expectations of the Slovenian Sovereign Holding

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

The Chairman of the Supervisory Board regularly attended the reporting of the company’s Management Board and Supervisory Board to the Slovenian Sovereign Holding.

The Supervisory Board and the Audit Committee have conducted a self-assessment for 2019.

Assessment of own operations

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

The Supervisory Board notes that the reports and information were prepared and produced in a timely and quality manner so that the Supervisory Board was able to perform its work without interruption, in accordance with the company's Articles of Association and applicable law.

Auditing the annual report

Auditing the annual report of Elektro Maribor d. d. for 2019 was performed by the audit firm BDO Revizija d. o. o., which on 22 April 2020 issued a concurring opinion to the annual report of the company Elektro Maribor d. d.

Proposed allocation of distributable profit

The Supervisory Board agreed with the proposal for the allocation of net profit for the financial year 2019 and distributable profit for 2019, proposed by the Management Board. The proposal will be forwarded to the General Meeting of Shareholders.

Review and approval of the annual report and consolidated annual report of the company, and its position on the audit report with resolutions proposed for the financial year 2019

The Management Board submitted the audited annual report together with the auditor's report to the Supervisory Board within the statutory deadline. The Supervisory Board discussed the audited annual report of the company for 2019 along with the report of the audit firm BDO Revizija d. o. o.

Following the provisions of Articles 270 and 294 of ZGD-1, the Supervisory Board ensured that the total remuneration of the Management Board was in appropriate proportion to the tasks of the Management Board and the company's financial position, and following the policy of such remuneration, and also noted that the remuneration of members of management and supervisory bodies is adequately disclosed in the annual report.

The Supervisory Board determined that the content of the audited annual report and the consolidated annual report of the company realistically presents the company's operations in 2019. The Supervisory Board also took note of the opinion of the certified audit firm BDO Revizija d. o. o. according to which the financial statements of the company are a fair presentation of company’s financial position, and adopted the following resolutions:

- The Supervisory Board has determined that the audited annual report has been prepared following the provisions of the Companies Act and accounting standards.
- The Supervisory Board considers that the audited annual report and the data contained therein are a credible reflection of the company's operations in the previous financial year.
- The Supervisory Board gives a positive opinion on the audit report of the company's financial statements and consolidated financial statements for 2019, as it finds that it has been prepared in accordance with the law and produced based on a diligent and comprehensive review of the company's annual report and operations.
- After the final review of the Annual Report of Elektro Maribor d. d. and the Elektro Maribor Group for 2019, the Supervisory Board had no comments and approved the audited Annual Report of Elektro Maribor d.d. and the Elektro Maribor Group for 2019, at the session held on 20 May 2020;
- The Supervisory Board proposes to the company’s General Meeting to:
  - adopt the resolution on granting discharge to the Management Board – President of the Management Board, Mag. Boris Sovič, for 2019; The Supervisory Board estimates that the Management Board managed the successfully, diligently and in compliance with the regulations and company acts.
  - adopts a resolution on granting discharge to the company's Supervisory Board for 2019, as it estimates that the company operated in accordance with the set objectives and the plan for 2019.

- The Supervisory Board adopts the Report of the Supervisory Board on the review of the Annual Report and the consolidated annual report of the company for 2019.
- The Supervisory Board took note of the proposal to convene the General Meeting of the company and the proposed resolutions and fully agrees with the agenda and the proposed resolutions.

Review of the report on relations with related companies for the financial year 2019 (Article 546a of the ZGD-1)

At its fourth regular session in 2020, the Supervisory Board discussed and reviewed the Report on relations with related companies for 2019, in accordance with Article 545 of the ZGD-1. The Supervisory Board found that the content of the Report is in accordance with the Companies Act. The report contains legal transactions with the related company, as well as all fulfilments and all necessary information regarding performed legal transactions.

Based on the report on relations with related companies for the previous financial year, the Supervisory Board examined all the necessary circumstances and reasons for concluding legal transactions and established that there were no disadvantages between the companies.

The Supervisory Board adopted a written Report of the Supervisory Board on reviewing the report on relations with related companies, which is communicated to the General Meeting of the Company.

In Maribor, on 20 May 2020

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 2019 to 31 December 2019.

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

In 2019, the company used the Corporate Governance Code for State-Owned Enterprises adopted by the Slovenian Sovereign Holding on 17 May 2017, as the reference Corporate Governance Code.12 In 2019, it deviated from the following recommendations:

- Principle 6.13.2: In 2019, eleven regular sessions of the Audit Committee of the Supervisory Board of Elektro Maribor d. d. were conducted due to the needs and anticipated procedures.

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. 13 In 2019, it deviated from the following recommendations:

- Principle 4.6.4: In accordance with 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 6.5: In accordance 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, which were adopted in March 2018.[14] In 2019, it deviated from the following recommendations:

- 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

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

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

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

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 7 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 2019, 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[15] 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[16], 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;
- 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:

[15] 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.

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

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 2019, the Republic of Slovenia held 26,628,994 shares or 79.86%.

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 terms of own shares. As at 31 December 2019, the company Elektro Maribor d. d. had no own shares, due to the withdrawal of 150,022 own shares in 2019.

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:

In 2019, the General Meeting of Elektro Maribor d. d. had not authorised the company’s Management Board for purchasing own shares.

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

Integrity is essential to carry out 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, he or she was guaranteed independence in the performance of his or her duties.

VII. Diversity 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.

The Management Board and the Supervisory Board promote diversity for 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.

Maribor, on 20 April 2020

President of the Management Board	Chairman of the Supervisory Board
Mag. Boris Sovič	Tomaž Orešič

2 HIGHLIGHTS IN 2019

The new Network Charges Act

As at 1 January 2019, with the new Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system, Official Gazette, No. 46/2018 and Official Gazette, No. 47/2018 (hereinafter referred to as the Network Charges Act), the new regulatory framework applicable to the 2019–2021 period, entered into force. The impact of the new act will reflect on the company's operations, primarily through lower regulated revenues from rent and provision of services for SODO, and, consequently, lower operating results compared to the previous year.

According to the estimates of all EDPs, the adopted Network Charges Act has a significant impact on the activity and development of the public electricity distribution service. Under the auspices of the GIZ electricity distribution, we took part in preparing expert arguments for supplementing the new Network Charges Act, which, for the most part, were not taken into account by the regulator.

In November 2019, all EDPs filed a Petition to initiate the procedure for the review of constitutionality and a Motion for temporary suspension, and a Motion for priority consideration of the constitutional petition, before the Constitutional Court of the Republic of Slovenia, namely to review the constitutionality of the provisions of Article 18, paragraph 2, item 9, Article 18, paragraph 2, item 3 and Article 37, paragraph 2, and Chapter II of Annex 1 of the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system, Official Gazette, No. 46/2018), and proposed that the Constitutional Court of the Republic of Slovenia takes the constitutional petition into consideration and to set aside or annul the contested provisions of the Act in full.

New information systems for business support

1. As at 1 January 2019, the company Elektro Maribor d. d. transitioned to new information systems for business support (ERP) and asset management (EAM), the implementation of which has already commenced in 2018. The objectives of renewing the information system are, the use of modern IT technologies for more efficient business support and management of strategic assets, digitalization of business processes and integration with other information systems in the company.

Reduction of share capital

On 4 June 2019, the share capital of Elektro Maribor d. d. in the registered value of EUR 139,773,510.27 was decreased by EUR 626,030.71, by withdrawing 150,022 of company's own ordinary registered no-par value shares. After the reduction, the company's share capital amounts to EUR 139,147,479.56, and is divided into 33,345,302 ordinary registered no-par value shares.

Mag. Boris Sovič was granted a new term of office as the President of the Management Board of Elektro Maribor

The Supervisory Board of Elektro Maribor d. d., in accordance with Articles of Association, at its 54th regular session held on 6 September 2019, adopted the resolution on appointing the President of the Management Board. Based on current work results and plans for the future, Mag. Boris Sovič has been granted a new 4-year term of office as the President of the Management Board of Elektro Maribor d. d., starting as at 14 March 2020.

Platinum Creditworthiness Rating Excellence

The company Elektro Maribor d. d. received the Platinum Creditworthiness Rating Excellence. The Platinum Creditworthiness Rating Excellence is awarded solely to the companies that have the highest Creditworthiness Rating Excellence, the Golden AAA, for three years in a row. Companies that demonstrate platinum creditworthiness rating excellence represent the most reliable, credible, and low-risk business entity in terms of cooperation. The certificate provides European acknowledgment and recognition. In 2019, the recipients of the Platinum Creditworthiness Rating Excellence constitute 1.2% of business entities in the Slovenian market.

Completion of the NEDO project

In 2019, we completed the project of limiting the peak power "Move Consumption" and the project of advanced management of the "DMS" distribution system, as part of the NEDO project.

In the project, which lasted from 1 December 2017 to 30 November 2018, we conducted a pilot testing of the critical peak tariff and the use of flexibility for balancing the system. A total of 830 users participated, representing 12% of meter points that meet the technical and legal requirements of the project tender in the RTP Breg area. The consumption adjustment programmes encourage users to become more active consumers. The use of advanced technologies proved itself as successful in the project, most users were satisfied with the project and are ready to participate in similar projects in the future. We shall continue with pilot projects. We expect that the results of this project will help us find answers to key development issues related to introduction of new technologies and services in the field of smart grids.

As part of the "DMS" project, specific functionalities have been successfully demonstrated and also partly developed to promote new approaches for providing system services in the electricity system, the use of products in system applications not yet on the market, and the appropriate use of spatial, demographic and technological characteristics of the Elektro Maribor d. d. electricity distribution network. The objectives of the project that were successfully achieved were:

- Obtaining information from the network and use the state of the topology in real-time for improving the quality of power supply.
- Network optimization for the integration and operation of diffuse renewables.
- Optimization of peak power.

In order to achieve the aforementioned objectives of the project, the fundamental condition was to raise the awareness and manageability of the network to a higher level, and to prepare, structure and automatically transmit the technical and geographical-topological data of the network, accordingly. In addition to the successfully achieved project objectives, new knowledge and insights in the preparation, connection and transfer of real-time data between different databases and systems represent the greatest added value of the NEDO project.

Renewal of the FURS special status

In 2016, we obtained a special status at the Financial Administration of the Republic of Slovenia for promoting voluntary fulfilment of obligations (FURS special status), the purpose of which is cooperation and tax risk reduction. Based on successful implementation, we received a status approval from FURS in 2019 for further cooperation with them until 2022.

Expert panel discussions on Slovenia's Comprehensive National Energy and Climate Plan

The Ministry of Infrastructure, in cooperation with the interdepartmental working group, has prepared the Draft Comprehensive National Energy and Climate Plan of the Republic of Slovenia (draft cNEPN), which is based on the already prepared expert bases and adopted long- and medium-term strategic, action and reporting documents, all of which are also publicly available. Due to the importance of the National Energy and Climate Plan of the Republic of Slovenia (NEPN), we organized several expert panel discussions on the Comprehensive National Energy and Climate Plan of Slovenia at the premises of the Elektro Maribor Distribution Academy, through which we contributed to public consultation and dialogue on the draft document, namely based on an in-depth discussion and the preparation of expert proposals for a quality development document. We have also prepared a number of professionally reasoned proposals, which were largely taken into account in the final version NEPN 5.0.

3 REPORT ON NON-FINANCIAL OPERATIONS[17]

Within the context of the Annual Report of the company and the Elektro Maribor Group, we report on financial and non-financial operations. In doing so, we have taken into account the requirements and expectations arising from the GRI Sustainability Reporting Guidelines (Global Reporting Initiative), the Corporate Governance Code for State-Owned Enterprises for 2019, and the Companies Act (ZGD-1).

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

[17] GRI 102-45 – 102-54; 102-56

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.

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 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 (2017–2019). 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 parent 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 controlled 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 AND THE ELEKTRO MARIBOR D. D. GROUP[18]

4.1 Parent 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.

In 2019, the Government of the Republic of Slovenia determined that Elektro Maribor d. d. is a provider of essential services in the field of energy, in subsection electricity, namely for electricity distribution services.

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 139,147,479.56
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 2019:	755
Supply area:	North-East Slovenia
Company size according to the ZGD-1:	large company
President of the Management Board:	Mag. Boris Sovič
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 13: 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 put forward their skills.

[18] GRI 102-1 - 102-7; 102-10; 102-12; 102-13; 102-18; 405-1

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 14: Logo of Elektro Maribor d. d.

4.1.2 Organizational structure of the company Elektro Maribor d. d.

The company Elektro Maribor d. d. is organizationally separated into four areas headed by area directors:

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

The persons responsible for the individual organizational units are:

Management Board
Mag. Boris Sovič, President of the Management Board
Mag. Peter Kaube, 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:
Damir Ćatič – Service Unit Maribor
Andrej Sraka - Service Unit Ljutomer

Finance and economics area
Mag. Andreja Zelenič Marinič, Area Director

Area of joint expert services
Tatjana Vogrinec Burgar, Area Director

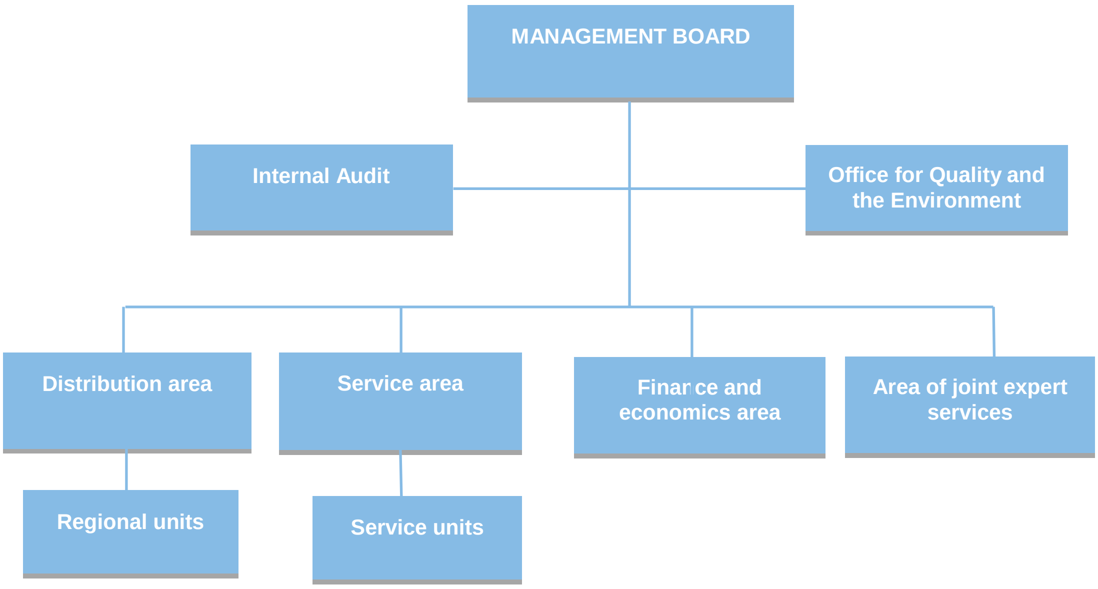


Figure 15: Organizational structure of the company Elektro Maribor d. d.

4.1.3 Management 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 company's Management Board:
Mag. Boris Sovič

Supervisory Board of the company:

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

Audit Committee of the Supervisory Board:

- Mag. Alojz Kovše – Chairman,
- Mag. David Klarič – Member,
- Ivana Kuhar - Member.

At the regular Annual General Meeting in 2019, the General Meeting decided on the allocation of distributable profit for the financial year 2018, the granting of discharge to the Management Board and the Supervisory Board, and the appointment of a certified auditor for the 2019–2021 period.

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.

The company is using the Corporate Governance Code for State-Owned Enterprises as a reference code of governance. As a reference code, the company also follows the Corporate Governance Code for Non-Public Companies - advanced level, which was prepared by the Ministry of Economic Development and Technology of the Republic of Slovenia, the Chamber of Commerce and Industry of Slovenia and the Slovenian Directors' Association.

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

Elektro Maribor d. d. is organized as a public limited company. In 2019, we reduced the share capital of Elektro Maribor d. d., and as at 31 December 2019 amounts to EUR 139,147,479.56. It is divided into 33,345,302 ordinary registered no-par-value shares, 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 2019, the average value of the EMAG share in the SI ENTER market amounted to EUR 2.876. In 2018, the average share value was EUR 2.946.

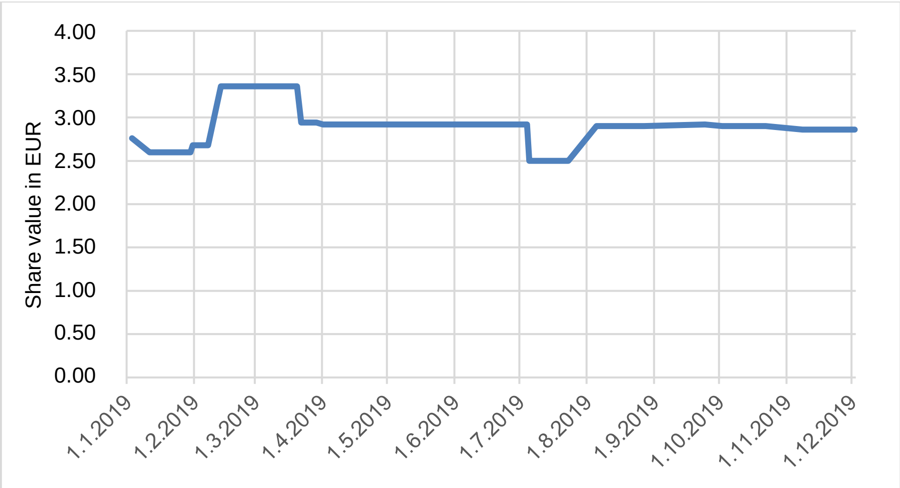


Figure 16: Trend of EMAG share value on the SI ENTER market

In 2019, the number of shareholders decreased by 1% or 4 shareholders compared to the previous year.

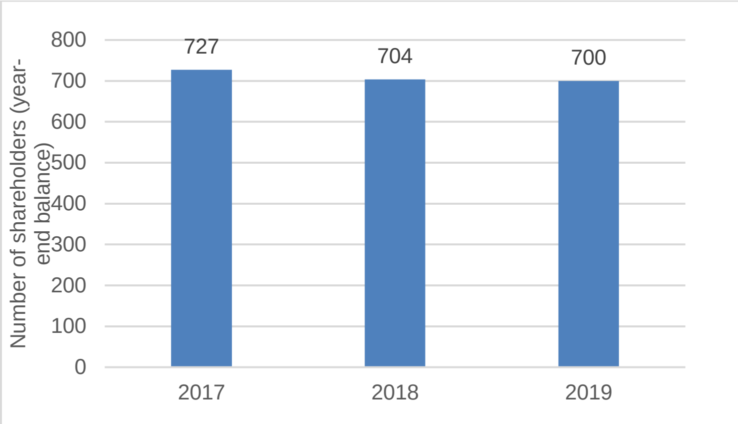


Figure 17: Changes in number of shareholders of Elektro Maribor d. d.

In 2019, 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., has significantly changed their share in 2019.

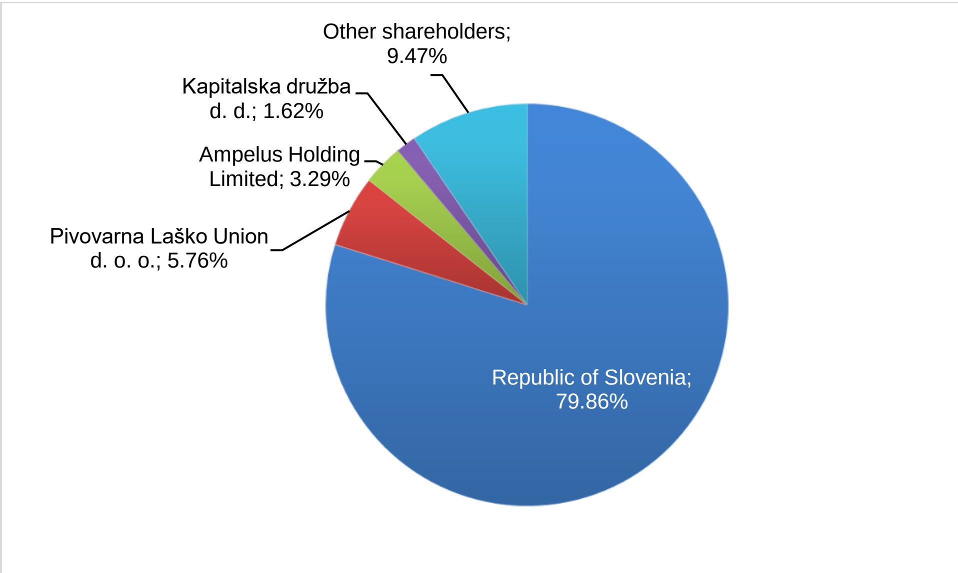


Figure 18: Structure of shareholders of Elektro Maribor d. d. as at 31 December 2019

Table 4: Largest shareholders of Elektro Maribor d. d. as at 31 December 2019

Shareholder	Address	Number of shares
Republic of Slovenia	Gregorčičeva ulica 20, Ljubljana, Slovenia	26,628,994
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, Slovenia	539,745
Other shareholders	-	3,158,172
Total		**33,345,302**

Table 5: Number of shares owned by members of the Supervisory Board and the Management Board as at 31 December 2019

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. Mag. David Klarič	Member of the Supervisory Board	0	0.0000%
3. Jože Golobič	Member of the Supervisory Board	0	0.0000%
4. Mag. Alojz Kovše	Member of the Supervisory Board	0	0.0000%
Management Board		**0**	**0.0000%**
1. Mag. Boris Sovič	President of the Management Board	0	0.0000%

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

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 parent company Elektro Maribor d. d. and two subsidiary companies, which are 100% owned by the parent 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 parent company, draws up consolidated financial statements and the consolidated annual report. The consolidation includes both subsidiary companies: Energija Plus d. o. o. and OVEN Elektro Maribor d. o. o.

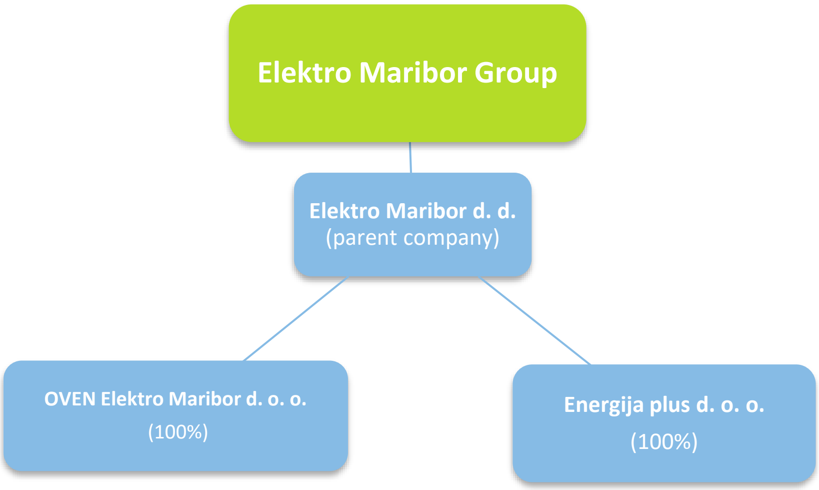


Figure 19: Organizational structure of the Elektro Maribor Group

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 2019:	73
Company size according to the 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 20: 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 purchasing and selling 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 21: 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

SONČNI PLUS eMOBILNOST OSTALA PONUDBA

Figure 22: 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

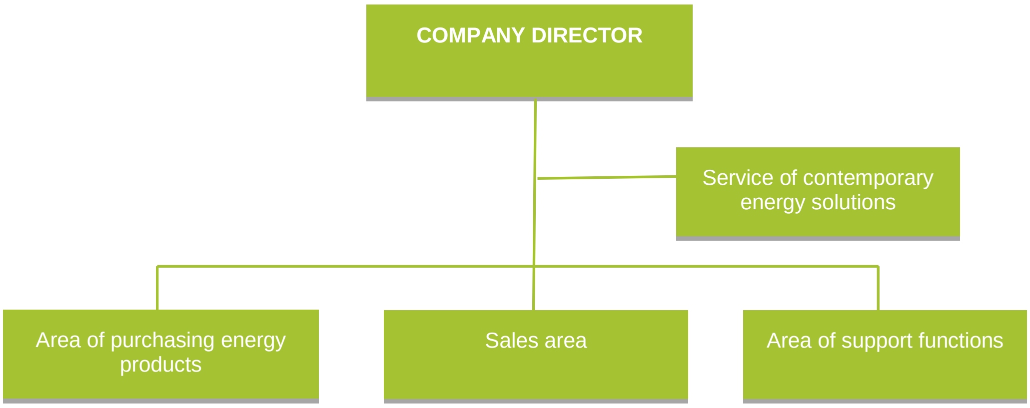


Figure 23: Organizational structure of Energija plus d. o. o.

Management and corporate governance
The company Energy plus d. o. o., in accordance with the Articles of Incorporation, is manged 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.

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

Frameworks of operation
The company Energija plus d. o. o. is a founding member of the United Nations Global Impact Slovenia and a founding member of the non-profit organization ETHOS that drew up the Declaration of Fair Business, which the company is a signatory of. It is also a signatory of 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 2019, 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 2019:	4
Company size according to the ZGD-1:	small company
Founder:	Elektro Maribor d. d.
Director:	Neven Lisica
Telephone:	02/22 00 782
Website:	www.oven-em.si

Figure 24: 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.

Figure 25: 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

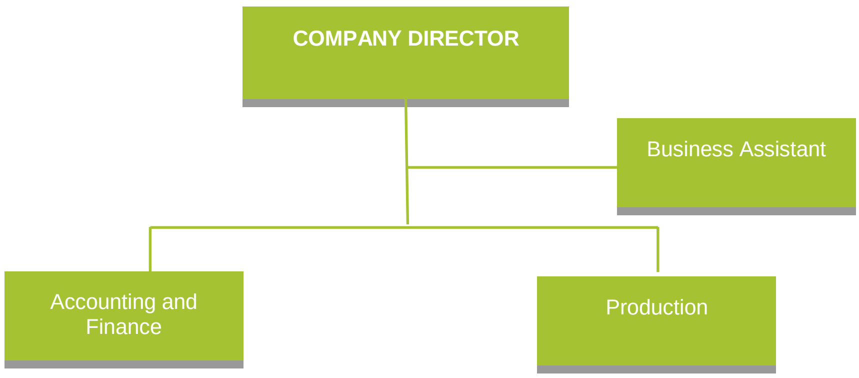


Figure 26: Organizational structure of OVEN Elektro Maribor d. o. o.

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 up to 30 June 2019: Miroslav Prešern

Company representative from 1 July 2019 to 30 November 2019: Neven Lisica

Company director from 1 December 2019: Neven Lisica

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 2019, which is published on the company's website https://www.oven-em.si/info/o-podjetju/.

5 ECONOMIC AND BUSINESS ENVIRONMENT

The real GDP still continued to grow in 2019, and its 2.4% growth being noticeably lower than in the previous years in terms of slowdown in export and investment growth. The growth has continued to contribute to steady increase in household consumption, which was supported by a still relatively high growth in employment, and growth in wages and social transfers. Export growth slowed down in 2019, which had an impact on a sharp slowdown in investment growth. The import growth has slowed down as well. Slovenia's economic growth in 2019 has exceeded the GDP growth in the EU, which amounted to 1.3%.

The annual price increase in 2019 was 1.8%. The average annual inflation was 1.6%. Higher prices of food, goods and services, higher prices of water supply and various housing services, and higher prices of catering services have contributed the most to the overall price increase on an annual basis. There were no major price reductions that would more distinctively impact the annual inflation in 2019 (source: Statistical Office of the Republic of Slovenia).

Table 6: Economic trends in Slovenia

Real growth rates in %	2019	2018	2017
Gross domestic product (GDP)	2.4	4.1	4.8
Employment	2.4	3.2	3.0
Gross wages per employee	2.7	1.6	1.3
Private consumption	2.7	2.8	2.0
National consumption	1.6	3.2	0.3
Inflation (year-end)	1.8	1.4	1.7
Capital expenditures	3.2	9.1	10.4

Source: Statistical Office of the Republic of Slovenia, UMAR's Spring Forecast of Economic Trends 2020

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. Comparing Elektro Maribor d. d. with other electricity distribution companies (EDP) was made on the basis of publicly available data for 2018.

In 2018, the company Elektro Maribor d. d., which covers 19.1% of Slovenia's territory, distributed 20.2% of electricity to 22.8% of consumers by having a high proportion of the network length, representing 26% of the total length of the EDP network. Within the context of the existing regulation of activities, the share of Elektro Maribor d. d. in revenues of the regulated activity of all EDPs is only 23.1%. The volume of distributed electricity otherwise reflects the economic and social situation in the company's supply area.

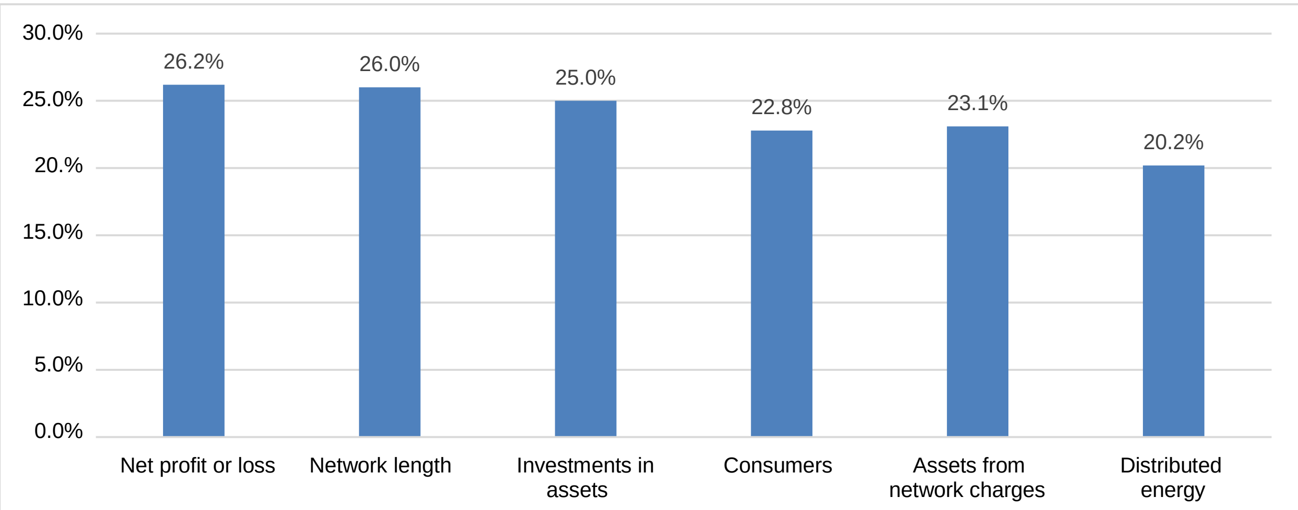


Figure 27: Percentages of Elektro Maribor d. d. in all distribution companies together in 2018

Trends in electricity in natural gas prices

The Elektro Maribor Group manages an independent balance sheet subgroup for purchasing and selling electricity and natural gas.

In 2019, electricity prices in the day-ahead market have mainly been affected by higher temperatures than the long-term average, good hydrology in the Balkans, occasional non-operation of nuclear power plants (especially in France), prices of other energy products and emission allowance prices. In general, in 2019, there was a downward price trend in the forward market for electricity and other energy products. To a large extent, electricity prices in the forward market depended on the prices of other energy products, emission allowances, the Brexit agreement, the US-China trade war, and the slowdown in economic growth around the world.

The average price in the "BSP Energy Exchange" day-ahead market for 2019 amounted to EUR 48.75 /MWh, and decreased by 4.7% compared to 2018, when it was EUR 51.16 /MWh.

The baseload price in the forward market in 2019 for 2020 ranged between EUR 53 /MWh and EUR 63 /MWh, while the baseload price in 2018 for 2019 ranged between EUR 40 /MWh and EUR 65 /MWh.

Natural gas is purchased at the Austrian-Slovenian border as part of futures and day-ahead 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 that are purchased on the current market based on the short-term daily consumption forecast of our customers.

In 2019, the price of natural gas in the current market in Austria (reference purchase price of natural gas for Slovenia) was EUR 14.76 /MWh, and decreased by 36% compared to 2018, when it was EUR 23.01 /MWh. Thus, in 2019, the price curve with minor intervals throughout the period was in a downward trend.

The price of gas in the forward market in 2019 for 2020 ranged between EUR 16,0 /MWh and EUR 22,0 /MWh, while the price of gas in 2018 for 2019 ranged between EUR 17,0 /MWh and EUR 27,0 /MWh. The maximum price of gas for 2020 decreased by about 19% compared to the price for 2019. At the beginning of 2020, the occupancy rate of European gas storage facilities is still above the multi-annual average (84% occupancy).

6 OPERATING IN THE ENVRIONMENT[19]

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.

In 2019, the electricity production has been 4% lower than in the previous year, and 15% higher than in 2017. A more detailed explanation is given in Chapter 12 Production of energy products.

Energy sales in 2019 were 6% higher compared to the previous year, and 14% higher than in 2017. A more detailed explanation is given in Chapter 13 Sales of energy products.

The amount of electricity that we distribute to our customers through our own network has not changed significantly over the last three years. In 2019, it was lower by 1% compared to the previous year, and 0.6% higher than in 2017. A more detailed explanation is given in Chapter 11.5 Access to the distribution system and billing the network use.

[19] GRI 201-2, 302-2

Table 7: Energy in the Elektro Maribor Group

	2019	2018	2017
Produced electricity in MWh	13,047	13,571	11,312
– Hydroelectric power plants	12,061	12,634	10,286
– Photovoltaic power plants	599	558	596
– Cogeneration	387	379	430
Energy sold in MWh	1,931,631	1,827,457	1,687,725
– Electricity	1,835,533	1,707,144	1,564,962
– Natural gas	93,915	118,145	120,567
– Heat	2,184	2,168	2,196
Distributed electricity in MWh	2,279,153	2,297,516	2,264,791
Share of electricity losses in %	4.55	4.75	4.71

Extreme weather conditions have a negative impact on the quality of electricity supply, and consequently also a negative impact on the business operations of Elektro Maribor d. d. The indicator for the quality of supply is worse, and 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.

In 2019, 27 days of extreme weather conditions were recorded in the supply area of Elektro Maribor, which is at the level of the previous two years and significantly more than before 2017. In 2019, there were 386 loss events recorded on the electricity infrastructure due to weather conditions, which is significantly more than in 2018, when there were 187 loss events recorded due to weather conditions.

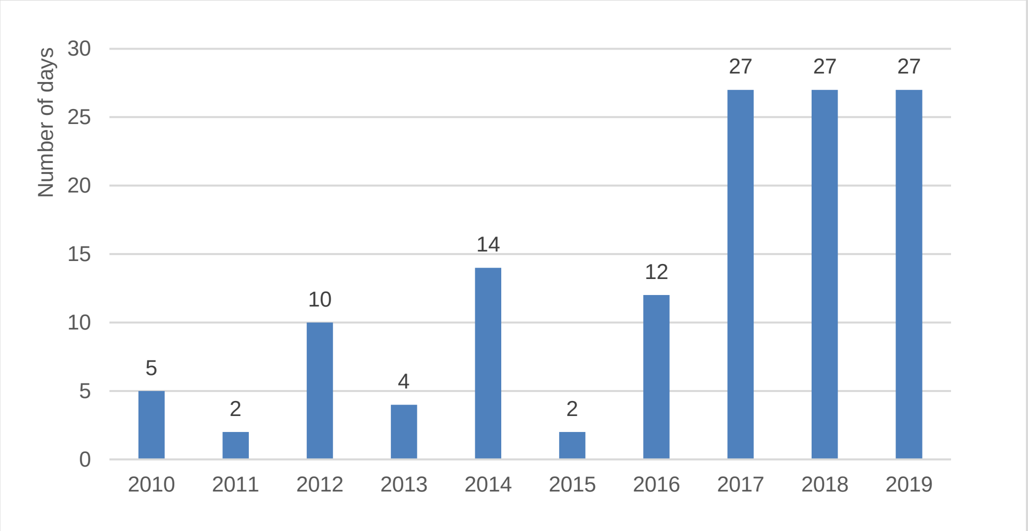


Figure 28: Number of days with extreme weather conditions

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 advanced networks. 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.

7 MAIN RISKS AND INTERNAL AUDIT

The company and the Elektro Maribor Group have in place the following 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.

7.1 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.

In 2019, in accordance with the International Standards for the Professional Practice of Internal Auditing, an external quality assessment of work of the internal audit activity of the Elektro Maribor Group was performed in the period from 1 January 2017 to 30 June 2019. In the external audit, all 11 groups of standards were rated with "compliant", and the external auditor pointed out:

- that the operation of the internal audit function during the audited period has in all relevant aspects been in accordance with the International Standards for the Professional Practice of Internal Auditing, the codes of ethics and the internal acts of the Internal Audit;
- that the Head of Internal Audit acted successfully and professionally;
- that surveys and interviews with "users of internal audit services" show that the internal audit findings and recommendations for the company and the Elektro Maribor Group constitute added value;
- that the work of the Head of Internal Audit during the assessed period has been very professional, diligent and correct.

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 reports on the work and findings to the Management Board of Elektro Maribor d. d. on an ongoing 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 Supervisory Board of Elektro Maribor d. d. is also a recipient of the annual report on the work of the internal audit.

In 2019, the internal audit conducted six regular audits (one in co-sourcing with a certified information systems auditor), and two extraordinary internal audits. In the Elektro Maribor Group, the implementation of ten processes was jointly verified through internal audits.

In 2019, the internal audit paid special attention to:

- the operation of internal controls in the field of network access, namely in the implementation of the process of providing services for changing the electricity supplier, disconnection or discontinuation of electricity distribution in accordance with the Energy Act, and in the process of managing contacts with service users (call centre) in Elektro Maribor d. d.;
- the transparency of the call for tender for the position of a director of subsidiaries of the Elektro Maribor d. d. Group in 2015;

- the operations of the subsidiary OVEN Elektro Maribor d. o. o. over the last four years;
- the field of transfer pricing in the Elektro Maribor Group;
- managing the risks of changes in the regulator's policy in the company Elektro Maribor (regulatory framework 2019–2021);
- the implementation of public procurements in the company Elektro Maribor d. d., with a focus on checking the procurement procedures of labour-intensive services;
- checking (in co-sourcing) the success of the implementation or handover of the new AX and MX information solution for use to the company Elektro Maribor d. d .;
- checking the internal controls in ensuring the safety and health at work in the Elektro Maribor d. d. Group

In addition to the above engagements, the internal audit in 2019 monitored the implementation of the given recommendations on an ongoing basis.

The internal audit, in the context of individual audits, assesses and checks the adequacy and effectiveness of the operation of internal controls. Based on the reviews performed in 2019, the internal audit estimates that the internal control system in the company and the Elektro Maribor Group is set up accordingly, however, there is potential for improvement to which it refers by issuing recommendations.

7.2 Risk management[20]

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.

The term risk is defined as a possibility of occurrence of an event or a series of events that may have a favourable or unfavourable impact on the achievement of the company's objectives. In the first case we are talking about opportunity and in the second about the risk. 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 managing risks, the company and the Group identify possible risks in a timely manner, take appropriate measures and thus reduce the amount of damage that a certain risk could cause.

In the risk register, the risks identified are determined by relevance. The method of regular updating, assessment and classification of risks is in place, defined are responses to risks and persons responsible for their implementation, and also the internal controls are determined as a key response to risks.

Risks are being defined as a probability that, due to various possible events, something will occur that will negatively or positively impact the company's business operations, and thus the achievement of the objectives set. In both cases, the event must be identified and assessed. In this context, we take into account the uncertainty (probability) and the exposure (impact). The risk assessment criteria evaluate the impact in terms of value 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. With such risk management, the company seeks to identify risks in a timely manner and take appropriate measures to reduce the amount of damage that can be caused by a certain risk.

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

7.2.1 Groups and types of risk

In accordance with the adopted Risk Management Policy, the risks which the company and the Group are exposed to, are classified into the following groups:

[20] GRI 102-11

Figure 29: Types of risk

Identified risks

The risk register specifies identified risks by relevance, and highlights the identified high inherent risks.

The method of regular updating, assessment and classification of risks is in place, defined are responses to risks and persons responsible for their implementation, and also the internal controls are determined as a key response to risks. We have set up a fraud scheme and thus reduced the likelihood of occurrence of certain risks. With the above, we strive to reduce the impact of risks on the operations of the company and the Group. Compared to the previous year, the average value of identified and assessed risks was thus reduced by a little more than 1.2%.

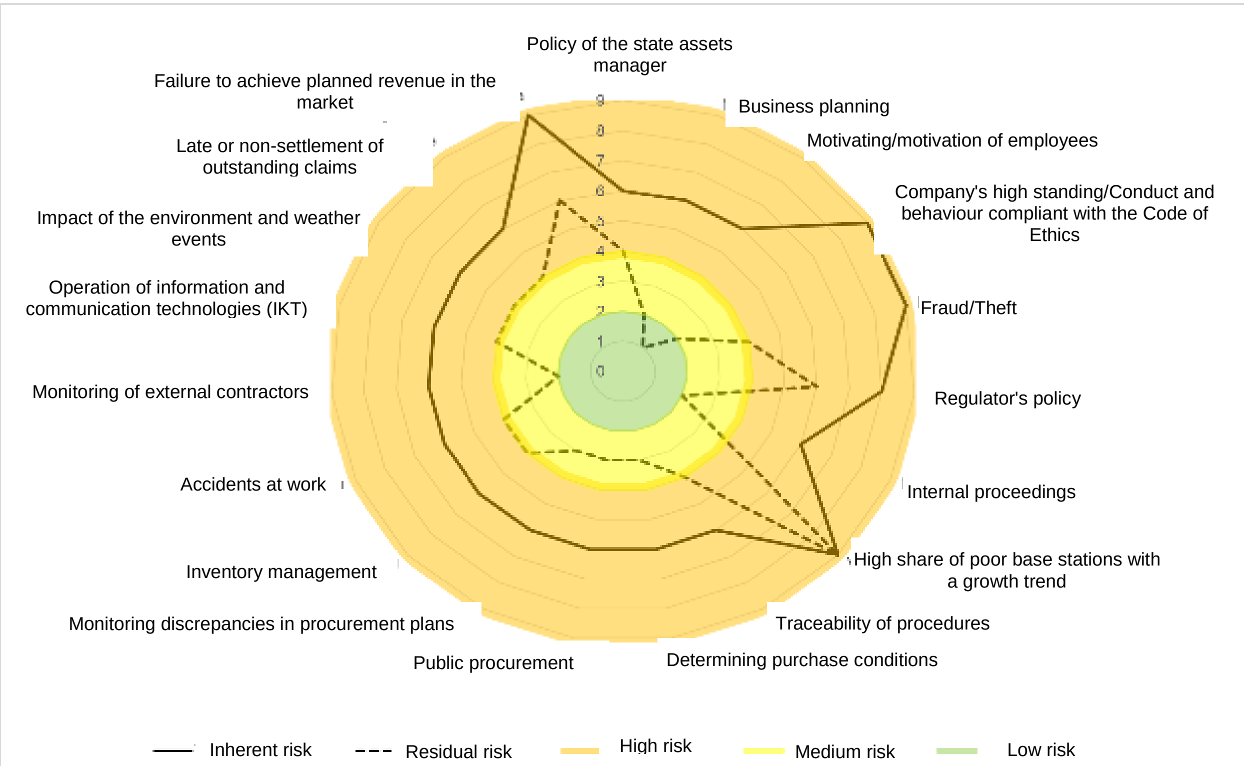


Figure 30: Comparison of high risks before and after the measures taken

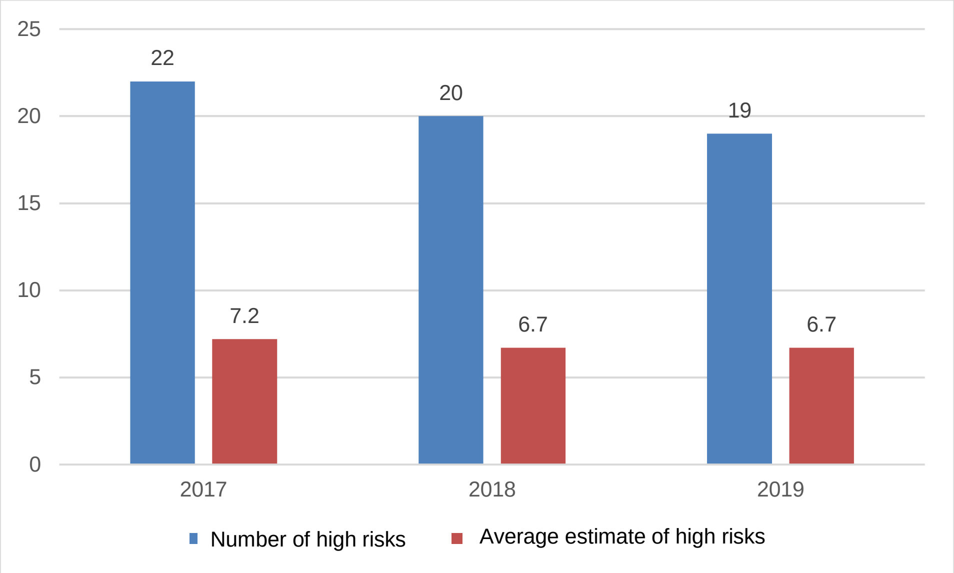


Figure 31: Comparison of high risks

Risks by size of impact

Based on the implementation of the company's strategy, the company and the Elektro Maribor Group continuously strive 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.

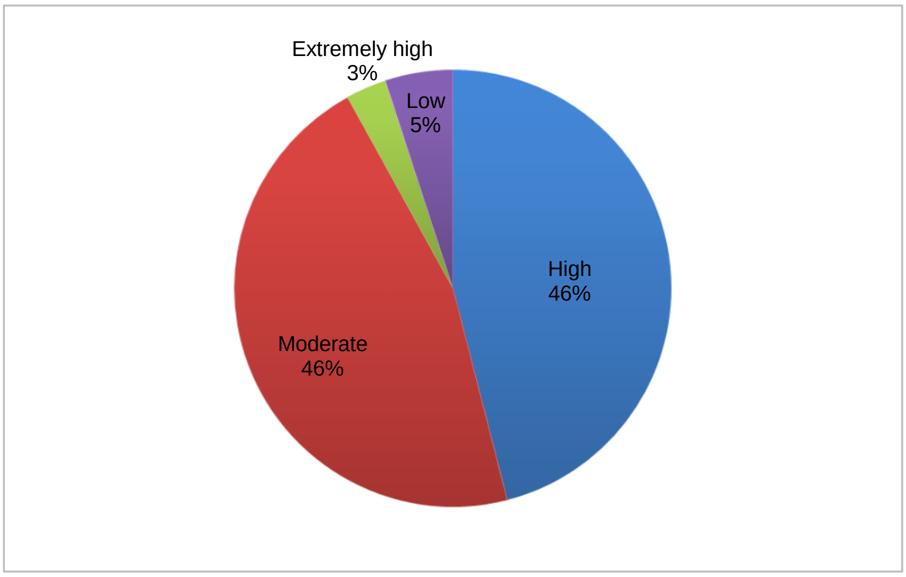
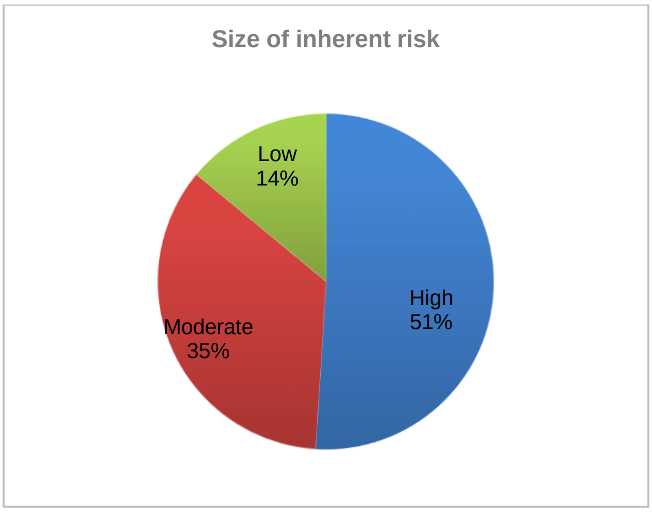


Figure 32: Risk percentage by size

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 by using 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 identified and assessed without taking into account its management. A residual risk is a risk identified and assessed by taking into account its management.



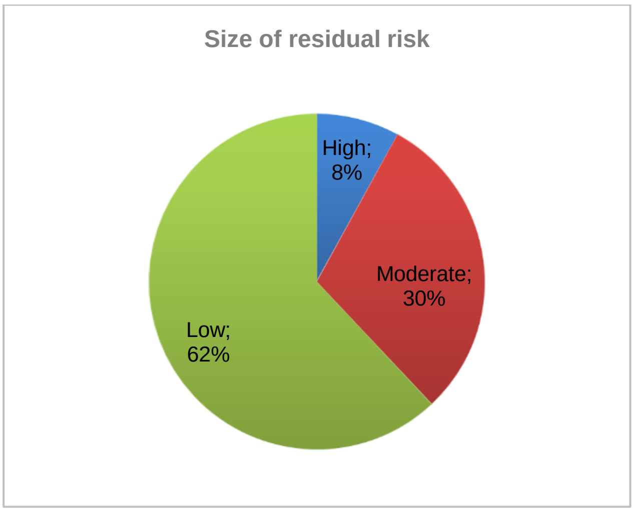


Figure 33: Percentage of inherent and residual risks

Significant events in 2019 in terms of risk

In 2019, the company Elektro Maribor d. d. started using new information programmes to support business and asset management. Due to the transition to a new environment, new activities took place in the processes that were compiled by the owners and process administrators. At the workshops conducted, new internal controls have been identified, and all existing and potential new risks (strategic, operational and financial) of an individual area/process have been reviewed and coordinated.

The risk owners were presented a revised Risk Management Policy accompanied by all enclosures, and the intranet layout of a more transparent Risk Register, and reporting system, by the risk coordinator.

7.2.2 Management of more significant risks

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

Regulator's policy

Is a strategic risk that can result in reduction of revenue for implementing the company's regulated activities and also an unattained business result. The consequences of risk are assessed as extremely high, as they may significantly impact both the short-term and long-term objectives of the company.

The risk is managed in such a manner that the management receives regular reports/responses to the issued documents of the regulator, 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 document preparation procedures. Opinions, comments on documents and decisions issued by the regulator, are thus 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 issued decisions of the regulator on the business result in the current year, if necessary, it can propose a rebalance or restructure of the business plan.

Siting of facilities

Is a strategic risk, the consequences of which may have an enormous impact on the principal activity in the field of distribution. The consequences of the risk are assessed as extremely high, as they 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 that largely depends 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 manages the siting procedures of energy facilities, as stipulated by regulations. A monthly and a quarterly plan of activities is being prepared for investments in the 110 kV network.

State asset manager's policy

Complying with the policies of the state asset manager constitutes a strategic risk. The company must, as a company majority-owned by the Republic of Slovenia, in its operations follow the given corporate governance guidelines, recommendations and expectations, as well as the annual management plans of the direct and indirect asset manager of the Republic of Slovenia.

The risk is managed by monitoring the policies of the state asset manager, by taking into account the policies in business planning and by adjusting the planned objectives of the company to the revised or new policies and periodic reporting to the shareholder.

The type of control report on measures constitutes the company's Annual Business Plan with the projection of operations for the following two years.

High percentage of poor operating base stations

Is an operational risk, the consequences of which may have an enormous impact on the principal activity in the field of distribution. According to estimates, the probable may occur, however, the consequences are assessed as considerable, which may have a significant impact on the objectives related to achieving the parameters of power continuity (SAIDI, SAIFI).

Untimely action may have an impact on the failure to achieve the required minimum standards for quality of supply (power continuity parameters (SAIDI, SAIFI), the result of which may be partial reduction of eligible funds in respect of regulation by the Energy Agency - incentives that reflect quality regulation and can be positive or negative), and the payment of claims for damages to users, which can have a significant negative impact on our business operations.

Proper management is carried out by increasing the annual number of refurbished base stations, by examining the option of transition to underground construction, preparing annual plans for replacing poor operating base stations based on analyses of MV line outages and increased frequency of management reporting.

8 BUSINESS OPERATION ANALYSIS[21]

The business performance analysis discloses financial data and notes of the current year compared to the data planned for 2019. Deviations related to the previous year are described in detail in the financial part of the report.

8.1 Business operation analysis of Elektro Maribor d. d.

In 2019, we realised or surpassed almost all short-term objectives set. Slightly lower than planned, namely by 0.2 percentage point, was the share of insulated overhead MV and LV lines in overhead MV and LV lines, however, and this is of key importance, the objective of a 71.5% share of underground and insulated overhead MV and LV lines, in all MV and LV lines, was realised. Whenever possible, as a rule, the overhead MV and LV network is namely replaced by cabled network. Lower than planed was also the share of revenue in the market and capitalized own products and services in total operating revenues, which is lower by 1.1 percentage points, mainly due to lower revenues from self-managed investments, which was also affected by employment dynamics due to increased volume of works.

[21] GRI 201-1

Table 8: Realization of business operation objectives of for 2019

Short-term objectives	2019	Plan 2019
Return on assets ROA in %	3.7	3.4
EBITDA margin in %	42.2	41.9
Added value per average no. of employees from hours worked (in EUR thousand)	79.5	75.3
Share of losses subject to distributed energy in %	4.6	5.0
Share of underground and insulated overhead MV and LV lines in all MV and LV lines in %	71.5	71.5
Share of insulated overhead MV and LV lines in overhead MV and LV lines in %	40.8	41.0
Share of meter points included in the advanced metering system in %	86.4	78.0
Share of revenue in the market and capitalized own products and services in all operating revenues in %	28.1	29.2
Share of investments in assets in the carrying amount of electricity infrastructure in %	10.2	10.1

8.1.1 Following SSH's expectations

In January 2019, we received the Annual Asset Management Plan for 2019 (hereinafter as LNU 2019), which outlines the expected annual objectives, and economic and financial indicators for Elektro Maribor d. d.

In 2019, we complied with all SSH's expectations from the LNU 2019, except for the criteria relating to the technical indicators of the quality of supply of SAIDI and SAIFI, which depend primarily on weather conditions.

8.1.2 Net profit or loss

In 2019, the company Elektro Maribor d. d. realised a net profit of EUR 14,274,681. Mainly due to the changed regulation of activities, the net profit is lower than the profit in 2018, however, due to cost control and optimization, it is the second highest net profit in the last 25 years. The net profit planned was surpassed by 9%. The net profit is better mainly due to higher revenues, which are EUR 2,011,696 or 2% higher than planned, compared to costs, which are only EUR 1,188,196 or 2% higher than planned.

Profit before tax amounted to EUR 15,727,194, and was compared to the planned higher by EUR 823,500 or 6%.

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

Elements	2019	Plan 2019	2018	Index	Index
	1	2	3	1 / 2	1 / 3
Operating profit or loss	14,105,310	13,972,942	15,730,306	101	90
Cash flow	1,696,542	988,832	1,527,217	172	111
Other operating results	–74,657	–58,080	–111,986	129	67
Taxes	–1,452,513	–1,846,945	–2,197,644	79	66
Net profit or loss	**14,274,681**	**13,056,749**	**14,947,893**	**109**	**95**

8.1.3 Revenue

Total revenues in 2019 are higher than planned, mainly due to higher operating and financial revenues. The largest share of all revenues is represented by revenues under the SODO contract, which have a 65% share, which is the same as last year.

Table 10: Revenue of Elektro Maribor d. d.

Elements	2019	Plan 2019	2018	Index	Index
	1	2	3	1 / 2	1 / 3
Operating revenue	83,201,815	81,954,756	86,448,363	102	96
Financial revenue	2,169,679	1,432,350	1,962,837	151	111
Other revenue	27,309	0	37,611		73
Total revenue	**85,398,803**	**83,387,106**	**88,448,811**	102	97

Higher operating revenues in 2019 than planned are a reflection of higher revenues from the sale of services on the market, as despite strong competition in the market we were successful in obtaining and realizing business transactions on a number of smaller marketing projects, higher revenues from the elimination of provisions for litigation and compensations for damages received from the insurance company that are not planned.

The result is even more noticeable, as in 2019, we did not implement any major marketing projects, but we were successful to cope with the competition in obtaining and realizing business transactions on a number of smaller marketing projects.

Financial revenues in 2019, are mainly higher due to higher financial revenues from shares in Group companies.

8.1.4 Costs and expenses

Total costs and expenses in 2019, are higher than planned by EUR 1,188,196, mainly due to higher operating costs. Operating costs and expenses (OPEX costs) in 2019 increased by EUR 1,114,692 or 2%, compared to the planned.

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

Elements	2019	Plan 2019	2018	Index	Index
	1	2	3	1 / 2	1 / 3
Operating costs and expenses	69,096,506	67,981,814	70,718,057	102	98
– costs of material	11,552,960	11,016,226	12,551,174	105	92
– costs of services	6,497,507	6,295,861	6,717,950	103	97
– write-offs	20,966,475	20,348,067	20,515,409	103	102
– labour costs	29,501,552	29,848,875	29,769,102	99	99
– other expenses	578,012	472,785	1,164,422	122	50
Financial expenses	473,137	443,518	435,620	107	109
Other expenses	101,966	58,080	149,597	176	68
Total costs and expenses	**69,671,608**	**68,483,412**	**71,303,274**	**102**	**98**

The costs of material are higher than planned, mainly due to higher costs of material for maintenance and costs of material in the remediation of damage that are not planned; costs of services that are higher mainly due to higher services for further billing; write-offs that are higher mainly due to higher revaluation operating expenses; and other expenses that are higher mainly due to the formation of provisions.

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

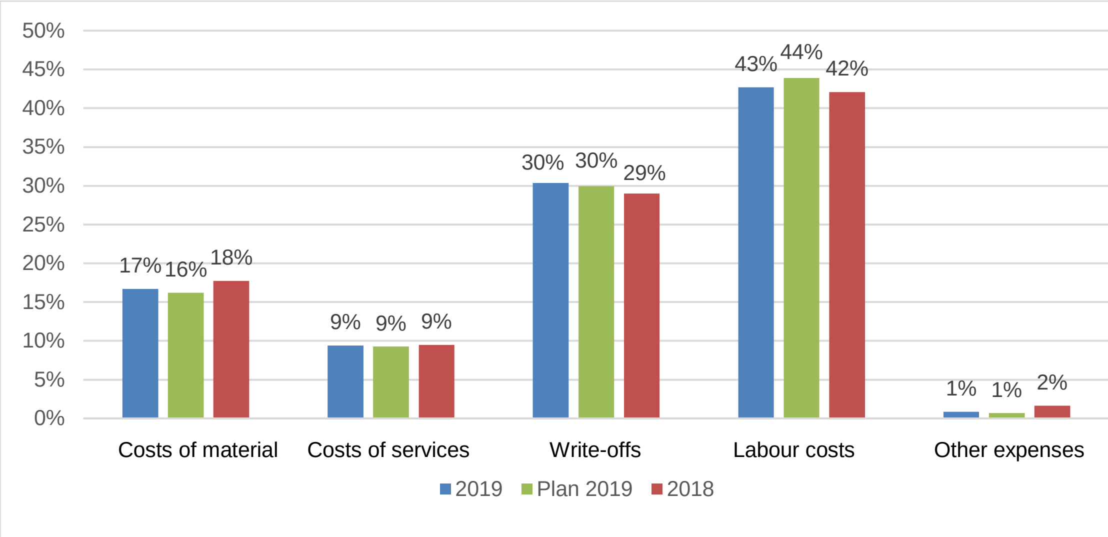


Figure 34: Structure of operating costs and expenses of Elektro Maribor d. d.

Financial expenses in 2019 are higher than planned, mainly due to actuarial interest.

Other expenses in 2019 are higher than planned, mainly due to deductibles and expenses relating to litigation.

8.1.5 Financial situation

Total assets of the company as at 31 December 2019 amount to EUR 390,758,423, and are higher by EUR 3,631,794 or 1% than the balance planned.

Table 12: Balance sheet total of Elektro Maribor d. d.

in EUR	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018	Index	Index
	1	2	3	1 / 2	1 / 3
Assets	**390,758,423**	**387,126,628**	**377,427,424**	**101**	**104**
Non-current assets	366,207,556	364,666,174	352,203,321	100	104
Current assets	24,060,141	21,875,882	24,993,586	110	96
Short-term deferred costs and accrued revenue	490,726	584,573	230,517	84	213
Liabilities	**390,758,423**	**387,126,628**	**377,427,424**	**101**	**104**
Equity	289,312,301	287,246,304	279,933,132	101	103
Provisions and long-term accrued costs and deferred revenue	40,232,696	40,079,394	40,367,502	100	100
Non-current liabilities	38,979,657	38,351,673	33,859,014	102	115
Current liabilities	21,437,226	20,515,044	22,383,805	104	96
Short-term accrued costs and deferred revenue	796,543	934,212	883,971	85	90

The structure of assets has not changed much in 2019. The largest percentage constitute non-current assets (94%).

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

Item in %	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018
Non-current assets	93.72	94.20	93.32
Current assets	6.16	5.65	6.62
Prepayments and accrued income	0.13	0.15	0.06
Total	**100.00**	**100.00**	**100.00**

In 2019, we earmarked EUR 1,302,073 more assets for investments in fixed assets than planned. The increase in investments is largely reflected in increasing the robustness of the medium and low voltage network.

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

	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018	Index	Index
	1	2	3	1 / 2	1 / 3
Value of assets – in EUR	347,564,396	344,600,499	333,821,600	101	104
Amount of investments in company's fixed assets – in EUR	32,302,073	31,000,000	31,880,619	104	101
Share of investments in value of assets – in %	9.29	9.00	9.55		

As at 31 December 2019, the company's short-term assets were EUR 2,184,259 or 10% higher than planned and were mainly the result of a higher cash balance.

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

in EUR	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018	Index	Index
	1	2	3	1 / 2	1 / 3
Inventories	2,750,549	2,100,000	2,107,741	131	130
Current operating receivables	12,361,762	13,366,048	14,900,121	92	83
Cash and cash equivalents	8,947,830	6,409,834	7,985,724	140	112
Total	**24,060,141**	**21,875,882**	**24,993,586**	**110**	**96**

The company's liabilities as at 31 December 2019 disclose the 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 2019	Plan 31 Dec 2019	31 Dec 2018
Equity	74.04	74.20	74.17
Provisions and long-term accrued costs and deferred revenue	10.30	10.35	10.70
Non-current liabilities	9.98	9.91	8.97
Current liabilities	5.49	5.30	5.93
Short-term accrued costs and deferred revenue	0.20	0.24	0.23
Total	**100.00**	**100.00**	**100.00**

As at 31 December 2019, the company's equity amounted to EUR 289,312,301, and is by EUR 2,065,997 or 1% higher than planned, which is mainly the result of higher revenue reserves than planned.

Provisions and long-term accrued costs and deferred revenue are by EUR 153,302 higher than the balance planned, which is primarily the result of higher long-term accrued costs and deferred revenue.

In 2019, we are indebted for EUR 11,000,000, as planned. Indebtedness is at the planned level.

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

in EUR	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018	Index	Index
	1	2	3	1 / 2	1 / 3
Loans (short-term + long-term part)	44,650,000	44,650,000	41,809,524	100	107

The balance of current liabilities is EUR 922,181 or 4% higher than planned, and is mainly the result of higher current operating liabilities.

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

in EUR	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018	Index	Index
	1	2	3	1 / 2	1 / 3
Current operating liabilities	15,051,239	14,162,145	14,194,660	106	106
Current financial liabilities	6,385,987	6,352,900	8,189,145	101	78
Total	**21,437,226**	**20,515,044**	**22,383,805**	**104**	**96**

8.1.6 Net cash inflow or outflow and financial performance

In 2019, the net cash of Elektro Maribor d. d. was EUR 2,446,984 higher than planned, mainly due higher cash receipts from operating activities.

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

in EUR	2019	Plan 2019	2018	Index	Index
	1	2	3	1 / 2	1 / 3
Cash flows from operating activities	**14,772,350**	**11,326,557**	**13,124,185**	**130**	**113**
- cash receipts from operating activities	116,673,870	110,202,899	114,667,433	106	102
– expenditures from operating activities	–101,901,520	–98,876,342	–101,543,248	103	100
Cash flows from investing activities	**–11,618,212**	**–10,798,940**	**–13,433,706**	**108**	**86**
– cash receipts from investing activities	2,320,835	1,420,350	2,027,379	163	114
– expenditures from investing activities	–13,939,047	–12,219,290	–15,461,085	114	90
Cash flows from financing activities	**–2,192,032**	**–2,012,494**	**–1,288,659**	**109**	**170**
– cash receipts from financing activities	11,000,000	11,000,000	11,000,000	100	100
– expenditures from financing activities	–13,192,032	–13,012,494	–12,288,659	101	107
Net cash inflow or outflow for the period	**962,106**	**–1,484,877**	**–1,598,180**	**–65**	**–60**
Closing balance of cash and cash equivalents	**8,947,830**	**6,409,834**	**7,985,724**	**140**	**112**
Opening balance of cash and cash equivalents	**7,985,724**	**7,894,711**	**9,583,904**	**101**	**83**

At the end of 2019, the company's total financial liabilities amounted to EUR 45,080,096, which is 1% more than the value planned.

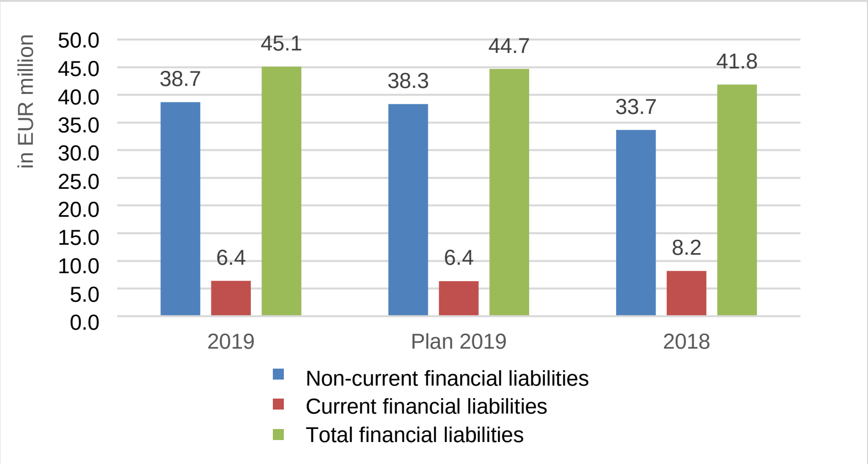


Figure 35: Financial liabilities of Elektro Maribor d. d.

As at 31 December 2019, the net financial debt amounted to EUR 36,132,266, which is 6% less than planned, and is the result of a higher cash balance than planned.

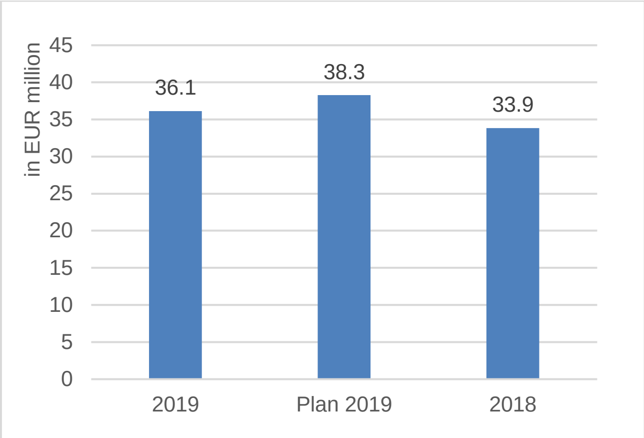


Figure 36: Net financial debt of Elektro Maribor d. d.

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

The value of the net financial debt to EBITDA indicator in 2019, is lower than planned due to lower net financial debt and higher EBITDA.

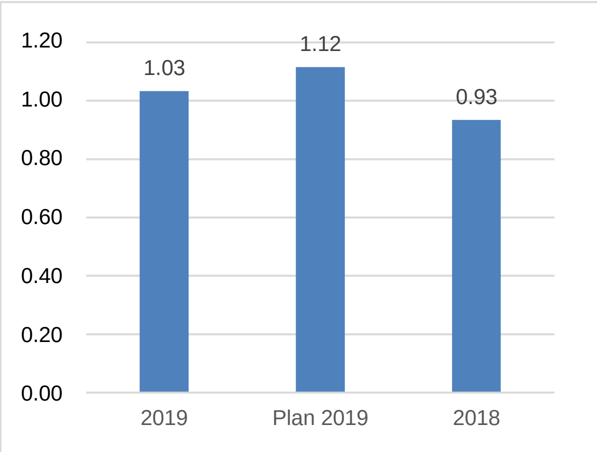


Figure 37: Net financial debt / EBITDA

In 2019, the company took out a long-term loan to finance investments in the total amount of EUR 11 million. The company took out the loan for a period of ten years from a commercial bank in Slovenia to finance the construction of electricity facilities and plants.

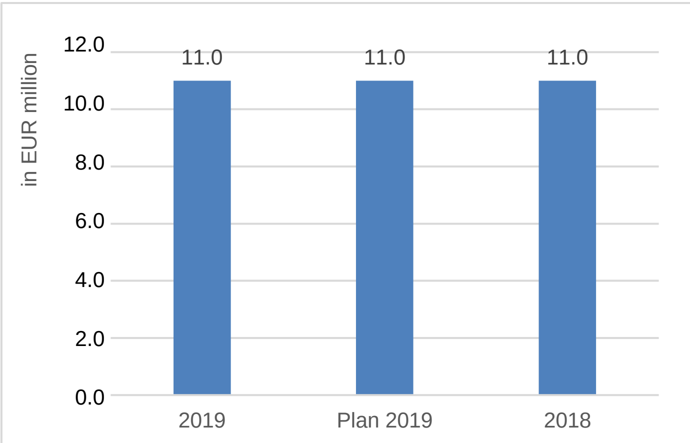


Figure 38: Borrowing through long-term loans of Elektro Maribor d. d.

No short-term loans were taken out by Elektro Maribor d. d. in 2019.

The company's debt ratio in 2019 was lower by 0.1 percentage points compared to the plan for 2019, which is a result of the increase in the value of assets with unchanged financial liabilities to banks.

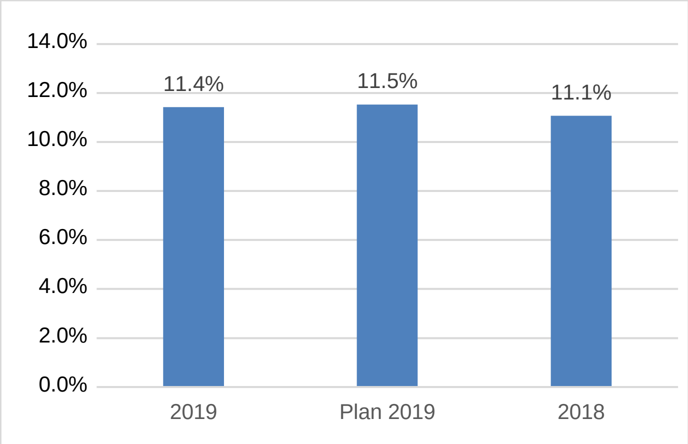


Figure 39: Debt ratio of Elektro Maribor d. d.

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

8.2 Business operation analysis of the Elektro Maribor Group

8.2.1 Net profit or loss

In the Elektro Maribor Group, we successfully closed business operations in 2019, and generated a net profit of EUR 14,021,539. Given the net profit or loss planned, the profit is higher by 4%, and lower by 8% compared to the previous year. Lower costs of labour and services contributed the most to the higher net profit than planned.

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

in EUR	2019	Plan 2019	2018	Index	Index
	1	2	3	1 / 2	1 / 3
Operating profit or loss	15,979,388	16,026,298	18,195,262	100	88
Cash flow	–55,577	–309,945	–258,620	18	21
Other operating results	–97,915	–81,502	–129,072	120	76
Taxes	–1,804,357	–2,157,715	–2,588,678	84	70
Net profit or loss	**14,021,539**	**13,477,136**	**15,218,892**	**104**	**92**

8.2.2 Revenue

In 2019, all revenues of the Group amounted to EUR 197,356,230, and are by 8% higher than revenue planned, and by 11% higher compared to the previous year. Considering the revenues planned, operating revenues are notably higher.

Table 21: Revenue of the Elektro Maribor Group

in EUR	2019	Plan 2019	2018	Index	Index
	1	2	3	1 / 2	1 / 3
Operating revenue	196,888,514	182,816,865	177,757,849	108	111
Financial revenue	436,807	159,301	246,002	274	178
Other revenue	30,909	4,029	46,072	767	67
Total revenue	**197,356,230**	**182,980,195**	**178,049,923**	**108**	**111**

8.2.3 Costs and expenses

In 2019, all costs and expenses of the Group amounted to EUR 181,530,335, and are by 8% higher than costs and expenses planned, and by 13% higher compared to the previous year. Considering the costs and expenses planned, the operating costs and expenses are notably higher.

Table 22: Costs and expenses of the Elektro Maribor Group

in EUR	2019	Plan 2019	2018	Index	Index
	1	2	3	1 / 2	1 / 3
Operating costs and expenses	180,909,126	166,790,567	159,562,587	108	113
– costs of material and at cost value of goods sold	114,311,318	99,894,622	93,532,827	114	122
– costs of services	10,252,332	10,693,764	9,893,305	96	104
- amortization/depreciation and write-offs	22,497,251	22,106,265	22,067,493	102	102
– labour costs	32,640,688	33,122,759	32,757,724	99	100
– other operating expenses	1,207,537	973,157	1,311,238	124	92
Financial expenses	492,385	469,246	504,622	56	52
Other expenses	128,824	85,531	175,144	151	74
Total costs and expenses	**181,530,335**	**167,345,344**	**160,242,353**	**108**	**113**

8.2.4 Financial situation

The Group's financial situation is disclosed by the statement of financial position. The total assets of the Group as at 31 December 2019 amount to EUR 419,418,011, and are 1% higher than the balance planned, and 4% higher than the balance in the previous year.

Table 23: Total assets of the Elektro Maribor Group

in EUR	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018	Index	Index
	1	2	3	1 / 2	1 / 3
Assets	**419,418,011**	**416,124,897**	**404,016,449**	**101**	**104**
Non-current assets	357,897,866	359,146,374	343,839,770	100	104
Current assets	61,520,145	56,978,523	60,176,679	108	102
Equity and liabilities	**419,418,011**	**416,124,897**	**404,016,449**	**101**	**104**
Equity	296,215,772	296,091,578	287,170,547	100	103
Non-current liabilities	80,279,540	80,133,813	74,755,697	100	107
Current liabilities	42,922,699	39,899,506	42,090,205	108	102

Non-current assets prevail in the asset structure. The structure has not changed significantly over the years.

Table 24: Asset structure of the Group

in %	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018
Non-current assets	85.33	86.31	85.11
Current assets	14.67	13.69	14.89
Total	**100.00**	**100.00**	**100.00**

The Group's liabilities as at 31 December 2019, disclose the method of financing the assets at the Group's disposal. The structure has not changed significantly over the years.

Table 25: Structure of liabilities of as at 31 Dec

in %	31 Dec 2019	Plan 31 Dec 2019	31 Dec 2018
Equity	70.63	71.15	71.08
Non-current liabilities	19.14	19.26	18.50
Current liabilities	10.23	9.59	10.42
Total	**100.00**	**100.00**	**100.00**

8.2.5 Net cash inflow or outflow and financial performance

In 2019, we achieved a net cash profit of EUR 395,231, which is EUR 1,154,242 higher than planned.

Table 26: Financial performance of the Elektro Maribor Group

in EUR	2019	Plan 2019	2018	Index	Index
	1	2	3	1 / 2	1 / 3
Net cash inflow or outflow from operating activities	**16,953,563**	**15,692,567**	**14,782,416**	**108**	**115**
- cash receipts from operating activities	338,540,037	321,479,723	312,893,324	105	108
– expenditures from operating activities	–321,586,474	–305,787,156	–298,110,908	105	108
Net cash inflow or outflow from investing activities	**–14,224,569**	**–15,872,326**	**–16,091,079**	**90**	**88**
– cash receipts from investing activities	168,569	502	118,407	-	142
– expenditures from investing activities	–14,393,138	–15,872,828	–16,209,486	91	89
Net cash inflow or outflow from financing activities	**–2,333,763**	**–579,252**	**–1,288,659**	**403**	**181**
– cash receipts from financing activities	11,000,000	12,500,000	11,000,000	88	100
– expenditures from financing activities	–13,333,763	–13,079,252	–12,288,659	102	109
Net cash inflow or outflow for the period	**395,231**	**–759,011**	**–2,597,322**	**–52**	**–15**
Closing balance of cash and cash equivalents	**11,524,296**	**11,960,765**	**11,129,065**	**96**	**104**

At the end of 2019, the Group's total financial liabilities amounted to EUR 45,561,528, and were by 1% lower than planned, and by 9% higher compared to the previous year.

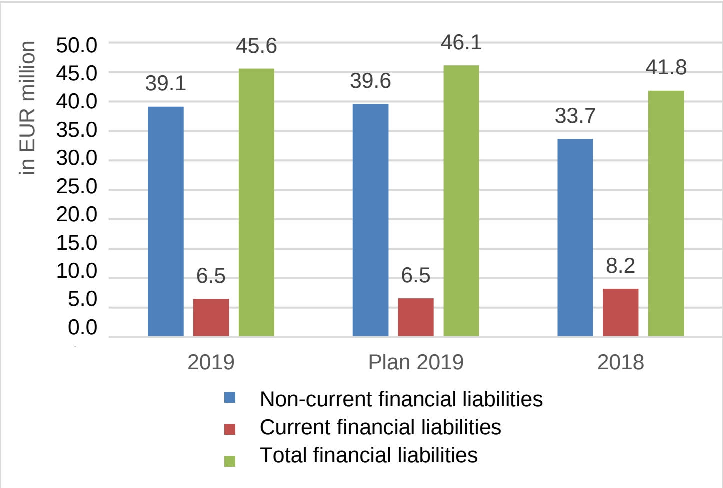


Figure 40: Financial liabilities of the Elektro Maribor Group

As at 31 December 2019, the net financial debt amounted to EUR 34,037,232, and was at the level planned, and 11% higher compared to the previous year.

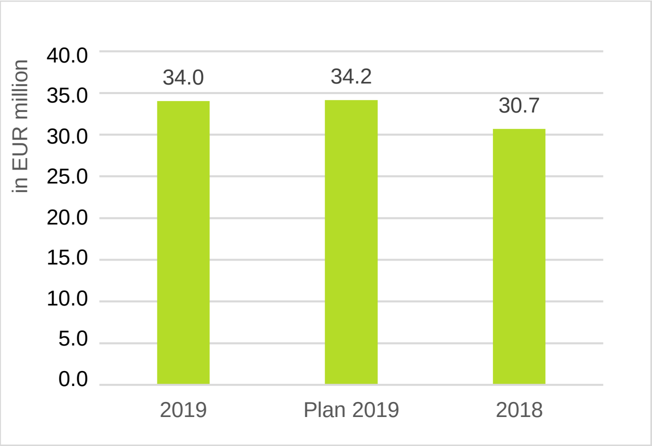


Figure 41: Net financial debt of the Elektro Maribor Group

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

Net financial debt to EBITDA amounted to 0.88, and is by 1% lower than planned, and by 16% higher compared to the previous year.

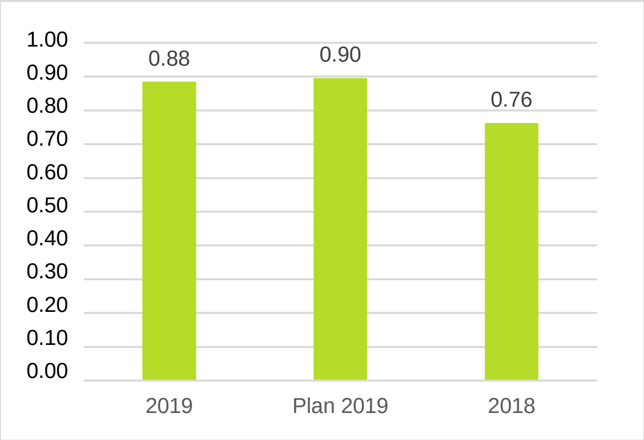


Figure 42: Net financial debt / EBITDA of the Elektro Maribor Group

9 SIGNIFICANT BUSINESS EVENTS AFTER THE END OF THE FINANCIAL YEAR

Contract on the lease of electricity distribution infrastructure and provision of services for the distribution system operator

In 2020, we signed the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution system operator, and Annex no. 1 to this Contract, with the company SODO d. o. o. The provisions of the contract and the Annex no. 1 apply from 1 January 2019.

Shareholder's lawsuit

In 2015, a shareholder of Elektro Maribor d. d., Ampelus Holding Limited, filed a motion with the Maribor District Court for appointing an extraordinary auditor under Art. 322 of the ZGD-1. In its proposal, the applicant stated that an incorrect valuation of depreciation had been performed, as a result of which property, plant and equipment have in some cases been book-valued at 0, and the actual value had been estimated to be significantly higher. The Maribor District Court granted the motion and appointed an extraordinary auditor. The company filed an appeal against the decision on appointing the extraordinary auditor. Following several legal actions, no decision on performed extraordinary audit of property, plant and equipment in the company Elektro Maribor d. d. had been issued as at 31 December 2019 by the District Court deciding the case in question.

In February 2020, the Maribor District Court issued a Report on the performed extraordinary audit of property, plant and equipment of the company Elektro Maribor d. d., which contains, inter alia, the following findings:

- The company correctly and directly applies the provisions of SAS in disclosing and valuing items in its financial statements.
- The auditors who performed the extraordinary audit find that the difference between the carrying amount and the estimated value of property, plant and equipment does not constitute a materially significant amount.

The auditors who performed the extraordinary audit found that based on the intangible differences between the carrying and estimated fair values in 2016 and 2017, the applied accounting policies and the unchanged depreciation rates in the observed period, there are no indications that the value items of property, plant and equipment in the financial statements, which are an integral part of the adopted annual report in 2014, would be significantly underestimated.

10 DEVELOPMENT STRATEGY

10.1 Expected development

The expected development of the company is defined in the following documents: The Strategy of Elektro Maribor d. d., the Strategy of technical and technological development of the electricity distribution system of Elektro Maribor d. d. for the 2015–2030 period, the Annual business plan of the company and the Elektro Maribor Group for 2020, with a projection of operations for 2021 and 2022, and the Development plan for the distribution network of Elektro Maribor d. d. for the period from 2019 to 2028.

Company's strategy

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

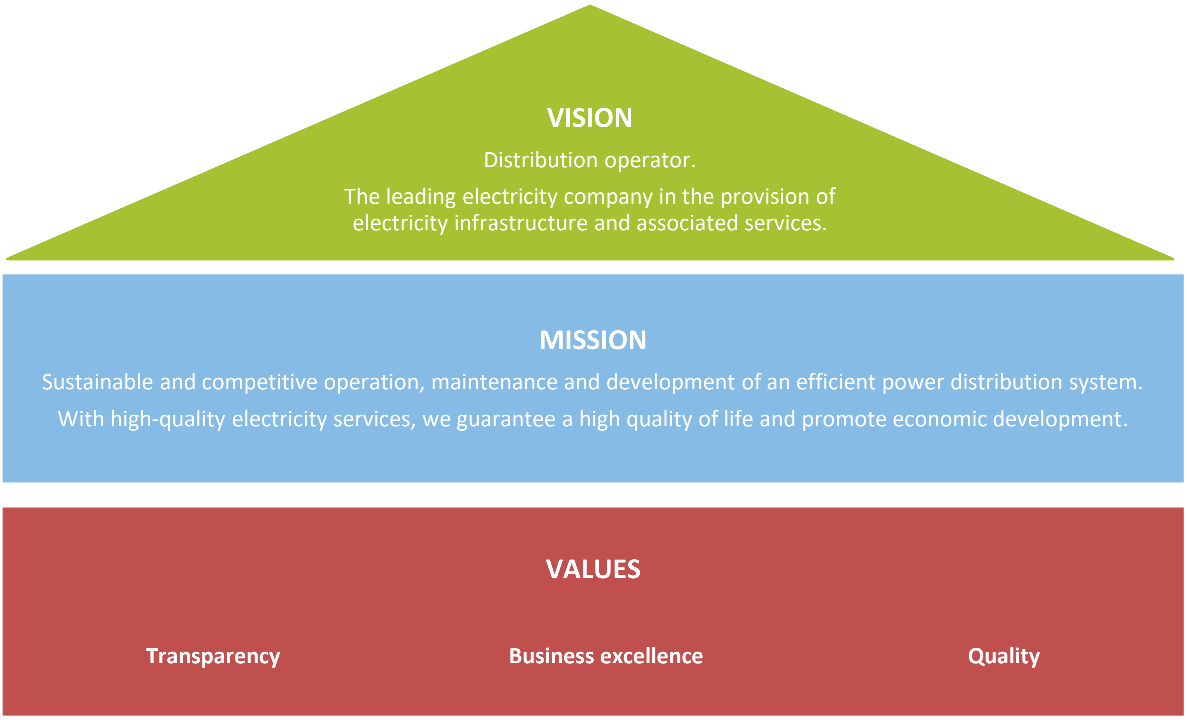


Figure 43: Vision, mission and values

Annual Business Plan 2020

The Supervisory Board of Elektro Maribor d. d. has at its regular session held on 10 October 2019 granted consent to the Annual Business Plan of the company and the Elektro Maribor Group for 2020, with a projection of operations for 2021 and 2022 (hereinafter as LPN 2020).

LPN 2020 was prepared in accordance with the Strategy of the company 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 2019, and the Recommendations and Expectations of the Slovenian Sovereign Holding.

In planning, we placed great emphasis on efficient and successful business operations by controlling the costs, which is reflected in a 2% higher operating profit and a 0.7 percentage point higher EBITDA margin compared to the performance assessment for 2019. In 2020, we will continue to invest in electricity infrastructure, which will provide quality and reliable supply of electricity users.

The main challenges of the company in 2020 will be, in particular:

- Concern for lasting and continuous, safe and reliable operation and development, and maintenance of an efficient electricity distribution system, which constitutes the infrastructure of sustainable development.
- Increasing the robustness, intensity and advancement of the electricity distribution system through realization of planned investments in assets.
- The realization of revenue from self-managed investments and revenue on the market.

Table 27: Key objectives of the company Elektro Maribor2020

		Plan 2020
Return on assets ROA in %	≥	3.4
EBITDA margin in %	≥	42.6
Added value per average no. of employees from hours worked (in EUR thousand)	≥	76.5
Share of losses subject to distributed energy in %	≤	4.8
Share of underground and insulated overhead MV and LV lines in all MV and LV lines %	≥	72.1
Share of insulated overhead MV and LV lines in overhead MV and LV lines in %	≥	41.8
Share of meter points included in the advanced metering system in %	≥	90.0
Share of revenue in the market and capitalized own products and services in all operating revenues in %	≥	29.7
Share of investments in assets in the carrying amount of electricity infrastructure in %	≥	9.4

Long-term network development plan

The Strategy of technical and technological development of the company sets out strategic objectives in the field of technical and technological development of the electricity distribution system. These are implemented by the company through the Network Development Plan (RN), which must be drawn up every two years for a period of 10 years as required by law. The last RN produced and confirmed by the competent ministry was produced for the period from 2019 to 2028.

10.2 Activities in the field of research and development

Introducing the Advanced Metering Infrastructure (AMI)

Elektro Maribor d. d. has already 86% of all meter points included in the advanced metering infrastructure, i.e. 189,925 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 infrastructure by the end of 2025 at the latest.

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

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:

- the 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 infrastructure;
- educational content and marketing activities.

EUROPEAN UNION
COHESION FUND
INVESTING IN YOUR FUTURE

Figure 44: Logo of the European Union Cohesion Fund

In cooperation with the Distribution Academy, we have prepared two videos on the topic of smart meters for our users as part of educational content. The videos are available on the Elektro Maribor's YouTube channel.
Link: https://www.youtube.com/channel/UCcOR4y7DiPK7cS6ococ0OEA

SEDMp Project (System for unified access to measurement data) – Moj Elektro App
t is a joint project of all five electricity distribution companies. The result is an online and mobile application for accessing measurement and other data. Changes in the electricity market require the introduction of new technologies and the digitalisation of the energy sector, which will encourage users of the distribution system to have an even more active role. The key is to provide simple and uniform access to measurement and other data of system users and the efficient management of the latter. In the autumn of 2019, a new free online and mobile application Moj Elektro was launched for users. The system for uniform access to measurement data, along with system meters, communication connections and advanced metering centres of electricity distribution companies, is part of the advanced metering infrastructure.

Figure 45: Moj Elektro App

IoT Energy Data Infrastructure Project

Together with our partner Iskraemeco, we were successful in the public tender “Incentives for research and development projects 2” in the priority group Smart Cities and Communities for the “IoT Energy Data Infrastructure” project. The first task of preparing a problem analysis and proposing technical solutions was completed within the scope of the project.

NEDO

We have actively participated in the three-year Slovenian-Japanese smart grid development project, which was successfully completed in 2019. Elektro Maribor d. d., as a provider of tasks of a distribution network operator, a key partner in the implementation of the first phase of the Slovenian-Japanese development project, which took place under the leadership of the company ELES d. o. o., and in collaboration with the Japanese agency NEDO. The introduction of the latest technological solutions was taken care of by the Japanese company Hitachi, the Slovenian company Solvera Lynx and other Slovenian companies, providers of technological solutions and research organizations such as the Milan Vidmar Electric Power Research Institute. As part of the first phase of this project, two functional lots took place in the area of the company Elektro Maribor d. d.: the project of levelling peaks and adjusting consumption in the area of RTP Breg, which took place under the name "Move consumption", and as part of the digitalization of electricity, the project of advanced distribution system management or "DMS".

The PAKT project

As part of the implementation of the project "Smart devices, models and platforms in the active network" (abbreviation PAKT), we replaced the existing electromechanical meters in the area of two transformer stations with new state-of-the-art system electricity meters manufactured by Iskraemeco d. d. and integrated the meter points in the new HES (Head End System, Meter data collection system) SEP2W development version created under the iEDI project. The company Elektro Maribor d. d. provides a consortium of partners in the project with a pilot / demonstration environment for testing newly developed or improved products, processes and services in a real environment. Together with our partners, we want to develop, and test in a real environment, new communication modules for connecting system meters to the Elektro Maribor metering centre, smart home systems and the system of a new energy trading platform. From September to December, SLA (service-level agreement) performance measurements of capturing measurement and other data have been conducted by G3 PLC (Power Line Carrier, data transmission over the energy network) communications technology. In December, we replaced the G3 PLC communication module on all meters with GPRS / LTE Cat-1 radio modules.

Distribution Academy

In 2019, the Elektro Maribor Distribution Academy carried out education and training activities in many areas in order to strengthen the internal knowledge of employees and the recognizability of the company Elektro Maribor in the energy and social environment through expert panel discussions, events and, in particular, connecting to the school system, local community and institutions.

As part of the preparation of strategic development documents, we conducted four panel discussions on professional content and guidelines for preparing the National Energy and Climate Plan and the Comprehensive Environmental Impact Assessment. With such panel discussions, we demonstrate corporate social responsibility of the profession and want to contribute to the public dialogue in the process of preparing energy strategic development documents. We participated in the organization of a historical symposium by actively participating with an article on the first light bulb and the beginning of electrification in Slovenia.

On Earth Day, we organized an intergenerational day in cooperation with the Rakičan Home for the Elderly, the Murska Sobota Secondary Vocational and Technical School and the Murska Sobota Primary School III. We stressed the importance of environmentally friendly technology that underlies the transition to a low-carbon society.

On European Mobility Week, we organized an event for employees, in the context of which we visited important distribution facilities and historical landmarks in the Maribor City centre. In doing so, we showed support for the European Mobility Week slogan “Walk with us” and joined numerous activities in Slovenia.

We joined the “Competence centre for HR development in the field of energy, KOC Energy” project and gained professional education and training opportunities with partner companies.

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 2020, we signed the contract and Annex no. 1 to the contract with SODO referring to the 2019–2021 regulatory period.

The regulator of the Slovenian energy market is the Energy Agency, which monitors, directs and supervises the providers of energy activities. In 2019, a new regulatory framework for the 2019–2021 period entered into force, 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. 46/18, 47/18-corr., 86/18, 76/19, 78/19-corr.). The value of the regulatory framework for the 2019–2021 period was determined by the Energy Agency's decision no. 211-42/2018-58/452 (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[22]

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 2019, the quality of electricity supply to consumers in the area supplied with electricity and measured by the SAIDI, SAIFI and MAIFI parameters deteriorated, which is mainly a result of unfavourable weather conditions in 2019. In 2019, there were recorded 27 days of emergency or extreme weather conditions in the supply area of Elektro Maribor d. d. The same number of days was also the year before, while the indicators of power continuity are somewhat worse in 2019. In 2019, the nature of emergencies affected a wider scope of electricity infrastructure than in 2018, when the emergency states were mostly of a local nature. The result of emergency states in the wider area has therefore lower values of SAIDI and SAIFI indicators in 2019 than in 2018.

The SAIDI and SAIFI parameters are the parameters of power supply continuity prescribed by the Energy Agency of the Republic of Slovenia. Until 2015, the SAIDI and SAIFI parameters were monitored uniformly for the entire supply area. From 2016 onwards, the Energy Agency of the Republic of Slovenia has defined separate monitoring of the SAIDI and SAIFI indicators for own causes, namely separately for urban and rural areas, and also set their target values, which are the basis for annual assessment of supply performance or the calculation of the quality of supply factor, which in form of incentives/sanctions affects the stipulation of the amount of eligible regulated costs.

SSH had also included the indicators of the quality of supply SAIFI, SAIDI and MAIFI in the Criteria for measuring the performance of state-owned companies. Their target values are set annually by SSH within the LNU.

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.

[22] GRI 417-2

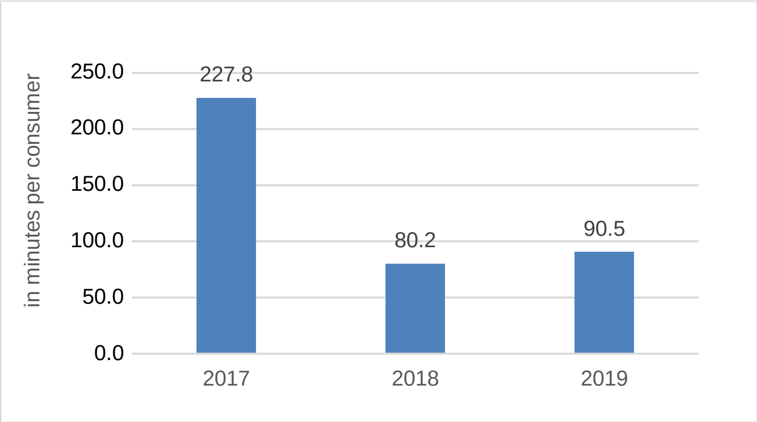


Figure 46: Changes in overall SAIDI factors

The achieved total SAIDI indicator, which is also the most relevant on the part of the user (consisting of own causes, force majeure and foreign causes) amounting to 90.5 minutes/consumer, is somewhat worse than in 2018, but at the same time significantly better than in in 2017.

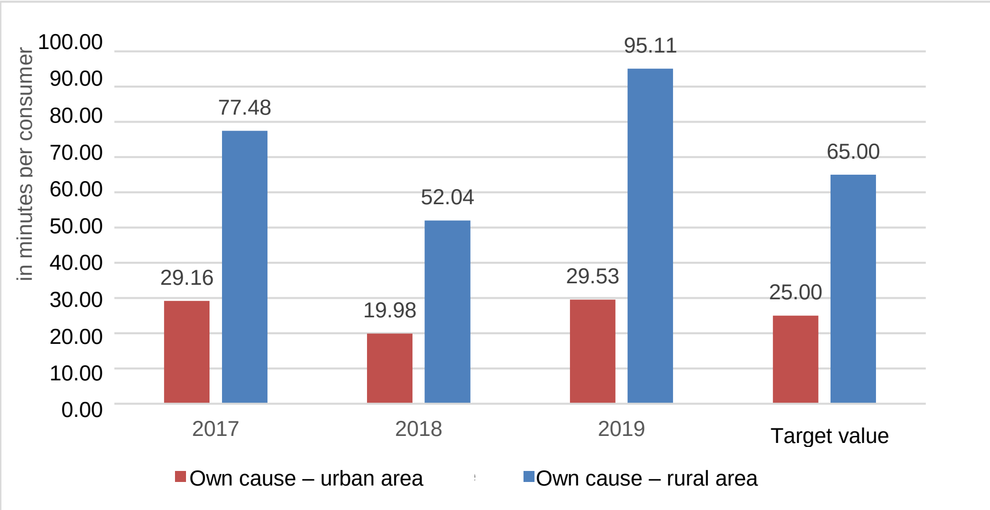


Figure 47: SAIDI own cause - average time of unplanned interruptions longer than three minutes per consumer

When reviewing the failures from own causes for the SAIDI factor, separately for urban and rural areas, consequently, the results are also worse than in 2018, namely by 48.5% for own causes for the urban area, and 82.7% for own causes for the rural area. The values achieved due to own cause in 2019 are higher by 18.1%, and 46.3% higher in rural area compared to the target values set by the Energy Agency in urban area.

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.

The total SAIDI indicator (consisting of own causes, force majeure and foreign causes) achieved in the entire supply area of the company in 2019, was 2.24 interruptions/consumer, and is by 11.4% higher than the value in 2018.

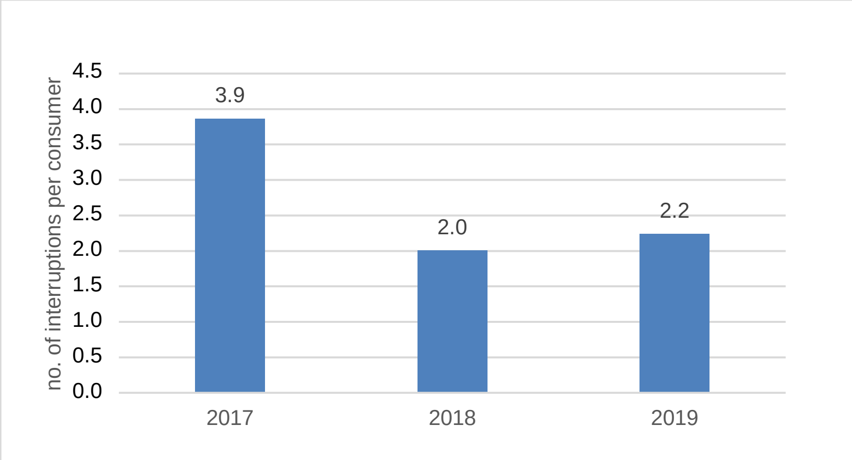


Figure 48: Changes in overall SAIFI factors

The achieved total SAIFI indicator, which is also the most relevant on the part of the user (consisting of own causes, force majeure and foreign causes) amounting to 2.2 interruptions/consumer, is somewhat worse than in 2018, but at the same time significantly better than in in 2017.

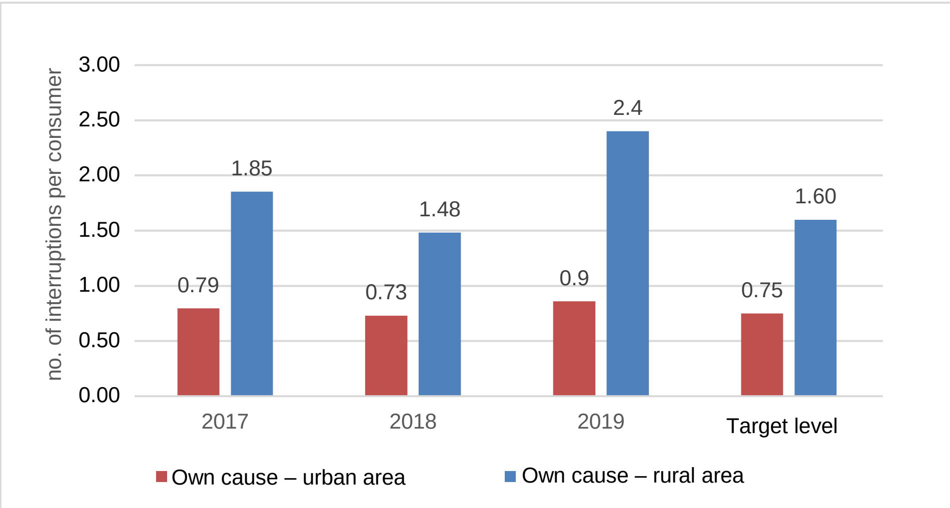


Figure 49: SAIFI own cause - average number of power failures longer than three minutes per consumer

When comparing failures from own causes for the SAIFI factor, separately for urban and rural areas, the results are worse than in 2018, namely by 17.8% for the urban area, and by 62.2% for the rural area. The SAIFI values achieved due to own cause in 2019 are higher by 14.6%, and 50% higher in rural area compared to the target values set by the Energy Agency in urban area.

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.

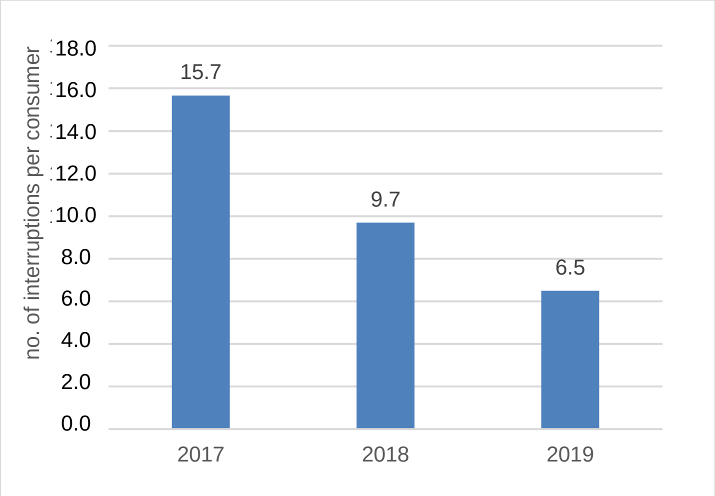


Figure 50: Changes in MAIFI factor

When comparing short-term interruptions/consumer, the results are better than in 2018. The target values of the state asset manager in LNU 2019 have also been achieved. The value of the MAIFI factor in 2019 is 33% lower than in 2018, or 3.2 interruptions per consumer less.

11.2 Commercial quality[23]

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 2019, we recorded an exceptional growth in the need for ancillary services compared to 2018 (consents for connection - 27% growth, contracts on connection - 29% growth). Despite the above, the indicators of ancillary services for 2019, except for the indicator for consents, are within the prescribed values.

We also successfully addressed poor voltage conditions, including those that resulted in disrupted operation of heat pumps and solar power plants for the needs of self-supply.

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

We drafted an electrical power eligibility analysis for the construction of a 110/20 kV distribution transformer station in Zreče due to increased industrial consumption in the Zreče area, an analysis to improve the reliability of the Kamnica MV line from RTP Ruše, and analysed the eligibility of installing additional remote switches in MV lines with the worst SAIDI and SAIFI indicators.

For the purposes of conducting a study on peak load forecasting and development of the distribution network in the Elektro Maribor d. d. area, within the five-year project REDOS 2045 (Development of the Slovenian electricity distribution network until 2045), we have prepared and collected data for different levels of consumption, loads, MV network with associated transformation 110/X kV (models of MV networks in the GREDOS software package by 31 December 2018).

[23] GRI 417-2

The contractor conducting the study has prepared estimates of consumption and peak load forecasts at the level of the company, regional units, RTP areas and their MV lines up to 2045 in the context of a development, central and stagnant scenario, and in December 2019 submitted the draft study of consumption and peak load forecasts. The development scenario also takes into account the electrification of heating and personal mobility in the area of Elektro Maribor d. d.

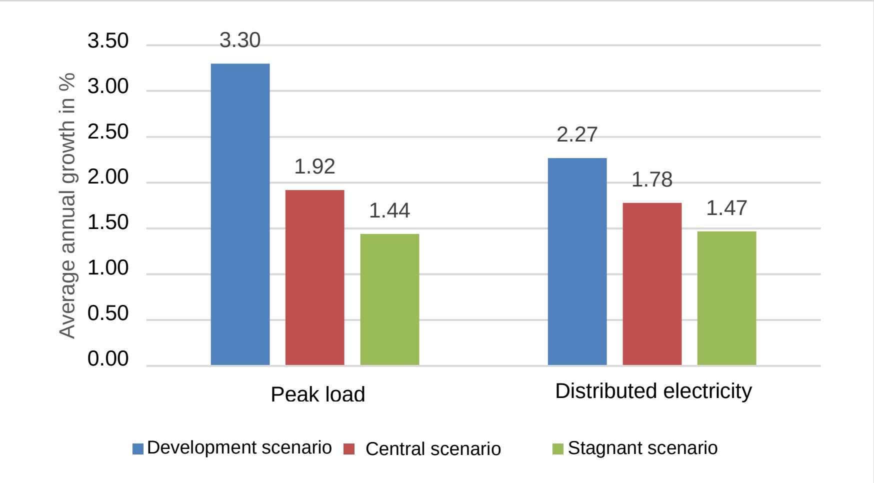


Figure 51: Average annual growth rates by scenarios

We received a draft study of the distribution network development in the area of RU Slovenska Bistrica, and for the other areas of Elektro Maribor (Pomurje region, Ptujsko polje, Slovenske gorice and Haloze, and the Drava valley) they shall be made in the first half of 2020 according to the time schedule.

The volume of documents issued in the process of connecting users to the electricity distribution network, and the documents that Elektro Maribor must issue as the owner of the electricity distribution network in accordance with the construction and spatial planning legislation, is for 2019 shown in the table below.

Table 28: Volume of documents issued

Title	2019	2018	2017
Preparation of guidelines to spatial planning acts	60	91	84
Elaboration of opinions to spatial planning acts	74	88	75
Elaboration of project requirements	1,390	1,583	1,779
Issuing opinions on project solutions	2,233	2,462	2,546
Elaboration of consents for connection	4,824	4,378	3,910
Concluding contracts for connection	4,895	3,979	3,404
Making analyses for diffuse sources	1,328	712	443
Total	**14,804**	**13,293**	**12,241**

The volume of all documents issued is by 26% higher compared to the previous year. Realization is higher in opinions on project solutions by 5%, consents for connection by 29%, contracts for connection by 39% ,and preparation of analyses for diffuse sources by 86%

The key reason for the large increase in the number of issued documents in 2019 is the large number of applications received for issuing consents for connection of self-supply plants, and consequently contracts for connection and analyses for integration of production sources into the network, which is a result a strong interest in obtaining electricity billing according to the principle of net metering, in accordance with the decree on self-supply and with additional support for kW of connected power, especially solar power plants. In addition to individual self-supplies, we expect additional applications for the issuance of consents for connection to self-supply plants for community self-supply (self-supply of a multi-apartment building and the RES community), introduced by the new decree on self-supply from March 2019.

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 37.9 km,
- LV underground lines by 130.7 km,
- transformer stations MV/0.4 kV, MV/0.95 kV and 0.95/0.4 kV for 22 transformer stations.

Compared to the previous year, we increased the length of the network on company's distribution system by 75.1 km or 0.5%. Of which, the length of underground lines had been increased by 168.6 km or 2%, and the length of overhead lines had been reduced by 93.5 km or 1.1%.

Table 29: Quantities and physical volume of facilities on the distribution system

	2019	2018	2017
HV and MV network (in km)			
HV overhead lines	231.9	231.9	231.9
MV overhead lines	2,852.4	2,877.0	2,898.6
HV cable lines	8.3	8.3	8.2
MV cable lines	1,206.8	1,168.9	1,129.9
Total HV network	**240.2**	**240.2**	**240.2**
Total MV network	**4,059.2**	**4,045.9**	**4,028.5**
LVN 1 kV + 0.4 kV + 0.2 kV (in km)			
LV overhead lines	5,074.1	5,143.0	5,294.8
LV underground lines	7,317.7	7,187.0	6,933.9
Total LV network	**12,391.8**	**12,330.0**	**12,228.7**
Total network (in km)	**16,691.2**	**16,616.1**	**16,497.3**
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	9
TP MV/0.4 kV, TP MV/0.95 kV, TP 0.95/0.4 kV	3,533	3,511	3,502

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

Table 30: Proportion of single maintenance groups

	2019	2018	2017
Maintenance of the energy infrastructure	47%	60%	53%
Other maintenance	53%	40%	47%
Total	**100%**	**100%**	**100%**

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 31: Reviews of transformer stations

	2019	2018	2017
Plan (in pcs)	868	868	874
Realization (in pcs)	1,160	917	904
Plan realization (in %)	133.6%	105.6%	103.4%

We carry out the tree removals on the entire overhead electricity network by ourselves and with an external contractor.

Table 32: Tree removal on HV, MV and LV network

	2019	2018	2017
Plan (in km)	300	300	317
Realization (in km)	244.9	332	339
Plan realization (in %)	81.6%	110.7%	106.9%

The company is carrying out the rehabilitation of pylons (SM) in accordance with the "Targeted replacement of obsolete SM" project, and is an integral part of the implementation plan of individual regional units of Elektro Maribor d. d. Targeted replacement consists of investment projects for the replacement of SM, regular maintenance of individual SMs and the immediate remediation or rehabilitation of SMs, the cause of which are various unforeseen events and emergencies.

11.5 Access to the distribution system and billing the network use

Number of consumers and producers

In 2019, the number of consumers increased by 565 or 0.3% compared to the previous year and is the largest so far. In 2019, the number of household consumers increased the most since 2010. The increase is attributable to the expansion of housing construction. Self-supply is also included among consumers and producers. There were 1,528 of those at the end of 2019. There were 1,346 other producers. The total number of users (i.e. consumers and producers together) thus amounted to 219,905.

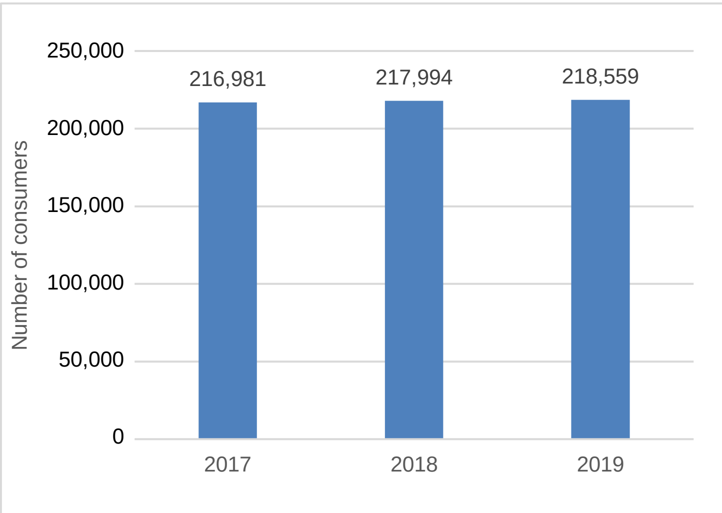


Figure 52: Number of consumers connected to the distribution system (self-supplies are also taken into account)

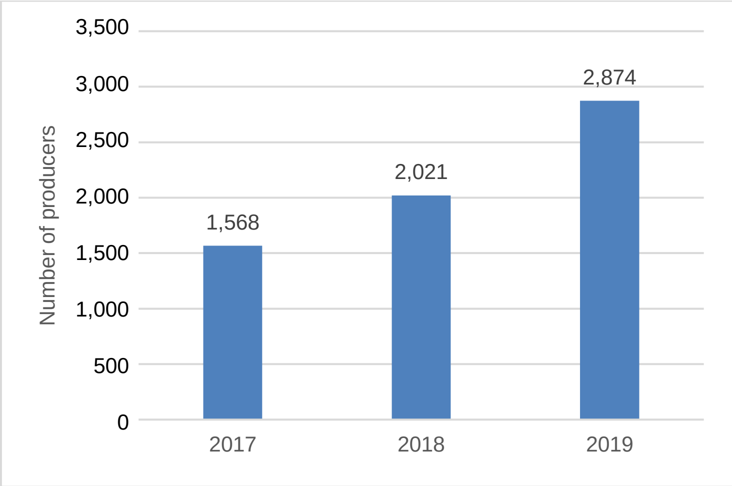


Figure 53: Number of producers connected to the distribution system (self-supplies are also taken into account)

Connected load

In 2019, the connected load of consumers amounted to 3,180 MW, and the connected load of producers to 185 MW.[24]

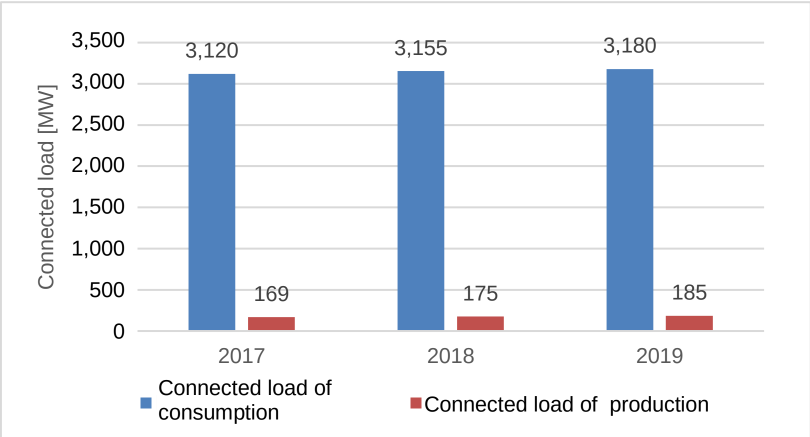


Figure 54: Connected load of consumption and production

Billing power

In 2019, the average monthly billing power in the area of Elektro Maribor d. d. reached the value of 2,027 MW, which is 7 MW or 0.3% more than in the same period in 2018. The average monthly billing power of household users increased by 10 MW, which is the highest since 2010. This is a result of integration of new users, new plants that require electricity. The billing power of business users increased by 5 MW at low voltage, which is the same as the year before, while the billing power of industrial users decreased by 8 MW, which is the highest in a decade and a half. The changes can be attributed to the intensity of economic activities and power management.

The total billing power affects the necessary investments in the intensity of the electricity distribution network.

Table 33: Trends in billing power and energy use compared to 2018

	Billing power	Energy
Medium voltage (MV)	–3.9%	–1.4%
Low voltage (LV) - business consumption	1.2 %	–0.9%
Households	0.7%	0.0%
Total	**0.3%**	**–0.8%**

[24]Self-supplies are taken into account in both categories.

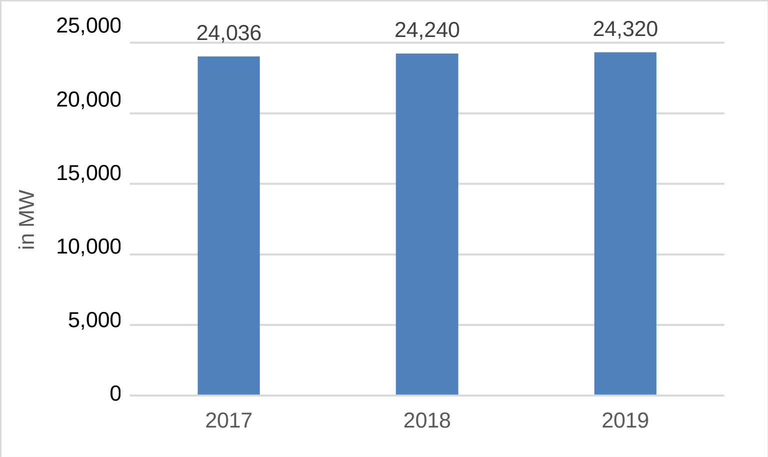


Figure 55: Total annual billing power

Peak load

In 2019, the peak load of the system was the highest in January, amounting to 425 MW. In 2018, it was the highest in March, amounting to 441 MW.

In 2019, the minimum load was reached in the amount of 127 MW. From 2010 onwards, the minimum load is always reached on the 2nd of May.

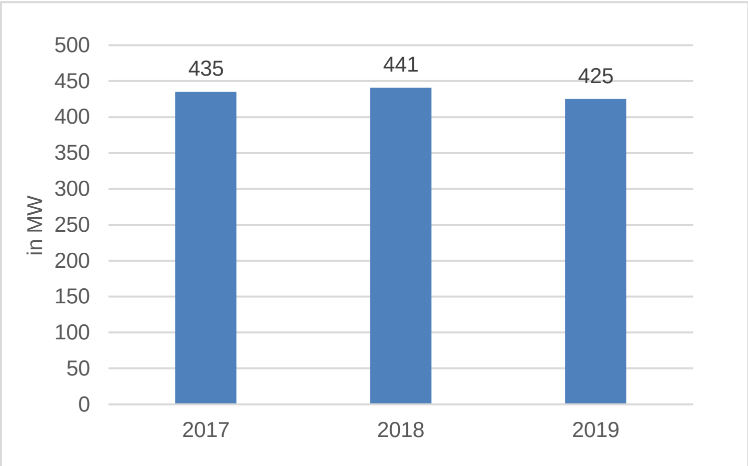


Figure 56: Maximum peak load

The information on peak power is particularly important when planning the development of an electricity distribution system, which must also be dimensioned with respect to peak power. If the latter is increasing, the network must be further strengthened. Efforts of Elektro Maribor d. d. are also focused on increasing the intensity of the network. The peak load trend is mostly affected by climatic factors, economic activity and the increase of the load of the existing and connection of new consumers and producers.

Energy collected

In 2019, a total of 2,384 GWh of electricity was collected into the Elektro Maribor d. d.'s electricity distribution network, which is 0.9% less than in 2018. We collected 2,066 GWh from the transmission network, which is 0.2% less than in 2018. We collected 318 GWh from local production sources (small hydroelectric power plants, solar power plants, biomass power plants and cogeneration), which is 5.6% less than the year before.

The ratio between the energy collected from the transmission system and the energy from production sources in 2019 amounted to 87 : 13, while in 2018, the ratio was 86: 14.

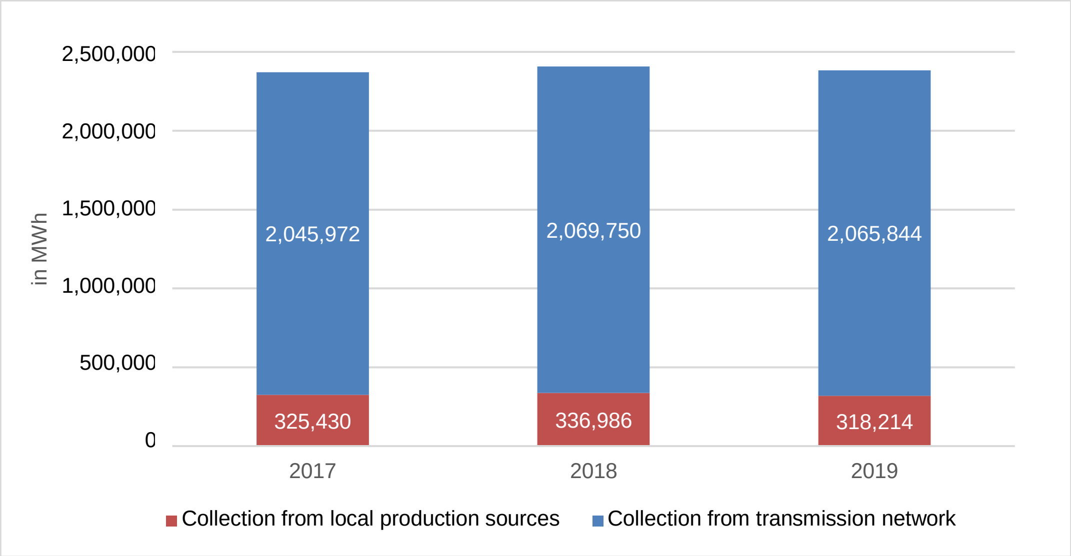


Figure 57: Trends in electricity collection

Distributed electricity

In 2019, we distributed 2,279 GWh of electricity through the Elektro Maribor d. d. network at 218,559 meter points, which also includes self-supply meter points. There were 1,346 other producers. Total distributed electricity was by 0.8% lower than in the previous year, but still the second highest so far.

Consumption of household consumers was slightly lower, medium voltage industrial consumption was lower by 1.4%, and low voltage business consumption was 0.9% lower than in 2018. In the last four decades, consumption in all three consumption groups decreased simultaneously only in 2009, 2012, 2014 and 2019. The first three years are characterized by the cooling of economic activity. This can be at least partly attributed to the changes in 2019 within the consumption groups of business consumption.

The reduction of consumption in 2019 was in the area of the company Elektro Maribor d. d. the largest in the entire Slovenian electricity distribution, which can be attributed to different economic and social conditions in this area.

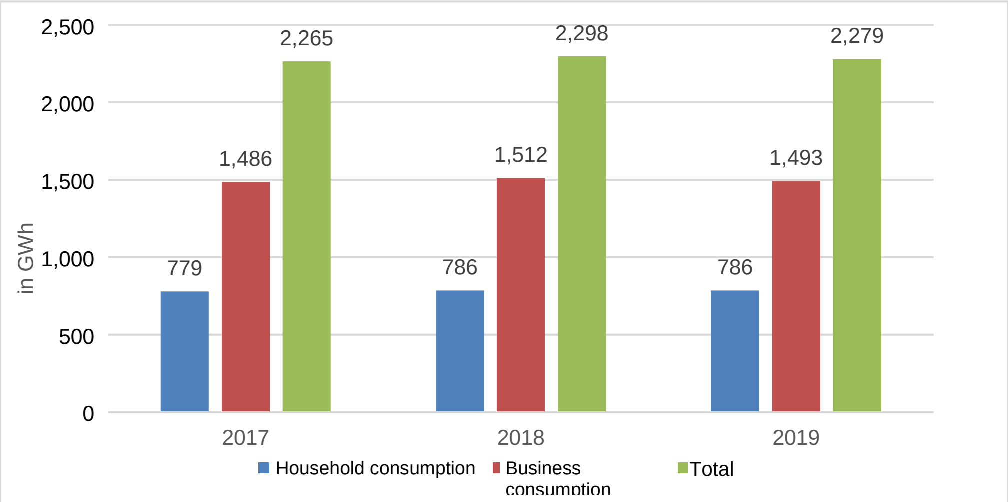


Figure 58: Quantity of distributed energy for business and household consumption

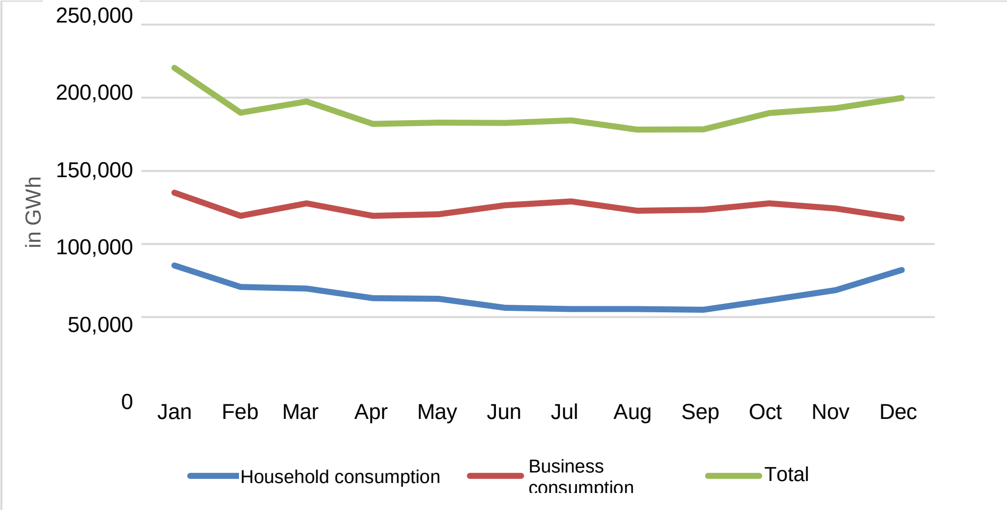


Figure 59: Monthly dynamics of distributed electricity for business and household consumption

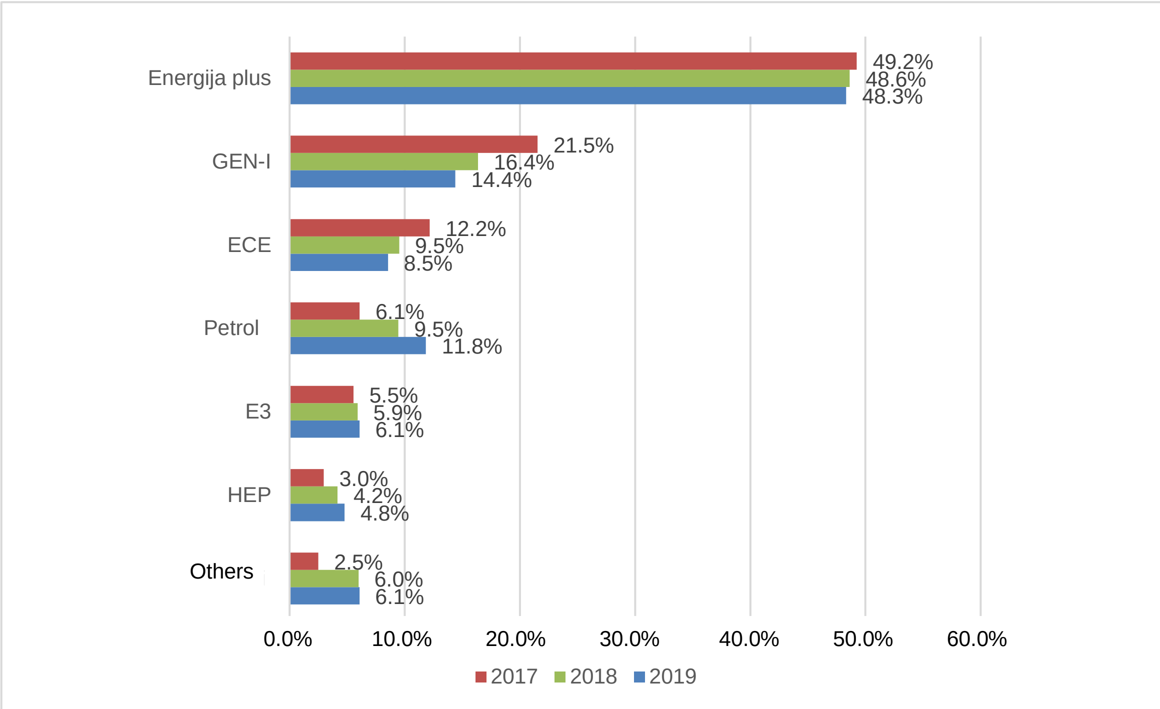


Figure 60: Distributed electricity of Elektro Maribor d. d. in the area of the SODO contractor per suppliers

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 2019, the company achieved the best / lowest result in the proportion of losses, which is the result of implementing measures for managing technical and commercial losses, and the introduction of the advanced metering system. The share of losses recognized by the Energy Agency in 2019 was 4.99%, and the share achieved was 4.60%.

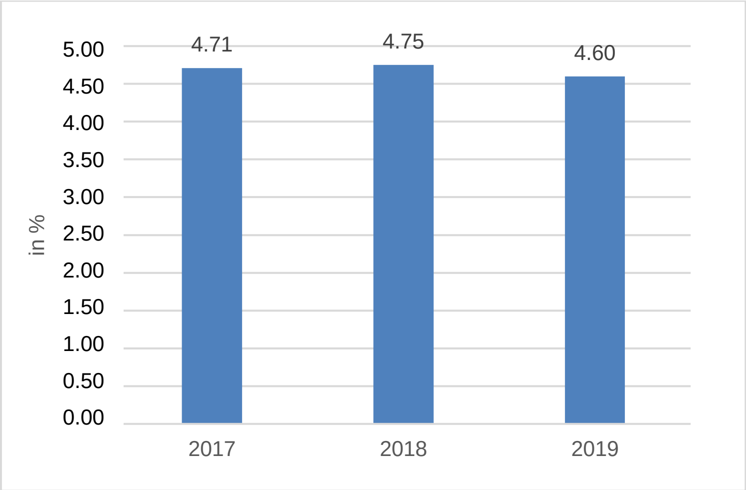


Figure 61: Trends in percentage of losses in the network according to distributed energy

Changing suppliers

The company Elektro Maribor d. d. performs the change of a supplier within the statutory time limits. In 2019, the change of electricity supplier in the distribution system of Elektro Maribor was carried out at 8,249 meter points, of which 6,731 were household and 1,518 business consumers, which in total represents 3.8% of all meter points. The number of changing suppliers has been decreasing in the last two years.

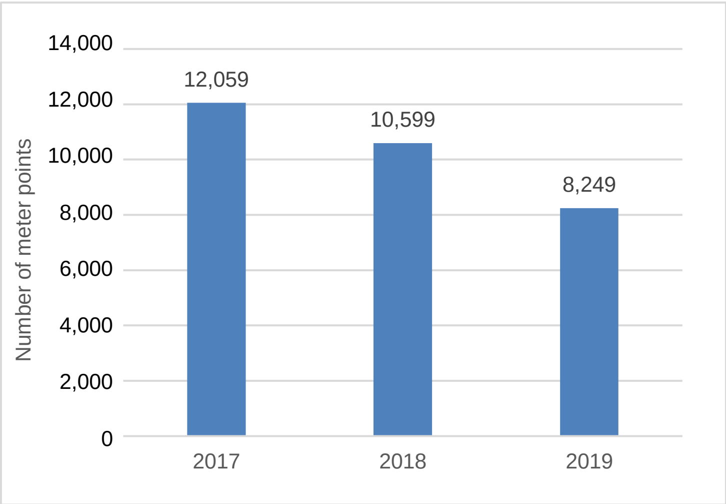


Figure 62: Trends in the number of electricity supplier changes

11.6 Measurement of electricity and provision of measurement 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 21,195 system electricity meters installed in 2019.

In 2019, we additionally included new network users in the advanced metering system. The total number of meter points included in the advanced metering system, thus already amounts to 189,925, which represents 86.4% 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 measuring equipment and the reactivation of the circuit-breaker in case of exceeding the connected loads (with no costs for replacement of main safety fuses).

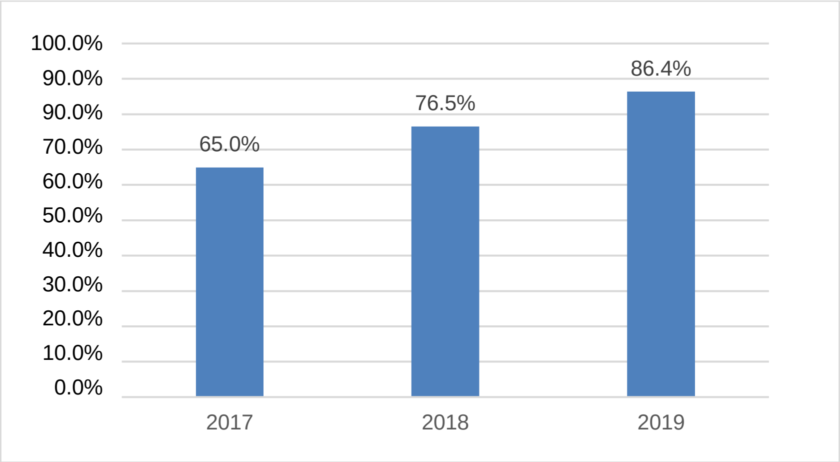


Figure 63: Share of meter points included in the advanced metering system – Elektro Maribor d. d.

In accordance with the Metrology Act and its implementing regulations, we replaced 3,053 metering devices, the certification of which expires in 2019. 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 billing the network use, contributions, electricity supply, and control calculations, we have provided 2,119,395 electricity meter readings from the metering centre. Only 2.7% of all required readings were provided by manual reading.

11.7 Measurements and protection

In the field of maintenance, we performed 178 measurements in 2019, of which there were 73 trials and 105 measurements and finding defects on cable lines. We conducted 272 reviews of protective devices for protection and management (relays).

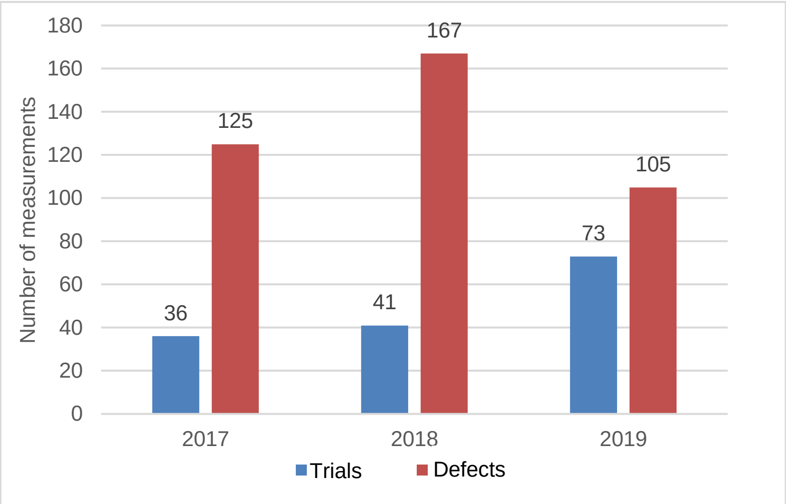


Figure 64: Number of measurements performed

We performed 1,439 measurements of voltage quality, which is 20% more compared to the previous year. Of which, 673 measurements were not in conformity with the SIST EN50160 standard, which amounts to 46.8%. The increase in the number of performed measurements can be attributed to 524 requests for the needs of measurements in the phase of obtaining information or consent for connection to the electricity distribution network and 88 addressed complaints regarding the voltage quality.

12 PRODUCTION OF ENERGY PRODUCTS

In 2019, the Elektro Maribor Group produced 13,047 MWh of electricity by its own production facilities, which is 4% less than in 2018. The cause is higher production of hydroelectric power plants, which is mainly a result of unfavourable weather conditions or hydrological conditions.

The share of produced electricity from hydroelectric power plants in 2019 amounted to 92.4%, the share of photovoltaic power plants to 4.6%, and the share of cogeneration (SPTE) to 3%.

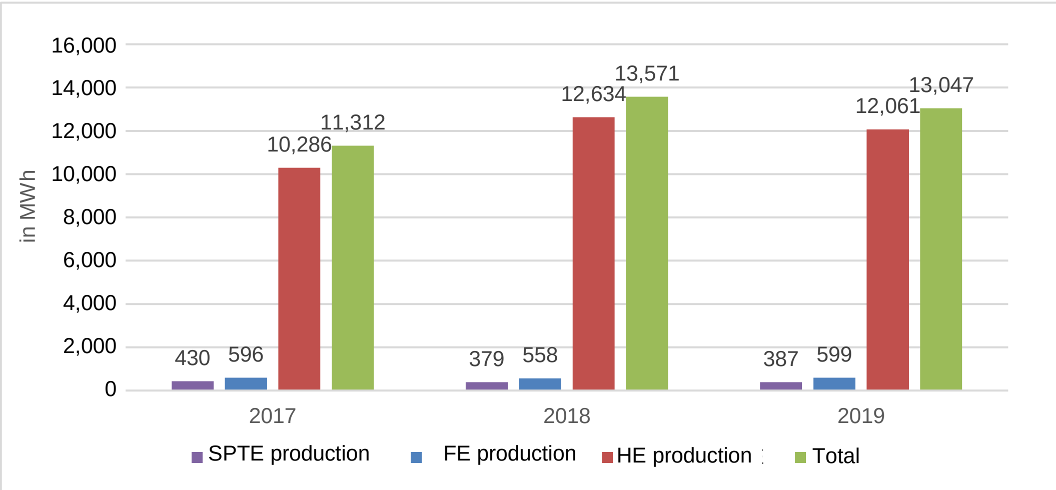


Figure 65: Generated quantities of electricity in hydroelectric power plants (HE), photovoltaic power plants (FE) and cogeneration (SPTE) in MWh

The highest production from hydroelectric power plants was recorded in June and December 2019. The entire amount of generated electricity was eligible for support premiums.

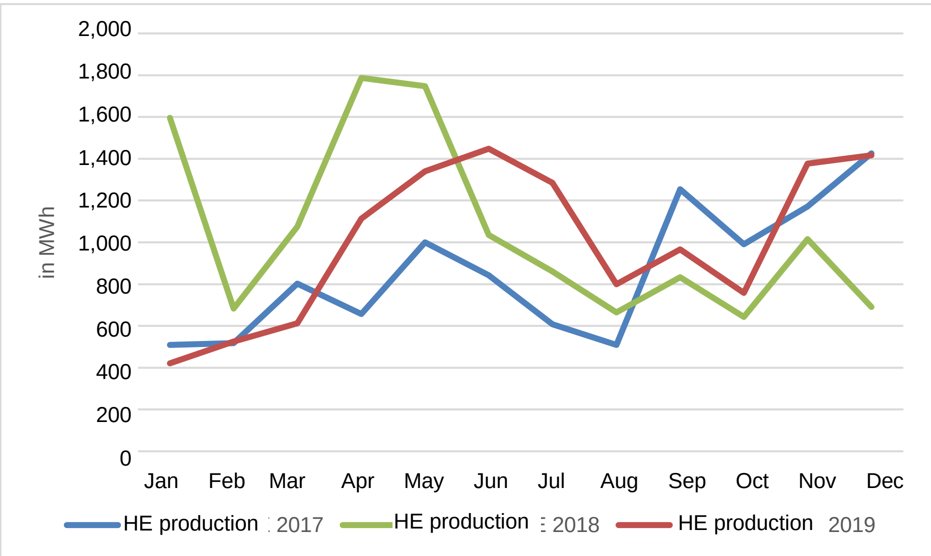


Figure 66: Monthly dynamics of electricity generated in hydroelectric power plants (HE) in MWh

The highest production from photovoltaic power plants was recorded in May and July 2019. The entire amount of generated electricity was eligible for support premiums.

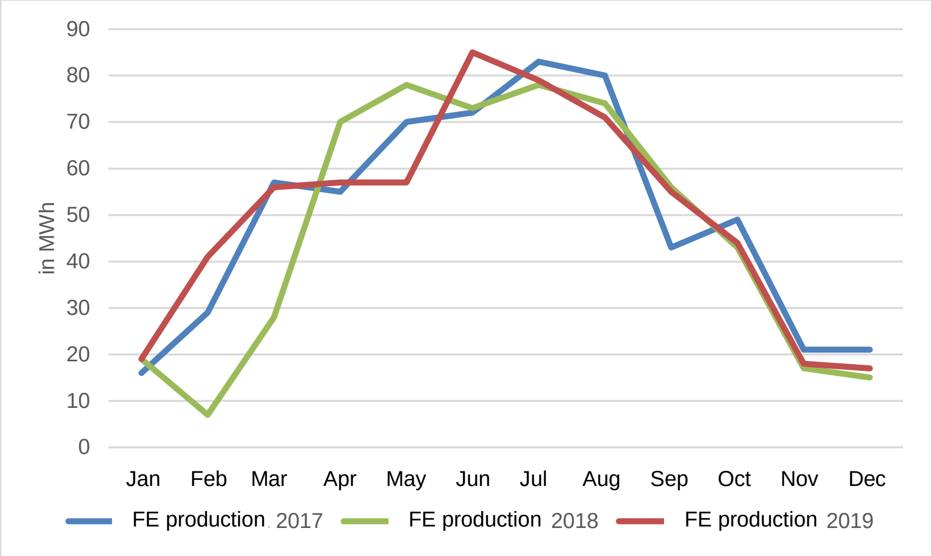


Figure 67: Monthly dynamics of electricity generated in photovoltaic power plants (FE) in MWh

The Group disposes of two facilities that produce high-efficiency heat and electricity (SPTE) in cogeneration, using natural gas. The highest production from high-efficiency cogeneration of heat and electricity was recorded in January and December 2019.

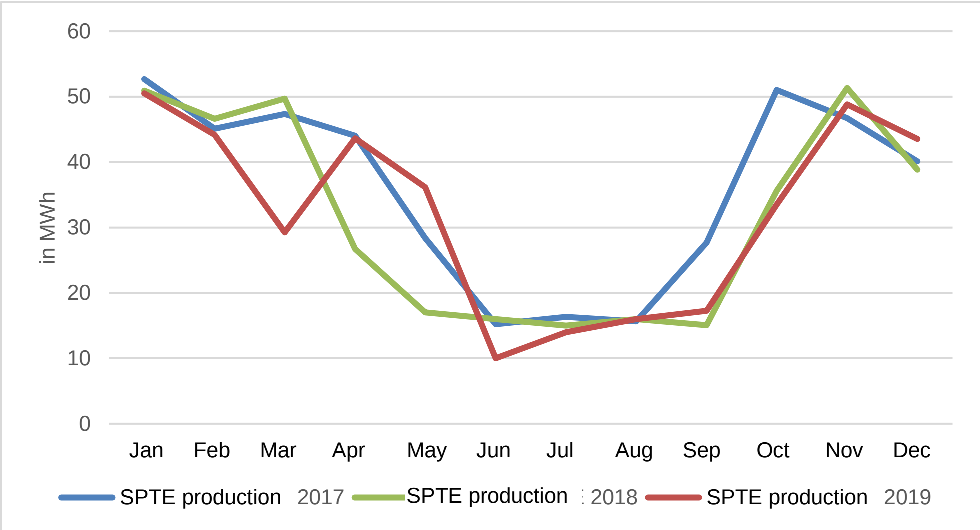


Figure 68: Monthly dynamics of electricity generated in SPTE in MWh

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 the company Energija plus by OVEN Elektro Maribor d. o. o.

13.1 Electricity

Preserving the environment, energy efficiency, reducing consumption and efficient use of energy, new energy solutions, self-sufficiency and everyday challenges brought by increasingly demanding customers and a competitive environment, drive us to an increasing flexibility and responsiveness. Therefore, we actively introduce new technological solutions in our work, optimize processes and encourage active partnerships. In 2019, we have been strengthening the activities to increase the satisfaction of existing customers (loyalty programme, business partnerships and benefits for customers), gaining new and retaining existing customers, improving the user experience (greater responsiveness and active communication with the customers).

Total electricity sales in 2019 are 0.13 TWh or 7.6% higher than in 2018.

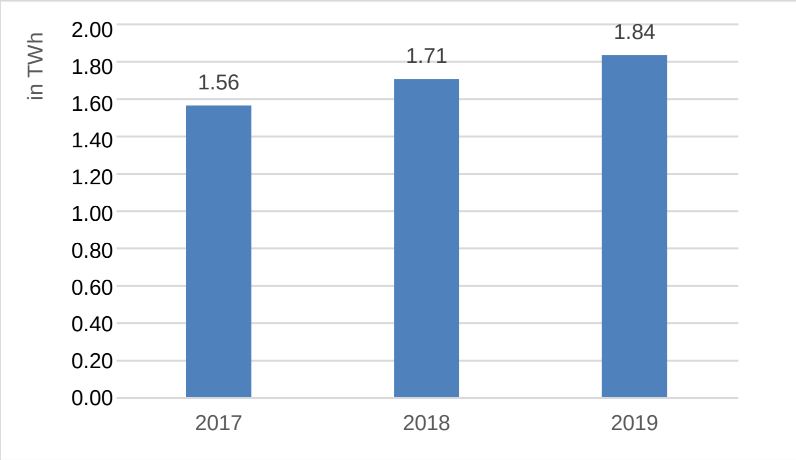


Figure 69: Volume sales of electricity

In 2019, the share in the structure of the quantity of electricity sold to business customers increased by 3.5 percentage points, while the share of household customers decreased by 3.5 percentage points.

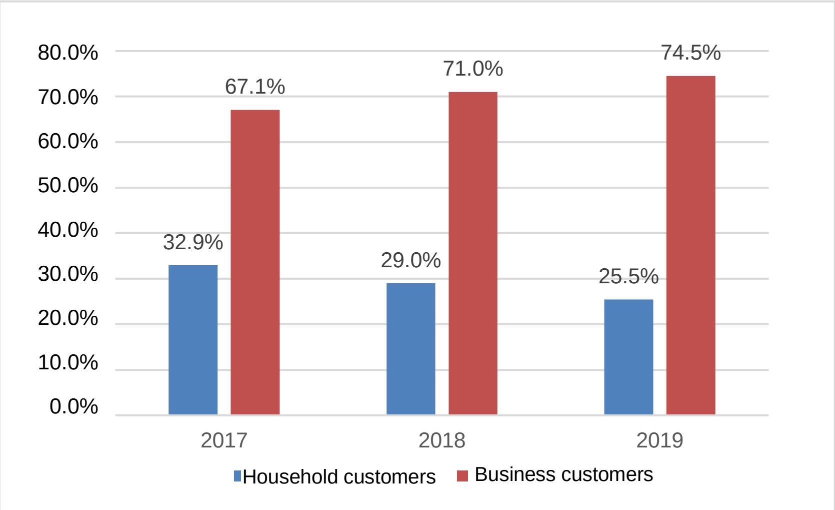


Figure 70: Share of sold electricity quantities to end customers

Based on data available for the period January - September 2019, we reached a 13% market share in overall sales to end customers, which means that we increased the market share by 1.1 percentage points compared to 2018.

13.2 Natural gas

In the natural gas market, the number of new consumers on the network is gradually increasing, but its dynamics are slowing down, which shows a significant decline in the number of supplier changes compared to previous years. A large number of natural gas providers are intensifying the competition through their activities.

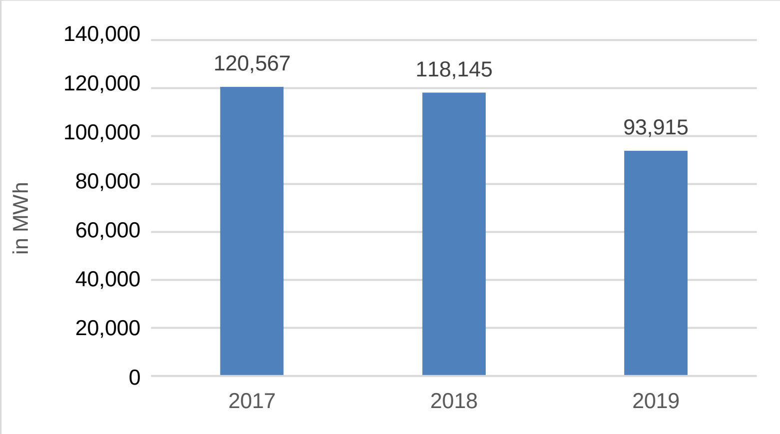


Figure 71: Volume sales of natural gas

In 2019, we continued to actively acquire new customers of natural gas, but due to strong competition, we succeeded to a lesser extent than planned. In 2019, we sold 20.5% less gas to end customers than in 2018, and generated 9.1% less revenue from gas sales. The decline in sales was to the greatest extent possible affected by a smaller number of acquired customers than planned, and an increased outflow of customers due to the aggressive pricing policy of the largest natural gas providers (especially the departure of the larger business customer), while the mild winter also contributed its share.

Activities for strengthening our position in the field of natural gas were implemented in various forms throughout the entire year (promotions, sales promotion campaigns, prize games, customer visits, addressing customers in the call centre and at points of sale). Among the most notable events worth mentioning are the sales promotion campaigns “Mojster za dva" in the first half of the year, and “Soseda ima novega" in the second half of the year.

Because in 2018, with the growth of wholesale prices, we only adjusted the prices of special offers of natural gas, we also corrected the prices of regular gas price lists for households and small business customers to pursue the result planned as at 1 September 2019.

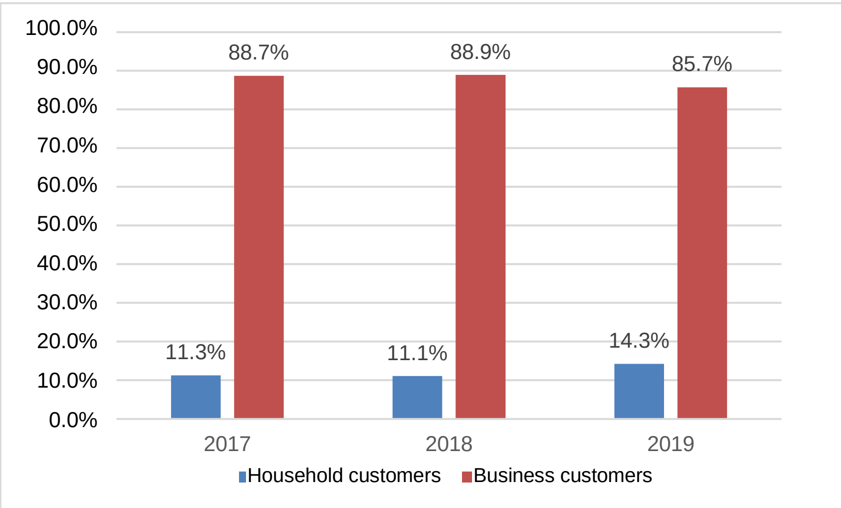


Figure 72: Share of sold quantities of natural gas to end customers

Based on currently available official data on consumption of natural gas in Slovenia in 2018 (source: Energy Agency), we estimate our market share in 2019 at 0.89% in the whole retail market (transmission and distribution), and 2.02% in the distribution area. For 2019, we expect a decrease of the market share by 0.29 percentage point in the whole retail market, and by 0.67 percentage points in the distribution area.

13.3 Heat

For the sixth year in a row, we have been successfully managing the renovated boiler room in Pobrežje. The generated heat supplies 580 apartments. In May 2017, as part of a public-private partnership, we also began to supply heat to the municipal building of the municipality of Zavrč and municipal school facilities. At the same time, in the Pobrežje boiler room, we also produce electricity in cogeneration, which we transmit to the network, which constitutes an additional source of income. Heat sales and generated revenues are directly dependent on weather conditions, which is why, especially due to a milder winter, they deviated negatively from the planned.

In 2019, we generated 2,184 MWh of thermal energy, which is 0.7% more than in the previous year.

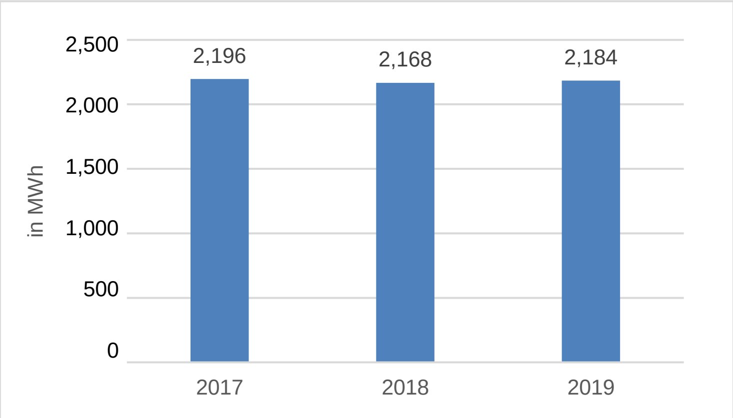


Figure 73: Volume sales of heat

Given the consumption of district heating in Slovenia in 2018 (source: Energy Agency), we estimate our market share in 2019 at 0.10%, which is 0.01 percentage points less than in the previous year.

14 INVESTMENTS[25]

In 2019, as part of the Group, we realized investments in assets in the amount of EUR 32,617,115, which is 0.4% more compared to the previous year. In 2019, investments in assets of Elektro Maribor d. d. amounted to EUR 32,302,073, which is 1.3% more compared to the previous year.

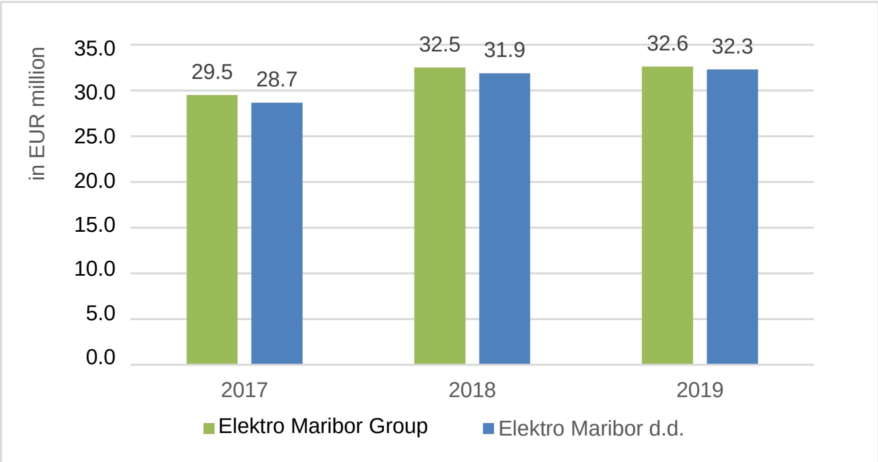


Figure 74: Group's investments in assets

[25] GRI 203-1

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

In addition to its own resources, the company Elektro Maribor d. d. also used up foreign sources of financing (long-term loan in the amount of EUR 11 million) for financing investments in assets (part of the depreciation remaining after the repayment of principal values of loans already taken out and from the part of the profit remaining after the payment of dividends). At that, the company follows the objectives set in the strategy that the share of foreign resources does not exceed half the value of investments in assets on a yearly basis.

Due to the wear and tear of MV and LV plants, certain investments in 110 kilovolt facilities were postponed (especially the construction of 110 kV connection between RTP Murska Sobota and RTP Lendava), only urgent investments remained, reconstruction of RTP 110/20/10 kV Dobrava and replacement of power transformers in RTP Rače. We increased the investments in MVN and LVN, since we would like to reverse the trend of curative investments to increase preventive investments in MVN and LVN.

When realizing the investments in assets by individual investment groups, it comes to quantitative differences between the years, mainly due to the modernization of business support carried out in 2019, in the context of which, we also modernized investment groups or adjusted them to the reporting requirements for SODO d. o. o. and the Energy Agency. There are also differences due to the different dynamics of the implementation of more labour-intensive investments, especially cabling in urban settlements, where more complex cable ducts, and new connection and distribution cabinets need to be implemented, as well as increased investment in new transformer stations due to increased consumer needs.

Table 34: Investments in assets of Elektro Maribor d. d.

Seq. No.		2019		2018		2017	
		Quantity	Value in EUR	Quantity	Value in EUR	Quantity	Value in EUR
1	New HV lines		249,198		49,954		36,271
2	Refurbished HV lines		47,508		58,383		18,946
3	Refurbished MV lines	73.83 km	2,997,150	113.78 km	4,023,189	88.72 km	3,097,785
4	New MV underground cables	30.86 km	2,538,319	39.79 km	2,829,201	27.15 km	2,383,179
5	Refurbished MV underground cables	4.86 km	746,185	7.12 km	441,505	5.63 km	870,143
6	New LV overhead lines	4.33 km	172,009	2.64 km	159,521	3.2 km	78,045
7	Refurbished LV overhead lines	53.61 km	2,341,481	50.18 km	2,533,130	57.14 km	3,119,586
8	New LV cable lines	17.08 km	1,119,643	21.36 km	1,151,085	23.6 km	1,363,905
9	Refurbished LV cable lines	93.86 km	5,031,242	144.51 km	5,140,804	109.54 km	3,938,705
10	MV/LV transformer stations						
	– New	31 pcs	2,439,480	22 pcs	1,700,634	22 pcs	1,923,932
	–Refurbished	69 pcs		53 pcs		74 pcs	
11	HV/LV distribution transformer stations		3,293,265		4,335,726		1,751,260
12	Automation and telecontrol		490,478		581,667		556,727
13	VOR – Maintenance and operational reserve		593,280		179,780		509,570
14	Telecommunications		526.796		311,543		972,656
15	Measuring equipment and instruments		3,774,451		3,091,549		1,827,665
16	Tools and machinery		344,792		169,258		377,848
17	Means of transport		1,512,876		1,250,508		1,080,835
18	Small tools		44,770		26,749		37,470
19	Work premises		555,571		489,492		850,359
20	Studies, development, projects		896,457		1,054,299		1,750,659
21	Computer equipment		2,457,753		1,958,313		1,603,050
22	Infrastructure purchase		129,372		146,373		105,402
23	Investment projects		-		197,957		401,345
	Total		**32,302,073**		**31,880,619**		**28,655,344**

The structure of investments in energy facilities decreased by 2 percentage points in 2019, but is still higher than in 2017. The company still allocates the most assets to investments in energy facilities, but also attends to non-energy facilities and, in particular, the preparation of investment documentation.

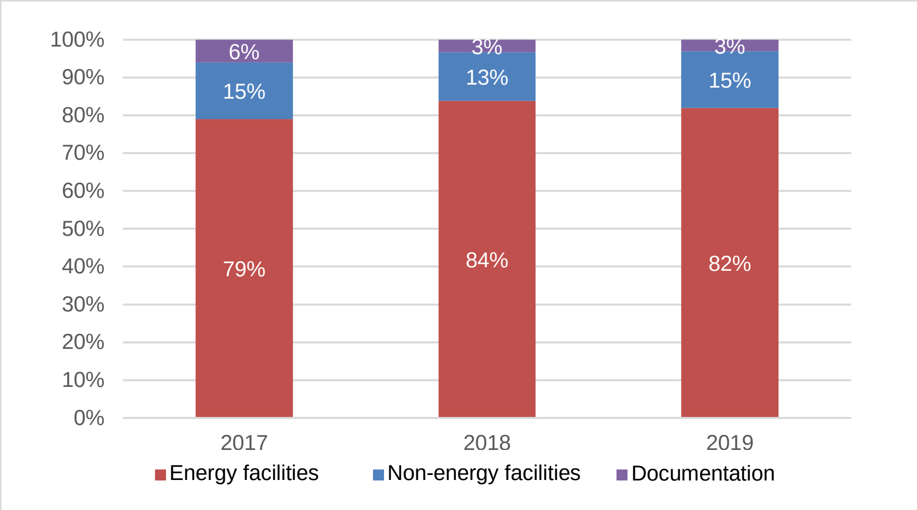


Figure 75: Structure of investments in assets of Elektro Maribor d. d.

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

Investments in RTP

In 2019, we completed the comprehensive renovation of RTP 110/20/10 kV Dobrava and the replacement of the power transformer in RTP Rače.

Figure 76: Renovation in RTP Dobrava

Figure 77: New power transformer in RTP Rače

Investment in the new 2 x 110 kV Murska Sobota - Mačkovci HV transmission line

The transmission line construction project is part of the Pragersko-Hodoš railway electrification project, co-financed by the European Commission from the Cohesion Fund in the amount of EUR 145.9 million. More than 6,000 users are connected to the transmission line. Based on a partly final and partly definitive building permit, Elektro Maribor d. d. in 2016, completed the construction of the transmission line and put it into operation. Due to the errors of the Ministry of the Environment and Spatial Planning identified in the process of adopting the national site plan (Governmental decree on Detailed plan of national importance for 2x110kV Murska Sobota - Mačkovci transmission line), the Administrative Court of the Republic of Slovenia in June 2018, set aside the decision on the establishment of easements in the public interest on a plot of land, which in small part lies in the transmission line buffer zone. As the administrative court found an error in the procedure conducted by the Ministry of the Environment and Spatial Planning, the request of Elektro Maribor d. d. to establish easements in the public interest on this part of the route was rejected; by that, the company lost the right to build on this part of the route, as a result of which the already issued definitive building permit had been revoked in the administrative dispute procedure.

In a repeated procedure in April 2019, the Ministry of the Environment and Spatial Planning refused to grant the building permit in part of the route (i.e. between the pylons 18 and 20). In June 2019, the construction inspector prohibited the use of the transmission line and imposed a fine on the company and its responsible person for the minor offence. In September 2019, the construction inspector also ordered the company to remove part of the transmission line (by 27 November 2019, remove the conductors and optical cable of the transmission line between pylons 18 and 20, and by 7 January 2020, remove the pole of pylon 19). The execution of the decision on the removal of part of the transmission line is suspended by a decision of the Supreme Court until the final decision on the lawsuit brought in an administrative dispute. In 2019, numerous meeting were held between Elektro Maribor d. d. and the Slovenian Sovereign Holding, the Ministry of Infrastructure, the Ministry of the Environment and Spatial Planning, and the Ministry of Finance.

Robustness of the electricity distribution network

The company is systematically increasing the robustness of medium- and low-voltage networks, also by laying underground low- and medium-voltage lines, and by insulating overhead low- and medium-voltage lines. With new construction, we increased the length of the entire network by 75.1 km, namely the medium voltage network by 13.3 km and the low voltage network by 61.8 km.

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

In 2019, there were 51.8% of medium- and low-voltage networks in cable design, 19.7% in overhead insulated design, and 28.5% in overhead uninsulated design. Together with overhead insulated lines, the share of medium- and low-voltage insulated lines is 71.5%.

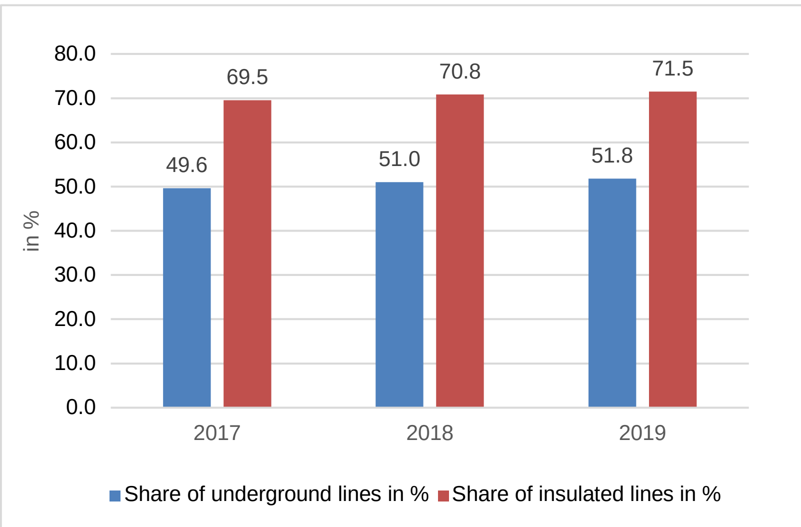


Figure 78: Share of the length of underground and insulated lines in MV and LV network

14.2 Other investments in assets

Energy facilities

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

- MV lines: 73.83 km of overhead lines were reconstructed and built anew, and 35.72 km of newly laid and reconstructed cable lines.

- Transformer stations: in order to improve the voltage profile and follow the needs of the users, we built 31 new transformer stations and reconstructed 69 transformer stations.

- LV lines: 57.94 km of overhead lines were reconstructed and built anew, and 110.95 km newly laid and reconstructed of cable lines.

Table 35: Physical accomplishment of MV, TS and LV facility construction

Elements		Measure unit	2019	2018	2017
MV lines	transmission line	km	73.83	113.78	88.72
	cable line	km	35.72	46.91	32.78
TP MV/LV	new construction	pcs	31	22	22
	refurbishment	pcs	69	53	74
LVN	overhead line	km	57.94	52.82	60.34
	cable line	km	110.95	165.87	133.14

- Measuring equipment and instruments: we have been installing measuring equipment and actively implemented the AMI project, so that presently we already 86,4% of all meter points integrated into the advanced metering system.

- Infrastructure purchase: we purchased TP and MV Sports and recreation centre Pleterje.

Non-energy facilities

- Information technology: the major part of investments in assets was earmarked for IBM and Microsoft software licences. Other investments were earmarked for replacing obsolete hardware, expanding disk capacities and software upgrading. In 2019, we carried out a project of upgrading the audit trail monitoring tool used in several information systems (ERP, EAM…) with the company Informatika d. d. As part of the new Central Data Warehouse (CDWH), we completed and put in production six of the planned nine phases of the project.

- Telecommunications: we arranged the IKT premises (Information and Communication Technologies) and protected them with electronic access control, we updated RPS (Redundant Power Supply) uninterruptible power supply systems, we replaced worn-out radio equipment and recording device, we connected remote locations with optical and radio networks in terms of communication, we updated and expanded the MPLS/IP (MPLS – MultiProtocol Label Switching, IP – Internet Protocol) communication network, we updated the control systems and implemented a business mobility management system.

- Means of transport for the purposes of energy industry: in 2019, we continued to modernize the vehicle fleet with the aim of managing/reducing the costs of vehicle maintenance.

- Work premises and small tools: we replaced the heating and cooling system at the regional unit Maribor with its surrounding area, we started the reconstruction of sanitary facilities at the administration building and the construction of a garage for two measuring vehicles in RTP Melje.

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 also intensively obtained the investment documentation for the implementation of medium- and low voltage electricity facilities, which are planned for the 2019–2021 period.

14.3 Implementation of own investments

In 2019, the value of capitalized own products and own services amounted to EUR 19.4 million, and was 7% or EUR 1.4 million lower compared to the previous year. In 2019, the share of own investments in assets amounted to 60%.

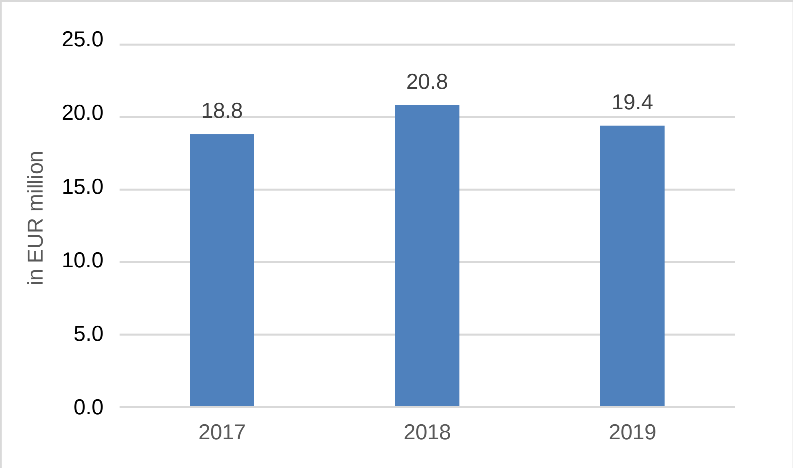


Figure 79: Revenue from own investments in assets (in EUR million)

The majority of the construction and installation works when building new electricity facilities are performed by the company itself. In 2019, we also employed 108 people for a fixed term to implement our own investments. In the construction of investment facilities, which we carry out ourselves, we have highly qualified personnel and construction machinery at our disposal.

The largest investments we made in 2019 on our own:

- reconstruction of RTP Dobrava,
- refurbishment of 20 kV Majšperk - Stoperce transmission line with branch lines,
- construction of TP Dravograjska and connection to the MV network,
- construction of the RTP Radenci industrial zone cable line,
- construction of the Pince TP and cable line, and reconstruction of the Benica Farma LVN,
- construction of the Kupšinci–Veščica cable line.

15 SERVICES IN THE MARKET

In 2019, the revenues of Elektro Maribor d. d. in the field of consulting, project design, construction and maintenance of electricity facilities amounted to EUR 4 million, which is 4% less compared to the previous year. In 2019, we did not engage in any major infrastructure facilities in the market, and despite strong competition in the market, we were successful in acquiring and realizing business transactions on a number of smaller marketing projects, which is also reflected in the net profit from services, which is EUR 0.2 million or 23% higher compared to the previous year. The company provides comprehensive services to clients in the field of construction and maintenance of electricity plants.

In 2019, we re-established accreditation for conducting measurements of non-ionizing electromagnetic radiation. For the mobile measuring laboratory, we successfully performed a large number of statistical sampling of meters in the field.

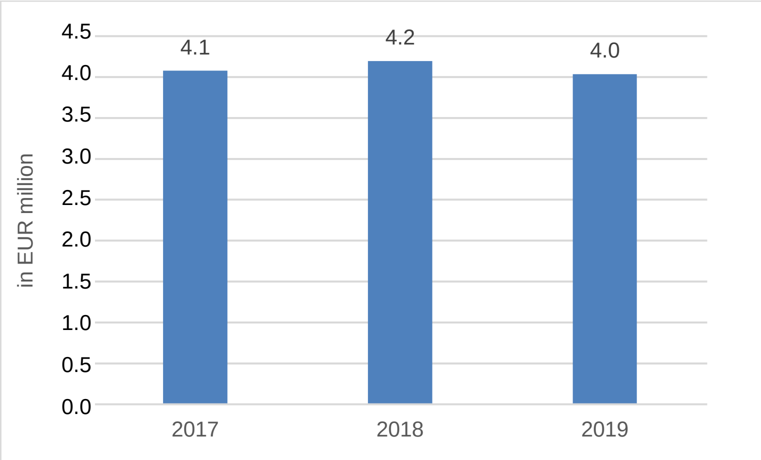


Figure 80: Trends in revenue from sales of services of Elektro Maribor d. d.

The most important works successfully carried out in the market in 2019, were:

- Electrical installation works in the area of the underpass in Poljčane.
- Rearrangement of electric power facilities in the area of the new underpass with the railway line in Maribor.
- Construction of a new TP with connection to the medium voltage network at ŠRC Pleterje.

Figure 81: TP ŠRC Pleterje

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

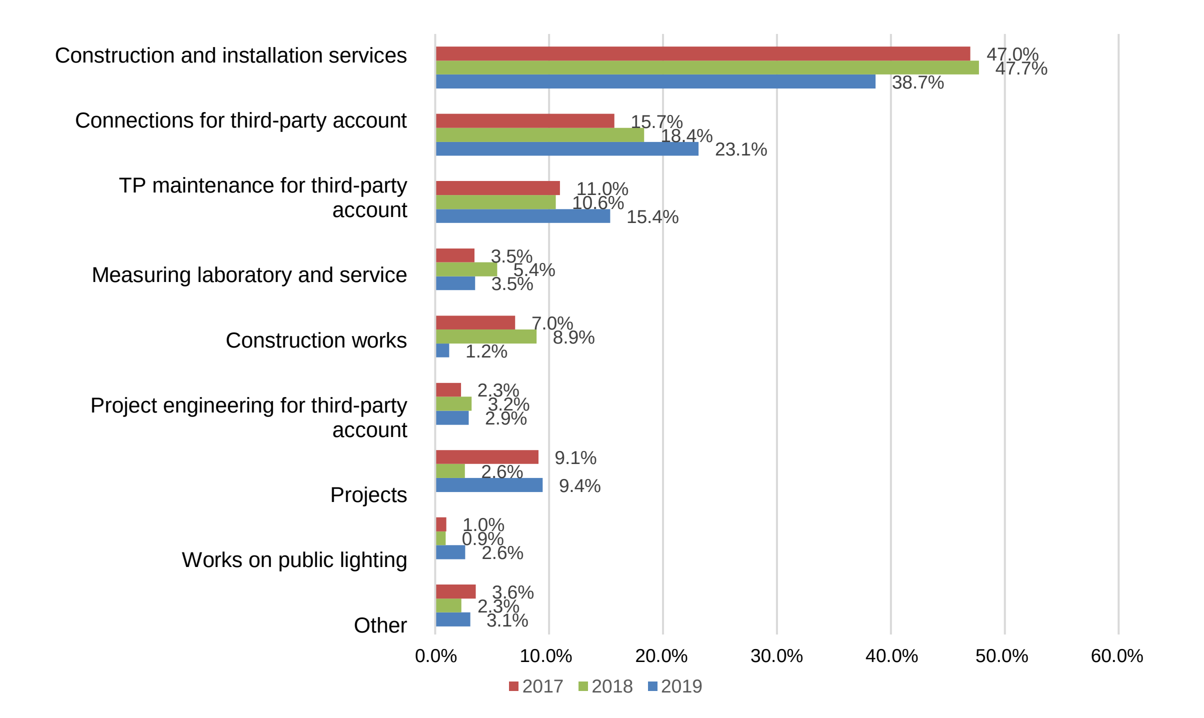


Figure 82: Structure of revenue by type of services of Elektro Maribor d. d.

16 PURCHASE[26]

The company Elektro Maribor d. d. has a centralised purchase of material and services for the needs of the entire company. The needs are ordered in the AX and MX information systems. The main task of the procurement 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 liable for public procurement, we published 36 public procurement procedures in accordance with the applicable legislation on public procurement (ZJN3) and in accordance with the monthly time plan for the implementation of public procurement in 2019. Public procurements are published on the public procurement portal (enarocanje.si), the e-JN electronic public procurement portal and on the company's website.

In accordance with ZJN-3, each year, by the last day in February, on the public procurement portal, we publish a list of contracts awarded in the previous year and whose estimated value is lower than the 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.

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. When carrying out public procurement, we consider various criteria, such as the lowest price, economically most advantageous bid by 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.

We actively participated in the project group of all EDPs for joint procurement, within which we successfully implemented the public procurement Diagnosing the conditions in RTP.

In accordance with the transparent open policy of the company and the applicable Rules on the purchase of goods, procurement of services and construction of small values, we posted all orders over EUR 1,000 on the

[26] GRI 102-9

company's website. In this manner, the company enables a very large number of bidders the opportunity to submit a bid, which affects the range of suppliers. Procurement processes take place transparently through public procurement or through simplified procedures, which are published on our website.

In accordance with the recommendations of the Slovenian Sovereign Holding, we regularly publish data on all contracts concluded in public procurement procedures, small value contracts and procedures regarding calls for tender on the company's website. The table provides information about the subject of the contract, the contract value and the name of the business partner, namely from 2010.

The amount of inventories as at 31 December 2019 amounted to EUR 2,750,549, which is 30% more compared to the previous year. Most inventories refer to material intended for installation when making own investments.

17 ENVIRONMENTAL PROTECTION

17.1 Environmental policy in Elektro Maribor d. d.[27]

Ever since 2006, the company Elektro Maribor, d. d. has been systematically implementing environmental protection measures according to the ISO 14001:2015 standard. Environmental protection in the company is carried out by reducing the potential environmental impact. In this context, the most important thing is to identify the environmental impacts caused by society. We try to reduce these to a lower level through various activities. Separate collection of waste and its appropriate treatment before delivery to the waste collector, appropriate siting of power facilities in the area, reducing the direct effects on air, water and soil, are some areas in which we are trying to reduce our impacts on the environment.

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

Table36: Consumption of energy products

Energy product	Unit	2019	2018	2017
Fuel	l	552,500	623,326	654,292
Electricity	kWh	3,192,242	2,971,657	3,076,311
Fuel oil	l	0	1,843	1,800
Natural gas	m^3	141,337	140,443	172,782
District heating	kWh	653,998	804,546	705,300

Our active work in environment protection is also upgraded by energy efficiency. By regularly measuring energy consumption, we determine various measures to reduce the need for it. We have taken our energy management under a microscope and focused on identifying measures for increasing energy efficiency. By determining organizational and investment measures, we seek to reduce energy consumption, which is also our guide in obtaining the ISO 50001 standard for efficient energy use and the resulting programs for the rehabilitation of energy wasteful facilities.

17.2 Carbon footprint[28]

In the company Elektro Maribor d. d., we regularly calculate the carbon footprint, which takes into account 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;

[27] GRI 302-1, 302-4

[28] GRI 305-1, 305-2, 305-3, 305-5

- 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.

In 2019, the carbon footprint per employee amounted to 3,315 kg of CO2, which is 6.5% less than the year before.

Table 37: Carbon footprint (kg CO_2/employee)

	2019	2018	2017
Transport	2,754	2,942	3,009
Electricity	0	0	0
Heating	538	581	621
Paper	23	24	24
Total	**3,315**	**3,547**	**3,654**

In the use of electricity, we focused on the use of “green energy”, where the carbon footprint is 0 kg/kWh. For this purpose, we also obtained a supplier certificate.

17.3 Waste[29]

When performing activities in Elektro Maribor d. d., we mainly encounter waste resulting from the 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 collectors 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 an organizationally established centre for the collection, separation and processing of dismantled equipment, where we predominantly separate non-ferrous metal waste.

Table38: Mass of waste

in kg	2019	2018	2017
Hazardous waste	121,575	40,100	88,798
Polluted water	64,400	61,700	89,000
Packaging	35,101	32,861	25,782
Paper, cardboard	24,723	38,901	26,721
Construction waste	1,491,514	2,543,374	1,990,974
Municipal waste	42,807	46,408	48,058
Non-ferrous metals	19,955	20,145	27,179
Other metals	221,106	219,392	231,348
Waste electric and electronic equipment	47,895	58,570	38,453
Other	96,773	105,391	95,903
Total	**2,165,849**	**3,166,842**	**2,662,216**

In 2019, the total mass of delivered company’s waste was 32% lower compared to the previous year. A major increase in waste volumes compared to the previous year occurred in hazardous waste, mainly from the sale of two higher power transformers.

[29] GRI 306-2

17.4 Quality system

Meeting the needs and expectations of our customers, clients and business partners on the one hand and the awareness of employees about the importance of quality assurance on the other, have led the company Elektro Maribor d. d. to set up a quality management system according to the ISO 9001 standard. We later upgraded the system so that now, we combine management systems in the areas of quality, environmental protection, health and safety at work, requirements for control bodies, qualifications for testing and calibration laboratories, and information security.

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 the EFQM model, we check the level of excellence every year, and based thereon, we adopt guidelines for further work in this area. We strive to follow the requirements of the ISO 31000 standard that defines risk management.

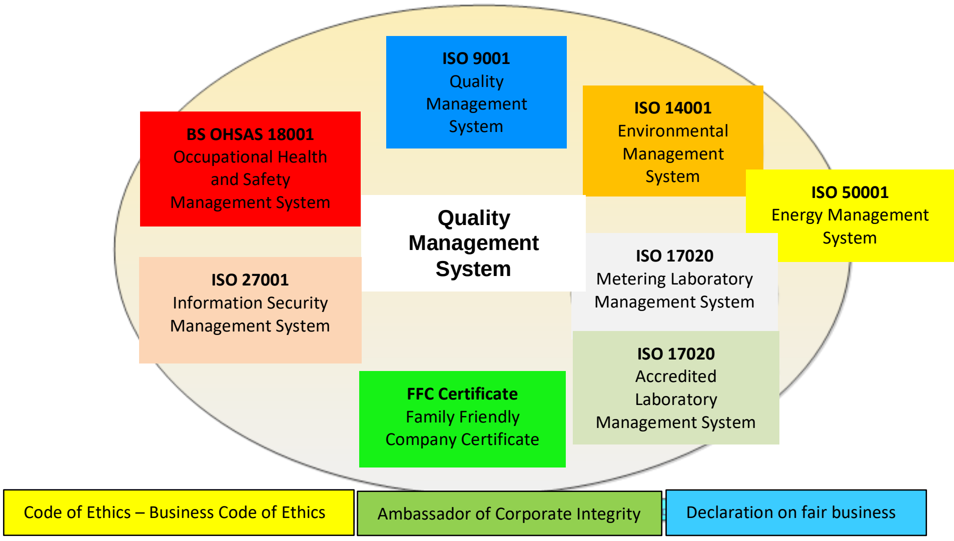


Figure 83: Quality management systems in Elektro Maribor d. d.

Quality systems are subjected to continuous improvement and development, by 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 prejudicial to the operation within the company on one hand, and to relations with users or satisfying their expectations and needs on the other. We continued to work in the field of 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 the 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 engaged in planned work in the field of environmental protection through the ISO 14001 standard for more than a decade. We have managed to reduce our impact on the environment in the field of waste as well as in the field of water, air, soil protection, and the other impacts we are causing.

- We are also upgrading our active work in the field of environmental protection in the field of energy efficiency, where we are reducing energy needs through various measures. We focused on determining the measures to increase the energy efficiency of office buildings.

- The field of health and safety at work is basically well covered by statutory and implementing requirements. By introducing the OHSAS 18001 standard, we have also systematically regulated our operations. The field of health and safety at work is the basis for each activity. Employees are entitled to a safe and healthy work environment.

- Managing information security was regulated in 2013 by introducing the ISO 27001 standard – Information security, and upgraded in 2015 due to a change in the version of the standard. The GDPR regulation introduced in 2018, which significantly changed the view on information security, has not surprised us too much, as we basically meet the requirements of information security according to ISO 27001 in full.

- Company's operations are adapted to the needs of the market. We also provide our customers with additional services. The control of measuring equipment is carried out in the Measuring 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 measuring equipment. Through the Measuring laboratory of Elektro Maribor d. d., we have established the bases for the implementation of the requirements of the ISO 17025 standard, which allows us to perform measurements of electromagnetic radiation, thus covering our own needs and the possibility of providing such services for the needs of the market.

- In the company Elektro Maribor d. d. we are convinced that upgrading the quality management system in terms of introducing a system of business excellence and establishing a self-assessment system will help strengthen the company's competitive advantages. By applying to the tender for the Award of the Republic of Slovenia for Business Excellence, we have laid the foundations that serve as a guide for the implementation of self-assessment according to the EFQM model, which we carry out every year.

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

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

This includes conducting regular and extraordinary internal audits, where 62 recommendations were made from all management systems, and one non-compliance from the management system for safety and health at work. All recommendations that are considered in terms of their relevance are also carried out.

At work, we aspire to a process approach, therefore we regularly harmonize system documentation and processes through which we control management systems. The latter are checked at the Management Review, where activities in the field of management systems are checked again and, if necessary, additional measures are 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 of the main factors of human resources 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. Professionalism, performance, commitment, affiliation and loyalty of employees are important. We follow 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 also strive to take into account the competencies of our employees when redeploying and substituting employees who have been absent for a long time. Operational teams in the field are being rejuvenated by new colleagues.

The placement of employees to job posts and their career advancements are transparent. Employees have the opportunity to express their expectations and interest in another 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 monetary rewards. For five years now, the company has been conducting a selection of the "best employee" and the "best working group", where all employees have the opportunity to vote. By setting and realizing personnel 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 aiming at discussions between the superior and the employee regarding the work process, organization, suggestions for changes and interpersonal relations.

The company provides training for work activities or for the future profession to high school or university students by providing them with mandatory internships, and at the same time launching tenders for annual holiday internships. Annually, we submit offers for granting scholarships to young people who are studying for professions in the electricity 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. Also, in 2019, we enabled surveys for all employees. Through the online survey, we also measured employee satisfaction by implementing the measures of the Family-Friendly Company certificate. The results are communicated to and analysed with the employees, also as part of meetings with the Management Board.

18.1.2 Changes in employees[30]

At the end of 2019, there were 832 employees in the Group, which is 2 employees less than in the previous year. Of all employees in the Group, the largest share (91%) is represented by the employees of Elektro Maribor d. d.

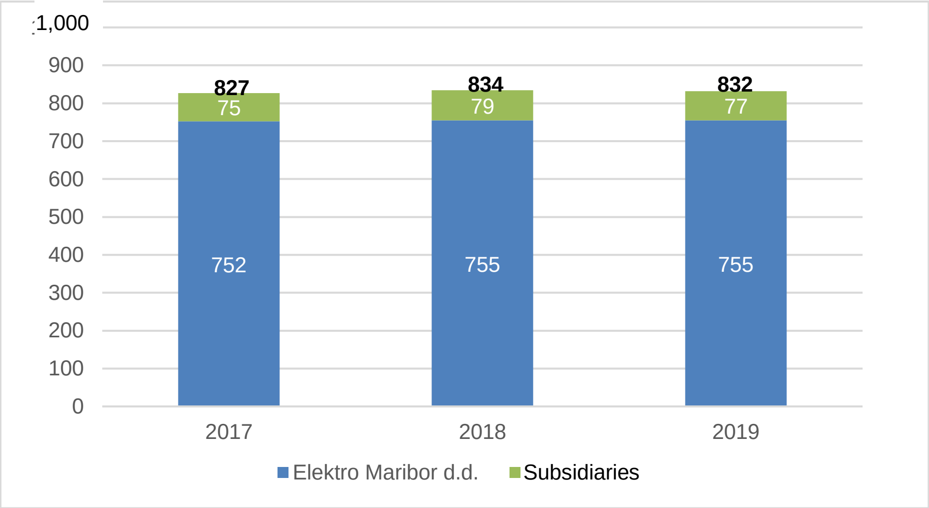


Figure 84: Number of employees as at 31 December

[30] GRI 102-8, 102-41, 401-1, 405-1

There are no changes in the structure of employees by gender in 2019 compared to previous years. Men represent the largest share of employees. As at 31 December 2019, the Group employed 698 men and 134 women, whereas Elektro Maribor d. d. employed 675 men and 80 women.

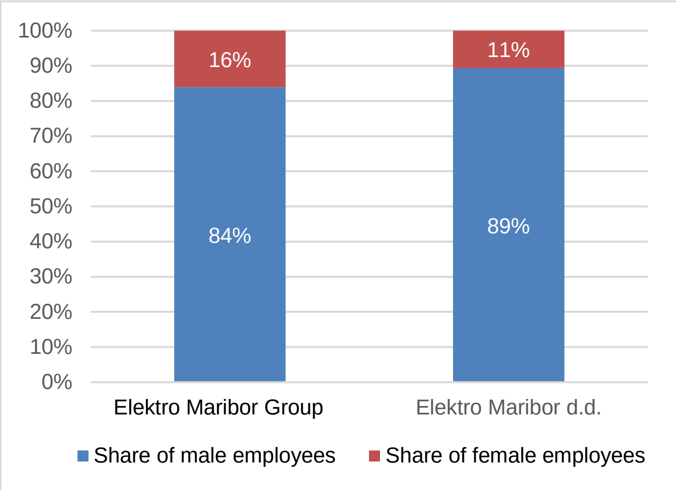


Figure 85: Share of employees in 2019 by gender

Table 39: Number of employees by duration and type of employment

	2019 Elektro Maribor Group	2019 Elektro Maribor d. d.	2018 Elektro Maribor Group	2018 Elektro Maribor d. d.
Permanent employment	823	748	816	744
Fixed-term employment	9	7	18	11
Full-time employment	819	743	819	740
Part-time employment	13	12	15	15

Among arrivals and departures in 2019, were mainly fixed-term employees (due to the increased workload) for the needs of implementing the investments. 23 employees had retired.

Table 40: Changes in employees

	2019 Elektro Maribor Group	2019 Elektro Maribor d. d.	2018 Elektro Maribor Group	2018 Elektro Maribor d. d.
Number of arrivals	**125**	**122**	**153**	**147**
– men	117	116	148	145
– women	8	6	5	2
- up to 30 years of age	46	46	70	66
- 30-50 years of age	58	56	64	62
- over 50 years of age	21	20	19	19
Number of departures	**127**	**122**	**146**	**144**
– men	118	115	136	135
– women	9	7	10	9
up to 30 years of age	31	30	52	52
- 30-50 years of age	47	45	55	53
- over 50 years of age	49	47	39	39

The average age of employees in the Group had not changed. In the company Elektro Maribor it decreased by 0.1 years of age. The average years of service in the Group and the company had increased by 0.1 years of age.

Table 41: Average age and years of service

	2019 Elektro Maribor Group	2019 Elektro Maribor d. d.	2018 Elektro Maribor Group	2018 Elektro Maribor d. d.
Average age of employees (in years)	45.5	44.9	45.5	45.0
Average employees' years of service (in years)	23.2	23.8	23.1	23.7

The share of employees covered by the provisions of collective agreements in 2019 amounted to 98.4% in the Elektro Maribor Group, and in the company Elektro Maribor d. d. to 99%, which is at the level of previous years.

The number of employees in the Group with recognized disability amounted to 64 employees in 2019, and decreased by 7 employees compared to 2018. In 2019, the number of employees with recognized disability in Elektro Maribor d. d. reduced by 8, and amounts to 61 employees in 2019.

In 2019, based on tenders for practical work training, we enabled the performance of mandatory internship to 31 high school and 4 university students.

At the end of 2019, the company Elektro Maribor d. d. had nine scholarship holders, of which five attended the master's programme of the 2nd level Bologna study programme in electrical engineering, and four the secondary vocational education - electrician. The number of scholarship holders at the level of the Elektro Maribor Group is equal to the number in the company Elektro Maribor d. d.

Table42: Number of scholarship holders at year-end

	2019	2018	2017
Number of scholarship holders	9	3	3

18.1.3 Employment due to increased workload in Elektro Maribor d. d.

In 2019, 108 employees were employed for a fixed term due to increased workload. We employed 53 fitters, 38 auxiliary workers, 7 driver engineers, 5 construction workers, 2 freelance metalworkers, 2 engineers and 1 installer engineer.

Table 43: Number of recruited employees due to increased workload

	2019	2018	2017
Period of employment	Mar–Dec	Feb–Dec	Feb–Dec
No. of workers	**108**	**137**	**132**
Fitter	53	71	70
Auxiliary worker	38	45	44
Driver engineer, installer engineer, engineer	10	12	10
Other (mason, construction worker…)	7	9	8

Table 44: Number of employees arising from hours worked

	2019	2018	2017
Number of employees arising from hours worked	**811.14**	**831.62**	**841.04**
– number of employees arising from hours worked (permanent employment)	728.65	730.58	737.16
– number of employees arising from hours worked (employment due to increased workload)	82.48	101.04	103.88

18.1.4 Education of employees[31]

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).

Within the context of the Distribution Academy, we conducted several topic-related educations, trainings and knowledge transfers among employees:

- practical training in the field of operations and technology;
- education in the field of technical and construction legislation and integrity;
- a safe driving course and an Excel computer course were conducted with external contractors.

In the field of safety and health at work, the employees completed the following trainings in 2019:

- periodic first aid training;
- for particularly dangerous work with heavy construction machinery, chainsaws and elevators;
- for using installed defibrillators.

In 2019, we conducted a tender for employees to co-finance part-time education for the school/academic year 2019/2020, based on which we co-financed part-time education for 9 employees.

Table 45: Education of employees

	2019 Elektro Maribor Group	2019 Elektro Maribor d. d.	2018 Elektro Maribor Group	2018 Elektro Maribor d. d.
Total employees	832	755	834	755
Number of participants in education	575	509	808	775
Number of hours of education	4,968	4,072	7,974	7,082
Share of employees included in education	69%	67%	97%	103%
Average number of hours of education per employee	6.0	5.4	9.6	9.4

Note. The table does not include education in the context of implementation of new AX and MX information systems.

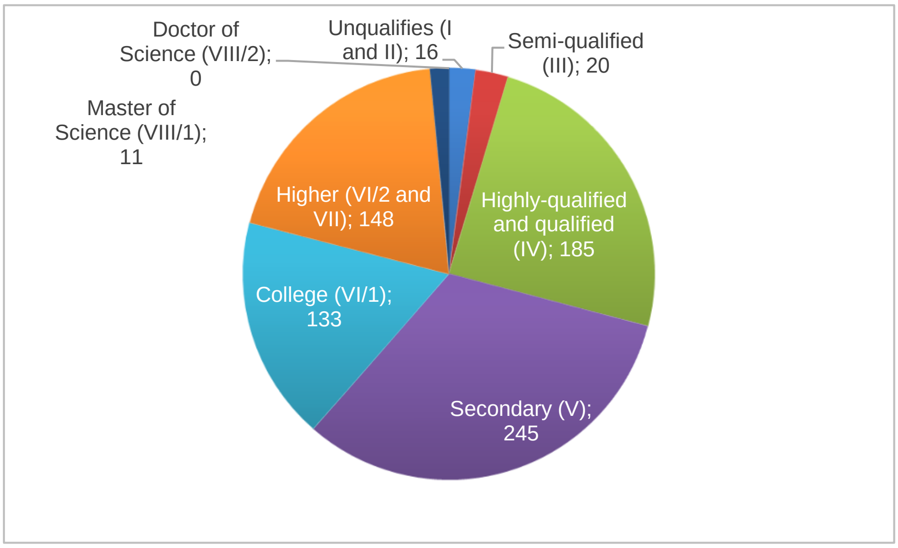


Figure 86: Average number of employees by educational structure in 2019 in Elektro Maribor d. d.

[31] GRI 404-1

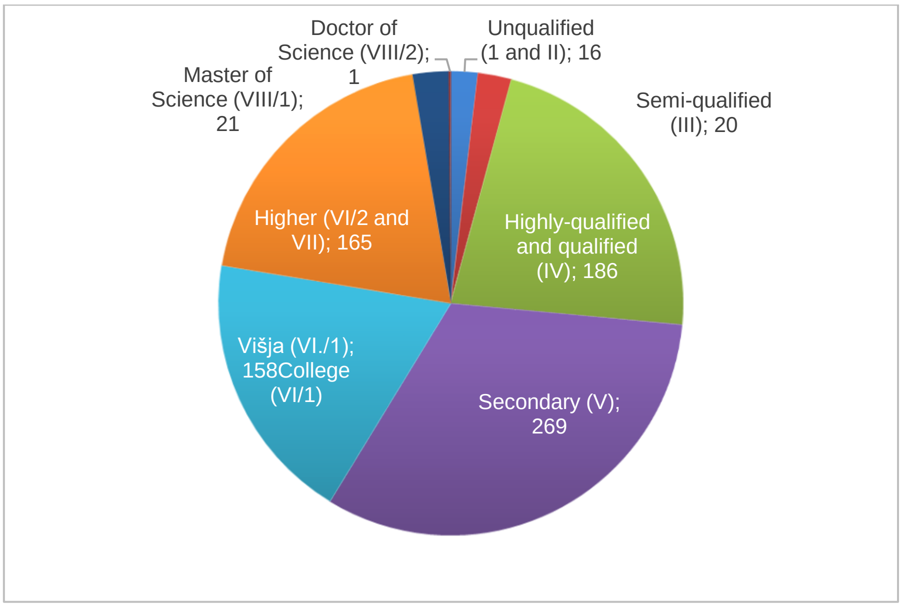


Figure 87: Average number of employees by educational structure in 2019 in the Elektro Maribor Group

18.1.5 Employee innovation

Along with innovative approaches of Elektro Maribor d. d., when introducing new technologies, we also encourage employees to express their creativity by submitting 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. In 2019, 26 innovative proposals were submitted.

Table 46: Number of proposals

	2019	2018	2017
Number of proposals	26	40	45

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

In identifying the most successful proposals, we place special emphasis on innovative proposals, by which we support the set strategic objectives of Elektro Maribor. Among the useful proposals received in 2019, the most successful were:

- Display of TP status data.
- Reliefs for energy equipment.
- Use of cable polyethylene shafts.
- Amendment to SAS1 related to recording rental costs.
- Application for entering hours into the MX information system.
- Setting up the Health Promotion portal/tab.
- Active Excel form.
- Introduction of a new type of payment for the execution of works during emergency situations.

18.1.6 Motivation and care for employees[32]

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.

[32] GRI 201-3, 401-2, 404-3

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. Employees have the opportunity to decide to make additional payments of their share of the premium by themselves.

Table 47: Average annual number of employees included in supplementary pension insurance

	2019 Elektro Maribor Group	2019 Elektro Maribor d. d.	2018 Elektro Maribor Group	2018 Elektro Maribor d. d.
Number of employees	897	820	917	838

Use of parental leave

According to the Parental Protection Act, the employees may take parental leave.

Table48: Number of employees (separated by gender) that took parental leave

	2019 Elektro Maribor Group	2019 Elektro Maribor d. d.	2018 Elektro Maribor Group	2018 Elektro Maribor d. d.
Number of employees	46	44	55	50
– Male employees	42	42	50	47
– Female employees	4	2	5	3

Family-friendly company

In Elektro Maribor d. d., we implement a family-friendly policy, which we carry out through the adopted measures of the Family-Friendly Company Certificate. Among other:

- We perform periodic working meetings of employees with senior management employees/area directors. The company's management regularly visits all organizational units of the company and presents the employees with business operations in the previous year, plans for the current year, main challenges and achievements, and allows employees to ask questions directly. At the end of the year, the company executives awarded recognitions to the best employees and teams selected by their colleagues.
- We provide flexible working hours and children's time bonus (additional free working day in the first three grades of primary school and when the child is being introduced to nursery). In 2019, the option of an additional free day has been used by 106 employees.
- When planning annual leave, we also take into account the ability of using the annual leave of immediate family members.
- We offer a free program Quick anonymous psychological counselling for employees and their family members.

n 2019, we successfully passed the audit by an external auditor and introduced two new measures as part of the extension of the full certificate:

- Mutual mentoring - intergenerational cooperation (Distribution Academy).
- Attention to employees at important events.

In 2019, we conducted a SiOK survey among employees regarding satisfaction with the Family-Friendly Company Certificate. In 2019, the employee satisfaction index by implementing the measures of the Family-Friendly Company Certificate amounted to 3.45. Employees rated the familiarity with the measures the highest, and their own use of the measures the lowest.

Table 49: SiOK survey regarding the satisfaction with the Family-Friendly Company Certificate

	2019 Average score	2018 Average score
Most of the measures are aimed at employees who have pre-school children or children of mandatory school age.	3.85	3.84
I am aware of the benefits brought by the Family-Friendly Company Certificate.	3.77	3.71
I know where I can get information about the benefits brought by the Family Friendly Company Certificate.	3.59	3.42
I am satisfied with the family-friendly measures offered by the employer.	3.52	3.4
Elektro Maribor d. d. places sufficient emphasis on reconciling work and family life.	3.31	3.16
In the last year, I have benefited from the Family Friendly Company Certificate.	2.66	2.6
Average	**3.45**	**3.36**
N	455	338

Communication with employees

Communication in the company is important for good business and company development, for which satisfied and work-motivated employees, who know what and why is happening in the company and with the company, are crucial. Effective communication is a two- or multilateral process taking place among all employees. It is especially important, however, that persons in charge of communication are aware of their responsibilities to convey the right information in all directions in the right way.

Communication with employees and among themselves in the company takes place through channels that are selected according to the content we communicate.

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;
- letter from the Management Board - information of the Management Board at important events, turning points, such as year-end, giving thanks for additional work in the event of major emergencies…;
- electronic mail – fast information of employees, sending and coordinating contents;
- website www.elektro-maribor.si – wide range of information about the company, news ...;
- intranet – common contents, documents and notices, calls for tenders ...;
- DNA – the application for managing the conduct of meetings, tasks, memos, rules …;
- 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 situations in the distribution system, possibility 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 88: Employees Day 2019

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 interview 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...

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
Regardless of the type of employment, we ensure the equality of all employees. We have been monitoring the employee satisfaction and the organizational climate in Elektro Maribor d. d. since 2005.

In 2019, the employee satisfaction index was 3.46. The highest scores were given to satisfaction with working hours and colleagues. The lowest scores were given in terms of career advancement possibilities and in terms of salary.

In 2019, the organizational climate index was 3.21. The highest scores in the field of organizational climate are in the field of attitude towards quality and motivation, commitment and affiliation to the company. Key challenges are particularly reflected in the field of career development and rewarding.

In 2019, we conducted annual development interviews, in which all employees are included.

Table 50: Index of employee satisfaction and organizational climate

	2019	2018	2017
Employee satisfaction index	3.46	3.41	3.41
Organizational climate index	3.21	3.12	3.14

18.1.7 Occupational health and safety[33]

The purpose and the objective of ensuring safety and health at work is to achieve and maintain such level of the work 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.

We assigned the necessary personal protective equipment to our employees and supervised its use. In 2019, we inspected all work equipment in use and obtained the appropriate certificates of proper working order. Inadequate equipment was removed from use.

The company follows the principles and guidelines of the OHSAS 18001 standard, which defines health and safety at work requirements. The standard, along with other standards, is integrated in a unified management system, and we have been meeting its requirements 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.

[33] GRI 403-2

In Slovenia, we were the first electricity distribution company to start performing live working (DPN) years ago. The conditions for safety and health at work were ensured by preparing appropriate work procedures, documentation and training courses for employees. In 2019, we additionally trained and equipped 5 installers for DPN.

In accordance with the risk assessment, we performed periodic medical examinations. We performed preliminary medical examinations for new employees, targeted medical examinations and check-ups. In order to reduce the number of absences from work, we took care of and carried out vaccinations against influenza and tick-borne meningoencephalitis as a preventive measure, and prepared workplace health promotion programmes for employees.

Table 51: Number of medical examinations

	2019	2018	2017
Number of medical examinations	387	383	438

In terms of health promotion in the workplace, organized exercise activities are being carried out, a promotional swimming project is being implemented, as well as other activities as part of the Sports Club. We have implemented the Taking stairs instead of and elevator project for health promotion. The response from colleagues is very positive. We also performed the Quick Blood Parameter Test, which was attended by 15% more employees than last year. We offer employees anonymous psychological counselling, by which mental health of employees is also being taken care of.

In the field of fire protection, regular inspections of automatic fire alarm systems and fire extinguishers are carried out. In terms of supervision over the implementation of fire protection measures, an inspector who inspected the Centre for the collection and dismantling of waste equipment in detail was present in 2019, and issued a record on compliance with all provisions on fire protection. A fire drill was carried out to evacuate employees and visitors from the office building at the company's headquarters and other units.

The company records all accidents at work and dangerous events that have occurred to employees. In 2019, there were 30 accidents at work, and we dealt with 7 dangerous events. The number of accidents at work increased by six compared to the previous year. In 2019, there was a severe tragic accident at work caused by electric current. Other work accidents were of a minor nature and due to mechanical factors. One accident resulted from electric shock and was treated as a minor accident. The company regularly performs preventive inspections of working groups in order to determine the compliance of the implementation of work procedures, the use of work and personal protective equipment.

Table 52: Number of accidents at work

	2019	2018	2017
Number of accidents	30	25	31
– women	0	0	0
– men	30	25	31

Lost working days due to accidents at work and other absences are shown in Table 53. The percentage of lost days shown is calculated according to the total number of working days for each year.

Table 53: Number of working days lost

	2019	2018	2017
Number of all working days lost	12,711	12,337	12,435
– due to accidents at work	689	388	908
– due to sick leave	12,022	11,949	11,527
Share of days lost due to accidents at work (in %)	0.33	0.18	0.42
Share of days lost due to sick leave (in %)	5.81	5.67	5.35

18.2 Social responsibility

The guiding principle of our social responsibility is to act in accordance with the company's mission, which is sustainable and competitive operation, maintenance and development of an efficient electricity distribution system and the provision of quality electricity services to ensure high-quality living and promote economic development.

The involvement of the Elektro Maribor Group and the company in its social and natural environment means that we act socially responsibly in all our operations, follow the set business objectives, take into account sustainable development goals, improve the quality of work and living of our employees, local communities in which we operate, and wider society, while taking into account the interests of shareholders.

Social responsibility is realized by acting in accordance with the company's mission, which is sustainable and competitive operation, maintenance and development of an efficient electricity distribution system and the provision of quality electricity services to ensure quality of living and promote economic development.

With the involvement of the Group and the company Elektro Maribor in the environment, we are acting socially responsible aiming at successful business operations, following sustainability objectives, improving the quality of living 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.[34]

We strengthened cooperation with stakeholders, which is important due to the activities we perform in the social and natural environment, due to its placement and operation in the local environment, ownership and legislation, and due to plans on direction of company development, 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 Family-Friendly Company Certificate measures, encourage innovation and promote employee health and integration into the second pension pillar, organise an annual meeting of all employees and offer holiday facilities. The successful operation of the company, the achievement of the set objectives and the generated expected results, are the result of the work and effort of all the company's employees.

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 worked intensively with the competent state institutions and local communities, as they make an important contribution to sustainable infrastructure.

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

[34] GRI 102-40, 102-42, 102-43, 102-44

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 plants 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 annual strategic electricity distribution conferences.

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 system users with the highest possible quality of electricity supply, with greater network intensity, we enable the integration of new plants and resources into the distribution system, and by developing smart networks, we provide users with sustainable energy solutions. Active users are allowed 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 the field of our company's operations, in training of our employees, 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: In the business community, we have been active in associations that support the development of electricity and the economy at all levels in order to strengthen cooperation, exchange of experiences and good practices, and conclude new partnerships.

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

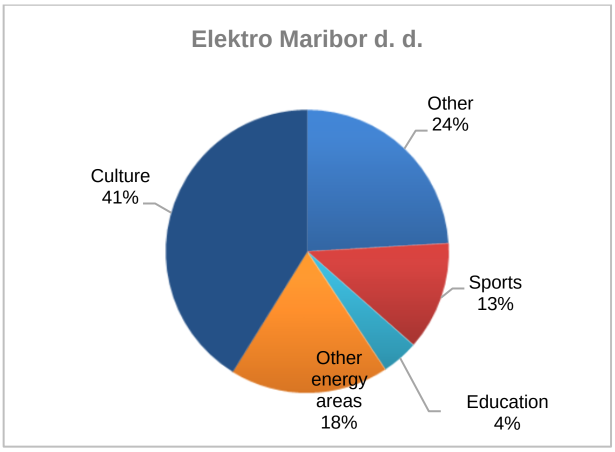
18.2.2 Sponsorships, donations[35]

A part of social responsibility is also helping and cooperating with organizations in our environment, also through sponsorships and donations. When granting funds, we follow the principles of transparency, balance, economy and diversification. The emphasis is placed on supporting humanitarian projects of charity organisations. We also support firefighting organisations, with which we often, especially during meteorological disasters, cooperate in work that often takes place in difficult and inaccessible areas.

Through sponsorship projects, we strengthen recognizability, support individual projects in the environment and look for synergy effects with company's stakeholders.

In accordance with the Public Information Access Act, we publish information on sponsorships and donations on the website. Granting sponsorships and donations is regulated by the Rules governing the conditions and method of granting sponsorships and donations, and corresponding forms for submitting applications, recommendations and certificates. 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.

[35] GRI 201-1



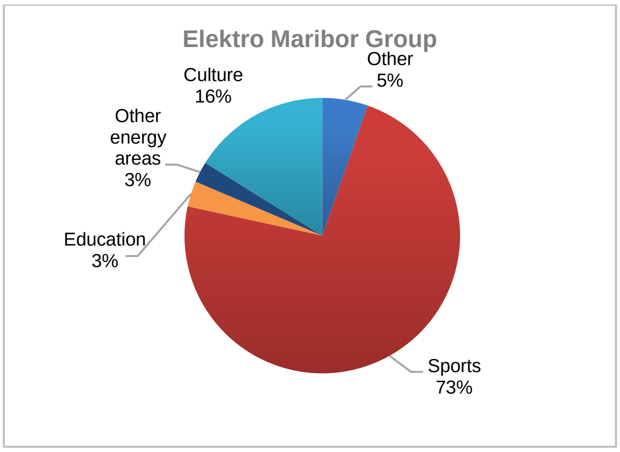
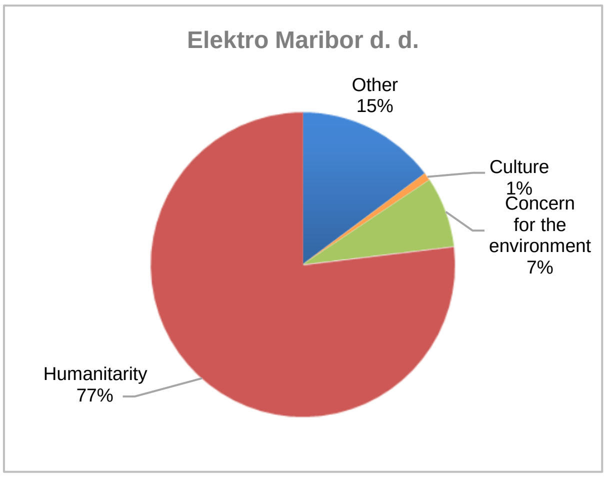


Figure 89: Distribution of sponsorships by purpose

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.



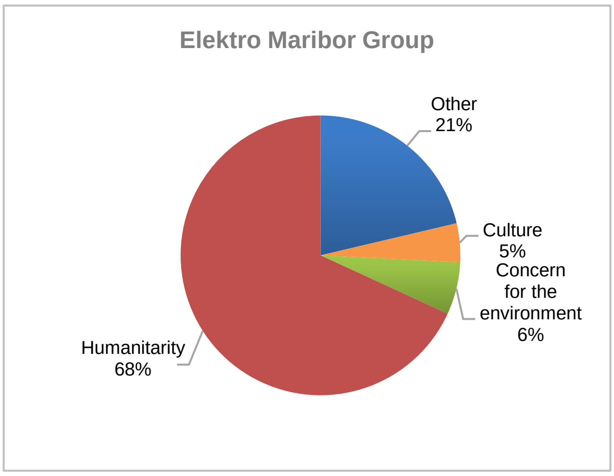


Figure 90: Distribution of donations by purpose

For several years now, we have been encouraging young people to excel in education. Thus, we have traditionally, together with schools, selected and awarded high school students from three secondary schools of electrical engineering from our supply area. With the University of Maribor and our subsidiaries Energija plus d. o. o. and OVEN Elektro Maribor d. o. o., 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 91: Awarding certificates of recognition to the best high school students of the Secondary School of Electrical Engineering and Computer Science Ptuj

18.2.3 Communication with external public

When communicating with external public, especially journalists and consumers, we strive to provide adequate content-appropriate 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-appropriate 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 communicated key plans and activities.
- Publications and leaflets – for presenting Elektro Maribor d. d. to the public, we issued an updated a short brochure entitled *Presentation.* It contains 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.
- Website – public information, information about the company and current events are always available at the company's websitewww.elektro-maribor.si.

Figure 92: Press conference in Maribor, January 2019

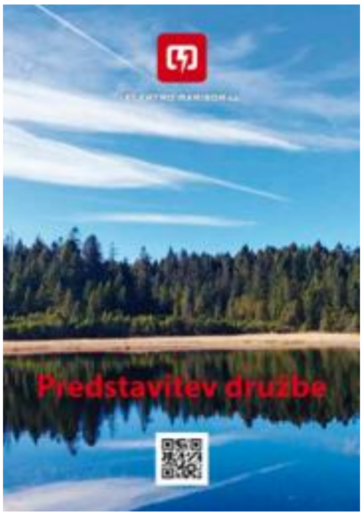


Figure 93: Publication issued in 2019

Within the GIZ organization and together with other electricity distribution companies, we prepared and carried out the 5th Strategic Conference on Electricity Distribution of Slovenia entitled Distribution Networks, a Carrier for Transition to a Low-Carbon Company.

We participated in the all-Slovenian "Open Door Day" and the "Career Fair", where we presented professions in the field of electricity.

Under the auspices of the Distribution Academy, we organized consultations on the National Energy and Climate Plan and Energy Transition, and an event on the occasion of Earth Day.

Figure 94: Earth Day 2019, Murska Sobota

In 2019, we measured the satisfaction regarding the cooperation with the company Elektro Maribor d. d. The survey showed that 79% of respondents are completely satisfied with cooperation with Elektro Maribor (of which 48% of users are very satisfied, and 31% satisfied).

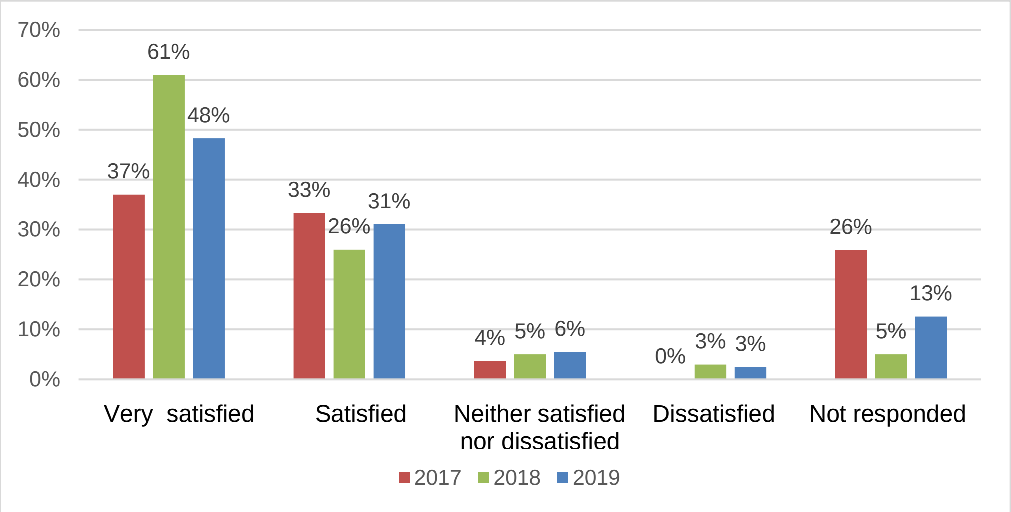


Figure 95: Results of measuring satisfaction regarding cooperation with Elektro Maribor d. d.

18.2.4 Contacts with system users

The information of network users takes place 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 Facebook social network and radio stations.

In 2019, we performed the following activities for system users:

- communicated the information on failures, interruptions and planned works on the network;

- recorded failures on measuring equipment;
- provided information about the quality of electricity supplied and on efficient electricity use;
- provided information on connecting consumers;
- entered measuring data;
- explained billing data;
- received and redirected calls at the relay station (02) 220 00 00.

In 2019, we recorded 44,423 calls made to the blue toll-free line - 080 21 05 - used to report failures and interruptions, with a service level indicator of 78%, 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 toll-free line for general information – 080 21 01 – we recorded 20,506 calls, with a service level indicator of 90%, which means that the specified percentage of customers received the operator in a time shorter than one minute.

Users are very important to us. We systematically strive to individualize communication with them. Our users are provided with individual notification of planned and unplanned power outages by SMS and/or e-mail. The service is free of charge. We also have a mobile application available for our network users. Registration is possible for all users in the supply area of Elektro Maribor.

The number of registrations to SMS notifications in 2019 is 32% higher than in 2018. The number of registrations to e-mail notifications is 18% higher compared to 2018. We also informed the consumers about planned interruptions in the supply of electricity via radio stations.

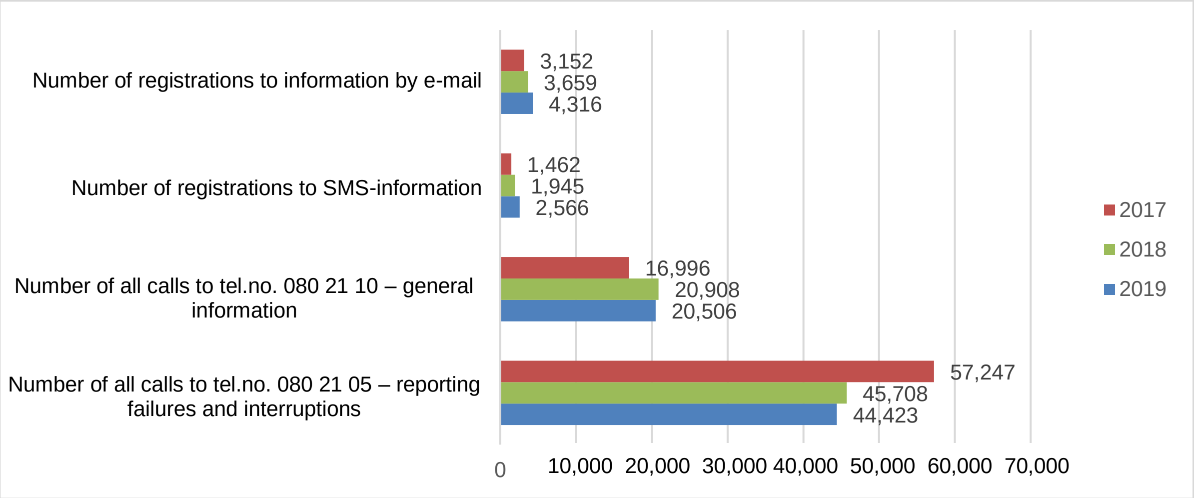


Figure 96: Contacts with system users

In 2019, we conducted a user survey on the services rendered, which we provide for SODO d. o. o. The results are comparable to the results of previous years. Users rated the services by selecting a rating from 1 to 5, where 1 is very negative, and 5 is very positive. The options for improvement are mainly seen in the simplification of procedures (improvement of user experience) and an even better responsiveness.

Table 54: Results of surveying the users on services rendered for SODO d. o. o.

	2019 Average score	2018 Average score	2017 Average score
1. Assessment of services rendered			
Transparency and comprehension of services	4.70	4.57	4.59
Response time and demand	4.57	4.53	4.56
Price	4.38	4.07	4.08
2. Assessment of provider of the service rendered			
Quality of execution	4.76	4.72	4.75
Term of execution	4.58	4.54	4.67
3. Assessment of quality of resolving complaints			
Professionalism	4.76	4.75	4.72
Responsiveness	4.66	4.62	4.67
4. Assessment of contact persons			
Professionalism	4.79	4.75	4.76
Responsiveness	4.76	4.70	4.70
TOTAL	**4.66**	**4.58**	**4.61**
N	419	279	224

18.3 Respect for human rights[36]

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. The company is using the Corporate Governance Code for State-Owned Enterprises adopted by the SSH, as a reference code. The Code of Business Conduct and Ethics of Elektro Maribor d. d. (hereinafter referred to as the Code) is intended for all employees of the company. Every employee is obliged to comply with the provisions of the Code, and is also obliged to contribute to the elimination of perceived unethical business conduct and behaviour in the company. The Code also applies to other persons when they perform various works or activities in the company.

The Code is published on the company's intranet website and on the company's website www.elektro-maribor.si, and is also available for access at the secretariats of the areas and regional/service units.

We continuously raise employees' awareness on ethical business operations and conduct of employees in accordance with the Code. Accordingly, hearings are held based on written complaints, where the four-eye principle (confrontation between the notifier and the offender) is followed. All employment contracts include the provision on adherence to the Code of Ethics.

At the meetings of the employees with the management, we informed the employees about the ways to report suspicion of unethical conduct or suspicion of fraud. The notifier has the opportunity to report any irregularities in the following ways:

- by e-mail to korporativna.integriteta@elektro-maribor.si;
- submit the written complaint into the boxes installed in the premises of Elektro Maribor d. d.;
- send the written complaint to the headquarters of Elektro Maribor.

[36] GRI 102-16, 406-1

18.4 Matters related to anti-corruption and anti-bribery[37]

A new term "whistle-blower" is used in relation to corruption and its detection (or disclosure). This is a person who discloses any information concerning irregularities and illegal or unethical acts, usually in an organization where he or she is or has been employed. This person usually remains anonymous.

In 2019, the company Elektro Maribor d. d. actively approached the identification of fraud risks. We have appointed a commissioner to identify, detect and prevent fraud.

In 2019, we considered seven applications for the issuance of consent to perform supplementary work. We received three applications on participation in management and supervisory boards.

The company Elektro Maribor d. d. is a signatory to the Declaration on Fair Business and the Slovenian Corporate Integrity Guidelines, thus belonging to the circle of corporate integrity ambassadors.

Figure 97: UN Global Compact Slovenia

Figure 98: Slovenian Corporate Integrity

We have adopted the Policy of prevention, detection and investigation of fraud and the Rules on prevention, detection and investigation of fraud. 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 2019, no cases of corruption and bribery were identified.

[37] GRI 205-1, 205-2, 205-3

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 2019, 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., as at 31 December 2019, 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 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, 22 April 2020

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 2019.

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 accordance with the code of conduct of the profession and the laws pertaining to business operations, accounting, taxes and finance;
- that the company's financial statements have been drawn up in accordance with all the requirements of Slovenian Accounting Standards with respective positions and interpretations, and in accordance with the provisions of the Companies Act;
- that the financial statements have been drawn up under the assumption that the company will continue as going concern;
- that the selected accounting policies are being applied consistently, and that any changes in accounting policies are to be disclosed;
- that the accounting estimates have been produced in accordance with the principles of prudence and good management;
- that the financial statements do not include any material or immaterial errors made in order to achieve the chosen presentation of the company.

Maribor, 30 March 2020

President of the company's Management Board:
Mag. Boris Sovič

5 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

The company's financial statements have been prepared in accordance with the accounting and reporting requirements of the Slovenian Accounting Standards 2016, as amended in 2019, (hereinafter referred to as the SAS), the Rules on prudent accounting (hereinafter referred to as the PSR), in accordance with the Companies Act (ZGD-1), in accordance with the requirements of the Energy Act (EZ-1), and the legislation governing taxes and finance.

Management Board's statement of responsibility

On 30 March 2020, the Management Board approved and adopted the financial statements and notes, and the accounting policies to the financial statements and the presented Annual Report for 2019, respectively.

Functional currency

The financial statements are presented in euros, rounded to the unit and for the financial year corresponding to the calendar year. Rounding can result in rounded differences when adding up.

Changes in accounting policies

Changes in accounting policies in 2019 refer to changes in the provisions of SAS. On 1 January 2019, the new SAS 15 - Revenues from Contracts with Customers, and the revised SAS 1, which contains new lease provisions, became applicable. The revised SAS 15 did not impact the profit or loss brought forward as at 1 January 2019, and also had no impact on the profit or loss brought forward due to SAS 1, but the right to use and lease obligations, whereby, the affect is shown as part of disclosures of fixed assets and debts.

Fundamental accounting assumptions and quality features of financial statements

The financial statements have been prepared by following two fundamental accounting assumptions:
- considering accruals, and
- going concern,

and the required quality characteristics:
- comprehensibility,
- relevance,
- reliability,
- comparability.

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

The items in the statement of financial position and the income statement are presented separately and in the same order as defined by the ZGD-1. The values of individual items that are irrelevant for true and fair presentation of company's assets and operational result have been merged and explained accordingly in the appendices to the financial statements.

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

Elektro Maribor d. d. is liable for the monthly calculation of value added tax under the Value Added Tax Act, as well as a person liable under the Corporate Income Tax Act.

Bases for the preparation of financial statements

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

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 disclosing and valuing items in the financial statements, we applied the SAS provisions directly, except for the valuation of items where the SAS provisions provide the option to choose between different valuation methods. In such cases, the selected option of valuation is defined in the Rules of Accounting, or determined by resolutions passed by the Management Board.

In accordance with the principle of prudence, when preparing 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.

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 2019 that they would need additional disclosure in the financial report.

On 12 March 2020, the Minister of Health declared an epidemic of the infectious disease SARS-CoV-2 (COVID-19) in Slovenia. The company estimates that the current changed circumstances due to the epidemic (COVID-19) will have an impact on maintaining solvency, the planned volume or dynamics of investments in 2020 and in the following years, and the dynamics of the implementation of the annual business plan for 2020. Any accurate value estimates are premature at this point. There is also an ongoing assessment of the dimensions of all impacts of the adopted Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP) on company's business operations.

The financial statements for 2019 took into account the preliminary settlement for the regulatory year 2019, which shows the deficit of the funds received in relation to the recognized contractual values of the lease and services in the amount of EUR 1,676,925, and is entirely recorded in financial year 2019. Until the preparation of the financial statements, the final settlement of the regulatory years 2018 and 2019, which will be based on the audited data for 2018 and 2019, was not yet known. By letter dated 5 February 2020, the Energy Agency informed us of the established facts before issuing the decision on the established derogation from the regulatory framework for 2018, which shows a deficit of funds received in relation to the recognized contractual values of lease and services in the amount of EUR 31,815.

The indicated values are considered 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 more than a 20% share in:

- the company Elektro Maribor Energija plus d. o. o., Vetrinjska ulica 2, Maribor 100.00%,
- the company OVEN Elektro Maribor d. o. o., Vetrinjska ulica 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 ulica 2, Maribor 21.96%,

Table 55: Operations of associated companies in 2019

in EUR	Equity	Amount of assets	Net profit or loss	Amount of revenue
Energija plus d. o. o., Vetrinjska ulica 2, Maribor	18,902,564	41,761,208	1,343,849	113,552,466
OVEN Elektro Maribor d. o. o., Vetrinjska ulica 2, Maribor	4,459,535	4,547,744	356,054	1,397,998
Moja energija d. o. o., Jadranska cesta 28, Maribor	3,261,663	6,348,305	583,380	4,740,379
Eldom d. o. o., Obrežna ulica 170, Maribor	299,422	500,428	16,310	642,440
Informatika d. d., Vetrinjska ulica 2, Maribor	1,568,935	5,584,032	136,822	10,603,057

Elektro Maribor d. d. prepares consolidated financial statements and a consolidated annual report for the parent company and its subsidiaries Energija plus d. o. o. and OVEN Elektro Maribor d. o. o.

4 SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

Intangible assets are carried at cost less accumulated amortization.

Upon initial recognition, they are valued at cost, which also includes all purchase taxes and any directly attributable costs until they are available for use.

Long-term property rights are amortized separately using the straight-line method. They begin to amortise when they are available for use. Amortisation is subject to amortization rates, which are determined for each type of long-term property right, based on the estimated useful life.

For comprehensive software solutions, the company applies the uniform amortization rate of 10%, and for software solutions in the period of contract validity. For all other software solutions, the amortization rate of 33.3% is applied.

Property, plant and equipment

Property, plant and equipment are part of company's non-current assets used to perform the company's activities.

Property, plant and equipment are carried at cost less accumulated depreciation. The cost includes the purchase price, non-refundable purchase charges and costs arising directly from bringing the asset to its working condition. The cost is also increased by interest on loans for acquiring the items of property, plant and equipment until they are brought to their working condition with those items of property plant and equipment where the period to bring the asset to working condition, is longer than one year and where significant amounts are involved. 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 defined in the Rules on Accounting.

The company carries out the activity of construction of facilities and equipment under its own management, which it then records in its books of account after the construction is completed. The value by which the assets are recorded in the books of account, is in the spirit of the 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 manufacture that can be attributed to it. It does not include costs that are not related to its construction or manufacture, and costs not recognized by the market, but it does include borrowing costs for its construction or manufacture, and bringing it to its working condition. The cost of such item of property, plant and equipment cannot exceed the cost of that in the spirit of SAS 1.10.

In valuing items, the company applies the full cost price method. The cost price based on which the items of property, plant and equipment constructed in the company are recorded does not include the profit, for which the cost price of a production hour is increased, which is charged in the market when we offer the same type of service in the market.

Parts of property, plant and equipment with different useful lives are accounted for as individual items of property, plant and equipment.

Costs subsequently incurred in connection with an item of property, plant and equipment increase its cost if its future benefits increase compared to those originally estimated.

Investments in property, plant and equipment are delimited based on system instruction for the delimitation of investments in fixed assets and maintenance costs constituting an annex to the Rules on accounting.

Depreciation is calculated individually using the straight-line method.

On 1 January 2019, the company changed its accounting policy in the part relating to the reclassification of leases of significant values, as stipulated in the revised SAS 1. At that, it used the simplified approach method, which means that on 1 January 2019 it recognized a lease obligation as at the date of application and the right to use the asset. In determining whether these are leases arising from SAS provisions, the company determined the reasons for reclassification for each contractual relationship separately. In such way, the company reclassified long-term leases as a right to use the asset.

Short-term leases and leases of low-value assets are not reclassified as rights to use the asset.

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 2019, 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 property are carried at cost less the accumulated depreciation. Holiday homes and owned-occupied housing are disclosed as investment property.

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

The company’s Management Board actively monitors the events in the market and estimates that, in 2019, there was no objective evidence on factors pointing to the need for impairment of investment property.

Depreciation

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

All company's fixed assets are classified in amortization/depreciation groups. The company applies amortization/depreciation rates which are harmonized between the electricity distribution companies in Slovenia. Depreciation is calculated individually using the straight-line 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 the electricity distribution companies in Slovenia. In calculating amortization/depreciation, the company uses the useful lives shown in Table 56.

Table 56: Useful life of fixed assets

	2019	2018
Buildings	50 years	50 years
Cable ducts, HV overhead lines, HV cable lines, MV overhead lines	40 years	40 years
Construction part of RTP, RP and 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

The responsible persons in the company annually review the adequacy of the useful lives of individual groups of fixed assets. Should a significant change occur, a working group on technical matters that appointed a project team for fixed assets will convene as part of the Economic Interest Grouping (GIZ) of electricity distribution. Members are required to review the useful lives of fixed assets by depreciation groups and provide findings. If they find that significant changes would occur since the last inspection, these are taken into account in all electricity distribution companies on the first day of the next financial year.

Financial investments

Financial investments are disclosed in the statement of financial position as long-term and short-term financial investments. Long-term 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.

Long-term 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.

The company assesses at each balance sheet date whether there is objective evidence of a possible impairment of the financial investment. If such evidence exists, the investment must be revalued.
The change in fair value resulting from revaluation is recognized by the company in equity as an increase or decrease in the revaluation surplus.

Inventories

An inventory unit of materials is in the company 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 a contract.

The company regularly checks the adequacy of receivables disclosed. Receivables under the presumption of not being settled are disclosed as doubtful 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 a lawsuit has been introduced, and for receivables not paid within 90 days from the maturity date. The value adjustment of receivables is formed individually by individual business partners.

In the statement of financial position, receivables are disclosed in net value, which means that they are reduced by the value of adjustments for disputed and doubtful receivables.

Cash and cash equivalents

Cash represents money in current accounts held with banks 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 costs and accrued revenue are receivables and other assets that are expected to arise within one year from the end of the reporting period and whose occurrence is probable and the amount of which is reliably estimated.

At their occurrence, these are amounts that do not yet burden the 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 and do not include any hidden reserves.

Short-term accrued costs and deferred revenue include accrued costs (expenses) and short-term deferred income. They can only be used for items that were initially recognized. In the statement of financial position, they are recognized in amounts that are estimated with certainty and do not hide any reserves.

Equity

The total capital of the company is defined by the amounts invested by the owners and by the amounts that arose 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 33,345,302 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 the 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 resolution of the Management Board, the Supervisory Board and the resolution of the General Meeting.

Reserves arising from valuation at fair value are recognised based on the revaluation of investments performed 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.

Net profit or loss represents the unallocated part of the company's net profit or loss for the current year.

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

Provisions and long-term accrued costs and deferred revenue

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 for employees. 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 SAS 10, the International Financial Reporting Standards (hereinafter referred to as the IFRS) IFRS 19, and is performed at the end of each financial year when the company coordinates 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 assumptions used in the actuarial calculation are:

- probability:
  - of mortality (SLO2007; selection factor for economically active population 75%);
  - 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 0.7782%;
- wage growth:
  - in the Republic of Slovenia, 2.3 %;
  - in the company, 2.0 %;
  - in the electricity sector, 2.0 %;
- 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));
- growth 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 costs and deferred revenue from accrued costs and assigned contributions payable for pension and disability insurance of disabled employees. The company draws on this revenue for the actual costs incurred by the salaries of disabled employees.

The company also forms long-term accrued costs and deferred revenue from deferred income for fixed assets taken over free of charge and from the co-financing contribution, which is intended to cover the depreciation costs of the latter.

In 2018, the company formed long-term accrued costs and deferred revenue from cohesion funds received in respect of co-financing the purchase and installation of smart meters for the 2017–2022 period. Also, in 2019, the company increased the value of long-term accrued costs and deferred revenue by the amount of cohesion funds received. The company's revenue in this respect is drawn at 33,3% of the actual cost of depreciation of installed meters.

Debts

In terms of content, debts are categorised as financial and operating, and in terms of maturity, as short-term or long-term.

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. They are subsequently increased by imputed returns (interest, other compensation) 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 historical cost less their repayments.

The statement of financial position separately discloses long-term and short-term debts, and separately as financial and operating therein.

The company assesses the fair value of debts at least once a year when preparing its financial statements.

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 a 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 yet been realized at the time of inception.

Revenue is broken down to operating, financial, and other income.

Operating revenues are sales revenues and other operating revenues related to business impacts. They represent 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.

To measure the recognition of sales revenue, the company follows the following policies:

- The buyer and seller agree on the content of the transaction and the terms of sale. In most cases, the agreement is made in writing.
- Revenues from services rendered are measured at selling price, which is fixed and determinable.
- In construction contracts, revenue is recognized gradually or by stage of completion. The basis for recognition is customer’s confirmation, based on which it is considered that he agrees with the services provided. When the executing obligation is fulfilled gradually, revenue is also recognized gradually. The company consistently applies the input method to measure progress.
- The amounts charged by the company for the sales transaction do not carry significant credit risk, as the company expects economic benefits from the concluded transaction.

Revaluation operating revenues arise on the disposal of items of property, plant and equipment and intangible non-current assets, and when receivables, whose value adjustment was formed in previous years, are repaid.

Financial revenues are income from investment activities, and arise in connection with short-term and long-term financial investments, as well as in connection with receivables in the form of accrued interest and as revaluation financial revenues.

They are recognized at settlement of accounts, irrespective of receipts, unless there is reasonable doubt as to their size, maturity and repayment. Interest is accounted for in proportion to the elapsed period and according to the unpaid portion of the principal amount and the effective 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 broken down 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 of accounts, regardless of the related payments.

Other expenses include uncommon items and other expenses that reduce the profit and loss.

Labour costs and reimbursement costs to employees

The company in its labour costs discloses:

- wages and salaries,
- wage compensation,
- cost of supplementary pension insurance,
- cost of contributions and other charges,
- other costs, such as holiday pay, reimbursements for material costs, solidarity assistance, and other.

Labour costs and reimbursements are accounted for 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 to account for taxes in accordance with the Value Added Tax Act and the Corporate Income Tax Act.

The corporate income tax is accounted for based on revenue and expenses disclosed in the income statement 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 in connection with past financial years.

In disclosing deferred tax, the company uses the balance sheet liability method based on temporary differences between the carrying amounts and tax values of individual assets and liabilities. The amount of deferred tax is based on the expected manner of 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. Cash and cash equivalents in the statement of cash flow represent money in the accounts and deposits with a maturity of up to three months.

Sectoral and regional segments

In accordance with the EZ-1, the company is liable to activity-based (segment) reporting. For this purpose, it has defined two activities:

- 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.;
- services, which take into account other market activities performed by the company.

5 FINANCIAL STATEMENTS OF ELEKTRO MARIBOR D. D.

Table 57: Statement of financial position

in EUR

	Item	Note	31 Dec 2019	31 Dec 2018
A.	**Non-current assets (I–VI)**		**366,207,556**	**352,203,321**
I.	**Intangible assets and long-term AČR (1 to 6)**	**1**	**4,770,032**	**1,969,359**
	1. Long-term property rights		4,770,032	1,969,359
II.	**Property, plant and equipment (1 to 6)**	**2**	**342,159,177**	**331,202,232**
	1. Land and buildings (a to c)		251,442,208	246,133,299
	a. Land		9,758,662	9,853,760
	b. Buildings		241,285,506	236,279,539
	c. Right to use buildings		398,041	0
	2. Production equipment and machinery		82,166,694	74,537,424
	4. Property, plant and equipment being acquired (a + b)		8,550,275	10,531,509
	a. Property, plant and equipment under construction		8,490,371	10,471,605
	b. Advances for acquisition of property, plant and equipment		59,904	59,904
III.	**Investment property**	**3**	**635,187**	**650,009**
IV.	**Long-term financial investments (1 to 2)**	**4**	**17,596,970**	**17,541,680**
	1. Long-term financial investments excluding loans (a to č)		17,596,970	17,541,680
	a. Shares and interests in Group companies		16,983,478	16,983,478
	b. Shares and interests in associates		349,854	349,854
	c. Other shares and stakes		56,594	56,594
	č. Other long-term financial investments		207,045	151,754
V.	**Non-current operating receivables (1 to 3)**	**5**	**59,540**	**51,576**
	3. Non-current operating receivables due from others		59,540	51,576
VI.	**Deferred tax assets**	**6**	**986,650**	**788,465**
B.	**Current assets (I–V)**		**24,060,141**	**24,993,586**
II.	**Inventories (1 to 4)**	**7**	**2,750,549**	**2,107,741**
	1. Material		2,750,549	2,107,741
IV.	**Current operating receivables (1 to 3)**	**8**	**12,361,762**	**14,900,121**
	1. Current operating receivables due from Group companies		119,765	25,095
	2. Current operating trade receivables		11,121,377	13,452,378
	3. Current operating receivables due from others		1,120,620	1,422,648
V.	**Cash and cash equivalents**	**9**	**8,947,830**	**7,985,724**
C.	**Short-term deferred costs and accrued revenue**	**10**	**490,726**	**230,517**
	ASSETS (A + B + C)		**390,758,423**	**377,427,424**

in EUR

	Item	Note	31 Dec 2019	31 Dec 2018
A.	**Equity**	**11**	**289,312,301**	**279,933,132**
I.	**Called-up capital (1 to 2)**		**139,147,480**	**139,773,510**
	1. Share capital		139,147,480	139,773,510
II.	**Capital reserves**		**75,384,315**	**75,121,586**
III.	**Revenue reserves (1 to 5)**		**70,751,607**	**61,037,303**
	1. Legal reserves		5,966,575	5,255,607
	2. Reserves for own shares and own business interests		0	363,301
	3. Own shares and own business interests		0	–363,301
	5. Other revenue reserves		64,785,032	55,781,696
V.	**Reserves arising from valuation at fair value**		**–839,446**	**–667,609**
VI.	**Net profit or loss carried forward**		**363,301**	**0**
	1. Net profit brought forward from previous years		363,301	0
VII.	**Net profit or loss for the financial year**		**4,505,045**	**4,668,342**
	1. Residual net profit for the financial year		4,505,045	4,668,342
B.	**Provisions and long-term PČR (1 to 3)**	**12**	**40,232,696**	**40,367,502**
	1. Provisions for pensions and similar liabilities		5,792,102	5,504,902
	2. Other provisions		380,561	1,205,805
	3. Long-term accrued costs and deferred revenue		34,060,033	33,656,795
C.	**Non-current liabilities (I to III)**	**13**	**38,979,657**	**33,859,014**
I.	**Non-current financial liabilities (1 to 4)**		**38,694,109**	**33,650,000**
	2. Non-current financial liabilities to banks		38,325,000	33,650,000
	3. Non-current financial liabilities arising from leases		369,109	0
II.	**Non-current operating liabilities**		**285,548**	**209,014**
	2. Non-current operating accounts payable		285,548	209,014
Č.	**Current liabilities (I to III)**	**14**	**21,437,226**	**22,383,805**
II.	**Current financial liabilities (1 to 4)**		**6,385,987**	**8,189,145**
	2. Current financial liabilities to banks		6,325,000	8,159,523
	4. Other current financial liabilities		60.987	29,622
III.	**Current operating liabilities (1 to 8)**		**15,051,239**	**14,194,660**
	1. Current operating liabilities to Group companies		67,807	39,735
	2. Current operating accounts payable		6,283,166	4,474,572
	3. Other current operating liabilities		8,700,267	9,680,353
D.	**Short-term accrued costs and deferred revenue**	**15**	**796,543**	**883,971**
	LIABILITIES (A to D)		**390,758,423**	**377,427,424**

Table 58: Income statement

in EUR

	Item	Note	I–XII 2019	I–XII 2018
1.	**Net sales revenue**	**17**	**60,049,868**	**62,690,799**
	a. in the domestic market		60,049,868	62,690,799
3.	**Capitalized own products and services**	**18**	**19,406,584**	**20,826,413**
4.	**Other operating revenues (with revaluated operating revenue)**	**19**	**3,745,364**	**2,931,151**
5.	**Costs of goods, material and services**	**20**	**18,050,467**	**19,269,124**
	a. Cost of goods sold and costs of material used		11,552,960	12,551,174
	b. Costs of services		6,497,507	6,717,950
6.	**Labour costs**	**21**	**29,501,552**	**29,769,102**
	a. Costs of wages and salaries		20,730,116	20,944,867
	b. Social security costs		4,434,585	4,552,373
	– of which pension insurance costs		1,033,917	3,138,250
	c. Other labour costs		4,336,851	4,271,862
7.	**Write-offs**	**22**	**20,966,475**	**20,515,409**
	a. Amortization/Depreciation		20,223,665	19,840,041
	b. Revaluation operating expenses for intangible assets and property, plant and equipment		500,030	432,926
	c. Revaluation operating expenses for working capital		242,780	242,442
8.	**Other operating expenses**	**23**	**578,012**	**1,164,422**
9.	**Financial revenue from shares and interests**	**24**	**2,152,913**	**1,909,572**
	a) Financial revenue from shares and interests in Group companies		2,152,913	1,909,572
10.	**Financial revenue from loans granted**		**43**	**81**
	b. Financial revenue from loans granted to others		43	81
11.	**Financial revenue from operating receivables**	**25**	**16,723**	**53,184**
	b. Financial revenue from operating receivables due from others		16,723	53,184
13.	**Financial expenses from financial liabilities**	**26**	**390,703**	**366,982**
	b. Financial expenses from loans received from banks		384,853	364,660
	č. Financial expenses from other financial liabilities		5,850	2,322
14.	**Financial expenses from operating liabilities**	**27**	**82,434**	**68,638**
	b. Financial expenses from accounts and notes payable		3,694	1,494
	c. Financial expenses from other operating liabilities		78,739	67,144
15.	**Other revenue**	**28**	**27,309**	**37,611**
16.	**Other expenses**	**29**	**101,966**	**149,597**
17.	**Income taxes**		**1,650,698**	**2,082,811**
18.	**Deferred taxes**		**198,185**	**–114,833**
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)**	**30**	**14,274,681**	**14,947,893**

Table 59: Statement of other comprehensive income

in EUR

	Item	I–XII 2019	I–XII 2018
19.	Net profit or loss for the period	14,274,681	14,947,893
23.	Other items of comprehensive income	–227,169	156,894
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19 + 20 + 21 + 22 + 23)**	**14,047,512**	**15,104,787**

Table 60: Statement of cash flows

in EUR

I t e m	Note	I–XII 2019	I–XII 2018
A. Cash flows from operating activities			
a) Cash receipts from operating activities	***31***	***116,673,870***	***114,667,433***
Cash receipts from the sale of products and services		113,667,673	111,847,098
Other cash receipts from operating activities		3,006,197	2,820,335
b) Expenditures from operating activities	***32***	***–101,901,520***	***–101,543,248***
Expenditures for purchases of material and services		–61,894,048	–63,749,625
Expenditures for salaries and employee shares in profit		–30,574,197	–28,475,050
Expenditures for duties of all types		–7,540,291	–7,146,617
Other expenditures from operating activities		–1,892,984	–2,171,956
c) Positive cash flow from operating activities (a + b)		***14,772,350***	***13,124,185***
B. Cash flows from investing activities			
a) Cash receipts from investing activities	***33***	***2,320,835***	***2,027,379***
Cash receipts from interest received and shares in profit of others related to investing activities		2,152,962	1,909,661
Cash receipts from the disposal of property, plant and equipment		167,873	117,718
b) Expenditures from investing activities	***34***	***–13,939,047***	***–15,461,085***
Expenditures for acquisition of intangible assets		–3,418,851	–3,501,139
Expenditures for acquisition of property, plant and equipment		–10,520,196	–11,959,946
c) Negative cash flow from investing activities (a + b)		***–11,618,212***	***–13,433,706***
C. Cash flows from financing activities			
a) Cash receipts from financing activities	***35***	***11,000,000***	***11,000,000***
Cash receipts from increasing financial liabilities		11,000,000	11,000,000
b) Expenditures from financing activities	***36***	***–13,192,032***	***–12,288,659***
Expenditures for interest paid relating to financing		–364,166	-359,550
Expenditures for capital repayments		0	–208,762
Expenditures for repayments of financial liabilities		–8,159,524	–7,376,190
Expenditures for dividend payments and other shares in profit		–4,668,342	–4,344,157
c) Negative cash flow from financing activities (a + b)		***–2,192,032***	***–1,288,659***
Č. Closing balance of cash and cash equivalents		**8,947,830**	**7,985,724**
x) Cash flow for the period (sum of cash flows Ac, Bc and Cc)		**962,106**	**–1,598,180**
+			
y) Opening balance of cash and cash equivalents		**7,985,724**	**9,583,904**

Table 61: Statement of changes in equity 2019

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 profit carried forward	Net profit	
		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**	**5,255,607**	**363,301**	**–363,301**	**55,781,696**	**–667,609**	**0**	**4,668,342**	**279,933,132**
A.2	**Opening balance of the reporting period**	**139,773,510**	**75,121,586**	**5,255,607**	**363,301**	**–363,301**	**55,781,696**	**–667,609**	**0**	**4,668,342**	**279,933,132**
B.1	**Changes in equity capital - transactions with owners**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**–4,668,342**	**0**	**–4,668,342**
g.	Dividend payments								–4,668,342	0	–4,668,342
B.2	**Total comprehensive income for the reporting period**	**0**	**0**	**0**	**0**	**0**	**0**	**–227,169**	**0**	**14,274,681**	**14,047,512**
a.	Entry of net profit or loss for the financial year									14,274,681	14,274,681
c.	Change in reserves arising from valuation of financial investments at fair value							55,290			55,290
d.	Other items of comprehensive income							–282,459			–282,459
B.3	**Changes in equity**	**–626,031**	**262,730**	**710,967**	**–363,301**	**363,301**	**9,003,336**	**55,332**	**5,031,643**	**–14,437,978**	**0**
a.	Allocation of residual net profit for the comparative reporting period to other equity components								4,668,342	–4,668,342	0
b.	Allocation of residual net profit for the reporting period to other equity components according to the resolution of the management and supervisory bodies			710,967			9,003,336		55,332	–9,769,635	0
e.	Release of reserves for own shares and own interests, and allocation to other components of equity				–363,301				363,301		0
f	Other changes in equity	–626,031	262,730			363,301		55,332	–55,332		0
C.	**Closing balance of the reporting period**	**139,147,479**	**75,384,316**	**5,966,575**	**0**	**0**	**64,785,032**	**–839,446**	**363,301**	**4,505,046**	**289,312,301**
	DISTRIBUTABLE PROFIT								**363,301**	**4,505,046**	**4,868,346**

Table 62: 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 profit carried forward	Net profit	
		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 payments								–4,344,735	0	**–4,344,735**
B.2	**Total comprehensive income for 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 for the comparative reporting period to other equity components								4,285,607	-4,285,607	**0**
b.	Allocation of residual net profit for the reporting period to other equity components according to the resolution 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 63: Notes to the statements - performance indicators according to the PSR

Item	2019	2018
I. CORE FINANCING RATIOS (according to PSR 8.26)		
Equity financing ratio in % = equity / liabilities	74.04	74.17
Long-term financing ratio in % = equity + long-term debt + provisions + long-term PČR / liabilities	94.31	93.84
II. II. CORE INVESTMENT RATIOS (according to PSR 8.27)		
Fixed assets to total assets ratio in % = fixed assets / assets	88.78	88.27
Non-current assets to assets ratio in % = fixed assets and long-term AČR + long-term financial investment + investment property + long-term operating receivables / assets	93.46	93.11
III. CORE RATIOS OF HORIZONTAL FINANCIAL STRUCTURE (according to PSR 8.28)		
Equity to fixed assets ratio = equity / fixed assets	0.83	0.84
Cash ratio (ratio of direct coverage of current liabilities) = liquid assets / current liabilities	0.42	0.36
Quick ratio (ratio of quick coverage of current liabilities) = liquid assets + current receivables / current liabilities	0.99	1.02
Current ratio (ratio of current coverage of current liabilities) = current assets / current liabilities	1.12	1.12
IV. CORE EFFICIENCY RATIOS (according to PSR 8.30)		
Operating efficiency ratio = operating revenue / operating expenses	1.20	1.22
V. CORE PROFITABILITY RATIOS (according to PSR 8.31)		
Net return on equity in % = net profit or loss / average equity (excluding net profit or loss for the accounting period)	5.10	5.53
Dividend payment ratio = dividend for the financial year (*distributable profit) / net profit or loss	0.34	0.31

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 referring 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 by taking into account the principle of individual asset and liabilities 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 for preparing 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 method. The amortization rates applied range from 50% to 10%.

Intangible assets also include easements for the use of land under the routes of the company's distribution network, which, in accordance with the provisions of Article 65 of the ZGD-1, are shown in the statement of financial position under the item of land and buildings.

Intangible assets are not pledged for the repayment of debts, and the company also does not dispose of assets acquired through government grants.

At the end of the financial year, bases on the contract, the company discloses EUR 513,328 of operating liabilities for the purchase of licenses for the use of information technology. 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 64: Changes in intangible assets in 2019

in EUR	Intangible assets	Ongoing investments	Total
Cost value			
Balance as at 1 Jan 2019	8,097,558	0	8,097,558
Increases	*3,986,493*	*0*	3,986,493
- New purchases	0	3,986,493	3,986,493
– Activation	3,986,493	–3,986,493	0
Decreases	0	0	0
Balance as at 31 Dec 2019	12,084,051	0	12,084,051
Write-offs			
Balance as at 1 Jan 2019	6,128,198	0	6,128,198
Amortization/Depreciation	1,185,820	0	1,185,820
Balance as at 31 Dec 2019	7,314,018	0	7,314,018
Carrying amount			
Balance as at 1 Jan 2019	1,969,360	0	1,969,360
Balance as at 31 Dec 2019	4,770,033	0	4,770,033

Table 65: Changes in intangible assets in 2018

in EUR	Intangible assets	Ongoing investments	Advances given	Total
Cost value				
Balance as at 1 Jan 2018	7,010,493	0	148,024	7,158,517
Increases	*1,087,065*	*0*		1,087,065
- New purchases		1,087,065	0	1,087,065
– Activation	1,087,065	-1,087,065		0
Decreases			148,024	148,024
Balance as at 31 Dec 2018	8,097,558	0	0	8,097,558
Write-offs				
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

Property, plant and equipment

Note 2

Table 66: Balance and changes in property, plant and equipment in 2019

in EUR	Land	Construction facilities		Easements	Equipment	Ongoing investments	Advances given	Total property, plant and equipment
		Construction facilities	Right-of-use assets					
Cost value								
Balance as at 31 Dec 2018	7,789,939	728,863,587		2,134,865	180,789,829	10,471,605	59,904	930,109,729
Adjustments due to changes in SAS 1			426,600					426,600
Balance as at 1 Jan 2019	7,789,939	728,863,587	426,600	2,134,865	180,789,829	10,471,605	59,904	930,536,329
Acquisitions, of which:						30,044,210		30,044,210
- Acquisitions (new purchases)						28,619,713		28,619,713
- Acquisitions (free acquisition)						1,424,497		1,424,497
Activations	4,592	17,227,991		5,624	14,787,237	32,025,444	0	0
- Activation (new purchases)	4,592	15,808,884		5,624	14,781,847	–30,600,947		0
– Activation (free acquisition)		1,419,107			5,390	–1,424,497		0
Decreases	83,964	4,352,612		0	2,058,121	0	0	6,494,698
Transfers								0
Balance as at 31 Dec 2019	7,710,567	741,738,966	426,600	2,140,490	193,518,944	8,490,371	59,904	954,085,841
Write-offs								
Balance as at 1 Jan 2019	0	492,584,048		71,045	106,252,405	0	0	598,907,497
Disposals		4,177,660			1,817,008			5,994,668
Depreciation		12,047,072	28,559	21,350	6,916,854			19,013,835
Transfers	0	0		0	0			0
Balance as at 31 Dec 2019	0	500,453,461	28,559	92,395	111,352,251	0	0	611,926,665
Carrying amount								
Balance as at 1 Jan 2019	7,789,939	236,279,538	426,600	2,063,821	74,537,424	10,471,605	59,904	331,628,831
Balance as at 31 Dec 2019	7,710,567	241,285,505	398,041	2,048,095	82,166,694	8,490,371	59,904	342,159,177

Table 67: Balance and changes in property, plant and equipment in 2018

in EUR	Land	Construction facilities	Easements	Production equipment and machinery	Ongoing investments	Advances given	Total property, plant and equipment
Cost value							
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
Decreases	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
Write-offs							
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

Major purchases of items of property, plant and equipment in 2019, refer mainly to:

Table 68: Major purchases of items of property, plant and equipment

	2019	2018
LV lines	8,664,374	8,984,539
Measuring equipment and instruments	3,774,451	3,091,549
TP MV/HV	2,439,480	1,700,634
MV lines (connecting)	2,997,150	4,023,189
HV transmission line new	249,198	49,954
MV lines (connecting)	3,284,504	3,270,706

The decrease in property, plant and equipment refers to construction facilities at cost value of EUR 4,352,612, and to equipment at cost value of EUR 2,058,121, mainly due to write-offs resulting from destruction and replacement.

Property, plant and equipment not yet available for use (ongoing investments) are disclosed in the amount of EUR 8,490,371.

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 company's property, plant and equipment. The company does not capitalize interest charges, as loans financed predominantly investments that were completed within the financial year.

In accordance with the provisions of SAS 1.27 (2016, as amended), on 1 January 2019, the company in its books of account recognized the right to use funds from long-term leases of office buildings and telecommunication routes at cost value of EUR 426,600. At that, it used a simplified approach in the way as provided for in point 5 of the SAS framework.

The interest rate agreed with Energija plus d. o. o. for leases in the Group amounts to 0.939%, and for the leases from other business partners we took into account the risk-free interest rate as at 1 January 2019 (Slovenia Government Bond for a period of 10 years = 1.125%) + credit risk premium, which amounts to 1.445%.

The depreciation cost for the assets so obtained in 2019, amounted to EUR 28,559. The interest charges arising from the right to use the assets amounted to EUR 5,239.

In 2019, the company disclosed costs of EUR 225,365 for short-term leases and leases of low-value assets.

The company does not sublease such recognized assets, but uses them to carry out its activities.

All liabilities arising from the right to use the assets were settled promptly, except for invoices received that have fallen due for payment in 2020. The cash flow from rents in 2019, amounted to EUR 313,210.

The company signed the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for the 2019–2021 period with SODO, which defines the amount of rent and services provided by the company for SODO.

The amounts of future rents for leased fixed assets cannot be provided reliably, as the price and scope of the lease change over the years. The rental value of the electricity infrastructure for the financial year 2019 amounts to EUR 29,212,292.

The carrying amount of the leased electricity infrastructure as at 31 December 2019 amounts to EUR 307,287,730.

Table 69: Balance and changes in electricity infrastructure in 2019

in EUR	Land	Construction facilities	Easements	Equipment	Total property, plant and equipment
Cost value					
Balance as at 1 Jan 2019	4,983,169	700,872,084	2,134,865	155,349,597	863,339,715
Transfers					
Balance as at 1 Jan 2019	4,983,169	700,872,084	2,134,865	155,349,597	863,339,715
Increases, of which:	4,592	17,033,843	5,624	12,301,433	29,345,492
- Activations	4,592	17,033,843	5,624	12,301,433	29,345,492
Disposals	5,233	4,283,076		532,478	4,820,786
Transfers					0
Balance as at 31 Dec 2019	4,982,528	713,622,851	2,140,490	167,118,551	887,864,420
Write-offs					
Balance as at 1 Jan 2019		478,852,905	71,045	89,327,826	568,251,776
Decreases		4,132,923		478,008	4,610,931
Depreciation		11,496,362	21,350	5,418,134	16,935,846
Balance as at 31 Dec 2019	0	486,216,344	92,395	94,267,952	580,576,691
Carrying amount					
Balance as at 1 Jan 2019	4,983,169	222,019,179	2,063,821	66,021,770	295,087,939
Balance as at 31 Dec 2019	4,982,528	227,406,507	2,048,095	72,850,599	307,287,730

Investment property

Note 3

The company's Management Board actively monitors the events in the market and estimates that, in 2019, there was no objective evidence on factors pointing to the need for impairment of investment property.

Table 70: Balance and changes in investment property in 2019

in EUR	2019
Cost value	
Balance as at 1 Jan 2019	1,438,079
Increases	9,187
Decreases	
Balance as at 31 Dec 2019	1,447,266
Write-offs	
Balance as at 1 Jan 2019	788,070
Disposals	
Depreciation	24,009
Balance as at 31 Dec 2019	812,079
Carrying amount	
Balance as at 1 Jan 2019	650,009
Balance as at 31 Dec 2019	635,187

The company owns all investment property, and also, no investment property is pledged as security for liabilities.

Table 71: Investment property in 2019

in EUR	Value	Revenue	Costs
Holiday facilities	588,516	119,294	111,760
Apartments	46,671	12,972	6,533
Total	**635,187**	**132,265**	**118,293**

Long-term financial investments

Note 4

The company has not impaired any investments in associated companies in 2019, but in the year, it revalued the investment in the Alfa financial fund by EUR 55,290 to fair market value.

Table 72: Long-term financial investments

in EUR	Balance 31 Dec 2019	Balance 31 Dec 2018
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 associated companies:	349,854	349,854
– Informatika d. d.	299,478	299,478
– Eldom d. o. o.	50,376	50,376
– Moja energija d. o. o.	0	0
Other long-term investments in interests	56,594	56,594
Other long-term financial investments	207,045	151,754
Total	**17,596,970**	**17,541,680**

Table 73: Changes in long-term financial investments in 2019

in EUR	Investments in interests of Group companies	Investments in interests and shares of associated companies	Other long-term investments in interests	Other long-term financial investments	Total
Balance as at 1 Jan 2019	16,983,478	349,854	56,594	151,754	17,541,680
Increases				55,290	55,290
Decreases					0
Balance as at 31 Dec 2019	**16,983,478**	**349,854**	**56,594**	**207,044**	**17,596,970**

The Management Board estimates that long-term financial investments, as at 31 December 2019, 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 long-term financial investments, except financial investments in subsidiaries and associates, classified as available-for-sale.

Other long-term financial investments principally disclose the investment in the Alfa financial fund.

Non-current operating receivables
Note 5

Other non-current operating receivables include receivables from raising funds into the reserve fund of owner-occupied residential buildings.

Deferred tax assets
Note 6

In 2019, the company recognized an increase in deferred tax assets for deductible temporary differences arising from past and current formations and consumption or reversal of provisions for jubilee benefits and termination benefits for employees. In addition, it recognized and formed deferred taxes for formed value adjustments of receivables and for long-term accrued costs and deferred revenue.

When calculating deferred tax assets, a tax rate of 19% was applied, which is expected to be used in future financial years as well.
The impact of deferred taxes on the company's profit or loss is an increase of EUR 198,184. The balance of deferred tax assets, as at 31 December 2019, is disclosed in the amount of EUR 986,650.

Table 74: Changes in deferred tax assets

in EUR	Balance 31 Dec 2018	Decreases	Increases	Balance 31 Dec 2019
Deferred tax assets				
- arising from value adjustments of receivables	*322,171*		*5,987*	*328,158*
- arising from provisions for jubilee benefits and termination benefits upon retirement	*466,295*	*166,862*	0	*299,433*
- arising from long-term accrued costs and deferred revenue	*0*		*359,060*	*359,060*
Total	**788,465**	**166,862**	**365,047**	**986,650**

Inventories
Note 7

In inventories, the company mainly discloses inventories of material for installation in case of self-managed investments, inventories of material for the provision of services in 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 75: Inventories

in EUR	31 Dec 2019	31 Dec 2018
Raw materials and material	2,604,132	2,010,485
Fuel and lubricants	11,980	11,628
Office supplies	12,432	19,223
Small tools and packaging inventories	122,005	66,405
Total	**2,750,549**	**2,107,741**

As at 31 December 2019, the company discloses inventories of EUR 82,100, where there were no changes in the period from 1 January 2019 to 31 December 2019, however, they are identified as operating reserve inventories.

Table 76: Value of inventories

in EUR	31 Dec 2019	31 Dec 2018
Gross value of inventories	2,750,549	2,107,741
Value adjustments	0	0
Net value of inventories	**2,750,549**	**2,107,741**

In annual inventory of stock, the company established a deficit of EUR 218.58, and a surplus of EUR 102.01. In 2019, there were no write-offs of material resulting from damage, obsolescence or destruction.

All inventories are owned by the company and are not pledged as security for liabilities.

Current operating receivables

Note 8

Table 77: Current operating receivables

in EUR	31 Dec 2019	31 Dec 2018
Current operating receivables due from Group companies, of which:	119,765	25,095
– receivables due from Energija plus d. o. o.	117,686	17,099
– receivables due from OVEN Elektro Maribor d. o. o.	2,080	7,996
Current operating trade receivables for network use	3,050,993	3,680,587
Current operating trade receivables for services	8,068,090	9,768,623
Current operating receivables for interest	2,294	3,168
Other current receivables	1,120,620	1,422,648
Total	**12,361,762**	**14,900,121**

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 2019, 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 78: Value of receivables

in EUR	31 Dec 2019	31 Dec 2018
Gross receivables	14,203,765	16,732,191
Value adjustment	1,842,003	1,832,070
Net receivables	**12,361,762**	**14,900,121**

Table 79: Changes in value adjustments of receivables

in EUR	Balance as at 31 Dec 2018	Decreases	Increases	Balance 31 Dec 2019
Value adjustments of current operating receivables:				
- decrease in value adjustments due to payments		83,844		
- decrease in value adjustments due to write-offs		149,003		
Total	**1,832,070**	**232,848**	**242,780**	**1,842,003**

Trade receivables for network use amount to EUR 3,050,993 net, and most are 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 by bills of exchange. As at 31 December 2019, the disclosed balance of current receivables due from SODO d. o. o. amounts to EUR 2,741,694 for the lease, and EUR 4,318,220 for services.

At the end of the financial year 2019, the company has no receivables due from the Management Board and members of the Supervisory Board.

Table 80: Breakdown of current operating receivables by maturity

in EUR	31 Dec 2019	Structure in %	31 Dec 2018	Structure in %
Receivables not yet due	11,769,305	95.21	14,273,586	95.80
Overdue up to 30 days	344,058	2.78	472,898	3.17
Overdue from 31 to 60 days	40,787	0.33	70,093	0.47
Overdue from 61 to 90 days	23,480	0.19	5,700	0.04
Overdue more than 90 days	184,132	1.49	77,844	0.52
Total	**12,361,762**	**100.00**	**14,900,121**	**100.00**

Cash and cash equivalents

Note 9

Table 81: Cash and cash equivalents

in EUR	31 Dec 2019	31 Dec 2018
Cash at banks	597,830	755,724
Demand deposits	8,350,000	7,230,000
Total	**8,947,830**	**7,985,724**

Demand deposits represent those cash assets that fall due for payment within a maximum of three months.

Short-term deferred costs and accrued revenue

Note 10

Short-term deferred costs and accrued revenue are principally disclosing amounts of short-term accrued income arising from the lease of operating base stations.

Table 82: Short-term deferred costs and accrued revenue

in EUR	31 Dec 2019	31 Dec 2018
Short-term accrued income	453,525	227,299
Short-term deferred expenses	15,739	3,217
VAT in advance payments received	21,462	
Total	**490,726**	**230,517**

Table 83: Changes in short-term deferred costs and accrued revenue

in EUR	Balance as at 31 Dec 2018	Increases	Decreases	Balance 31 Dec 2019
Short-term accrued income	227,299	453,525	227,299	453,525
Short-term deferred expenses	3,217	157,218	144,696	15,739
VAT in advance payments received	0	69,287	47,825	21,462
Total	**230,516**	**680,030**	**419,820**	**490,726**

Equity

Note 11

The share capital of the company amounts to EUR 139,147,480 and is divided into 33,345,302 ordinary registered no-par value shares, which is at the same time the weighted average number of ordinary shares outstanding during the accounting period.

In 2019, Elektro Maribor d. d. withdrew 150,022 own shares, which affected the reduction of share capital and the increase of capital reserves, and is shown in the table of changes in equity.

Table 84: Equity

in EUR	31 Dec 2019	31 Dec 2018
Share capital	139,147,480	139,773,510
Capital reserves	75,384,315	75,121,586
Legal reserves	5,966,575	5,255,607
Reserves for own shares and business interests	0	363,301
Own shares and own business interests	0	–363,301
Other revenue reserves	64,785,032	55,781,696
Reserves arising from valuation at fair value	–839,446	–667,609
Net profit or loss carried forward	363,301	0
Net profit or loss for the financial year	4,505,045	4,668,342
Total	**289,312,301**	**279,933,132**

Capital reserves arise from the general revaluation adjustment of equity and from the reduction of share capital due to the repurchase of own shares.

Legal reserves and other revenue reserves are formed from net profit of the current financial years since 2003.

Reserves arising from valuation at fair value are disclosing the value of long-term financial investments and the amount of actuarial loss arising from provision restatements for termination benefits upon retirement.

Table 85: Changes in reserves incurred at fair value

in EUR	Balance 31 Dec 2018	Formation	Use	Carry-over to profit or loss brought forward	Balance 31 Dec 2019
Reserves from valuation of long-term financial investments	105,184	55,290			160,474
Actuarial gains/losses from termination benefits upon retirement	–772,793	–282,459	0	55,332	–999,920
Total	**–667,609**	**–227,169**	**0**	**55,332**	**–839,446**

In 2019, the company disclosed net profit in the amount of EUR 14,274,681. In accordance with the powers defined in the ZGD-1, the company's Management Board used part of the net profit in the amount of EUR 55,332 to cover the losses brought forward from the actuarial calculation, the amount of EUR 710,967 to create legal reserves, and the amount of EUR 9,003,336 to create other revenue reserves.

The distributable profit is disclosed in the amount of EUR 4,868,346, and presented in the note to the statement of changes in equity, and shall be subject to distribution at the shareholder's General Meeting in 2020.

As at 31 December 2019, the carrying amount of one share amounted to EUR 8.676; whereas, as at 31 December 2018, the carrying amount of one share, by taking into account the own shares of Elektro Maribor d. d. as at 31 December 2018, amounted to EUR 8.357.

In 2019, the earnings per share of Elektro Maribor d. d. amounted to EUR 0.43.

Provisions and long-term accrued costs and deferred revenue

Note 12

Table 86: Provisions

in EUR	Balance 31 Dec 2019	Balance 31 Dec 2018
Provisions for jubilee benefits	1,855,519	1,803,801
Provisions for termination benefits upon retirement	3,936,583	3,701,101
Provisions for guarantees issued	25,285	31,511
Provisions for long-term accrued expenses	355,276	1,174,294
Total	**6,172,662**	**6,710,707**

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 issued guarantees are formed for cases when the company grants a warranty period of approximately five years to third party clients to remedy any defects in the construction of facilities. The company formed the said provisions in the estimated amount of 10% of the total contract value exposed.

The amount of provisions recognized from legal obligations amounts to EUR 355,276, 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 87: Changes in provisions

in EUR	Balance 31 Dec 2018	Provisioning	Use	Reversal	Balance 31 Dec 2019
Provisions for jubilee benefits	1,803,801	295,750	244,032		1,855,519
Provisions for termination benefits upon retirement	3,701,101	522,760	287,278		3,936,583
Provisions for guarantees issued	31,511			6,226	25,285
Provisions for long-term accrued expenses	1,174,294	68,754	19,675	868,097	355,276
Total	**6,710,707**	**887,265**	**550,986**	**874,323**	**6,172,662**

Long-term accrued costs and deferred revenue are formed from property, plant and equipment acquired free of charge and from co-financing. The company uses the said long-term accrued costs and deferred revenue 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 costs and deferred revenue are those that match the actual depreciation rate of an individual item of property, plant and equipment.

Long-term accrued costs and deferred revenue formed from assigned contributions for disabled persons are fully used by the company to cover the costs of their salaries.

Table 88: Changes in long-term accrued costs and deferred revenue

in EUR	Balance 31 Dec 2018	Decreases	Increases	Balance 31 Dec 2019
Long-term deferred revenue from house connections acquired free of charge	17,803,598	777,824	1,191,460	18,217,235
Long-term deferred revenue from property, plant and equipment acquired free of charge	7,984,770	300,103	234,172	7,918,840
Long-term deferred revenue from average connection costs	3,483,182	174,357	0	3,308,824
Long-term deferred revenue from co-financing	3,206,286	150,809	38,399	3,093,875
Long-term deferred revenue from assigned contributions for disabled persons	0	72,466	72,466	0
Long-term deferred revenue - EU projects	803,706	69,854	787,408	1,521,259
Total	**33,281,541**	**1,545,413**	**2,323,905**	**34,060,033**

Non-current liabilities

Note 13

Non-current financial liabilities refer entirely to long-term loans received from commercial banks.

In 2019, the company took out a long-term loan of EUR 11,000,000 for financing 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 0.5% 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.

The principal amounts of EUR 15,687,500 fall due after five years after the end of the reporting period. The company regularly and in due time settles all outstanding instalments of the principal amount and interest.

Table 89: Non-current financial liabilities to banks

in EUR	31 Dec 2019	31 Dec 2018
Non-current financial liabilities to banks	44,650,000	41,809,524
Current part of non-current financial liabilities to banks	–6,325,000	–8,159,524
Total	**38,325,000**	**33,650,000**

In accordance with the amendments to SAS 1, the company recognized non-current financial liabilities from the rights to use assets in 2019, and in this respect, discloses non-current financial liabilities in the amount of EUR 369,109.

Non-current operating liabilities include long-term securities received as a supplier's performance guarantee.

At the end of the financial year 2019, 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 6,385,987, and show the balance of the short-term part of long-term loans received falling due within one year after the end of the reporting period in the amount of EUR 6,325,000, and other current liabilities in the amount of EUR 60,987.

Current operating liabilities amount to EUR 15,051,239, and disclose balances as shown in Table 90. Among them, we mainly disclose accounts payable for fixed assets, liabilities to employees relating to salaries for December 2019, bonus at the end of 2019, and liabilities to SODO d. o. o.

Table 90: Current operating liabilities

in EUR	31 Dec 2019	31 Dec 2018
Current operating liabilities to Group companies, of which:	67,807	39,735
– liabilities to Energija plus d. o. o.	67,807	39,735
Current operating liabilities to associated companies	418,014	90,067
Current operating accounts payable for fixed assets	3,717,566	3,109,874
Current operating accounts payable for working capital	2,147,585	1,274,631
Current operating liabilities to SODO d. o. o.	3,152,116	3,452,697
Current operating liabilities to employees	4,185,765	4,333,109
Current operating liabilities to government and other institutions	565,485	937,402
Current operating liabilities from advance payments	605.152	773,996
Other current operating liabilities	191,749	183,149
Total	**15,051,239**	**14,194,660**

As a rule, the company settles all current liabilities in due time.

As at 31 December 2019, the company disclosed EUR 943,941 in terms of accounts payable, for which collateral instruments have been issued.

As at 31 December 2019, the company discloses a liability to the President of the Management Board for salary and reimbursement of material costs from December 2019 in the amount of EUR 8,664 gross.

Short-term accrued costs and deferred revenue

Note 15

Short-term accrued costs and deferred revenue disclose the balance of all short-term accrued costs and short-term deferred 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 91: Short-term accrued costs and deferred revenue

in EUR	31 Dec 2019	31 Dec 2018
Accrued costs for unused annual leave	775,538	795,634
Short-term accrued costs from legal cases	0	969
Short-term accrued costs for interest from long-term loans	21,005	17,911
Short-term deferred costs for SODO – RO	0	69,457
Total	**796,543**	**883,971**

Table 92: Changes in short-term accrued costs and deferred revenue

in EUR	Balance 31 Dec 2018	Formation	Use	Reversal	Balance 31 Dec 2019
Accrued costs for unused annual leave	795,634	775,538		795,634	775,538
Short-term accrued costs from legal cases	969		969		0
Short-term accrued costs for interest from long-term loans	17,911	21,005	17,911		21,004
Short-term deferred costs for SODO – RO	69,457		69,457		0
Total	**883,971**	**796,543**	**88,337**	**795,634**	**796,543**

Off-balance-sheet assets and off-balance contingent liabilities

Note 16

Table 93: Off-balance-sheet assets/liabilities

in EUR	31 Dec 2019	31 Dec 2018
Instruments for securing payments - guarantees	508,354	795,198
Instruments for securing payments – bills of exchange	44,650,000	41,809,524
Receivables for bank guarantees received	3,365,994	3,562,168
Enforcement drafts received	410,557	106,483
Enforcement drafts issued	435,587	136,918
Contingent liabilities for payment of indemnities	196,080	7,483
Small tools in use	1,484,640	1,290,565
Average connection costs of SODO d. o .o., transfer of assets 1 Jul - 31 Dec 2009	3,278,341	3,436,298
Average connection costs of SODO d. o. o., transfer of fixed assets from 1 Jan 2010	947,966	984,437
Assets for holiday facilities – Eldom d. o. o.	184,870	184,870
Total	**55,462,390**	**52,313,943**

The company estimates that the probability of cash receipts and expenditures from the above listed receivables and liabilities is very small, therefore the company discloses the amounts recorded for information purposes only. Assets that are included in off-balance-sheet records do not qualify for recognition as balance sheet items. As at 31 December 2019, the company does not disclose off-balance contingent liabilities as defined in the ZGD-1.

6.2 Notes to the income statement

The income statement includes all the revenue, costs and expenses incurred during the accounting period of company's operations.

The income statement is drawn up according to the Version I, defined in item 21.6. of the SAS.

The information on the basis for preparing the income statement and on 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 2019.

Table 94: Revenue

in EUR	I–XII 2019	I–XII 2018
Operating revenue	83,201,815	86,448,363
Financial revenue	2,169,679	1,962,837
Other revenue	27,309	37,611
Total	**85,398,803**	**88,448,811**

Table 95: Revenue generated from relationships with Group companies in 2019

in EUR	Energija plus d. o. o.	OVEN d. o. o.
Revenue from sales of services	76,357	15,235
Revenue from rents of business premises	66,653	9,084
Revenue from sale of fixed assets	72,419	0
Total	**215,429**	**24,319**

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 revenue

Note 17

Table 96: Net sales revenue

in EUR	I–XII 2019	I–XII 2018
Rents charged	29,664,000	30,705,474
– SODO d. o. o. – rent	29,212,008	30,239,544
– other	451,992	465.930
SODO d. o. o. services under the contract	26,061,207	27,546,183
Services charged	4,128,134	4,317,671
Sales of waste material	196,527	121,471
Total	**60,049,868**	**62,690,799**

Net sales revenues constitute a 70% share of all generated operating revenues. Net sales revenues also include reconciliation bills of SODO d. o. o. in regulatory years 2018 and 2019.

Table 97: Consideration of reconciliation bills of SODO d. o. o. in regulatory years 2019 and 2018.

in EUR	Revenue achieved in 2019	Preliminary reconciliation bill for 2019	Final reconciliation bill for 2018	Total 2019
Rent	29,395,572	–195,362	11,798	29,212,008
Services	24,100,275	1,872,287	88,645	26,061,207
Total	**53,495,847**	**1,676,925**	**100,443**	**55,273,215**

Capitalized own products and services

Note 18

Capitalized own products and services include self-managed investments and revenues from internal services (finishing services of equipment).

Table 98: Capitalized own products and services

in EUR	I–XII 2019	I–XII 2018
Capitalized products	18,908,514	20,255,247
Capitalized services	498,070	571.166
Total	**19,406,584**	**20,826,413**

Other operating revenues

Note 19

Table 99: Other operating revenues

in EUR	I–XII 2019	I–XII 2018
Reversal of provisions	932,287	218,845
Reversal of long-term accrued costs and deferred revenue	1,849,677	1,547,724
Indemnities received from the insurance company	573.260	837,049
Profit from sales of fixed assets	215,036	119,829
Claims recovered from previous years	83,844	142,329
Other operating revenues	91,261	65,375
Total	**3,745,364**	**2,931,151**

Costs by functional groups

Table 100: Costs by functional groups

in EUR	I–XII 2019	I–XII 2018
Production costs of products sold	62,973,206	64,470,205
Selling costs	1,746,200	1,953,894
Costs of general activities	3,634,289	3,618,590
Total	**68,353,696**	**70,042,689**

Costs of goods, material and services

Note 20

Table 101: Costs of material

in EUR	I–XII 2019	I–XII 2018
Costs of material, of which:	9,185,811	10,199,187
- material for investments	7,718,916	8,490,914
- material for eliminating damages	225,403	299,231
- material for services	1,189,728	1,401,246
- other costs of material	51,764	7,795
Costs of spare parts for fixed assets	1,035,595	800,642
Energy costs	913,909	972,525
Write-off of small tools and packaging	208,118	347,049
Costs of office supplies and specialised literature	203,010	224,211
Other costs of material	6,517	7.560
Total	**11,552,960**	**12,551,174**

In transactions with Group companies, the company recorded the cost of purchasing electricity for own use in the amount of EUR 82,766, and the cost of purchasing gas in the amount of EUR 34,277. All costs were recorded in transactions with Energija plus d. o. o.

Table 102: Costs of services

in EUR	I–XII 2019	I–XII 2018
Costs of services for further settlement of accounts	420,251	815,446
Costs of services related to maintenance	2,025,720	1,987,830
Costs of rents	225,365	296,882
Reimbursement of costs to employees	109,934	109,978
Costs of payment transactions, bank services and insurance premiums	1,158,333	1,114,302
Costs of intellectual and personal services	488,838	314,356
Costs of fairs, advertisements and representation	40,613	38,570
Costs of services of natural persons	213,138	210,217
Postal, telecommunication and internet services	230,485	200,437
IT services	1,259,016	1,213,832
Other costs of services	325,815	416,099
Total	**6,497,507**	**6,717,950**

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 2,740,449, and refer to:

- unused annual leave;

- liabilities to employees based on the corporate collective agreement.

Table 103: Labour costs

in EUR	I–XII 2019	I–XII 2018
Costs of wages and salaries	20,730,116	20,944,867
Costs of supplementary pension insurance for employees	1,033,917	1,059,959
Costs of employer's contributions and other charges arising from salaries	3,400,668	3,492,414
Other labour costs	4,336,851	4,271,862
- Holiday pay	1,589,983	1,515,043
- Commuting to work	1,068,902	1,068,605
- Meal allowance	1,025,712	1,044,507
- Collective accident insurance	108,500	110,045
- Provisions for jubilee and termination benefits	457,312	429,756
– Residual other labour costs	86,441	103,905
Total	**29,501,552**	**29,769,102**

Information on groups of persons - Management Board of the company

The cost of wages and salaries is constituted by the salary of the President of the Management Board.

As at 31 December 2019, the company discloses a liability to the President of the Management Board for the salary from December 2019 in the amount of EUR 5,087 net.

Table 104: Assets paid – Management Board of the company

Gross in EUR	I–XII 2019
Cash receipts from salaries	108,483
Reimbursements of official business travel expenses	627.56
Reimbursements of other material costs	2,121
Voluntary supplementary pension insurance	2,819
Holiday pay	1,922
Total	**115,973**

The President of the Management Board was accounted for bonuses in the amount of EUR 258 net. In 2019, the President of the Management Board received a payment from the variable part of the salary in the amount of EUR 2,726 net.

Information on groups of persons - employees under contract to which the tariff part of the collective agreement does not apply

Table 105: Calculated assets - employees under contract to which the tariff part of the collective agreement does not apply

Gross in EUR	I–XII 2019
Cash receipts from salaries	686,952
Reimbursements of official business travel expenses	639
Reimbursements of other material costs	21,443
Voluntary supplementary pension insurance	28,190
Holiday pay	19,220
Jubilee benefits	3,785
Total	**760,230**

The group of persons, employees under contract to which the tariff part of the collective agreement does not apply, were accounted for bonuses in the amount of EUR 2,592 net.

The company discloses a liability to the said group of persons for the payment of salary for December 2019 and bonuses at the end of 2019.

Information on groups of persons - Supervisory Board and Supervisory Board's committees

In accordance with the resolution 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 payment for the performance of their function.

Table 106: Amount of attendance fees and payments for performing functions of the Supervisory Board

Gross in EUR	2019	2018
Regular and extraordinary session		
amount of attendance fee for the Chairman of the NS	275	275
amount of attendance fee for members of the NS	275	275
Correspondence session		
amount of attendance fee for the Chairman of the NS	220	220
amount of attendance fee for members of the NS	220	220
Payment for performing the function		
amount of payment for the Chairman of the NS (since 28 June 2018)	19,500	19,500
amount of payment for the Deputy Chairman of the NS (since 28 June 2018)	14,300	14,300
amount of payment for members of the NS (since 28 June 2018)	13,000	13,000

Table 107: Gross remunerations of members of the Supervisory Board arising from attendance fees and other reimbursements in 2019 (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
Orešič Tomaž	2,475	248	157	2,070	518	1,800	219	13
Klarič David	4,013	401	255	3,357	839	2,919	355	21
Golobič Jože	3,702	370	235	3,096	774	2,693	328	20
Kovše Alojz	2,640	264	168	2,208	552	1,920	234	14
Kajtezovič Nenad	2,507	251	159	2,097	524	1,823	222	13
Kovačič Dušan	2,475	248	157	2,070	518	1,800	219	13
Total	**17,812**	**1,781**	**1,133**	**14,898**	**3,725**	**12,955**	**1,576**	**94**

Remunerations from employment relationship of Supervisory Board members, who are employee representatives, amount to EUR 116,829.

Table 108: Payment for performing the function of members of the Supervisory Board (NS)

Name and surname	Gross in EUR
Orešič Tomaž (Chairman of the NS)	19,500
Klarič David (Vice-Chairman of the NS)	14,946
Golobič Jože (member of the NS)	13,000
Kovše Alojz (member of the NS)	13,646
Kajtezovič Nenad (member of the NS)	13,268
Kovačič Dušan (member of the NS)	13,268
Total	**87,628**

The Audit Committee (RK) operates under the auspices of the Supervisory Board.

Table 109: Amount of attendance fees and payments for performing functions of the Audit Committee of the Supervisory Board

Gross in EUR	2019	2018
Regular and extraordinary session		
amount of attendance fee for the Chairman of the RK	220	220
amount of attendance fee for members of the RK	220	220
Correspondence session		
amount of attendance fee for the Chairman of the RK	176	176
amount of attendance fee for members of the RK	176	176
Payment for performing the function		
amount of payment for the Chairman of the RK	4,875	4,875
amount of payment for the Deputy Chairman of the RK	-	3,250
amount of payment for members of the RK	3,250	3,250

In 2019, the Audit Committee of the Supervisory Board had no appointed Deputy Chairman.

Table 110: Calculated and paid funds for attendance fees and reimbursements of costs to members of the Audit Committee in 2019

Name and surname	Gross in EUR
Kovše Alojz (Chairman of the NS committee)	2,621
Klarič David (member of the NS committee)	4,300
Kuhar Ivana (member of the NS committee)	2,117
Total	**9,039**

Table 111: Calculated and paid funds to members of the Audit Committee for performing the function in 2019

Name and surname	Gross in EUR
Kovše Alojz (Chairman of the NS committee)	4,875
Klarič David (member of the NS committee)	3,250
Kuhar Ivana (member of the NS committee)	3,250
Total	**11,375**

The company has not granted any advances or loans to employees under the contract to which the tariff part of the collective agreement does not apply, to the Management Board, to the members of the Supervisory Board and to the members of Supervisory Board committees.

Write-offs

Note 22

Table 112: Amortization/Depreciation

in EUR	I–XII 2019	I–XII 2018
Amortization of intangible assets	1,185,820	858,014
Amortization of intangible assets – easements	21,350	21,262
Depreciation of property, plant and equipment, of which:	18,986,248	18,937,020
– construction part	12,075,632	12,104,091
– equipment	6,916,854	6,832,929
Depreciation of investment property	24,009	23,744
Total	**20,223,665**	**19,840,041**

Revaluation operating expenses in property, plant and equipment mainly refer to write-offs 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 113: Revaluation operating expenses

in EUR	I–XII 2019	I–XII 2018
Revaluation operating expenses for property, plant and equipment, and intangible fixed assets	500,030	432,926
Revaluation operating expenses related to inventories	0	54,520
Revaluation operating expenses from receivables, of which:	242,660	187,922
– from network use	106,133	163,492
– from services rendered	135,879	22,133
– from interest	648	2,297
Other revaluation operating expenses	120	0
Total	**742,810**	**675,368**

Other operating expenses

Note 23

Table 114: Other operating expenses

in EUR	I–XII 2019	I–XII 2018
Provisions for legal proceedings	68,754	646,428
Fee for the use of construction land	318,692	269,126
Other duties and expenditures	190,566	248,867
Total	**578,012**	**1,164,422**

Other duties and expenditures include expenses that relate mainly to costs of holiday stays, court costs and scholarships.

Financial revenue from interests

Note 24

In 2019, the company received distribution of profits 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 339,120, based on shareholder's resolution.

Financial revenue from operating receivables

Note 25

Table 115: Financial revenue from operating receivables

in EUR	I–XII 2019	I–XII 2018
Interest revenue for network use	12,647	15,302
Interest revenue from services	0	739
Interest revenue from lawsuits won	4,076	37,144
Total	**16,723**	**53,184**

Financial expenses from financial liabilities

Note 26

Table 116: Financial expenses from financial liabilities

in EUR	I–XII 2019	I–XII 2018
Financial expenses from bank loans received	384,853	364,660
Financial expenses from other financial liabilities	5,850	2,322
Total	**390,703**	**366,982**

Financial expenses from operating liabilities

Note 27

Table 117: Financial expenses from operating liabilities

in EUR	I–XII 2019	I–XII 2018
Financial expenses from accounts and notes payable	3,694	1,494
Finance expenses from other operating liabilities	78,739	67,144
Total	**82,434**	**68,638**

Financial expenses from other operating liabilities disclose the amount of accrued interest arising from actuarial calculations of provisions for jubilee benefits and termination benefits upon retirement.

Other revenue

Note 28

Other revenue in the amount of EUR 27,309 indicate, in particular, the amounts of contractual penalties charged.

Other expenses

Note 29

Table 118: Other expenses

in EUR	I–XII 2019	I–XII 2018
Penalties and fines	1,000	1,500
Indemnities arising from annuity	14,310	13,040
Deductibles and other expenses	21,166	20,299
Donations	47,919	70,400
Other expenses	17,570	44,358
Total	**101,966**	**149,597**

Net profit or loss for the period

Note 30

Table 119: Profit or loss before taxes

in EUR	I–XII 2019	I–XII 2018
Operating result	14,105,310	15,730,306
Financial result	1,696,542	1,527,217
Result from other revenues and expenses	–74,657	-111,986
Profit or loss before taxes	**15,727,194**	**17,145,537**

Income taxes

Based on the tax return for the financial year 2019, the company accounted for the liability for corporate income tax in the amount of EUR 1,650,698.

6.3 Notes to the statement of cash flows

In accordance with SAS 22.2, the statement of cash flows is prepared using the direct method - version I. The information for compiling the statement are obtained from the records of receipts and expenditures on the company's current bank accounts.

In 2019, all receipts of the company amounted to EUR 129,994,705, and expenses to EUR 129,032,599. The cash result is positive in the amount of EUR 962,106. The closing balance of cash on company's accounts as at 31 December 2019 amounted to EUR 8,947,830.

Cash receipts from operating activities

Note 31

Table 120: Cash receipts from operating activities

in EUR	I–XII 2019	I–XII 2018
Cash receipts from renting and services under the SODO contract	72,359,104	65,856,322
Cash receipts from network charges and contributions charged	32,751,718	35,994,476
Cash receipts from customers of other services	5,273,237	5,186,616
Residual cash receipts from operating activities	3,283,615	4,809,684
Other cash receipts from operating activities	2,987,735	2,766,248
Interest receipts from operating activities	18,462	54,087
Total	**116,673,871**	**114,667,433**

Expenditures from operating activities

Note 32

Table 121: Expenditures from operating activities

in EUR	I–XII 2019	I–XII 2018
Expenditures for purchases of material and services	–61,894,048	–63,749,625
Expenditures on salaries and employee shares in profit	–30,574,197	–28,475,050
Expenditures for duties of all types	–7,540,291	–7,146,617
Other expenditures from operating activities	–1,892,984	–2,171,956
Total	**–101,543,248**	**–101,543,248**

The positive cash flow from operating activities amounted to EUR 14,772,350.

Cash receipts from investing activities

Note 33

Cash receipts from investing activities are disclosed in the amount of EUR 2,320,835, and relate mainly to receipts from shares in the profits of others.

Expenditures from investing activities

Note 34

Expenditures from investing activities are disclosed in the amount of EUR 13,939,047, and relate to expenses for purchasing intangible assets and property, plant and equipment.

Cash receipts from financing activities

Note 35

Cash receipts from financing activities disclose a long-term loan in the amount of EUR 11,000,000, which the company took out for a period of ten years with a commercial bank in Slovenia to finance the construction of electricity facilities.

Expenditures from financing activities

Note 36

Expenditures from financing activities are disclosed in the amount of EUR 13,192,032, and relate to expenditures for repayment of financial liabilities in the amount of EUR 8,159,524, expenditures for dividend payments in the amount of EUR 4,668,342, and expenditures for interest paid in the amount of EUR 364,166.

6.4 Notes to the statement of changes in equity

The statement of changes in equity shows changes of individual equity components during the financial year. It is divided into items showing changes between equity items and changes that could result in changes in equity components.

The statutory provision allows the company to form other reserves from profit in the share of up to two thirds of the net profit remaining after use for the purposes referred to in Article 230, paragraph 1 of the ZGD-1.

Table 122: Finding of and proposal for the use of distributable profit

in EUR	2019	2018
a) Net profit or loss for the financial year	**14,274,681.21**	**14,947,892.83**
b) Net loss carried forward	**–55,331.98**	**–51,954.13**
c) Net profit carried forward	**363,300.93**	
d) Increase of revenue reserves by resolution of the management and supervisory bodies	**710,967.46**	**953,558.96**
Legal reserves	710,967.46	744,796.94
Reserves for own shares	0.00	208,762.02
e) Increase of revenue reserves by resolution of the management and supervisory bodies	**9,003,336.45**	**9,274,037.46**
Other revenue reserves	9,003,336.45	9,274,037.46
DISTRIBUTABLE PROFIT (a + b + c – d – e)	**4,868,346.25**	**4,668,342.28**

The General Meeting of Elektro Maribor d. d. has at its session held on 28 June 2019 decided on allocation of distributable profit for the financial year 2018. The General Meeting adopted a decision that shareholders are to be given EUR 0.14 gross per share for the dividends, which in total amounts to EUR 4,668,342.28.

The Management Board and the Supervisory Board suggested to the shareholder's General Meeting that the distributable profit for financial year 2019, amounting to EUR 4,668,346.25, be allocated for payment of dividends.

6.5 Reporting in accordance with the EZ-1

6.5.1 Segment reporting

Table123: Statement of financial position by segments

in EUR	as at 31 Dec 2019			as at 31 Dec 2018		
	Distribution	Services	**Total Elektro Maribor d. d.**	Distribution	Services	**Total Elektro Maribor d. d.**
A. Non-current assets	**354,587,851**	**11,619,706**	**366,207,556**	**340,524,853**	**11,678,469**	**352,203,321**
I. Intangible assets and long-term AČR	4,766,509	3,524	**4,770,032**	1,939,816	29,543	**1,969,359**
II. Property, plant & equipment	336,456,452	5,702,725	**342,159,177**	325,678,704	5,523,529	**331,202,232**
III. Investment property		635,187	**635,187**	0	650,009	**650,009**
IV. Long-term financial investments	12,553,790	5,043,180	**17,596,970**	12,391,693	5,149,987	**17,541,680**
V. Non-current operating receivables	39,230	20,310	**59,540**	21,266	30,310	**51,576**
VI. Deferred tax assets	771,870	214,781	**986,650**	493,374	295,091	**788,465**
B. Current assets	**21,082,398**	**2,977,743**	**24,060,141**	**22,599,855**	**2,393,731**	**24,993,586**
II. Inventories	1,189,254	1,561,294	**2,750,549**	786,629	1,321,112	**2,107,741**
IV. Current operating receivables	11,183,640	1,178,122	**12,361,762**	14,129,037	771,084	**14,900,121**
V. Cash and cash equivalents	8,709,504	238,327	**8,947,830**	7,684,189	301,535	**7,985,724**
C. Short-term deferred costs and accrued revenues	**461,548**	**29,178**	**490,726**	**229,657**	**860**	**230,517**
A S S E T S (A + B + C)	**376,131,797**	**14,626,626**	**390,758,423**	**363,354,365**	**14,073,059**	**377,427,424**
Off-balance-sheet assets	52,771,781	2,690,608	**55,462,390**	49,619,387	2,694,556	**52,313,943**
A. Equity	**280,961,842**	**8,350,460**	**289,312,301**	**271,652,794**	**8,280,338**	**279,933,132**
I. Called-up capital	137,189,548	1,957,932	**139,147,480**	137,570,835	2,202,675	**139,773,510**
II. Capital reserves	74,323,589	1,060,726	**75,384,315**	73,937,753	1,183,833	**75,121,586**
III. Revenue reserves	64,965,032	5,786,575	**70,751,607**	55,706,475	5,330,828	**61,037,303**
V. Reserves arising from valuation at fair value	–169,687	–669,760	**–839,446**	–53,249	–614,360	**–667,609**
VI. Net profit or loss carried forward	359,668	3,633	**363,301**			**0**
VII. Net profit or loss for the financial year	4,293,691	211,354	**4,505,045**	4,490,980	177,362	**4,668,342**
B. Provisions and long-term accrued costs and deferred revenue	**38,230,793**	**2,001,902**	**40,232,696**	**38,247,686**	**2,119,816**	**40,367,502**
C. Non-current liabilities	**38,881,628**	**98,029**	**38,979,657**	**33,840,958**	**18,056**	**33,859,014**
I. Non-current financial liabilities	38,613,011	81,098	**38,694,109**	33,650,000	0	**33,650,000**
II. Non-current operating liabilities	268,617	16,931	**285,548**	190,958	18,056	**209,014**
Č. Current liabilities	**17,519,389**	**3,917,836**	**21,437,226**	**19,028,938**	**3,354,866**	**22,383,804**
II. Current financial liabilities	6,383,547	2,439	**6,385,987**	8,187,146	1,999	**8,189,145**
III. Current operating liabilities	11,135,842	3,915,397	**15,051,239**	10,841,792	3,352,868	**14,194,660**
D. Short-term accrued costs and deferred revenues	**538,145**	**258,398**	**796,543**	**583,989**	**299,982**	**883,971**
LIABILITIES (A + B + C + Č + D)	**376,131,797**	**14,626,626**	**390,758,423**	**363,354,365**	**14,073,059**	**377,427,424**
Off-balance-sheet liabilities	52,771,781	2,690,608	**55,462,390**	49,619,387	2,694,556	**52,313,943**

Table124: Income statement

in EUR	I–XII 2019			I–XII 2018		
	Distribution	Services	**Total Elektro Maribor d. d.**	Distribution	Services	**Total Elektro Maribor d. d.**
Net sales revenue	55,834,542	4,215,327	**60,049,868**	58,392,939	4,297,861	**62,690,799**
Capitalized own products and services		19,406,584	**19,406,584**	0	20,826,413	**20,826,413**
Other operating revenues (with revaluated operating revenues)	3,546,966	198,397	**3,745,364**	2,686,625	244,525	**2,931,151**
Costs of goods, material and services	6,933,878	11,116,590	**18,050,467**	7,001,338	12,267,787	**19,269,124**
Labour costs	18,184,678	11,316,874	**29,501,552**	17,654,669	12,114,433	**29,769,102**
Write-offs	20,110,715	855,760	**20,966,475**	19,883,006	632,402	**20,515,408**
Other operating expenses	391,925	186,087	**578,012**	946,203	218,219	**1,164,422**
Financial revenue from interests	1,696,496	456,418	**2,152,913**	1,466,551	443,021	**1,909,572**
Financial revenue from loans granted	34	9	**43**	62	19	**81**
Financial revenue from operating receivables	16,723	0	**16,723**	44,390	8,795	**53,184**
Financial expenses from financial liabilities	390,024	679	**390,703**	366,443	539	**366,982**
Financial expenses from operating liabilities	54,707	27,727	**82,434**	46,856	21,782	**68,638**
Other revenue	22,771	4,538	**27,309**	31,511	6,100	**37,611**
Other expenses	75,893	26,073	**101,966**	109,917	39,681	**149,597**
Income tax	1,657,334	–6,635	**1,650,698**	2,163,452	–80,641	**2,082,811**
Deferred taxes	263,712	–65,527	**198,185**	–65,455	–49,378	**–114,833**
NET PROFIT OR LOSS FOR THE PERIOD	**13,582,090**	**692,591**	**14,274,681**	**14,384,740**	**563,153**	**14,947,893**

Table 125: Statement of cash flows

in EUR	I–XII 2019			I–XII 2018		
	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	***111,916,977***	***23,665,407***	***135,582,384***	***109,230,632***	***26,263,960***	***135,494,592***
Cash receipts from the sale of products and services	109,462,863	23,113,325	***132,576,187***	106,849,944	25,824,313	***132,674,257***
Other cash receipts from operating activities	2,454,114	552,083	***3,006,197***	2,380,688	439,647	***2,820,335***
b) Expenditures from operating activities	***–78,507,767***	***–23,393,753***	***–101,901,520***	***–75,609,689***	***–25,933,559***	***–101,543,248***
Expenditures for purchases of material and services	–51,463,364	–10,430,684	***–61,894,048***	–50,059,355	–13,690,271	***–63,749,625***
Expenditures for salaries and employee shares in profit	–18,383,230	–12,190,968	***–30,574,197***	–17,207,402	–11,267,648	***–28,475,050***
Expenditures for duties of all types	–7,345,470	–194,821	***–7,540,291***	–6,627,215	–519,402	***-7,146,617***
Other expenditures from operating activities	–1,315,703	–577,280	***–1,892,984***	–1,715,718	–456,238	***–2,171,956***
c) Positive cash flow from operating activities (a + b)	***33,409,210***	***271,655***	***33,680,864***	***33,620,944***	***330,400***	***33,951,344***
B. Cash flows from investing activities						
a) Cash receipts from investing activities	***1,864,404***	***456,432***	***2,320,835***	***1,548,338***	***479,041***	***2,027,379***
Cash receipts from interest received and shares in profit of others related to investing activities	1,696,530	456,432	**2,152,962**	1,466,620	443,041	**1,909,661**
Cash receipts from the disposal of property, plant and equipment	167,873	0	**167,873**	81,718	36,000	**117,718**
b) Expenditures from investing activities	***–32,233,628***	***–613,932***	***–32,787,105***	***–35,874,457***	***–413,786***	***–36,288,243***
Expenditures for acquisition of intangible assets	–3,418,851	0	**–3,418,851**	–3,314,591	–186,547	**–3,501,139**
Expenditures for acquisition of property, plant and equipment	–28,814,778	–613,932	**–29,428,710**	–32,559,866	–227,239	**–32,787,105**
c) Negative cash flow from investing activities (a + b)	***–30,369,225***	***–157,501***	***–30,369,225***	***–34,326,119***	***65,255***	***–34,260,864***
C. Cash flows from financing activities						
a) Cash receipts from financing activities	***11,000,000***	***0***	***11,000,000***	***11,000,000***	***0***	***11,000,000***
Cash receipts from increasing financial liabilities	11,000,000	0	***11,000,000***	11,000,000	0	***11,000,000***
b) Expenditures from financing activities	***–13,014,671***	***–177,362***	***–13,192,032***	***–11,995,263***	***–293,397***	***–12,288,660***
Expenditures for interest paid relating to financing	–364,166	0	***–364,166***	-359,550	0	***-359,550***
Expenditures for capital repayments			***0***	–206,424	–2,338	***–208,762***
Expenditures for repayments of financial liabilities	–8,159,524	0	***–8,159,524***	-7,376,190	0	***-7,376,190***
Expenditures for dividend payments and other shares in profit	–4,490,980	–177,362	***–4,668,342***	–4,053,099	–291,059	***–4,344,157***
c) Negative cash flow from financing activities (a + b)	***–2,014,671***	***–177,362***	***–2,192,032***	***–995,263***	***–293,397***	***–1,288,660***
Č. Closing balance of cash and cash equivalents	**8,709,503**	**238,327**	**8,947,830**	**7,684,189**	**301,535**	**7,985,724**
x) Cash flow for the period (sum of cash flows Ac, Bc and Cc)	**1,025,314**	**-63,208**	**962,106**	**–1,700,439**	**102,259**	**–1,598,180**
+						
y) Opening balance of cash and cash equivalents	**7,684,189**	**301,535**	**7,985,724**	**9,384,628**	**199,276**	**9,583,904**

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 financial monitoring and reporting of Elektro Maribor d. d.

For the purposes of reporting by activities, the company has specified the following activities:
- distribution (which mainly 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 mainly 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 unambiguously determine to which activity they relate, are already recorded in the corresponding activity at the time of their occurrence;
- business events with common character, or which cannot be determined accordingly at the time of the recording, are recorded at the level of support processes;
- balances of assets and liabilities, and revenue, costs and expenses that 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 financial monitoring and reporting of Elektro Maribor d. d.;
- sub-balance sheets are subject to the selection of appropriate criteria and their limited expressive powers.

6.5.1.1 Criteria for allocation of assets and liabilities

K-1 Share of the average monthly number of employees by individual activity is used to allocate long-term property rights, non-current operating receivables, deferred tax receivables from provisions, intangible fixed assets, current liabilities to employees, current liabilities from employee deductions, liabilities to state institutions , short-term accrued costs and deferred revenue, inventories of small tools and use of the latter, revaluation surplus, provisions for pensions and other non-current operating liabilities. The said assets and liabilities are related to the number of employees in terms of content and scope.

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 sold items of property, plant and equipment, advances given, fixed assets under construction and production, and accounts payable for fixed assets. As fixed assets that are within the scope of the SPP are used by several activities, they are proportionately subjected according to the volume of property, plant and equipment at disposal of that particular activity by using the aforementioned criterion.

K-3 Share of overall revenue by individual activity is used for allocation of current receivables, short-term and long-term financial investments except loans, deferred tax receivables from formed value adjustments of receivables, short-term received advances and securities, and accrued and deferred items. The balance of the aforementioned assets is subject to the volume of invoicing and related overall revenue.

K-5 Share of opening balance of share capital by activities at the end of the previous year is used to distribute the amount for the purchase of own shares.

K-8 Share of VAT liabilities is used for distribution of the liability for payment of the value added tax.

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 services is used to divide received current advance payments and security deposits, and other current liabilities.

K-12 Share of costs of material and services excluding costs of material for investments is used for division of input VAT receivables, since these receivables are directly related to costs incurred.

K-13 Share of turnover for current liabilities from unbilled material is used for dividing stocks of material.

6.5.1.2 Criteria for allocation of revenue, costs and expenses

K-1 Share of average monthly employees by individual activity 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 overall 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, on the basis of which the average share of division is calculated, which is the basis for attributing revenues, costs and expenses of support processes to individual activities.

Depreciation costs of support processes are divided according to the same criteria that apply to the preparation of the balance sheet by activities, namely the division 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-1 Share of the average monthly number of employees for an individual activity is used to allocate expenditures for salaries, contributions and taxes on salaries, refunds, liabilities for PDPZ, taxes, liabilities for indemnities, court costs, health insurance claims and rents for apartments.

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 acquiring items of property, plant and equipment.

K-3 Share of overall revenue by individual activity is used for the allocation of receipts on interest received and shares in the profits of others, claims for damages, received security deposits, current interest receivables, unexplained payments and other receipts.

K-4 Share of net profit or loss for the previous year by individual activity is used for allocation of expenditures for dividend payments.

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-7 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.

K-8 Share of VAT liabilities is used for division of VAT expenditures.

K-9 Share of consumption of material is used for the distribution of operating income, short-term accounts payable advances, security deposits, default interest on suppliers, liabilities to state institutions and other expenses.

6.5.2 Transactions with related parties

In 2019, Elektro Maribor d. d. conducted business with its subsidiaries Energija plus d. o. o. and OVEN Elektro Maribor d. o. o., and with associated companies Eldom d. o. o., Moja energija d. o. o. and Informatika d. d.

Contract prices are formed according to the conditions that otherwise apply to transactions with unrelated parties.

Table 126: Transactions with related parties in 2019

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.	Related companies total
REVENUE	**2,946**	**2,029,221**	**5,973**	**3,326**	**363,439**	**2,404,905**
Net sales revenue	2,946	215,428	5,973	3,326	24,319	251,992
Financial revenue from interests		1,813,793			339,120	2,152,913
COSTS AND EXPENSES	**250,016**	**136,995**	**1,257,216**	**0**	**0**	**1,644,226**
Costs of material	62,525	117,043		0		179,568
Costs of services	185,864	12,225	1,257,216	0		1,455,305
Other operating expenses	1,626	7.727		0		9,353
ASSETS	**3,701**	**367,856**	**7,287**	**3,477**	**38,367**	**420,687**
Current operating receivables	3,701	367,856	7,287	3,477	38,367	420,687
LIABILITIES	**394,436**	**291,291**	**3,283,721**	**0**	**0**	**3,969,448**
Current operating liabilities	394,436	291,291	3,283,721	0	0	3,969,448

6.5.3 Reporting in accordance with the provisions of Article 69 of the ZGD-1

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

The consolidated annual report of the Group is an integral part of the Annual Report of the parent company, and is available at the headquarters of Elektro Maribor d. d., Vetrinjska ul. 2, 2000 Maribor, and on the company's website.

Explanatory notes in the note to the financial statements are shown in the same order as the items in the statements.

The adopted accounting policies are presented in the financial report.

The company has included potential contingent financial liabilities into the financial statements, whereby the liabilities to Group companies are also disclosed separately.

The company has no liabilities from the payment of pensions.

The company has no liabilities secured by collateral.

The company has not granted any advances and loans to the Management Board, other company 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 a period exceeding 5 years, liabilities in the amount of EUR 15,687,500 fall due for payment, and in the period up to five years, liabilities in the amount of EUR 28,962,500.

Information on employees is specified in the operating section of the annual report.

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 as part of the notes on labour costs.

The Management Board proposed the distribution of net profit in the manner disclosed in the notes to the statement of changes in equity.

Information on the operations of a company in the capital of which the company participates with at least 20%, is disclosed in the section Bases for the preparation of financial statements.

There were no significant business events in the company after the end of the financial year 2019 that would not be included in the financial statements.

All transactions between related companies are disclosed in a separate chapter of the financial section of the report. All transactions were conducted under normal market conditions.

All amounts of provisions disclosed in financial statements are explained in detail as part of the notes to the statement of financial position.

Capital reserves arise from the general revaluation adjustment of equity and from the reduction of share capital for the amount of repurchased of own shares.

Deferred tax assets and changes in the latter are presented as part of notes to the statement of financial position.

Breakdown of net revenue by individual areas of business is presented as part of the Chapter Segment reporting.

An audit contract in the amount of EUR 12,434, excluding VAT, was concluded for the audit of the annual report for the financial year 2019. This amount also includes the costs of the audit of the consolidated annual report in the amount of EUR 1,280. In 2019, 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 901. There were no other transactions with the selected auditor in 2019.

IV. Financial report of the Elektro Maribor Group

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 Elektro Maribor Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidate statement of other comprehensive income, consolidated statement of changes in equity, and consolidated 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 consolidated financial position of the Elektro Maribor Group as at 31 December 2019, and its profit and loss, other comprehensive income and cash flows for the year then ended, in accordance with the International Financial Reporting Standards, as adopted by the EU.

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.

Highlighting the matter – events after the date of the financial statements

As disclosed in point 3.2 of the notes to the financial report – Events after the date of consolidated financial statements, the Covid-19 pandemic may have a significant impact on Group's operations in 2020, however, the effects of the impact cannot yet be reliably estimated due to the high uncertainty of future events. The note presents the best possible estimate of the management in currently known circumstances. Our opinion on this matter is not conformed.

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 the Elektro Maribor Group., 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 consolidated 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 consolidated financial statements, it is our responsibility to read other information and, by doing so, assess, whether other information is significantly non-compliant with consolidated 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 consolidated 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 consolidated financial statements in accordance with the International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing consolidated 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 consolidated financial statements and to approve the audited consolidated Annual Report.

Auditor's responsibility for the audit of financial statements

Our objectives are to obtain an acceptable guarantee on the fact if the consolidated 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 consolidated 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, 22 April 2020

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

Maruša Hauptman, Certified Auditor
Procurator

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 preparing and presenting consolidated financial statements to the interested public in such a way that they provide a true and fair image of the Group's financial position and results of operations for the financial year 2019.

It is responsible for keeping appropriate records, which present the Group's financial position with reasonable accuracy at any given time, for the implementation of measures intended for preserving the value of Group's assets, and for preventing and identifying the irregularities in Group's business operations.

The Management Board hereby declares:

- that all financial statements of the Group have been drawn up in accordance with the code of conduct of the profession and the laws pertaining to business operations, accounting, taxes and finance;
- that the Group's financial statements have been drawn up in accordance with all the requirements of International Financial Reporting Standards as adopted and in force in the EU, with respective positions and interpretations;
- that the financial statements have been drawn up under the assumption that the Group will continue as going concern;
- that the selected accounting policies are being applied consistently, and that any changes in accounting policies are to be disclosed;
- that the accounting estimates have been produced in accordance with the principles of prudence and good management;
- that the Group's Annual Report presents a true and fair view of the Group's operating results and financial standing;
- that the financial statements do not include any material or immaterial errors made in order to achieve the chosen presentation of business operations.

Maribor, 20 April 2020

President of the company’s Management Board:
Mag. Boris Sovič

3 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

Reporting company

In accordance with ZGD-1, for the financial years starting on or after 1 January 2016, the Group is committed to consolidation in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS), therefore they are presented in more detail below: bases, significant accounting policies and interpretations on applying the standards in force in the current period.

The valuation of individual items in the consolidated financial statements is based on the uniform and common accounting policies of the Elektro Maribor Group, defined in the Rules of Accounting. In addition, all fundamental accounting assumptions, IFRS and the Companies Act are being taken into account.

The consolidated financial statements of the Elektro Maribor Group have been compiled in accordance with International Financial Reporting Standards as adopted by the European Union, and with the interpretations adopted by the International Financial Reporting Interpretations Committee (hereinafter referred to as IFRIC) and adopted by the European Union, and in accordance with the provisions of the ZGD-1.

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

Like the parent company, both subsidiary companies prepare their interim business reports containing the financial statements of each company.

The consolidated financial statements for the year ended 31 December 2019 are presented below. The consolidated financial statements include the parent company and its subsidiaries, and the Group's shares in associated companies.

A more detailed overview of the Group’s structure is presented in the business part of the report, Chapter 4 Presentation of the company and the Elektro Maribor Group.

3.1 Basis for the preparation of consolidated financial statements

- Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with the interpretations adopted by the International Financial Reporting Interpretations Committee, and in accordance with the requirements of the ZGD-1.

- Basis for measurement

The consolidated financial statements are prepared by taking into account the historical cost.

- Functional and presentation currency

The attached consolidated financial statements have been prepared in euro, which is a presentation and functional currency of the Group. All financial information have been presented in euro and rounded off. Discrepancies in sums in tables may occur due to the rounding of value data, which are irrelevant.

- Use of estimates and assessments

When preparing its financial statements in accordance with the IFRS as adopted by the EU, the Group is required to make estimates, assessments and assumptions that affect the application of accounting policies and the stated values of assets, liabilities, income and expenses. Estimates, assessments and assumptions are reviewed on a regular basis. All changes in accounting estimates, assessments and assumptions are recognized in the period in which the estimates are changed, if the change affects only that period, or in the period of the change and in future periods, if the change affects future periods.

In the group, estimates and assumptions are applied mainly in the following areas:

- Estimate of the useful life of depreciable assets.
  In estimating the useful life of assets, the Group takes into account the expected physical use, technical and economic obsolescence, and the expected legal and other restrictions on use.

- Impact assessment in associated companies.
  For associated companies, the Group regularly reviews whether there has been a change in impact, as this ensures that investments are considered accordingly in the financial statements. The following facts are particularly important for the investor's relevant influence:
  - Representation in management and supervisory bodies in companies in which the company holds an investment.
  - Participation in policy-making processes and also participation in decision-making on dividends or shares.
  - Significant transactions between the investor and a company in which the company holds an investment.

- Estimate of provisions formed for lawsuits.
  The companies in the Group have filed several civil claims, for which it is estimated that there will be a more than 50% probability of their repayment and, with that, cash expenditures.

  Other contingent liabilities are recognized in the financial statements off the balance sheets or in the off-balance sheet records. The management of individual companies regularly checks whether a cash expenditure is probable for the settlement of possible liabilities. If expenditure becomes probable, the possible liability is allocated by forming a provision for it in the financial statements at the moment when the probability level changes.

- Estimate of formed provisions for post-employment and other long-term employee benefits.
  Liabilities for termination benefits upon retirement and jubilee awards are disclosed as part of liabilities for post-employment benefits. They are recognized on the basis of an actuarial calculation approved by the managements of individual companies. The actuarial calculation is based on assumptions and estimates, applicable at the time when the calculation was created. In the future, the calculation may differ from the actual assumptions that will apply at that time. This applies particularly to defining the discount rates, estimates of employee turnover, mortality estimates and estimates of wage growth in the company. All of these estimates are due to the complexity of the actuarial calculation and the long-term nature sensitive to changes in the said estimates.

- Assessment of the possibility of using deferred tax assets.
  The Group forms deferred tax assets arising from provisions formed for jubilee awards and termination payments upon retirement, and for receivables impaired by doubt about their repayment.

  On the date of closing statements, the Group checks the amount of disclosed deferred tax assets. Deferred tax is recognized in the Group, as there is a probable available future net profit against which the deferred asset can be utilized in the future.

- In assessing the leases, the Group applied the following approach:
  - Identification of lease contracts, where a contract is identified as a lease contract if it provides the Group with right to control the asset. The Group controls an asset only when it can use the asset and is entitled to the economic benefits that the asset brings.
  - Determining the duration of the lease. The Group determined the duration of the lease as a period that is based on the assessment of the needs for the use of an individual asset, obtained by the persons responsible in a particular area.
  - Determination of the discount rate, which is set at the interest rate at which the Group can obtain comparable assets with a comparable maturity in the market. In case of intra-group transaction, a comparable market interest rate is used for transactions between related parties.

To measure the recognition of sales revenue, the Group follows the following policies:

- The buyer and seller agree on the content of the transaction and the terms of sale. In most cases, the agreement is made in writing.
- Revenues from services rendered are measured at selling price, which is fixed and determinable. They are recognized at the time of sale, as the Group from the moment of the sale no longer controls the services or goods sold.
- In construction contracts, revenue is recognized gradually or by stage of completion. The basis for recognition is customer's confirmation, based on which it is considered that he agrees with the services provided. When the executing obligation is fulfilled gradually, revenue is also recognized gradually. The company consistently applies the input method to measure progress.

3.2 Events after the date of the consolidated financial statements

On 12 March 2020, the Minister of Health declared an epidemic of the infectious disease SARS-CoV-2 (COVID-19) in Slovenia. The Group estimates that the current changed circumstances due to the epidemic (COVID-19) will have an impact on maintaining solvency, the planned volume or dynamics of investments in 2020 and in the following years, and the dynamics of the implementation of the annual business plan for 2020. Any accurate value estimates are premature at this point. There is also an ongoing assessment of the dimensions of all impacts of the adopted Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP) on Group's business operations. The key factors that will affect the Group's operating result in 2020 are the reduction of electricity and natural gas sales, the negative difference between the purchase and sales price, the correction of sales prices for households and small business customers in response to competition with the objective to maintain the number of customers, running late with settling the contractual obligations of certain groups of customers, increasing the number of bankruptcies, liquidations and cessations of activities.

3.3 New adopted standards and interpretations, which entered into force on 1 January 2019

IFRS 16 – Leases

The scope of IFRS 16 applies to leases of all assets, but with some exceptions. In accordance with the standard, lessees are required to account for all leases by applying the single lessee accounting model as part of the statement of financial position, similar to accounting for finance leases. The standard allows the lessees two recognition exemptions, namely in the lease of low value assets and short-term leases. On the date of commencement of the lease term, the lessee recognizes the obligation to pay the lease and an asset that represents a right to use the underlying asset for the duration of the lease.

Lessees are required to recognize interest expense related to liabilities arising from the lease and the depreciation expense of the asset from the right of use, separately. Lessor's accounting does not differ materially from the currently applicable accounting.

The Group will not apply the standard to short-term leases and to low-value leases. The impacts of the new standard are shown below.

Amendments to IAS 19 - Plan amendment, curtailment or settlement in respect of employee benefits

The amendments require entities that, in determining past service cost or gain or loss arising from settlement, the net liability for certain benefits is remeasured using the current fair value of plan assets and current actuarial assumptions. The entity must then determine the effect of a plan amendment, curtailment or settlement regarding the asset ceiling and recognize all changes.

The amendments apply to periods beginning on or after 1 January 2019, and early application is permitted.

The amendments did not impact the Group's statements.

Amendments to various standards due to Improvements to IFRSs (2015-2017 period) resulting from the Annual Improvements to IFRSs project (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily to address inconsistencies and interpretations of the text (effective for annual periods starting on or after 1 January 2019).

IFRIC interpretation 23 – Uncertainty over income tax treatments

The interpretation considers the calculation of income tax when the tax treatment involves uncertainty that affects the application of IAS 12 Income Taxes. The interpretation introduces guidelines for accounting uncertain tax treatments separately or collectively, inspecting taxation authorities, applying the appropriate method that reflects these uncertainties and at the same time considers changes in facts and circumstances.

The amendments did not have a material impact on the consolidated financial statements.

Amendments to IFRS 9 - Prepayment features with negative compensation

The amendments to the standard allow the company to measure financial assets with prepaid characteristics that enable the contracting party to receive or require the payment of a reasonable compensation for early termination of the contract at amortized cost or at fair value through other comprehensive income.

The amendments to IFRS 9 standard apply to business periods beginning on or after 1 January 2019, while early application is also permitted.

The amendments did not impact the consolidated financial statements.

Amendments to IAS 28 - Long-term interests in associates and joint ventures

The amendments address the issue whether the measurement of long-term interests falls within the scope of IFRS 9, IAS 28 or a combination of both. The amendments clarify that an entity should apply the provisions of IFRS 9 when recognizing long-term interests not measured using the equity method, before applying IAS 28.

Gain or loss arising from sales or contributions of assets that do not constitute a business operation must be recognized by the entity only to the extent of the unrelated investors' interests in that associate.

The amendments did not impact the consolidated financial statements.

3.4 New standards and interpretations adopted, but not yet effective

The standards and interpretations presented below have not yet been confirmed by the European Union at the date of the consolidated financial statements. The Group will apply the relevant standards in the preparation of its financial statements when they become effective, if this should relate to the Group's business operations.

Amendments to IFRS 3 - Business combinations - Definition of a business (applicable to business combinations for which the acquisition date is the same as the start date of the first annual reporting period beginning on or after 1 January 2020, and the acquisition of assets occurring at or after the beginning of that period).

We anticipate that the introduction of these new standards and amendments to existing standards during the period of initial application will not have a material impact on the Group's financial statements.

3.5 New standards and interpretations adopted by the European Union, but not yet effective

The standards and interpretations presented below have not yet become effective as of the date of the consolidated financial statements. The Group will apply the relevant standards in the preparation of its financial statements when they become effective, if this should relate to the Group's business operations.

Standards that we estimate will not be used in the Group's operations are not disclosed and are also not summarized below.

Conceptual framework for IFRS

On 29 March 2018, the International Accounting Standards Board issued a revised version of the conceptual framework for financial reporting. It sets out a set of concepts for financial reporting, setting standards and guidance for those preparing accounting policies. The objective of the Board is to provide support in transition to the revised conceptual framework to entities that adopt their accounting policies based on conceptual framework guidelines in case that specific transactions are not covered by any IFRS standard. For preparers adopting accounting policies on the basis of the conceptual framework, this framework shall apply to annual periods beginning on or after 1 January 2020.

The Group is reviewing the impact of the conceptual framework of standards and shall apply it upon its entry into force, if necessary.

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 material and how it should be applied. The amendments are in line with all IFRS standards. Thus, material information is defined as such information whose omission, misstatement or concealment could have a material impact on the decisions made by users of financial statements.

The amendments apply to periods beginning on or after 1 January 2020, while early application is permitted.

The Group does not expect the amendments to have a material impact on its consolidated financial statements.

Amendments to standards IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

The amendments clarify the impact on financial reporting in the period prior to the replacement of the existing reference interest rate with a replacement interest rate and the implications on hedge accounting requirements referred to in standards IFRS 9: Financial instruments and IAS 39: Financial instruments: Recognition and measurement, where the Group must consider the results of the analysis in the future. For the recognition of all hedges where the impact of the interest rate benchmark reform is direct, the Group may apply temporary relief in the period of uncertainty before replacing the existing reference rate with a replacement risk-free interest rate, and thus proceeds with the recognition of hedge accounting.

Amendments apply to the periods from 1 January 2020 or later, and must be applied retrospectively.

The Group does not expect the amendments to have a material impact on the consolidated financial statements.

At present, IFRSs, as adopted by the EU, do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which have not yet been adopted in the EU on 9 April 2020 (the effective dates below apply to IFRSs as issued by the IASB).

IFRS 17 - Insurance contract (effective for annual periods beginning on or after 1 January 2021).

4 ACCOUNTING POLICIES

In 2019, the companies in the Group consistently used the hereunder defined accounting policies and guidelines, which are presented in consolidated financial statements for the reporting period. The Group will continue to apply the same policies and guidelines in the future.

- Basis for consolidation

  Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

- Subsidiaries

  Subsidiaries are companies controlled by the Group. Control exists when:
  - the investor is exposed or entitled to variable returns from the involvement or the company in which it holds an investment;
  - has the ability to influence the return based on its control of the company in which it holds an investment or the recipient of the financial investment;
  - there is a link between power and the return.

  The accounting policies of subsidiaries are harmonised with the policies of the Group.

- Investments in associated companies

  Investments in associates are accounted for using the equity method and are recognized at cost. The consolidated financial statements include the Group's share of profits and losses and other comprehensive income. If the Group's share on corporate losses is greater than its share, the carrying amount of the Group's share is reduced to zero, and the share of subsequent losses is derecognised, but only to the extent controlled by the Group.

- Business transactions excluded from consolidated financial statements

  When compiling the consolidated financial statements, balances and turnovers, unrealized gains and losses arising from intra-group transactions are excluded. Unrealized gains on transactions with associates are excluded only to the extent of the Group's share in that associate. Unrealized losses are excluded in the same way as gains, provided that there is no evidence of impairment.

- Financial statements of Group companies

  The consolidated financial statements of the Group are presented in euro. The items of each company in the Group that are included in the financial statements are, for the purposes of the consolidated financial statements, disclosed in the same way and in euro.

- Financial instruments

  Non-derivative financial assets, such as loans, receivables and deposits, are initially recognized by the Group on the date of their occurrence. The Group's non-derivative financial instruments are: liabilities and receivables, available-for-sale financial assets, and cash and cash equivalents.

  Liabilities and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value increased by direct transaction costs. After initial recognition, liabilities and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

  Cash and cash equivalents include money on current bank accounts and an investment (deposit if due for payment in up to three months).

  Financial investments are classified as financial instruments at fair value through other comprehensive income. After initial recognition, investments are measured at fair value increased by associated transaction costs, and changes are recorded within fair value reserves in other comprehensive income. As at 1 January 2018, there were no other effects due to the transition to IFRS 9 - Financial Instruments, except for the reclassification from the group of financial assets available for sale to the at fair value group through other comprehensive income.

- Non-derivative financial liabilities

  The Group recognizes financial liabilities as at the trade date, when the Group becomes a contracting party with regard to the instrument. The Group discloses loans, and operating and other liabilities, as other financial liabilities.

- Share capital

  Called-up capital of the parent company Elektro Maribor d. d. appears as share capital, which is nominally defined in the company's articles of association, registered in court and paid in by its owners.

Dividends are recognized as a liability in the period in which the General Meeting’s resolution on payment of dividends was adopted.

Legal reserves are amounts that are intentionally withheld from the profits of previous years, primarily to settle potential future losses. They are recorded on the basis of a resolution of the company's Management Board from the amounts of the net profit for the current year.

Fair value reserves show the effects of valuing assets at fair value and actuarial gains and losses related to provisions for post-employment and other long-term employee benefits.

Reserves for own shares include the amount paid for own shares, including transaction costs net of tax. Reserves for own shares are deducted from total capital as own shares until those shares are withdrawn, reissued or sold. If own shares are subsequently sold or reissued, all payments received, excluding transaction costs and related tax effects, are included in capital reserves.

- Property, plant and equipment

Property is disclosed at its cost less accumulated depreciation and accumulated impairment losses. The cost value includes costs that are directly attributable to the acquisition of assets. The cost value does not include removal and restoration costs because the Group estimates that they are not significant values. The cost of self-constructed assets includes the cost of materials, direct labour costs and other costs that may be directly attributed to preparing the asset for its intended use. Items of property, plant and equipment with different useful lives are accounted for as items of property, plant and equipment. Profit or loss from alienation of property, plant and equipment shall be determined as the difference between the proceeds from the disposal of the asset and its carrying amount, and is disclosed in the income statements under other operating revenue/other operating expenses.

In the Group, fixed assets are depreciated according to the straight-line method using depreciation rates that show estimates of the useful lives of the assets. Useful lives assessed annually by the responsible persons and coordinated at the level of the working group as part of the GIZ electricity distribution.

- Reallocation to investment property

The Group reallocates the owner-occupied property to investment property when it generates rental income. The Group evaluates investment property according to the cost model. The depreciation method and depreciation rates are the same as for other property, plant and equipment.

- Subsequent costs

The cost of replacing an item of property, plant and equipment is recognized in the carrying amount of that asset if it is probable that the future economic benefits associated with that item will flow to the Group, and the fair value can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs (e.g. maintenance, servicing...) are recognised in the profit or loss as expenses immediately as they occur.

- Depreciation

Depreciation is calculated using the straight-line method, taking into account the useful life of each individual property, plant and equipment. Land is not depreciated.

Table 127: Estimated useful lives

	2019	2018
Real property - construction part	20–50 years	20–50 years
Plants and equipment	2–33 years	2–33 years

- Intangible assets

Other intangible assets acquired by the Group relate to application software and have a finite useful life less any accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method, taking into account the useful life of intangible assets. Accounting begins when the asset is available for use.

Table 128: Estimated useful lives

	2019	2018
Application software	2-10 years	2-10 years
Easements and building titles	1-100 years	1-100 years

- Inventories

  Inventories of materials and merchandise are valued at the lower of historical cost and net realizable value. The Group evaluates the inventories using the moving average price method.

  Write-offs of damaged and obsolete inventories are performed regularly during the year per individual items. At the end of the financial year, the inventories as at 31 December are impaired due to their non-movement over a period of three years. The estimate of the realizable value of inventories is performed at least once a year, namely as at the date of preparation of the annual financial statements of the Group.

- Impairment of assets

  In accordance with IFRS 9, the Group has transitioned to the model of expected losses in the valuation of trade receivables, according to which it also recognizes losses that are expected to occur in the future.

- Impairment of receivables

  The Group regularly checks the adequacy of disclosed receivables. Receivables under the presumption of not being settled are disclosed as doubtful and disputable.

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

  The estimate of impairment of receivables is based on expected credit losses also for receivables with a maturity of 90 days. The Group has developed a methodology for calculating credit risk for operating receivables, as required by IFRS 9. The policy of forming value adjustments according to IFRS 9 is based on the repayment matrix, where the value adjustment of receivables is also recognized for outstanding receivables, where past payments based on which the receivables repayment matrix is prepared are taken into account. In forming value adjustments for doubtful or disputable receivables, the Group 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 a lawsuit has been introduced, and for receivables not paid within 90 days from the maturity date. In this case, the value adjustment of receivables is formed individually by individual business partner.

  In the Group's statement of financial position, receivables are disclosed in net value, which means that they are reduced by the value of adjustments for disputable and doubtful receivables.

- Employee benefits

  Current employee benefits are measured without discounting and are disclosed under expenses when the employee's work related to a particular current benefit is carried out.

- Provisions

  Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event, which can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

  Provisions for guarantees for products and services are disclosed upon the sale of products or services for which the guarantee was granted. The provision is formed based on original data of a guarantee and by assessing all possible outcomes as to their probability. The Group has chosen a policy based on the amount which is subject to a guarantee and amounts to 10% of the amount of the guarantee specified in the contract.

  Provisions for termination benefits and jubilee benefits are formed in the amount of estimated future payments, discounted at the end of the reporting period. The calculation is made for each individual employee by taking into account the costs of termination benefits upon retirement and the costs of all expected jubilee benefits until retirement. The balance is checked annually based on a calculation made by a certified actuary. Actuarial gains and losses on provisions for termination benefits upon retirement are recognized in the revaluation reserve.

The Group forms provisions for termination benefits and jubilee benefits for employees. 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 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 Group 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 assumptions used in the actuarial calculation are:

- probability:
  - of mortality (SLO2007; selection factor for economically active population 75%);
  - 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 0.7782%;
- wage growth:
  - in the Republic of Slovenia, 2.3 %;
  - in the company, 2.0 %;
  - in the electricity sector, 2.0 %;
- 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));
- growth in amounts under the Decree 0.25%;
- provisions of the Corporate collective agreement.

- Long-term deferred revenue

  Long-term deferred revenue represent deferred revenues from fixed assets acquired free of charge. Deferred revenue is transferred to revenue in accordance with the accounted for depreciation of the assets so received.

  In 2019, the Group formed long-term accrued costs and deferred revenue from cohesion funds received in respect of co-financing the purchase and installation of smart meters for the 2017–2022 period. In accordance with IAS 20, the Group's revenue in this respect is drawn at 33,3% of the actual cost of depreciation of the installed meters financed in this manner.

- Revenue

  Revenue from sales of products, goods and material are recognized at fair value of the repayment or receivable received in this respect, namely less refunds, rebates and quantity discounts. Revenue is disclosed when the customer assumed all significant risks and benefits related to the ownership of the asset, when there is a certainty regarding repayment, and when the Group ceases further decision-making on products sold.

To measure the recognition of sales revenue, the Group follows the following policies:

- The buyer and seller agree on the content of the transaction and the terms of sale. In most cases, the agreement is made in writing.
- Revenues from services rendered are measured at selling price, which is fixed and determinable.
- In construction contracts, revenue is recognized gradually or by stage of completion. The basis for recognition is customer's confirmation, based on which it is considered that he agrees with the

services provided. When the executing obligation is fulfilled gradually, revenue is also recognized gradually. The Group consistently applies the input method to measure progress.
- The amounts charged by the Group for the sales transaction do not carry significant credit risk, as the Group expects economic benefits from the concluded transaction.

Rental income is recognized as revenue on a straight-line basis over the term of the lease.

- Financial revenue in financial expenses

  Financial revenue comprises revenue from interest on investments, dividends and from sales of available-for-sale financial assets. The revenue from interest is recognized in the income statement at inception using the effective interest rate method. The revenue from dividends is recognized in the income statement as at the date when the shareholder's or company member's right to receive payment is established.

  Financial expenses comprise borrowing costs and impairment losses on the value of financial assets. Borrowing costs are recognized in the income statement using the effective interest method.

- Income tax

  The tax on profit or loss of the financial year includes current and deferred tax. Income tax is recognized in the income statement and is determined by the Group on the closing date of the financial year.

  Current tax is the tax, which is expected to be paid from taxable profit for the financial year by using tax rates in force as at the reporting date, and any adjustments of tax liabilities in respect of previous financial years.

  Deferred tax is recognized by considering temporary differences between the carrying amount and tax values of assets and liabilities. The amount of tax is based on the expected method of recovering or settling the carrying amount of assets by using the tax rate established as at the reporting date. The Group forms deferred tax assets from provisions for jubilee benefits and termination benefits upon retirement, and from tax non-deductible value adjustments of receivables and from long-term deferred revenue. Deferred tax assets are calculated only at the end of the financial year.

- Basic earnings per share

  The share capital of the group consists of the share capital of the parent company, which is divided into ordinary registered no-par value shares. Basic earnings per share are calculated by dividing earnings by the weighted average number of ordinary shares in the financial year.

- Comparative information

  Comparative information is predominantly aligned with the presentation of information in the current year.

Determining the fair value

The fair value of individual groups of assets for the needs of measurements or reporting was set out by the Group using the methods described hereinafter.

The fair value of investment property is based on market value that is equal to the estimated value according to which the property, as at the date of the assessment and according to proper marketing, could be exchanged in an arm's length transaction between a seller and a buyer. The Group actively monitors the events in the market and, at the end of each financial year, assesses whether there was/was not objective evidence on factors that would indicate the need for impairment of investment property.

The fair value of equity and debt securities is determined based on their offered price at the end of the trading day on the reporting date and is determined at the end of the financial year.

The fair value of non-current operating receivables and other receivables is calculated as the present value of future cash flows discounted at the market interest rate at the reporting date.

Current operating receivables are not discounted due to short-term nature, and their carrying amount is a good approximation of fair value.

Capital management
Capital adequacy is the basic purpose of capital management in the Group. In addition to capital adequacy, the objectives regarding capital management are also: long-term solvency, high financial stability and achieving the highest possible value for the Group's stakeholders.

Statement of cash flows
The statement of cash flows is prepared using the direct method based on the records of cash receipts and expenditures on the current bank accounts of Group companies.

Structure of the Elektro Maribor Group
In accordance with the IFRS, the consolidated financial statements of the Elektro Maribor Group include financial statement of the parent company Elektro Maribor d. d. and of subsidiaries, Energija plus d. o. o. and OVEN Elektro Maribor d. o. o.

Associated companies
The Group's share in the profits of associated companies in 2019 amounted to EUR 228,564.

Table 129: Review of assets, liabilities, revenues and expenses of associated companies for the period I–XII 2019

in EUR

Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Profit or loss
Moja energija d. o. o.	3,652,052	2,696,240	1,577,586	1,509,055	4,740,379	4,156,999	583,380
Eldom d. o. o.	134,131	364,037	11,333	189,673	642,440	626,130	16,310
Informatika d. d.	1,969,796	3,133,803	394,737	2,338,753	10,603,057	10,484,448	136,822

Table 130: Review of assets, liabilities, revenues and expenses of associated companies for the period I–XII 2018

in EUR

Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Profit or 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

Consolidated financial statements are drawn up by using the full consolidation method, which means that the following policies are taken into account:
- uniform accounting policies are used in the separate financial statements for similar business events;
- items in the separate financial statements of subsidiaries are equally formally presented;
- separate financial statements of consolidated entities are drawn up for the same period ending on the same day.

Consolidated financial statements are drawn up on the basis of separate financial statements of consolidated entities with corresponding consolidation adjustments, which, however, are not subject to recording in financial statements of consolidated entities.

5 CONSOLIDATED FINANCIAL STATEMENTS OF THE ELEKTRO MARIBOR GROUP

Table 131: Consolidated statement of financial position

in EUR	Notes	31 Dec 2019	31 Dec 2018
Non-current assets		**357,897,866**	**343,839,770**
Intangible assets	1	6,578,013	4,123,300
Property, plant & equipment	2	347,017,766	335,866,881
Investment property	3	635,187	650,009
Financial investments	4	263,639	208,348
Investments in associated companies	5	1,361,788	1,133,224
Operating receivables	6	59,540	51,576
Deferred tax assets	7	1,981,933	1,806,432
Current assets		**61,520,145**	**60,176,679**
Inventories	8	2,784,124	2,129,371
Trade receivables	9	43,969,326	43,778,072
Income tax receivables	10	583,967	0
Other assets	11	2,204,907	2,696,240
Assets under contracts with customers	12	453,525	383,984
Cash and cash equivalents	13	11,524,296	11,129,065
TOTAL ASSETS		**419,418,011**	**404,016,449**
Equity	**14**	**296,215,772**	**287,170,547**
Called-up capital		139,147,479	139,773,510
Capital reserves		75,384,316	75,121,586
Revenue reserves		75,527,228	65,812,923
Reserves arising from valuation at fair value		–985,441	–732,803
Profit or loss from previous years		2,890,290	2,255,991
Profit or loss for the financial year		4,251,900	4,939,340
Non-current liabilities		**80,279,540**	**74,755,697**
Provisions	15	6,769,505	7,202,457
Deferred revenue	16	34,060,033	33,656,795
Financial liabilities	17	39,107,130	33,650,000
Operating liabilities	18	342,872	246,445
Current liabilities		**42,922,699**	**42,090,205**
Financial liabilities	19	6,454,398	8,189,145
Operating liabilities	20	35,418,790	32,237,136
Income tax liabilities	21	45,298	371,638
Other liabilities	22	1,004,213	1,292,286
TOTAL EQUITY AND LIABILITIES		**419,418,011**	**404,016,449**

Table 132: Consolidated income statement

in EUR	Note	I–XII 2019	I–XII 2018
Net sales revenue	24	173,307,896	153,363,632
Capitalized own products and services	25	19,406,584	20,826,413
Other operating revenues	26	4,174,034	3,567,804
Gross return on sales		**196,888,514**	**177,757,849**
Costs of goods, material and services	27	124,563,650	103,426,132
Cost of goods sold and costs of material		114,311,318	93,532,827
Costs of services		10,252,332	9,893,305
Labour costs	28	32,640,688	32,757,724
Depreciation	29	21,321,300	20,789,585
Write-offs	30	1,175,951	1,277,908
Other operating expenses	31	1,207,537	1,311,238
Operating profit or loss		**15,979,388**	**18,195,262**
Financial revenue	32	208,243	246,002
Financial expenses	33	492,385	501,620
Share in profits (losses) of associated companies	34	228,564	–3,002
Other revenue	35	30,909	46,072
Other expenses	35	128,824	175,144
Profit or loss before taxes		**15,825,896**	**17,807,570**
Income tax	36	1,979,857	2,382,550
Deferred taxes	36	–175,500	206,128
Tax		1,804,357	2,588,678
Net profit or loss	**37**	**14,021,539**	**15,218,892**
Net profit or loss attributable to owners of the parent company		14,021,539	15,218,892
Basic and diluted earnings per share (EUR/share)		0.42	0.45

Table 133: Consolidated statement of other comprehensive income

in EUR	I–XII 2019	I–XII 2018
Net profit or loss for the period	14,021,539	15,218,892
Items of other comprehensive income that will be reclassified to the income statement in the future	55,290	0
Items of other comprehensive income that will not be reclassified to the income statement in the future	–363,260	120,409
Actuarial losses/gains	–363,260	120,409
Total comprehensive income for the period	**13,713,569**	**15,339,301**

Table 134: Consolidated statement of cash flows

in EUR	Note	I–XII 2019	I–XII 2018
Cash flows from operating activities			
Cash receipts from operating activities	**38**	**338,540,037**	**312,893,324**
Cash receipts from the sale of products and services		335,068,500	309,812,943
Other cash receipts from operating activities		3,471,537	3,080,381
Expenditures from operating activities	**39**	**–321,586,474**	**–298,110,908**
Expenditures for purchases of material and services		–269,852,810	–248,986,072
Expenditures on salaries and employee shares in profit		–33,729,166	–31,388,952
Expenditures for duties of all types		–15,697,707	–15,384,789
Other expenditures from operating activities		–2,306,791	–2,351,095
Positive cash flow from operating activities		**16,953,563**	**14,782,416**
Cash flows from investing activities			
Cash receipts from investing activities	**40**	**168,569**	**118,407**
Cash receipts from interest received and shares in the profit of others		696	689
Cash receipts from the disposal of property, plant and equipment		167,873	117,718
Expenditures from investing activities	**41**	**–14,393,138**	**–16,209,486**
Expenditures for acquisition of intangible assets		–3,633,839	–3,837,114
Expenditures for acquisition of property, plant and equipment		–10,759,299	–12,372,372
Negative cash flow from investing activities		**–14,224,569**	**–16,091,079**
Cash flows from financing activities			
Cash receipts from financing activities	**42**	**11,000,000**	**11,000,000**
Cash receipts from increasing long-term financial liabilities		11,000,000	11,000,000
Expenditures from financing activities	**43**	**–13,333,763**	**–12,288,659**
Expenditures for interest paid related to financing		–364,166	-359,550
Expenditures for capital repayments		0	–208,762
Expenditures for repayments of long-term financial liabilities		–8,159,524	-7,376,190
Expenditures for dividend payments and other shares in profit		–4,668,342	–4,344,157
Negative cash flow from financing activities		**–2,333,763**	**–1,288,659**
Closing balance of cash and cash equivalents		**11,524,296**	**11,129,065**
Cash flow for the period	44	395,231	–2,597,322
Opening balance of cash and cash equivalents		**11,129,065**	**13,726,387**

Table 135: Consolidated statement of changes in equity2019

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	Other revenue reserves		Net profit carried forward	Net profit	
	I/1	II	III/1	III/5	IV	V/1	VI/1	
Balance at the end of the previous reporting period	**139,773,510**	**75,121,586**	**5,255,607**	**60,557,316**	**–732,803**	**2,255,991**	4,939,340	**287,170,547**
Opening balance of the reporting period	**139,773,510**	**75,121,586**	**5,255,607**	**60,557,316**	**–732,803**	**2,255,991**	**4,939,340**	**287,170,547**
Changes in equity capital - transactions with owners	**0**	**0**	**0**	**0**	**0**	**–4,668,342**	**0**	**–4,668,342**
Dividend payments						–4,668,342		**–4,668,342**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**–307,970**	**0**	**14,021,539**	**13,713,569**
Entry of net profit or loss for the financial year					0	0	14,021,539	**14,021,539**
Change in reserves arising from valuation of financial investments at fair value					55,290			**55,290**
Change in revaluation surplus from financial investments					–363,260			**–363,260**
Changes in equity	**–626,031**	**262,730**	**710,967**	**9,003,336**	**55,332**	**5,302,641**	**–14,708,975**	**0**
Allocation of residual net profit for the comparative reporting period to other equity components						4,939,340	–4,939,340	**0**
Allocation of the remaining part of the net profit of the comparable reporting period according to the resolution of the management and supervisory bodies			710,967	9,003,336		55,332	–9,769,635	**0**
Release of reserves for own shares, and allocation to other equity components				–363,301		363,301		**0**
Withdrawal of own shares	–626,031	262,730		363,301				**0**
Carry-over of actuarial losses/gains to profit or loss brought forward					55,332	–55,332		**0**
Closing balance of the reporting period	**139,147,479**	**75,384,316**	**5,966,574**	**69,560,652**	**–985,441**	**2,890,290**	**4,251,903**	**296,215,773**

Table 136: Consolidated statement of changes in equity 2018

in EUR

	Item	Called-up capital – Share capital I/1	Capital reserves II	Revenue reserves – Legal reserves III/1	Revenue reserves – Reserves for own shares III/2	Revenue reserves – Own shares III/3	Revenue reserves – Other revenue reserves III/5	Reserves arising from valuation at fair value IV	Net profit or loss carried forward – Net profit carried forward V/1	Net profit or loss for the financial year – Net profit VI/1	Total
A.1.	**Balance 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 of 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 capital - 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.	Dividend payments								–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 or loss for the financial year									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 residual net profit for the comparative reporting period to other equity components			**0**			**0**		2,480,869	–2,480,869	**0**
b.	Allocation of the remaining part of the net profit of the comparable reporting period according to the resolution of the management and supervisory bodies			744,797		0	9,274,038		0	–10,018,835	**0**
č.	Settlement of loss as a deductible equity item							0	51,954	–51,954	**0**
d.	Forming reserves for own shares			0	208,763					–208,763	**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**	**363,302**	**–363,302**	**60,557,316**	**–732,804**	**2,255,991**	**4,939,340**	**287,170,547**

6 NOTES TO AND DISCLOSURES OF CONSOLIDATED FINANCIAL STATEMENT ITEMS

6.1 Notes to the consolidated statement of financial position items

The consolidated statement of financial position is the underlying financial statement in which the balance of assets and liabilities of the Group as at 31 December 2019 is presented in a true and fair manner.

Items in the statement of financial position are presented at their carrying amounts as the difference between the cost value and the deducted value adjustment. In compiling the consolidated statement of financial position, we took into account the principle of individual valuation of assets and liabilities.

There were no corrections of material errors in any item of the statement of financial position.

Intangible assets
Note 1

Intangible assets of the Group comprise property rights from the use of licenses and software application equipment. Intangible assets also include easements for the use of land under the routes of the Group's distribution network, which, in accordance with the provisions of Article 65 of the ZGD-1, are shown in the statement of financial position under the item of land and buildings.

Intangible assets are not pledged for the repayment of debts, and the Group also does not dispose of assets acquired through government grants.

Table 137: Changes in intangible assets in 2019

in EUR	Intangible assets	Ongoing investments	Total
Cost value			
Balance as at 1 Jan 2019	11,904,802		11,904,802
Increases			0
– New purchases	4,098,158	3,776,071	7,874,230
Exclusions	–3,588		–3,588
Transfers		–3,776,071	–3,776,071
Balance as at 31 Dec 2019	15,999,372	0	15,999,372
Write-offs			
Balance as at 1 Jan 2019	7,781,502		7,781,502
Adjustments			0
Exclusions	–3,587		–3,587
Transfers			0
Depreciation	1,643,444		1,643,444
Balance as at 31 Dec 2019	9,421,359	0	9,421,359
Carrying amount			
Balance as at 1 Jan 2019	4,123,300	0	4,123,300
Balance as at 31 Dec 2019	6,578,013	0	6,578,013

Table 138: Changes in intangible assets in 2018

in EUR	Intangible assets	Ongoing investments	Advance payments for intangible assets	Total
Cost value				
Balance as at 1 Jan 2018	10,592,890		148,025	10,592,890
Increases	1,311,910			1,311,910
- New purchases	1,330,645	1,330,645		2,661,290
Exclusions	–18,735	–1,330,645		–1,349,380
Transfers			148,025	0
Balance as at 31 Dec 2018	11,904,800	0	0	11,904,800
Write-offs				
Balance as at 1 Jan 2018	6,404,742			6,404,742
Adjustments	95,608			95,608
Exclusions	–18,735			–18,735
Depreciation	1,299,885			1,299,885
Balance as at 31 Dec 2018	7,781,500			7,781,500
Carrying amount				
Balance as at 1 Jan 2018	4,188,148	0	148,025	4,336,173
Balance as at 31 Dec 2018	4,123,300	0	0	4,123,300

Major acquisitions relate to the acquisition of licenses for the introduction of the new ERP solution, MS Dynamics AX, in the parent company, and the update and upgrade of IIS, as well as the introduction of a new information system at Energija plus d. o. o.

As at 31 December 2019, 58.9% of intangible assets were fully amortized (65.4% in 2018). The share is calculated according to their acquisition cost.

At the end of the financial year, the Group discloses a long-term operating obligation for the purchase of intangible assets in the amount of EUR 591,915.

Property, plant and equipment
Note 2

In recognition of property, plant and equipment, the Group uses the cost model.

In 2019, the depreciation of property, plant and equipment in the Group amounted to EUR 19,678,658.

The Group has no items of property, plant and equipment that would be acquired by finance lease. In addition, all Group's assets are owned by individual companies and are not pledged as security for liabilities.

The Group 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. As at 31 December 2019, the Group disclosed liabilities in the amount of EUR 3,908,463 for the acquisition of property, plant and equipment, but has made no commitments for the acquisition of fixed assets.

Table 139: Property, plant and equipment

in EUR	31 Dec 2019	31 Dec 2018
Land and buildings	254,058,099	248,252,649
– land	9,960,394	10,055,492
– buildings	244,097,705	238,197,157
Production equipment and machinery	84,427,014	77,119,825
Property, plant and equipment under construction or in production	8,532,653	10,494,407
Total	**347,017,766**	**335,866,881**

Table 140: Change in property, plant and equipment in 2019

in EUR	Land and rights	Construction facilities		Production equipment and machinery		Investments in foreign property, plant & equipment	Ongoing investments	Total property, plant and equipment
		Construction facilities	Right to use buildings	Equipment	Right to use equipment			
Cost value								
Balance as at 1 Jan 2019	10,126,536	733,528,449		186,243,051		368,206	10,494,407	940,760,649
Transition to IFRS 16			944,494		25,279			969,773
Increases, of which:								0
–Acquisitions							30,339,486	30,339,486
Activations								0
– Activations (new purchases)	10,216	17,361,052		14,857,553		0	32,228,821	0
Disposals	83,964	4,352,612		2,091,155		480		6,528,211
Transfers								0
Balance as at 31 Dec 2019	10,052,789	746,536,889	944,494	199,009,449	25,279	367,726	8,532,653	965,469,279
Write-offs								
Balance as at 1 Jan 2019	71,045	494,361,519		109,389,506		101,926		603,923,996
Disposals		4,177,660		1,850,042		124		6,027,825
Depreciation	21,350	12,255,324	85,107	7,287,597	7,983	21,297		19,678,658
Transfers								0
Balance as at 31 Dec 2019	92,395	502,439,184	85,107	114,827,061	7,983	123,100	0	617,574,828
Carrying amount								
Balance as at 1 Jan 2019	10,055,492	239,166,930		76,853,545		266,279	10,494,407	336,836,653
Balance as at 31 Dec 2019	9,960,394	244,097,706	859,387	84,182,388	17,296	244,626	8,532,653	347,894,450

Table 141: Change in property, plant and equipment in 2018

in EUR	Land and rights	Construction facilities	Production equipment and machinery	Investments in foreign property, plant & equipment	Ongoing investments	Total property, plant and equipment
Cost value						
Balance as at 1 Jan 2018	10,086,699	717,454,532	184,137,880	367,643	8,255,243	920,301,997
Increases, 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
Activations	0	0	0	0	–29,447,575	–29,447,575
- Activations (new purchases)					–29,447,575	–29,447,575
Disposals	–2,303	–6,299,487	–6,522,114			–12,823,904
Transfers		205,388	–205,388		–613,435	–613,435
Balance as at 31 Dec 2018	10,126,537	732,558,677	186,243,051	368,206	10,494,407	939,790,878
Write-offs						
Balance as at 1 Jan 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
Balance as at 31 Dec 2018	71,045	494,361,520	109,389,505	101,926	0	603,923,996
Carrying amount						
Balance as at 1 Jan 2018	10,036,916	229,245,992	75,606,164	287,032	8,255,243	323,431,345
Balance as at 31 Dec 2018	10,055,492	238,197,157	76,853,546	266,280	10,494,407	335,866,881

Major purchases relate primarily to the purchase of electricity facilities and equipment in the company Elektro Maribor.

In 2020, the parent company Elektro Maribor, as the owner of the electricity infrastructure, concluded a new Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for 2019 with SODO, which is the sole holder of the concession for performing the public utility service of a distribution network system operator in the territory of the Republic of Slovenia. In accordance with this contract, annexes are concluded for an individual current year, determining the amount of rent and services provided by Elektro Maribor for SODO, and the amount of assets for covering losses in the distribution system of Elektro Maribor.

Table 142: Balance and changes in electricity infrastructure in 2019

in EUR	Land and rights	Construction facilities	Equipment	Total intangible and tangible fixed assets
Cost value				
Balance as at 1 Jan 2019	7,118,035	700,872,084	155,349,597	863,339,715
Balance as at 1 Jan 2019				0
Increases, of which:				0
- Activations	10,216	17,033,843	12,301,433	29,345,492
Disposals	5,233	4,283,076	532,478	4,820,786
Transfers				0
Balance as at 31 Dec 2019	7,123,018	713,622,851	167,118,551	887,864,420
Write-offs				0
Balance as at 1 Jan 2019	71,045	478,852,905	89,327,826	568,251,776
Decreases		4,132,923	478,008	4,610,931
Depreciation	21,350	11,496,362	5,418,134	16,935,846
Transfers				0
Balance as at 31 Dec 2019	92,395	486,216,344	94,267,952	580,576,691
Carrying amount				0
Balance as at 1 Jan 2019	7,046,990	222,019,179	66,021,770	295,087,939
Balance as at 31 Dec 2019	7,030,624	227,406,507	72,850,599	307,287,730

The amounts of future rents for leased fixed assets cannot be provided reliably, as the price and scope of the lease change over the years in accordance with the regulatory framework planned for each year.
The carrying amount of the leased electricity distribution infrastructure as at 31 December 2019 amounts to EUR 307,287,730.

In accordance with the provisions of IFRS 16 – Leases, on 1 January 2019, the Group in its books of account recognized the right to use funds from long-term leases of office buildings and telecommunication routes at cost value of EUR 969,773. At that, it used a simplified approach in the way as provided for in point 5 of the SAS framework. As at 31 December 2019, leases in the amount of the current value of EUR 884,777 were eliminated within the Group.

The depreciation cost for the assets so obtained in 2019, amounted to EUR 93,089. The interest charges arising from the right to use the assets amounted to EUR 13,127 for the construction part, and EUR 313 for equipment.

In 2019, the Group disclosed costs of EUR 549,749 for short-term leases and leases of low-value assets.

The interest rate related to the lease was not known, therefore a risk-free interest rate increased by a credit risk premium of 1.1250% + 0.32% = 1.445%, as at 1 January 2019, was used to calculate the present value of future rents.

The Group does not sublease such recognized assets, but uses them to carry out its activities. All liabilities arising from the right to use the assets were settled promptly, except for invoices received that have fallen due for payment in 2020. The cash flow from rents in 2019, amounted to EUR 739,799.

Table 143: Right-of-use

in EUR	Right-of-use	Total
Cost value		
Balance as at 1 Jan 2019	969,773	969,773
Increases	*0*	0
- New purchases		0
– Activation	0	0
Decreases		0
Balance as at 31 Dec 2019	969,773	969,773
Write-offs		
Balance as at 1 Jan 2019	0	0
Adjustments		0
Disposals		0
Depreciation	93,089	93,089
Balance as at 31 Dec 2019	93,089	93,089
Carrying amount		
Balance as at 1 Jan 2019	969,773	969,773
Balance as at 31 Dec 2019	876,684	876,684

Investment property

Note 3

The Group owns investments in rented out apartments and marketed holiday facilities. For measurement and valuation of investment property, the cost model is applied. The depreciation method used is the straight-line method and is accounted for individually for each property separately. The Group estimates that market values are an approximation of official estimates of the Surveying and Mapping Authority of the Republic of Slovenia.

The responsible persons in each Group company actively monitor the events in the market and estimate that, in 2019, there was no objective evidence on factors pointing to the need for impairment of investment property. As at 31 December 2019, the Group did not obtain an estimate of the fair value of investment property prepared by a certified real estate valuator.

Table 144: Balance and changes in investment property

in EUR	31 Dec 2019
Cost value	
Balance as at 1 Jan 2019	1,438,079
Increases	9,187
Disposals	
Balance as at 31 Dec 2019	1,447,266
Write-offs	
Balance as at 1 Jan 2019	788,070
Exclusions	
Depreciation	24,009
Balance as at 31 Dec 2019	812,079
Carrying amount	
Balance as at 1 Jan 2019	650,009
Balance as at 31 Dec 2019	635,187

Table 145: Investment property in 2019

in EUR	Value	Revenue	Costs
Holiday facilities	588,516	119,294	111,760
Apartments	46,671	12,972	6,533
Total	**635,187**	**132,265**	**118,293**

Financial investments

Note 4

Financial investments are classified in the group at fair value through other comprehensive income, except for investment in shares in the amount of EUR 56,594, which is disclosed at cost because fair value could not be estimated.

Table 146: Long-term financial investments of the Group

in EUR	31 Dec 2019	31 Dec 2018
Long-term financial investments excluding loans	263,639	208,348
–other long-term financial investments in shares and stakes	56,594	56,594
–long-term financial investments in investment fund	207,045	151,754

Investments in associated companies

Note 5

In the separate financial statements, financial investments in subsidiaries, jointly controlled entities and associated companies are accounted for at cost value.

In the consolidated financial statements, investments in Group companies are excluded, while investments in associated companies are disclosed using the equity method.

Table 147: Balance and changes in investments in associated companies

in EUR	Balance 31 Dec 2018	Payment of participation in profit	Attribution of profits/losses	Balance 31 Dec 2019
Investment in Informatika d. d.	222,224	0	30,046	252,270
Investment in Eldom d. o. o.	18,484	0	4,077	22,562
Investment in Moja energija d. o. o.	892,515	0	194,441	1,086,956
Total	**1,133,223**	**0**	**228,564**	**1,361,787**

Non-current operating receivables

Note 6

Non-current operating receivables include receivables from raising funds into the reserve fund of owner-occupied residential buildings.

The Group’s receivables have not been pledged as security for debts.

Deferred tax assets

Note 7

In 2019, the Group recognized a decrease in deferred tax assets for temporary deductible tax differences from past and current tax non-deductible expenses from provisions formed for jubilee benefits and termination benefits upon retirement, and from tax non-deductible operating expenses from receivables, and an increase from long-term accrued costs and deferred revenue.

When calculating deferred tax assets, a tax rate of 19% was applied, which is expected to be used in future financial years as well.

In 2019, the Group increased its deferred tax assets by EUR 175,500. The net profit for 2019 has been increased by the same amount. The balance of deferred tax assets, as at 31 December 2019, is disclosed in the amount of EUR 1,981,933.

Table 148: Changes in deferred tax assets in 2019

in EUR	Balance 31 Dec 2018	Decreases	Increases	Balance 31 Dec 2019
Deferred tax assets				
- arising from value adjustments of receivables	1,295,788	32,978	5,987	1,268,797
- arising from provisions for jubilee benefits and termination benefits upon retirement	510,645	166,862	10,293	354,076
- arising from long-term accrued costs and deferred revenue			359,060	359,060
Total	**1,806,433**	**199,839**	**375,339**	**1,981,933**

Inventories

Note 8

Table 149: Inventories

in EUR	31 Dec 2019	31 Dec 2018
Raw materials and material	2,604,132	2,010,485
Fuel and lubricants	11,980	11,628
Office supplies	12,432	19,223
Small tools and packaging inventories	122,005	66,405
Products and merchandise	33,575	21,630
Total	**2,784,124**	**2,129,371**

Inventories disclose inventories of material for installation in case of self-managed investments, inventories of material for the provision of services in the market and inventories of spare parts for maintenance of fixed assets.

The company's management in the group estimates that the carrying amount of inventories is at the level of net realizable value.

As at 31 December 2019, the Group disclosed inventories in the amount of EUR 82,100, for which there were no changes in the period from 1 January 2019 to 31 December 2019, and are identified as operating reserve inventories.

Table 150: Value of inventories

in EUR	31 Dec 2019	31 Dec 2018
Gross value of inventories of material and merchandise	2,784,124	2,129,371
Net value of inventories of material and merchandise	2,784,124	2,129,371

Inventories of merchandise represent inventories of wood pellets and other merchandise at Energija plus d. o. o., and are intended for resale.

All inventories are owned by the Group and are not pledged as security for liabilities.

Trade receivables

Note 9

Table 151: Trade receivables

in EUR	31 Dec 2019	31 Dec 2018
Current operating trade receivables, of which:	**43,969,325**	**43,778,072**
- receivables for sold energy products	35,637,665	33,869,857
- receivables for lease and services under the SODO d. o. o. contract	7,059,914	9,022,375
- receivables for other charged services	1,230,337	836,715
– receivables for accrued interest	41,409	49,126

The customers mostly settle their receivables within deadlines or with a slight delay. In case of late payments, the customers are charged with contractually agreed default interest.

The Group has receivables predominantly secured by bills of exchange. The Group has no receivables pledged as collateral.

The Group has a uniform accounting policy for forming adjustments to receivables. Thus, a value adjustment of receivables is formed for disputable and doubtful receivables, and receivables overdue more than 90 days.

In 2019, the Group recalculated the value adjustment of receivables in the total amount of EUR 326,613 in accordance with the provisions of IFRS 9.

In Group companies, adjustments to receivables are taken into account only if the company is in bankruptcy or compulsory settlement, namely for the entire value.

At the end of the financial year, the Group has no receivables due from the management and members of the Supervisory Board, except for regular receivables for sold electricity.

Table 152: Value of trade receivables

in EUR	31 Dec 2019	31 Dec 2018
Gross receivables	51,751,072	51,429,077
Value adjustment	7,781,747	7,651,005
Net receivables	**43,969,325**	**43,778,072**

Income tax receivables

Note 10

Receivables for income tax of the Group amount to EUR 583,967, and disclose overpayments of income tax advance payments for 2019, particularly with the company Elektro Maribor d. d.

Other assets

Note 11

Table 153: Other assets

in EUR	31 Dec 2019	31 Dec 2018
Other operating receivables	2,099,906	2,700,615
Short-term deferred expenses	27,347	14,058
VAT in advance payments received	77,654	41,514
Total	**2,204,907**	**2,756,187**

Assets under contracts with customers

Note 12

Assets based on contracts with customers are disclosed in the amount of EUR 453,525, and show mainly the amounts of uncharged rents for operating base stations of telecommunications equipment.

Cash and cash equivalents

Note 13

Table 154: Cash and cash equivalents

in EUR	31 Dec 2019	31 Dec 2018
Cash at banks	1,984,296	1,222,831
Demand deposits	9,540,000	9,906,234
Total	**11,524,296**	**11,129,065**

Equity

Note 14

The share capital of the company amounts to EUR 139,147,480 and is divided into 33,345,302 ordinary registered no-par value shares,

The share capital of the Group constitutes the share capital of the parent company which is divided into 33,345,302 ordinary registered no-par value shares, which is at the same time the weighted average number of ordinary shares outstanding during the accounting period.

In 2019, the Group withdrew 150,022 own shares. This affected the reduction of share capital and the increase of capital reserves, which is shown in the table of changes in equity.

Capital reserves disclose a fully paid-in capital surplus.

Table 155: Equity

in EUR	31 Dec 2019	31 Dec 2018
Share capital	139,147,479	139,773,510
Capital reserves	75,384,316	75,121,586
Legal reserves	5,966,575	5,255,607
Reserves for own shares	0	363,301
Own shares	0	–363,301
Other revenue reserves	69,560,653	60,557,316
Fair value reserves	–985,441	–732,803
Net profit or loss carried forward	2,890,290	2,255,991
Net profit or loss for the financial year	4,251,900	4,939,340
Total	**296,215,772**	**287,170,547**

Reserves arising from valuation at fair value are disclosing an actuarial loss arising from the calculation of provisions for jubilee benefits and termination benefits upon retirement with the Group companies.

Legal reserves and other revenue reserves are formed from net profit of the current financial years since 2003.

In 2019, the Group achieved a net profit of EUR 14,021,539. Earnings per share in the Group amount to EUR 0.42.

The carrying amount of a share in the Group amounts to EUR 8.883.

Provisions

Note 15

Table 156: Provisions

in EUR	Balance 31 Dec 2018	Use	Increases	Release	Balance 31 Dec 2019
Provisions for jubilee benefits	1,989,572	261,655	317,966	2,496	2,043,387
Provisions for pensions	4,007,079	287,278	629,912	4,155	4,345,558
Provisions for guarantees issued	31,511			6,226	25,285
Provisions for long-term accrued expenses	1,174,294	19,675	68,754	868,097	355,276
Total	**7,202,456**	**568,609**	**1,016,632**	**880,974**	**6,769,505**

Table 157: Sensitivity analysis

	Discount rate		Wage growth		Staff turnover	
Change in percentage point	0.5	–0.5	0.5	–0.5	1.0	–1.0
Impact on liabilities in EUR	–262,429	284,054	289,275	–270,210	–527,960	608.243

Provisions for issued guarantees are formed for cases when the Group grants a warranty period of approximately five years to third party clients to remedy defects in the construction of facilities. The Group formed the said provisions in the estimated amount of 10% of the total contract value exposed.

The amount of provisions from legal obligations amounts to EUR 355,276, 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 amount of provisions is equal to the current amount of expenditures expected as necessary to settle these obligations.

Deferred revenue

Note 16

Deferred revenue discloses the balances of property, plant and equipment acquired free of charge and the balances of co-financed assets. The Group uses the said long-term accrued costs and deferred revenue 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 deferred revenue are those that match the actual depreciation rate of an individual item of fixed assets.

Table 158: Changes in long-term deferred revenue

in EUR	Balance 31 Dec 2018	Decreases	Increases	Balance 31 Dec 2019
Long-term deferred revenue from house connections acquired free of charge	18,041,060	1,015,285	1,191,460	18,217,235
Long-term deferred revenue from property, plant and equipment acquired free of charge	8,070,349	385,681	234,172	7,918,840
Long-term deferred revenue from average connection costs	3,483,182	174,357	0	3,308,824
Long-term deferred revenue from co-financing	3,258,497	203,020	38,399	3,093,875
Long-term deferred revenue from assigned contributions for disabled persons	0	72,466	72,466	0
Long-term deferred revenue - EU projects	803,706	69,854	787,408	1,521,259
Total	**33,656,793**	**1,920,665**	**2,323,905**	**34,060,033**

Financial liabilities

Note 17

Non-current financial liabilities mainly relate to long-term loans received from commercial banks.
In 2019, the Group took out a long-term loan of EUR 11,000,000 for financing 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 0.5% to 1.65% profit margin or a fixed interest rate in the range from 0.721% to 1.198% p.a.

Most loans in the Group are secured by bills of exchange and are taken out for the purpose of financing investments. The principal amount and interest are being repaid regularly and within the deadlines. Principal amounts for EUR 15,687,500 will fall due for payment within a period exceeding five years.

Other non-current financial liabilities refer to liabilities for the rights to use the asset.

Table 159: Non-current financial liabilities

in EUR	31 Dec 2019	31 Dec 2018
Non-current financial liabilities	45,561,528	41,809,524
Current part of non-current financial liabilities	–6,454,398	–8,159,524
Total	**39,107,130**	**33,650,000**

Operating liabilities

Note 18

The Group's non-current operating liabilities mainly disclose the amounts of the long-term part for the repayment of liabilities arising from reconciliation bills made out to SODO d. o. o., and the liability for the supplied application equipment.

Financial liabilities

Note 19

Current financial liabilities amount to EUR 6,454,398, and show the balance of the short-term part of long-term loans received falling due within one year after the end of the reporting period in the amount of EUR 6,325,000, and other short-term part of liabilities for the rights to use the assets in the amount of EUR 129,398.

Operating liabilities

Note 20

Table 160: Current operating liabilities

in EUR	31 Dec 2019	31 Dec 2018
Current operating accounts payable for fixed assets	3,908,463	3,199,155
Current operating accounts payable for working capital	13,510,129	10,476,888
Current operating liabilities to SODO d. o. o.	10,517,512	11,094,554
Current operating liabilities to employees	4,608,067	4,722,114
Current operating liabilities to government and other institutions	1,628,510	1,275,020
Current operating liabilities from advance payments	1,043,954	1,187,959
Other current operating liabilities	202,155	281,446
Total	**35,418,790**	**32,237,136**

Income tax liabilities

Note 21

The Group's income tax liability discloses calculated liabilities based on the tax return for 2019, which have already been settled with paid advance payments. The Group also discloses EUR 45,298 of corporate income tax liabilities, which fall due in April 2020.

Other liabilities

Note 22

Other liabilities disclose short-term accrued costs and short-term deferred revenue. They include receivables and liabilities that are expected to arise within one year, and the incurrence of which is probable, and their size very likely to be measured.

Table 161: Other liabilities

in EUR	31 Dec 2019	31 Dec 2018
Accrued costs for unused annual leave	839,689	865,827
Short-term accrued costs from legal cases	0	969
Short-term accrued costs of derogations	143,519	323,189
Other accrued costs	21,005	102,301
Total	**1,004,213**	**1,292,286**

Table 162: Changes in other liabilities

in EUR	Balance as at 31 Dec 2018	Formation	Use	Reversal	Balance 31 Dec 2019
Accrued costs for unused annual leave	865,827	839,689	0	865,827	839,689
Short-term accrued costs from legal cases	969		969		0
Short-term accrued costs of derogations	323,189	143,519	323,189		143,519
Other accrued costs	102,302	25,805	107,102		21,005
Total	**1,292,286**	**1,009,013**	**431,259**	**865,827**	**1,004,214**

Contingent liabilities and other off-balance sheet records

Note 23

Table 163: Guarantees, bills of exchange, contingent liabilities and other off-balance sheet assets

in EUR	31 Dec 2019	31 Dec 2018
Guarantees, bills of exchange and contingent liabilities	**70,292,524**	**68,607,643**
Securities for securing payments - guarantees	20,122,963	21,631,762
Securities for securing payments – bills of exchange	44,650,000	41,809,524
Bank guarantees issued	3,365,994	3,678,508
Enforcement drafts issued	435,587	136,918
Contingent liabilities for payment of indemnities	196,080	7,483
Small tools in use	1,484,640	1,290,565
Contingent liabilities for lease-based payments	37,259	52,883
Other off-balance sheet record	**4,839,476**	**4,712,088**
Average connection costs of SODO d. o .o., transfer of assets 1 Jul - 31 Dec 2009	3,278,341	3,436,298
Average connection costs of SODO d. o. o., transfer of fixed assets from 1 Jan 2010	947,966	984,437
Assets for holiday facilities – Eldom d. o. o.	184,870	184,870
Other	17,742	
Enforcement drafts received	410,557	106,483

The Group's management estimates that the probability of expenditures and cash receipts from the above listed receivables and liabilities is very small, therefore the Group discloses the amounts recorded for information purposes only. The Group does not disclose off-balance contingent liabilities as defined in the ZGD-1.

Determining the fair value

Table 164: Fair values and carrying amounts of assets and liabilities

in EUR	31 Dec 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial investments at fair value through other comprehensive income	207,044	207,044	151,754	177,586
Financial investments measured at cost	56,594	56,594	56,594	56,594
Long-term operating receivables	59,540	59,540	51,576	51,576
Loans received	44,650,000	44,650,000	41,809,524	41,809,524
Non-current operating liabilities	342,872	342,872	246,445	246,445
Total	**45,316,050**	**45,316,050**	**42,315,893**	**42,341,725**

Table 164 includes assets and financial liabilities measured at fair value and for which fair value is also disclosed. Current operating receivables, cash and current operating liabilities are not disclosed, since they are considered a good approximation of fair value in accordance with IFRS.

Assets and liabilities are classified into the following levels according to their fair value: 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 165: Assets and liabilities in relation to their fair values

	31 Dec 2019				31 Dec 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments available for sale	207,044			**207,044**	177,856			**177,856**
Financial investments measured at cost			56,594	**56,594**			56,594	**56,594**
Non-current operating receivables			59,540	**59,540**			51,576	**51,576**
Non-current operating liabilities			342,872	**342,872**			246,445	**246,445**
Loans received			44,650,000	**44,650,000**			41,809,524	**41,809,524**

6.2 Notes to consolidated income statement items

Table 166: Type of revenue

in EUR	I–XII 2019	I–XII 2018
Operating revenue	196,888,514	177,757,849
Financial revenue	208,243	246,002
Other revenue	30,909	46,072
Total	**197,127,666**	**178,049,923**

Net sales revenue

Note 24

Table 167: Net sales revenue

in EUR	I–XII 2019	I–XII 2018
Sale of electricity and other energy products	112,859,133	90,423,883
Rents charged	29,664,000	30,644,284
– SODO d. o. o. – rent	29,212,008	30,239,544
– other	451,992	404,740
SODO d. o. o. services under the contract	26,061,207	27,546,183
Services charged	4,526,701	4,626,634
Sales of waste material	196,855	122,647
Total	**173,307,896**	**153,363,632**

Table 168: Consideration of reconciliation bills of SODO in regulatory years 2018 and 2019

in EUR	Revenue achieved in 2019	Preliminary reconciliation bill for 2019	Final reconciliation bill for 2018	Total 2019
Rent	29,395,572	–195,362	11,798	29,212,008
Services	24,100,275	1,872,287	88,645	26,061,207
Total	**53,495,847**	**1,676,925**	**100,443**	**55,273,215**

Net sales revenues constitute 88% of all operating revenues generated in the Group. Revenue from contracts with customers in Group amount to EUR 143,643,895.

Capitalized own products and services

Note 25

Table 169: Capitalized own products and services

in EUR	I–XII 2019	I–XII 2018
Capitalized products	18,908,514	20,255,247
Capitalized services	498,070	571.166
Total	**19,406,584**	**20,826,413**

Capitalized own products and services include self-managed investments and revenues from internal services (finishing services of equipment).

Other operating revenues

Note 26

Table 170: Other operating revenues

in EUR	I–XII 2019	I–XII 2018
Reversal of provisions and PČR	940,542	222,502
Drawdown of long-term PČR	1,849,677	1,547,724
Indemnities received from the insurance company	573.260	838,414
Profit from sales of fixed assets	216,417	119,829
Claims recovered from previous years	455,096	623,930
Other operating revenues	139,043	215,405
Total	**4,174,034**	**3,567,804**

Other operating revenues relate mainly to revenue from the drawing of long-term deferred revenue for the amounts of covering the depreciation costs of free items of property, plant and equipment, and co-financing assets in electricity facilities, received insurance indemnities for damage to the electricity system, and recovered receivables for electricity and network use.

Costs of goods, material and services

Note 27

Table 171: Costs of goods, material and services

in EUR	I–XII 2019	I–XII 2018
Cost of goods sold	103,425,267	81,474,617
Costs of material	10,886,051	12,058,210
Costs of services	10,252,332	9,893,305
Total	**124,563,650**	**103,426,132**

Costs of material mainly disclose the costs of materials in investment and construction works in the parent company.

Costs of services mainly disclose the amounts of fixed asset maintenance services, insurance premiums and IT services.

An audit contract in the amount of EUR 22,327, was concluded for the auditing the financial statements and the annual report of the Group for the financial year 2019. This amount also includes the costs of the audit of the consolidated annual report in the amount of EUR 1,280. There were no other transactions with the selected auditor in 2019.

Labour costs

Note 28

Table 172: Labour costs

in EUR	I–XII 2019	I–XII 2018
Costs of wages and salaries	22,961,922	23,106,154
Costs of supplementary pension insurance for employees	1,103,228	1,154,848
Costs of employer's contributions and other charges arising from salaries	3,867,537	3,852,367
Other labour costs	4,708,000	4,644,355
Total	**32,640,688**	**32,757,724**

When paying salaries, the companies followed the provisions of the industry and corporate collective agreement and employment contracts.

Other labour costs include the cost of holiday pay, reimbursements to employees for material costs and the amount of provisions formed for jubilee benefits and termination benefits upon retirement.

Table 173: Gross remunerations of special groups of persons

in EUR	I–XII 2019
Members of the Management Boards and management of the companies	259,369
– mag. Boris Sovič, President of Elektro Maribor d. d.	115,973
– Bojan Horvat, Company Director of Energija plus d. o. o.	116,871
– Miroslav Prešern, Company Director of OVEN Elektro Maribor d. o. o., Jan–Jun 2019	26,525
– Miroslav Prešern, Company Director of OVEN Elektro Maribor d. o. o., Jul–Dec 2019	25,542
Other employees under contract to which the tariff part of the collective agreement does not apply	1,022,205
Members of the NS of companies of the Elektro Maribor d. d. Group	105,441
Audit Committee	20,414
Total	**1,432,971**

In the Group, only the parent company Elektro Maribor has a Supervisory Board, whose names are disclosed in Chapter II. Business report, as part of which the names of the members of the management boards of Group companies are disclosed.

The companies in the Group have no outstanding receivables due from and liabilities to members of the Management Board and Supervisory Boards, except for the amounts of December salaries, the payment of which was made in January 2019.

The Group has not granted any advances or loans to employees under the contract to which the tariff part of the collective agreement does not apply, to the management boards of Group companies, and to the members of the Supervisory Board and to the members of its committees.

Amortization/Depreciation

Note 29

Table 174: Amortization/Depreciation

in EUR	I–XII 2019	I–XII 2018
Amortization of intangible assets	1,643,444	1,299,885
Amortization of intangible assets – easements	21,350	21,262
Depreciation of property plant and equipment	19,626,260	19,444,693
Depreciation of investment property	30,247	23,744
Total	**21,321,300**	**20,789,585**

Write-offs and other operating expenses

Note 30

Value adjustments of receivables formed in the Group 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 175: Write-offs and other operating expenses

in EUR	I–XII 2019	I–XII 2018
Operating expenses for tangible and intangible fixed assets	500,386	439,801
Operating expenses related to inventories	0	54,520
Operating expenses from receivables, of which:	675,445	783,587
– from network use and sales of electricity	385,386	734,990
– from services rendered	149,007	22,133
– from interest	141,052	26,464
Other operating expenses	120	0
Total	**1,175,951**	**1,277,908**

Other operating expenses

Note 31

Table 176: Other operating expenses

in EUR	I–XII 2019	I–XII 2018
Provisions for legal proceedings	68,754	646,429
Fee for the use of construction land	340,676	287,320
Co-financing in energy efficiency	516,096	
Other duties and expenditures	282,011	377,489
Total	**1,207,537**	**1,311,238**

Financial revenues

Note 32

Table 177: Financial revenues

in EUR	I–XII 2019	I–XII 2018
Financial revenue from loans granted	**75**	**150**
Financial revenue from loans granted to others	75	150
Financial revenue from operating receivables	**208,168**	**245,852**
Financial revenue from operating receivables due from others	208,168	245,852
Total	**208,243**	**246,002**

Financial expenses

Note 33

Table 178: Financial expenses

in EUR	I–XII 2019	I–XII 2018
Financial expenses from financial liabilities	**402,756**	**432,982**
Financial expenses from loans received from others	384,853	364,660
Financial expenses from other financial liabilities	17,903	68,322
Financial expenses from operating liabilities	**89,629**	**68,638**
Financial expenses from accounts payable	3,746	1,494
Finance expenses from other operating liabilities	85,883	67,144
Total	**492,385**	**501,620**

Share in profits (losses) of associated companies

Note 34

Table 179: Share in profits (losses) of associated companies

in EUR	I–XII 2019	I–XII 2018
Share in profits (losses) of associated companies	228,564	–3,002

Table 179 discloses the attribution of profits of associated companies in the amount of EUR 228,564.

Other revenue and expenses

Note 35

Table 180: Other revenue and expenses

in EUR	I–XII 2019	I–XII 2018
Other revenue	30,909	46,072
Other expenses	128,824	175,144

Other expenses in the Group mainly represent the amounts of donations given in the amount of EUR 70,369.

Deferred taxes

Note 36

Table 181: Deferred taxes

in EUR	I–XII 2019	I–XII 2018
Deferred tax arising from provisions for jubilee benefits and termination benefits upon retirement	–156,569	60,190
Deferred tax arising from formed value adjustments of receivables	–26,991	145,938
Deferred tax arising from long-term accrued costs and deferred revenue	359,060	
Total	**175,500**	**206,128**

In 2019, the Group recognized a decrease in deferred tax assets for temporary deductible tax differences from past and current tax non-deductible expenses from provisions formed for jubilee benefits and termination benefits upon retirement, and a decrease arising from tax non-deductible revaluation operating expenses from receivables. When calculating deferred tax assets, a tax rate of 19% was applied, which is expected to be used in future financial years as well.

In 2019, receivables formed in this way increased the Group's profit in the amount of EUR 175,500.

Table 182: Presentation of adjustment of the tax actually charged and calculated from accounting profit before taxes

	2019		2018	
	rate	in EUR	rate	in EUR
Profit before taxes		15,825,896		17,807,570
Income tax using the official rate	19.00%	3,006,920	19.00%	3,383,438
Amounts that adversely affect the tax base		259,084		279,470
– amount from decrease of expenses to the level of tax-deductible expenses		259,084		279,470
Amounts that have a positive effect on the tax base (+)(-)		0		20,028
– amount from increase of expenses to the level of tax-deductible expenses		0		20,028
Tax reliefs		–1,185,390		–1,141,741
– applied to impact the reduction the tax liability		–1,185,390		–1,141,741
First recognition of deferred taxes from temporary differences		–359,060		
Tax base increase		20,453		18,141
Other		62,350		29,342
Tax cost	**11.40%**	**1,804,357**	**14.54%**	**2,588,678**

Net profit or loss

Note 37

Table 183: Profit or loss before taxes

in EUR	I–XII 2019	I–XII 2018
Operating result	15,979,388	18,195,262
Financial result	–55,578	–258,620
Result from other revenues and expenses	–97,915	–129,072
Total	**15,825,895**	**17,807,570**

Within the Group, the participations in profit paid in the amount of EUR 2,152,913 were excluded, as well as the costs/revenue in the amount of EUR 393,305. Excluding the amount of EUR 228,564 arises from the attribution of profits in the share of the companies Informatika d. d., Eldom d. o. o. and Moja energija d. o. o.

6.3 Notes to the items of the consolidated statement of cash flows

The consolidated statement of cash flows is prepared according to the direct method from the data on turnover and balance on the business accounts of individual companies in the Group.

The consolidated statement of cash flows does not include items of cash receipts and expenditures between Group companies.

Cash receipts from operating activities

Note 38

Cash receipts from operating activities in the amount of EUR 338,540,037 constitute 97% of all cash receipts of the Group, and relate mainly to cash receipts from sales of energy products.

Expenditures from operating activities

Note 39

Expenditures from operating activities in the amount of EUR 321,586,474 constitute 92% of all expenditures of the Group, and relate mainly to expenditures from purchases of material and services.

Cash receipts from investing activities

Note 40

Cash receipts from investing activities in the amount of EUR 168,569 refer mainly to the proceeds from disposal of property, plant and equipment.

Expenditures from investing activities

Note 41

Expenditures from investing activities in the amount of EUR 14,393,138 constitute 4% of all expenditures of the Group, and relate mainly to expenditures for acquiring property, plant and equipment.

Cash receipts from financing activities

Note 42

Cash receipts from financing activities in the amount of EUR 11,000,000 constitute 3% of all cash receipts of the Group, and refer to the long-term loan for financing the construction of electricity facilities and plants.

Expenditures from financing activities

Note 43

Expenditures from financing activities in the amount of EUR 13,333,763 constitute 4% of all expenditures of the Group, and relate mainly to expenditures for repayments of financial liabilities, expenditures for dividend payments and expenditures for paid interest.

Net cash flow

Note 44

Net cash flow for the period in the group is positive, namely amounting to EUR 395,231.

7 FINANCIAL RISKS

Financial risks are potential events, which may have an (un)favourable effect on achieving strategic and annual financing goals of 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 an individual company in a Group always (does not) have sufficient long-term sources of financing regarding the amount and type of business transactions it performs, and risks exposed to in their performance.

Risk management, process of management and control over risks are explained in the business part of the report in Chapter Risk management.

7.1 Credit risk

In 2019, the Group actively monitored the balance of trade receivables and carried out relevant recovery processes accordingly.

The Group actively manages its exposure to credit risk through ongoing monitoring and financial insurance of outstanding receivables, active recovery of overdue and unpaid receivables and charging default interest in case of late payment.

Table 184: Breakdown of current operating receivables by maturity

in EUR	31 Dec 2019	Structure in %	31 Dec 2018	Structure in %
Receivables not yet due	40,412,138	91.9	40,839,702	93.3
Overdue up to 30 days	3,008,153	6.8	2,532,665	5.8
Overdue from 31 to 60 days	186,665	0.4	224,987	0.5
Overdue from 61 to 90 days	86,527	0.2	12,615	0.0
Overdue more than 90 days	275,841	0.6	168,104	0.4
Total	**43,969,326**	**100.0**	**43,778,072**	**100.0**

At the reporting date, current operating receivables are the ones most exposed to credit risk, which have increased by EUR 191,254 or 0.4% compared to the previous year. The reason for the increase in receivables is mainly in higher sales of energy products, which also results in higher outstanding claims.

Table 185: Changes in value adjustments of receivables in 2019

in EUR	Balance 31 Dec 2018	Decreases	Increases	Balance 31 Dec 2019
Value adjustments of current operating receivables:				
- decrease in value adjustments due to payments		322,438		
- decrease in value adjustments due to write-offs		489,947		
Formation of value adjustments		35,026	326,613	
Total	**7,651,005**	**847,410**	**978,152**	**7,781,747**

Credit risk is estimated to have a medium impact on business operations. The probability of the occurrence of an (un)wanted event is between 25% and 50%. The probability of impact on revenue or expenses of the Group ranges between EUR 10,000 and EUR 100,000.

7.2 Market risk

The carrying amount of long-term debts is equal to their fair value. The Group's long-term debts are not exposed to specific currency and credit risks. The exposure to interest risk is presented only by a negative trend in EURIBOR reference interest rate. Changes in interest rate in the Group are not specifically hedged with financial instruments. The Group's exposure to interest rate risk is namely assessed as low, since only 10.6% of assets are financed by bank loans.

Market risk is estimated to have a minor impact on business operations. The probability of the occurrence of an (un)wanted event is less than 25%. The probability of impact on revenue or expenses of the Group amounts to EUR 10,000.

The cash flow sensitivity analysis is based on the sensitivity of changes in interest rate on borrowings. Given the volume of borrowings at a variable interest rate as at 31 December 2019 and assuming that all other variables remain unchanged, a change in the interest rate by 0.1 percentage point would mean higher expenses by EUR 1,327, a change in the interest rate by 0.2 percentage points would mean higher expenses by EUR 2,564, and a change in the interest rate by 0.3 percentage points would mean higher expenses by EUR 3,737.

7.3 Liquidity risk

Liquidity risk constitutes a maturity mismatch between the financial assets and the payment of liabilities that may result in insolvency of the Group, which is reflected in the fact that the Group is unable to settle its liabilities at a given moment. The Group manages its exposure to liquidity risk through weekly planning and monitoring of realized inflows and outflows and a timely approach to anticipated borrowing.

In order to finance investments, the Group in due time approaches to obtain the opinions and the necessary consents for borrowing from line ministries and the company SODO d. o. o.

Table 186: Maturity of liabilities as at 31 Dec 2019

in EUR	Carrying amount as at 31 Dec 2019	Maturity		
		up to 1 year	from 1 year to 5 years	over 5 years
Loans for financing investments	44,650,000	6,325,000	22,637,500	15,687,500
Non-current operating liabilities	342,872		342,872	
Long-term lease liabilities	1,427,048	100,192	389,248	937,608
Current operating liabilities	35,418,790			

Liquidity risk is managed by monitoring the core indicators of the horizontal financial structure.

Table 187: Core indicators of liquidity risk

	31 Dec 2019	31 Dec 2018
CORE RATIOS OF HORIZONTAL FINANCIAL STRUCTURE		
Cash ratio (ratio of direct coverage of current liabilities) = liquid assets / current liabilities	0.27	0.27
Quick ratio (ratio of quick coverage of current liabilities) = liquid assets + current receivables / current liabilities	1.39	1.41
Current ratio (ratio of current coverage of current liabilities) = current assets / current liabilities	1.45	1.46

Liquidity risk is estimated to have a minor impact on business operations. The probability of the occurrence of an (un)wanted event is less than 25%. The probability of impact on revenue or expenses of the Group amounts to EUR 10,000.

7.4 Capital risk

The main purpose of capital management is to ensure capital adequacy, financial stability, long-term solvency and the highest possible value for shareholders.

Table 188: Core indicators of capital risk

	31 Dec 2019	31 Dec 2018
CORE FINANCING RATIOS		
Equity financing ratio in % = equity / liabilities	70.63	71.15
Long-term financing ratio in % = equity + long-term debt + provisions + long-term PČR / liabilities	89.77	89.43
CORE RATIOS OF HORIZONTAL FINANCIAL STRUCTURE		
Equity to fixed assets ratio = equity / fixed assets	0.84	0.84
CORE PROFITABILITY RATIOS		
Net return on equity in % = net profit or loss / average equity (excluding net profit or loss for the accounting period)	4.88	5.47

Creditors demand that the values of financial commitments set forth in loan contracts are met, while the failure to do so would result in early maturity of loans. As at 31 December 2019, the Group complied with all contractual provisions with respect to creditors.

In its operations, the Group took into account the expected objectives and the economic and financial indicators arising from the Annual Asset Management Plan, and the Recommendations and Expectations of the SSH. In 2019, the Group met SSH's expectations and realized ROE of 4.88%.

Capital risk is estimated to have a minor impact on business operations. The probability of the occurrence of an (un)wanted event is less than 25%. The probability of impact on revenue or expenses of the Group amounts to EUR 10,000.

V. Contact information

Elektro Maribor d. d.

Vetrinjska ulica 2
2000 Maribor

Telephone: (02) 22 00 000
Toll-free numbers:
- 080 21 05 – 24-hour service to report failures and interruptions in 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

RU Maribor with its surrounding area
Vodovodna ulica 2, 2000 Maribor, Tel.: (02) 22 00 300, Fax: (02) 22 00 336

RU Slovenska Bistrica
Kolodvorska ulica 21a, 2310 Slovenska Bistrica, Tel.: (02) 22 00 500, Fax: (02) 81 81 246

RU Gornja Radgona
Lackova ulica 4, 9250 Gornja Radgona, Tel.: (02) 22 00 800, Fax: (02) 22 00 808

RU Murska Sobota
Lendavska ulica 31a, 9000 Murska Sobota, Tel.: (02) 22 00 700, Fax: (02) 52 31 443

RU Ptuj
Ormoška cesta 26a, 2250 Ptuj, Tel.: (02) 22 00 600, Fax: (02) 77 60 901

Service units

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

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

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

Telephone: (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	Prepayments and accrued income
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	Transmission line
EAM	Enterprise Asset Management
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EDP	Electricity distribution companies
EEN	Power plant
EFQM	European Foundation for Quality Management
EHP	Power cable with polyethylene insulation, with a semi-conductive layer around the insulation and an outer jacket from polyvinyl chloride
EIB	European Investment Bank
EMAG	Code for shares of Elektro Maribor d. d.
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 line
KDD	Central Securities Clearing Corporation
kV	Kilovolt
LPN	Annual Business Plan
MDMS	Meter Data Management System
MFE	Small photovoltaic 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 (IAS)	International Accounting Standards

MSE	Small solar power plant
MSRP (IFRS)	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 (LV)	Low voltage
NNO (LVN)	Low voltage network
NS	Supervisory Board
OE (RU)	Regional unit
OHSAS	Occupational Health and Safety Advisory Services
OPEX	Operating expense
OPMSRP (IFRIC)	International Financial Reporting Interpretations Committee
OVE	Renewable energy source
PČR	Accruals and deferred income
PKP (CCA)	Corporate Collective Agreement
PLC	Power Line Carrier
PRSPO	Award of the Republic of Slovenia for Business Excellence
PSR	Rules of professional accounting
REDOS	Development of the electricity distribution network of Slovenia (project)
RK	Audit Committee
ROA	Return on Assets
ROE	Return on Equity
RP	Substation
RS	Republic of Slovenia
RTP	Transformer substation
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SDH (SSH)	Slovenian Sovereign Holding
SE (SU)	Service Unit
SE	Solar power plant
SHE	Medium hydroelectric power plant
SIST	Slovenian Institute for Standardization
SN (MV)	Medium voltage
SODO	Distribution network system operator
SPTE	Cogeneration of heat and electricity
SRS (SAS)	Slovenian Accounting Standards
STPE	Cogeneration of heat and electricity
TP	Transformer station
TR	Transformer
TRR	Current bank account
TTP	Centre-of-gravity transformer station

TWh	Terawatt hours
UMAR	Office of the Government of the Republic of Slovenia for Macroeconomic Analysis and Development
VN (HV)	High voltage
VOR	Maintenance and operational reserve
VZD	Health and safety at work
XHP	Power cable with cross-linked polyethylene insulation, with a semi-conductive layer around the insulation and an outer jacket from polyvinyl chloride
ZGD-1	Companies Act
ZJN3	Public Procurement Act

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ELEKTRO MARIBOR

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