ELEKTRO MARIBOR

Annual Report 2020

ANNUAL REPORT OF ELEKTRO MARIBOR D.D. AND THE ELEKTRO MARIBOR GROUP

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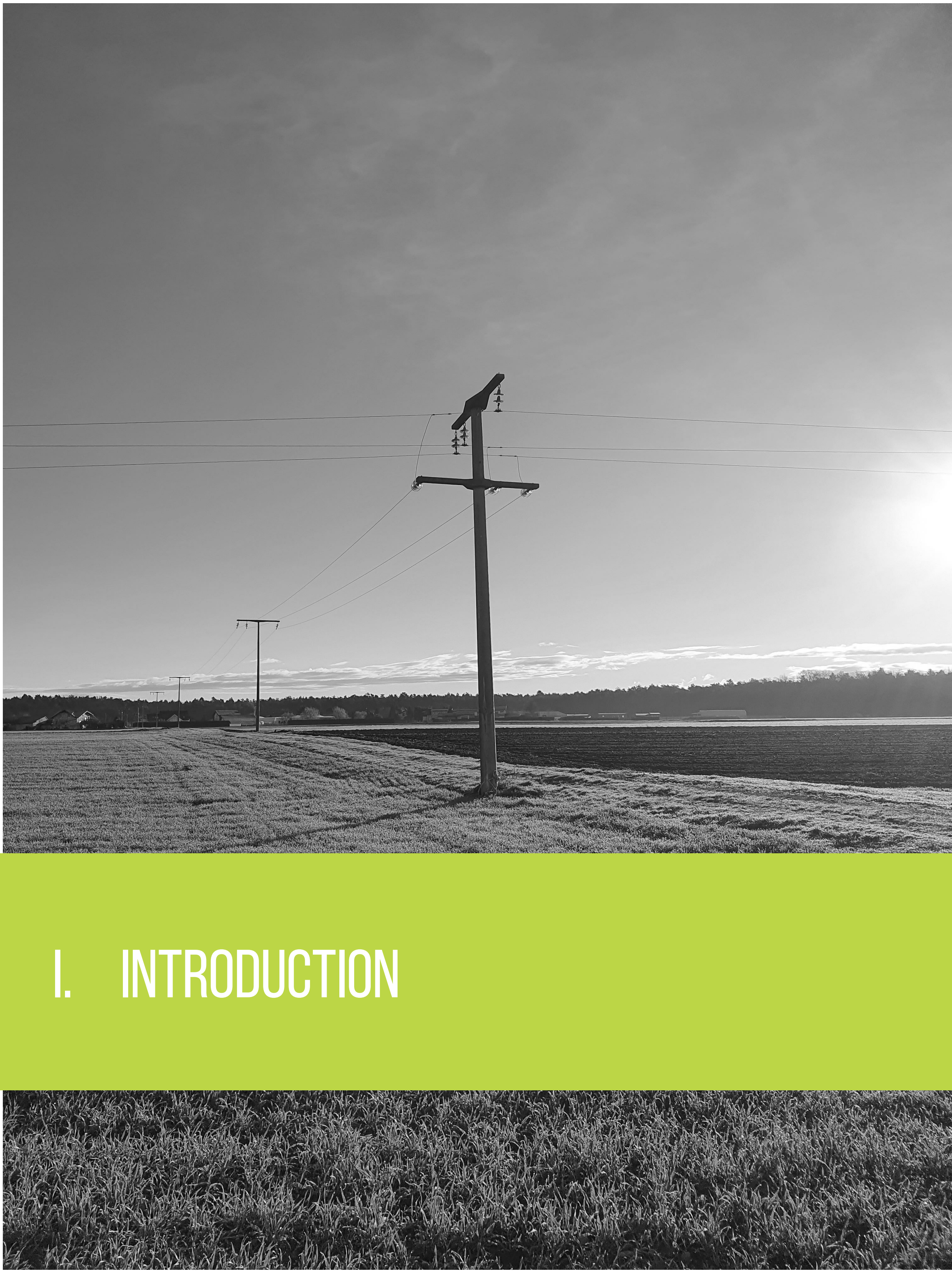


I. INTRODUCTION

1 Foreword by the President of the Management Board[1]

Dear Stakeholders!

Business operation were marked by immense challenges in 2020, the major ones being intensive weather disasters in the first and third quarters of the year, followed by changed activity regulation, which increased user need and, especially, the epically dimensioned Covid-19 pandemic, the consequences of which will undoubtedly be felt in the coming years.

The Company actively responded to these challenges by adopting measures to ensure it remains a going concern, and employee and user health, and realise the business plan to minimise the negative effect on operations and realise the highest level of its planned operating goal as possible. Elektro Maribor d.d. ended business year 2020 with a net profit of EUR 10.5 million, which is EUR 3.8 million, or 27% lower than in 2019. Operations and business results in 2020 were most affected by the changed circumstances resulting from the epidemic, especially in terms of the lower level of regulated revenue resulting from the lower amount of recognised return on assets. Furthermore, financial revenue from shares and interests in Group companies was lower due to the ensured higher level of subsidiary liquidity pursuant to the complex epidemic situation and increased capital adequacy for anticipated investment, which was complex in nature. Were there no change in the distribution of activity regulation in 2020, the Company would have realised higher operational results from the recognised return on assets and the Company's net profit would have been only 7% lower compared to the previous year, especially when we consider the lower level of financial revenue from shares and interests in Group companies and the epidemic-related higher cost of materials, services and labour.

Even though the demanding circumstances of 2020 influenced distribution system operations and operating results, Elektro Maribor adopted measures to better ensure a reliable and stable electricity supply for its users in line with its mission, which is especially important for all, be they citizens, social systems, or active economic agents.

As result of the epidemic, 2020 was a year of substantial change in terms of the volume and dynamic of distributed electricity; business consumption had not experienced such a fall in three decades as it did in 2020, when it fell to a level previously experiences a decade prior. On the other hand, household consumption experienced its highest growth in more than a decade and highest level thus far. Total consumption was 3.6% lower in 2020 than in 2019. Regardless of the change in consumption, connected load consistently grew in 2020 and has continued to do so. Connected consumption load of increased for all consumer groups pursuant to new user and device connections by 38 MW, or 1.2%. Pursuant to the intensive connecting of new production sources, connected production load increased by 20 MW, or 10.7% in just one year. Moreover, peak power increased by 14.7 MW in 2020. The Company has responded to increasing consumers need by increasing and advancing network intensity. Over the last three years, we increased new transformer station volume by a third more than in the previous comparative period. We extended network length by 176 km in 2020, which is the most in over a decade. At the end of the year, advanced metering infrastructure included 94.3% of user meter points, which is the most to date.

For the fourth year in a row, there was a high number of extreme weather condition days in 2020. The Company's environs experienced three times more days with extreme weather conditions in 2017-2020 than in 2013–2016. Such demanding conditions affect the quality of supply and in 2020 uninterrupted supply slightly decreased from 99.983% to 99.975%. Extreme weather condition days are usually connected to substantial damage to the distribution system, requiring immediate intervention by our operational teams to restore user supply then investment plans for the necessary rehabilitation of our network have to be restructured. The Company has responded to such environmental impact by increasing network robustness, which at the end of last year jumped to 72.7%, the highest to date.

Electricity distribution systems are fundamental infrastructure requirements for sustainable development and the backbone of energy transition; it is impossible to realise the green transition without strong, robust and advanced electricity distribution networks focused on mobility and heating electrification, active user and producer roles, renewable energy sources and energy efficiency.

Pursuant to the great challenges presented by low-carbon society transition, the Company has endeavoured to maintain investment activity intensity, as this is explicitly required for many rea-

1 GRI 102-14.

sons, including: the increase in the number of users supplied with electricity and their need for power and energy; and the increasingly frequent and intensive extreme weather conditions, and subsequent increasing need for flexibility. Contemporary regulation of electricity distribution activity does not ensure the necessary funding for development in accord with the needs of Slovenian users, its citizens, social systems and active economic agents. The Company must additionally take out a long-term loan to realise planned investment, and the European Investment Bank (EIB) has been cooperating with us to do so because it has been supporting sustainable investment for a number of years. The availability of investment sources was significantly affected by regulatory change evidenced in 2019 and 2020. Elektro Maribor d.d.'s investment in 2020 stood at EUR 31.6 million, down EUR 0.7 million, or 2% when compared to the previous year. The changed regulatory framework resulted in a slightly lower level of investment in the year the National Energy and Climate Plan was adopted, which thankfully anticipates a substantial increase in investment pursuant to low-carbon society transition.

The development plan, based on the National Energy and Climate Plan, anticipates that a total of EUR 4.2 billion needs to be invested in electricity distribution networks in Slovenia in the coming years, including EUR 953 million in the Elektro Maribor supply area. Electricity distribution companies, Elektro Maribor included, estimate that approximately 40% of the required resources are in place to realise the National Energy and Climate Plan. Ensuring the necessary funds to realise green transition will be one of the key challenges for Slovenia's electricity distribution network. The National Energy and Climate Plan is one of national government's development projects and its realisation will determine how Slovenia will be supplied with electricity and power in the future. The National Energy and Climate Plan explicitly indicates a need to ensure additional resources to facilitate electricity distribution system development and management.

We have been systematically endeavouring to achieve green transformation in the Company and the wider community for a number of years, and are acutely aware of our corporate social responsibility when doing so. Our results confirm our endeavours have been appropriate because we offer our users an above-average electricity distribution network volume, and ensure an above-average share of underground medium-voltage and low-voltage lines, meter points included in the advanced metering system and network integrated renewable energy source volume. We have placed great emphasis on transparent reporting based on the latest international guidelines on sustainable reporting, the GRI, since 2013. We have been systematically increasing production potential in recent years to be as operationally prepared for the challenges of green transition as possible, established the Distribution Academy for knowledge transfer between employees, overhauled the information system, and emphasised green public tenders. We endeavour to ensure company energy efficiency and a high level of self-sufficiency at Group Level. We were the first company in Slovenia's energy industry to calculate its carbon footprint and take measures to manage it in 2011. In 2020, we received the ISO 50001 energy management system certificate: we pay great attention to corporate integrity. In 2020, we adopted a revised Code of Business Conduct and Ethics in accord with the Corporate Governance Code for State-Owned Enterprises. We have started to identify and record fraud risk to better address unethical conduct, and accordingly established controls to prevent it.

In 2020, the Elektro Maribor Group ended the year with a profit of EUR 10.7 million, which is at the level of the plan and EUR 3.3 million, or 24% less than the previous year, and focused primarily on ensuring suitable working conditions and measures to mitigate the negative effects of the epidemic on Company operations.

In 2020, Elektro Maribor d.d. publicly expressed interest in purchasing up to 51% of the initial capital of Energija plus d.o.o. Several other entities also expressed their interest in Energija plus d.o.o. and we have continued activities in accordance with the anticipated timeline. We increased production capacity at the Group Level by purchasing small-scale hydro power plants in 2020.

The Elektro Maribor Group invested in the amount of EUR 33.5 million in 2020, the highest amount since 2011, which was EUR 0.9 million, or 3% higher compared to the previous year, especially because of the purchase of small-scale hydro power plants by our subsidiary OVEN Elektro Maribor d.o.o.

Complex regulation, climate change, post-epidemic recovery and especially increasing user need pursuant to the adopted definition of low-carbon society transition have made the Company and Group increasingly aware of its responsibility in terms of electricity distribution activity to the population, local communities, social systems and the economy. Standing at the threshold of a new decade, it is not yet possible to foresee everything that will challenge our activity in the future, but we know our mission, our values and goals. The next period will be full of challenge largely marked by post-epidemic economic recovery strategy realisation and low-carbon society transition strategies.

Pursuant to the forthcoming intensive electrification, stable electricity supply to the populace, social system and economy will be even more important, and to this end we will focus on ensuring the uninterrupted distribution system operation, including the necessary operational, maintenance and development investment. Elektro Maribor employees also express firm commitment to realising our mission of providing advanced electricity services in the future because we care for our users, families, company and wider social community.

2020 was undoubtedly a year full of challenge and testing for our employees, management and supervisory bodies, users, shareholders and government institutions, and one of the most difficult periods in the Company's history. The extremely difficult situation required extreme measures to deal with the new sustainable, average, epidemic and regulatory reality. In spite of everything, our stakeholders made every effort in line with their power and responsibility, and sacrificed a great deal to contribute to the flawless operation of our distribution system and realise the Company's mission. I would like to heartfully thank each and every one of you who made this possible.

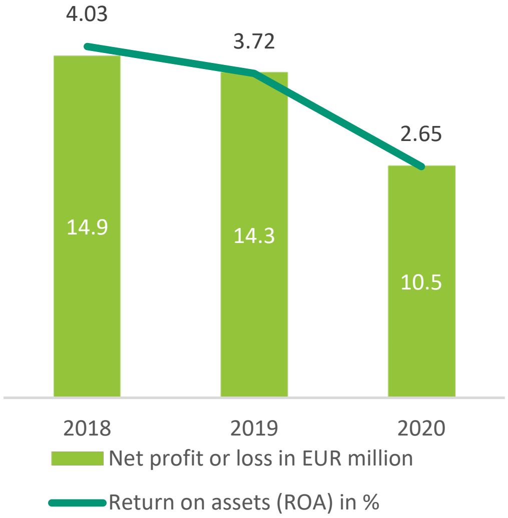
Kind regards,

President of the Management Board

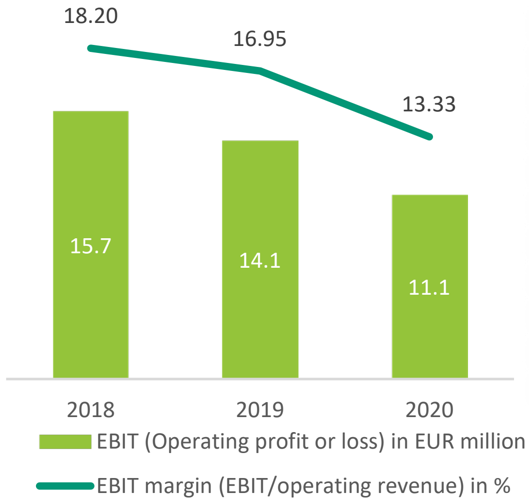
Mag. Boris Sovič

2 Business highlights of 2020 – Elektro Maribor d.d.

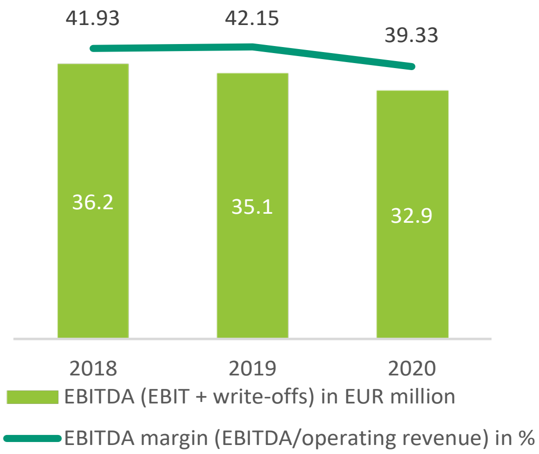
Net profit or loss and ROA



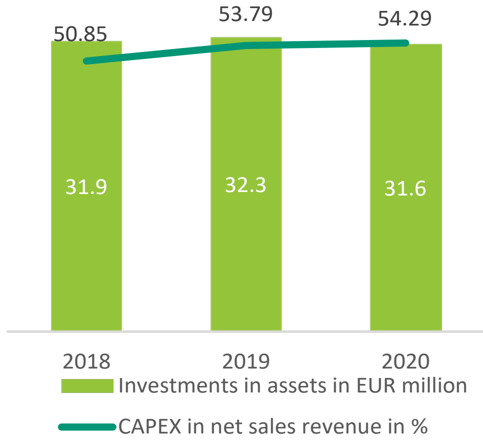
EBIT and EBIT margin



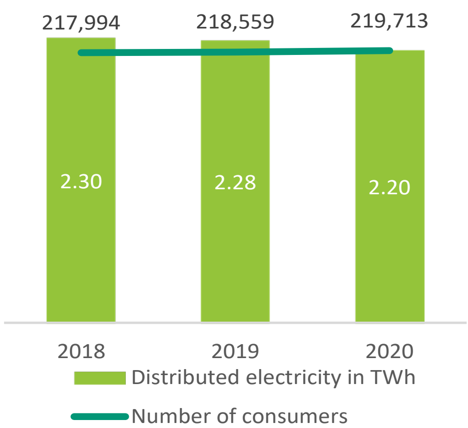
EBITDA and EBITDA margin



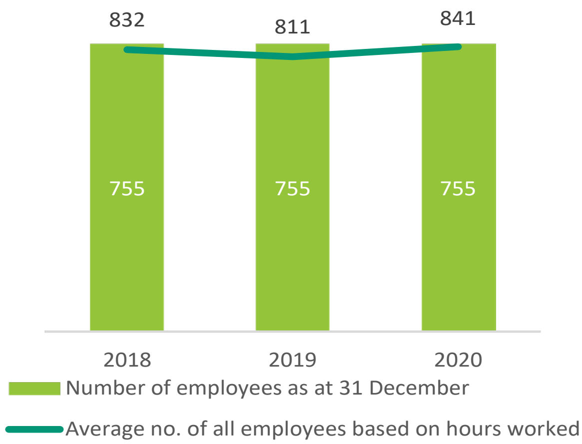
Investments in assets and net sales revenue



Distributed electricity and number of consumers



Number of employees



Performance indicators of Elektro Maribor d.d.

Financial indicators	2020	2019	2018
Net profit or loss in EUR	10,473,594	14,274,681	14,947,893
Return on assets (ROA) in %*	**2.65**	**3.72**	**4.03**
Return on equity (ROE) in %	3.59	5.02	5.44
EBIT (Operating profit or loss) in EUR	11,138,216	14,105,310	15,730,306
EBIT margin (EBIT/operating revenue) in %	13.33	16.95	18.20
EBITDA (EBIT + write-offs) in EUR	32,855,097	35,071,784	36,245,714
***EBITDA margin (EBITDA/operating revenue) in %**	**39.33**	**42.15**	**41.93**
=	=	=	=
Total revenue in EUR	84,660,387	85,398,803	88,448,811
Operating revenue (gross operating profit) in EUR	83,535,628	83,201,815	86,448,363
Net sales revenue in EUR	58,153,824	60,049,868	62,690,799
Added value in EUR[2]	61,890,931	64,573,336	66,014,817
Added value per employee from hours worked in EUR*	**73,600**	**79,608**	**79,381**
All costs and expenses total in EUR	72,949,396	69,671,608	71,303,274
Operating costs and expenses in EUR	72,397,412	69,096,506	70,718,057
Assets as at 31 December in EUR	399,079,365	390,758,423	377,427,424
Equity as at 31 December in EUR	294,792,477	289,312,301	279,933,132
Share of own resources in liabilities in %	73.87	74.04	74.17
Financial liabilities/EBITDA	1.51	1.29	1.15
Net financial debt in EUR[3]	39,345,518	36,132,266	33,853,422
Net financial debt/EBITDA*	**1.20**	**1.03**	**0.93**

Shares	2020	2019	2018
Number of all shares	33,345,302	33,345,302	33,495,324
- of which own shares	0	0	150,022

Employees	2020	2019	2018
Number of employees as at 31 December	755	755	755
Average monthly number of employees as at	820.83	818.75	833.90
Average no. of all employees based on working hours[4]	840.91[5]	811.14	831.62
Average no. of full-time employees based on working hours	764.68	728.65	730.58
Average salary cost per employee from hours worked	1,986	2,130	2,099

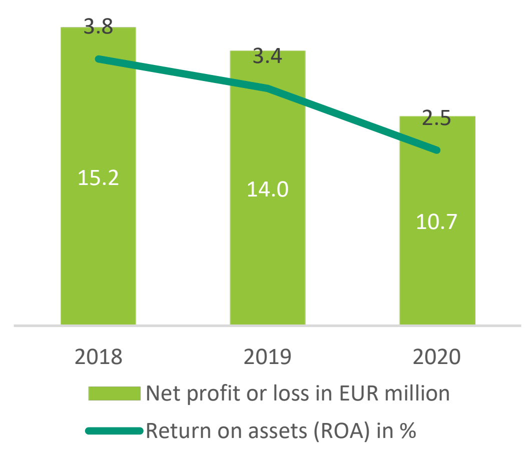
Core activity indicators	2020	2019	2018
Investments in assets in EUR	31,571,377	32,302,073	31,880,619
CAPEX[6] in net sales revenue in %*	**54.29**	**53.79**	**50.85**
Distributed electricity in MWh	2,197,131	2,279,153	2,297,516
Number of consumers connected to the distribution network	219,713	218,559	217,994
Distributed MWh per number of consumers	10.00	10.43	10.54
SAIDI (own causes)*	**56.22**	**66.69**	**38.08**
SAIFI (own causes)*	**1.68**	**1.73**	**1.16**
MAIFI*	**10.99**	**9.39**	**9.71**
Share of losses per distributed energy in %*	**4.83**	**4.61**	**4.75**
OPEX[7] regulated activities subject to distrib. energy (EUR/MWh)*	**21.45**	**20.02**	**19.80**
OPEX regulated activities per no. of consumers (EUR/consum.)	214.52	208.74	208.65
OPEX regulated activities per network length (EUR/km)	2,794.36	2,733.25	2,737.42

* SSH performance monitoring indicators

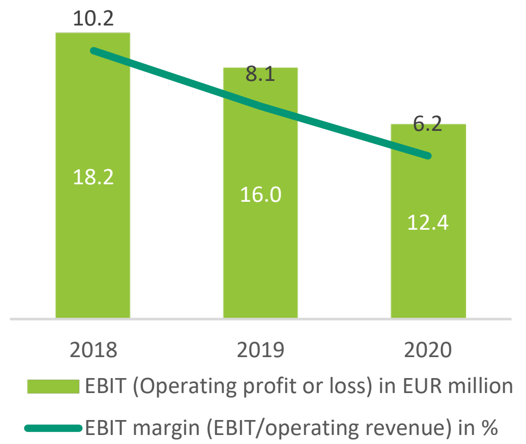
2 Added value = operating revenue – costs of goods, material and services – other operating expenses
3 Net financial debt = non-curr. finan. liab. - current finan. liab. – short-term finan. investments – cash
4 Number of hours worked / annual quota of all
5 The calculation for 2020 includes the refunded hours.
6 CAPEX = investments
7 OPEX = operating costs and expenses (costs of goods, material and services, labour costs, write-downs, other operating expenses)

3 Business highlights of 2020 – Elektro Maribor Group

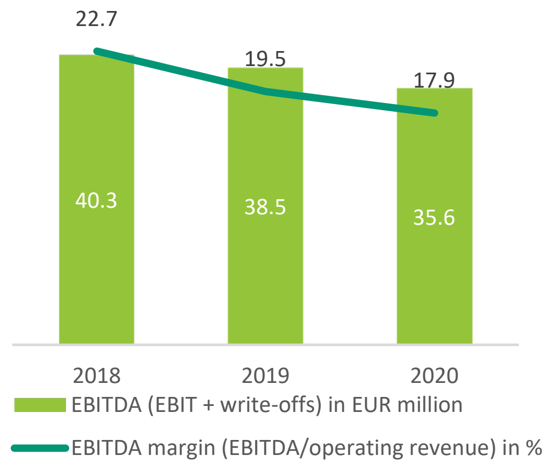
Net profit or loss and ROA



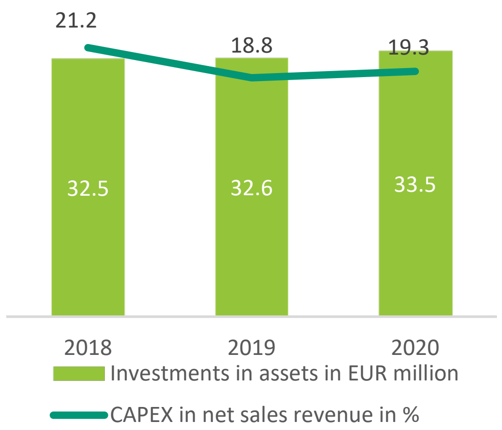
EBIT and EBIT margin



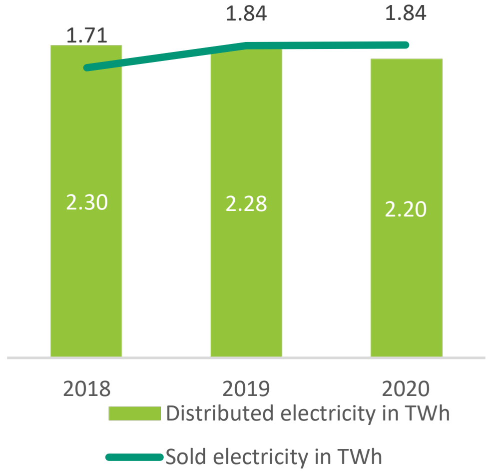
EBITDA and EBITDA margin



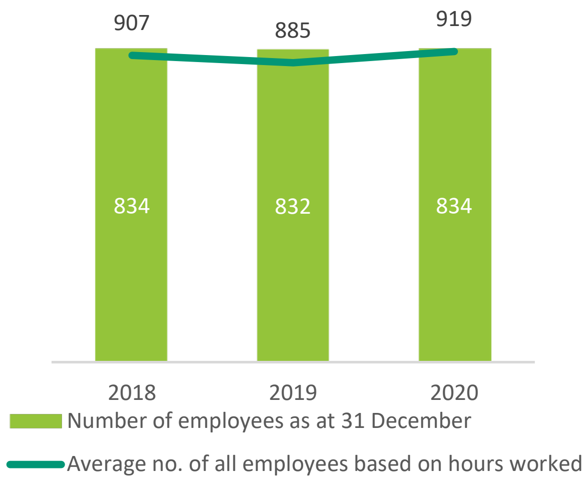
Investments in assets and net sales revenue



Electricity distributed and sold



Number of employees



Performance indicators of the Elektro Maribor Group

Financial indicators	2020	2019	2018
Net profit or loss in EUR	10,693,866	14,021,539	15,218,892
Return on assets (ROA) in %	2.52	3.41	3.83
Return on equity (ROE) in %*	3.58	4.81	5.40
EBIT (Operating profit or loss) in EUR	12,410,544	15,979,388	18,195,262
EBIT margin (EBIT/operating revenue) in %	6.22	8.12	10.24
EBITDA (EBIT + write-offs) in EUR	35,631,383	38,476,639	40,262,755
EBITDA margin (EBITDA/operating revenue) in %	17.87	19.54	22.65
All revenue total in EUR	199,765,505	197,356,230	178,049,923
Operating revenue in EUR	199,403,631	196,888,514	177,757,849
Net sales revenue in EUR	173,464,076	173,307,896	153,363,632
Added value[8] in EUR	68,123,422	71,117,327	73,020,479
Added value per employee from hours worked in EUR	74,166	80,339	80,513
All costs and expenses total in EUR	187,615,588	181,530,335	160,242,353
Operating costs and expenses in EUR	186,993,087	180,909,126	159,562,587
Assets as at 31 Dec in EUR	429,040,154	419,418,011	404,016,449
Equity as at 31 Dec in EUR	301,873,974	296,215,772	287,170,547
Share of own resources in liabilities in %	70.36	70.63	71.08
Financial liabilities/EBITDA	1.41	1.18	1.04
Net financial debt[9] in EUR	36,308,342	34,037,232	30,710,080
Net financial debt/EBITDA	1.02	0.88	0.76

Shares	2020	2019	2018
Number of all shares	33,345,302	33,345,302	33,495,324
- of which own shares	0	0	150,022

Employees	2020	2019	2018
Number of employees as at 31 Dec	834	832	834
Average no. of employees based on working hours[10]	918.53	885.22	906.94

Activity	2020	2019	2018
Investments in assets in EUR	33,509,942	32,617,115	32,502,969
CAPEX[11] in net sales revenue in %	19.32	18.82	21.19
Distributed electricity in GWh	2,197	2,279	2,298
Number of consumers connected to the distribution system	219,713	218,559	217,994
Sold electricity in GWh	1,840	1,836	1,707
Produced electricity in MWh	11,794	13,047	13,571

* SSH performance monitoring indicators

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 hours
11 CAPEX = investments in assets

4 Report of the Supervisory Board

Composition

In 2020, the Supervisory Board of Elektro Maribor d.d. operated in the following composition:

- Tomaž Orešič – Chairman,
- 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 unrelated companies, that is, 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 an unrelated company, UNIOR d.d., Zreče, procuration holder of Odvetniška pisarna BGO d.o.o., 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 an 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.

Supervisory Board's work

In the financial year 2020, 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 vested in 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 2020, which provided additional explanations to the Supervisory Board in addition to the submitted materials.

At ten regular, one extraordinary and one correspondence sessions, the Supervisory Board discussed and adopted the following important resolutions:

- gave its consent to the Annual Business Plan of the Company and the Elektro Maribor Group for 2021, with a business projection for 2022 and 2023;
- approved the Annual Report of Elektro Maribor d.d. and the Elektro Maribor Group for 2019;
- gave its consent to the Revised Annual Business Plan of the Company and the Elektro Maribor Group for 2020 with business projections for 2021 and 2022;
- gave its 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 and Annex 1 to the Contract;
- was kept up-to-date with the Company's activities, adopted and planned Covid-19 epidemic-related measures to ensure going concern, and instructed the Management Board to carry out all measures to stop further worsening of the situation for the Company and the Elektro Maribor d.d. Group;
- took note of the Report on the Operations of the Company and the Elektro Maribor Group;
- 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 2019;
- took note of the reports on relations with associated companies, the subsidiaries Energija plus d.o.o. and OVEN d.o.o.;
- proposed the General Meeting to adopt a resolution on granting discharge to the Management Board and the Supervisory Board of the Company for 2019, gave its consent to the proposed allocation of distributable profit for 2019, and approved the materials for the 25th General Meeting of Elektro Maribor d.d.;
- took note of the strategy of financial investments in shares of the Group companies;
- took note of the activities related to the procedure regarding the sale of the business share in the subsidiary Energija plus d.o.o.;

- took note of the information about information system implementation in Elektro Maribor d.d.;
- gave its consent to the Management Board to sign a financial contract upon prior receipt of the final consent from the Ministry of Finance and to sign an annex to the financial contracts;
- gave its consent to the Management Board to sign Annex No. 1 to the Guarantee Line Agreement for a period of one year;
- took note of the report on the progress of the activities related to the transfer of 110 kV transmission network elements for a consideration to ELES d.o.o., and in accordance with the provisions of the Energy Act;
- gave its consent to the Management Board to sign contracts of the transfer of 110 kV transmission network elements for a consideration;
- took note of the information about the realised transfer of the 110 kV infrastructure to ELES pursuant to the EZ-1 and gave its consent to Annex No 1 to the Contract of the transfer of 2×110 kV high-voltage transmission line for a consideration for 110/20 kV Transformer Sub-station Breg inclusion;
- took note of the information about the Elektro Maribor d.d.'s strategic investment in Informatika d.d.;
- gave its consent for ELEKTRO MARIBOR d.d. to conclude the Act establishing the Mura Infrastructure Development Institute;
- instructed the Management Board to keep the Supervisory Board informed about all transactions exceeding EUR 1,000,000.00 in value;
- conducted self-evaluation for 2019;
- took note of the implemented self-evaluation of the Supervisory Board's Audit Committee of Elektro Maribor d.d. and the planned actions, and the Report on the Work of the Supervisory Board's Audit Committee of Elektro Maribor d.d., and gave its consent;
- took note of the final report of the independent external audit of the internal audit quality in the Elektro Maribor Group NR3-2020;
- took note of the implementation of the internal audit corporate governance recommendations in the Company and the Elektro Maribor Group in the period between April 2018 and April 2020;
- took note of the Plan of Internal Audits in the Elektro Maribor Group for 2021 with projections for 2022 and 2023;
- gave its consent to the revision of the Internal Audit Charter of the Elektro Maribor Group;
- took note of the report on the work of the internal audit in 2019 in the Elektro Maribor Group;
- took note of the activities of the Company related to the implementation of the Corporate Governance Code for State-Owned Enterprises in Elektro Maribor d.d. and with the Key Human Resource Succession Policy in Elektro Maribor d.d.;
- adopted a revised Corporate Governance Policy of Elektro Maribor d.d., Diversity Policy of Elektro Maribor d.d., Management Function Succession Policy of Elektro Maribor d.d.;
- took note of the revised Code of Business Conduct of Elektro Maribor d.d.;
- adopted revised Rules of Procedure of the Work of the Supervisory Board of Elektro Maribor d.d., Rules on Education and Training of Elektro Maribor d.d.'s Supervisory Board Members, Training Programme for the Supervisory Board Members of Elektro Maribor d.d.for 2020, Remuneration Policy for the Management Board of Elektro Maribor d.d.;
- took note of the information about the status of the project to replace the existing meters with smart ones;
- took note of the information about the adoption of the Development Plan of the Electricity Distribution System for 2021-2030;
- took note of the report on the status of the 2 × 110 kV Murska Sobota – Mačkovci transmission line project and the issue concerning the operation of the 35 kV Murska Sobota – Mačkovci line;
- took note of the joint venture in the AKOS public tender for radio frequency allocation to ensure M2M communications critical for businesses via dedicated networks in the 700 MHz radio frequency band;
- took note of the Information about inspection procedures initiated against Elektro Maribor d.d.;
- took note of the comments regarding the Electricity Supply Act;
- decided on remunerating the President of the Management Board with a variable part of pay for business performance;
- took note of the Financial Calendar of Elektro Maribor d.d. for 2021 and adopted a calendar of Supervisory Board meetings in 2021;
- 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 and the EM Group for 2019;
- took note of the Report of the corporate integrity and fraud risk management officer in Elektro Maribor d.d. for 2019;

- took note of the situation regarding network use debt;
- took note of the course of public tenders in the Company and the course of the joint tenders;
- took note of Elektro Maribor d.d.'s intent to conclude a new D&O insurance and agreed for the insurance policy to include insurance for the Supervisory Board members of the Company;
- adopted an annual plan of its work for 2020;
- and more.

Attendance at meetings

The attendance of Members of the Supervisory Board per individual meeting is the following:

Attendance at meetings of the Supervisory Board of Elektro Maribor d.d.

Name and surname	Regular meeting	Extraordinary meeting	Correspondence meeting
Tomaž Orešič	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,11	1	1
David Klarič	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,11	1	1
Alojz Kovše	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,11	1	1
Jože Golobič	1, 3, 4, 5, 6, 7, 8, 9, 10,11	1	1
Dušan Kovačič	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,11	1	1
Nenad Kajtezovič	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,11	1	1

Operating costs of the Supervisory Board

Operating costs of Supervisory Board of Elektro Maribor d.d.

Costs of the Supervisory Board and its Committees in 2020	in EUR
Supervisory Board's attendance fees and travel costs – gross	19,938
Remuneration for performing the function of the Supervisory Board	86,809
Audit Committee's attendance fees and travel costs – gross	8,186
Remuneration for performing the function of the Audit Committee	11,509
Education	907
Total	**127,349**

Work of the Supervisory Board's Committees

The Supervisory Board has a three-member Audit Committee which held eleven regular meetings in 2020.

Attendance at meetings of the Committee of the Supervisory Board of Elektro Maribor d.d.

Name and surname	Regular meeting
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	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,11

At its 48th regular meeting 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.

Based on the Recommendations for Audit Committees by the Slovenian Directors' Association, the Audit Committee meetings were planned in such a way that there was sufficient time between the meeting of the Audit Committee and the meeting of the Supervisory Board to resolve all issues discussed at the Audit Committee meeting 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 meetings:

- **Financial reporting**

  Review of annual and interim financial statements and business reports of the Elektro Maribor d.d. and the Group in 2020 review of accounting policies of the Elektro Maribor d.d. and the Group and all their amendments made in 2020, review of the Elektro Maribor d.d. and the Group planning, strategies, policies, annual business plans, accounting and/or business treatment of significant and extraordinary business events in 2020, 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 and internal control system in Elektro Maribor d.d.

- **Internal audit**

  Internal audit in Elektro Maribor d.d. has operated 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. and the Group by reviewing the annual work plan of the internal audit 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 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 2020, and the self-assessment of internal audit for 2019. 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 2019, 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 2018 and 2019; it approved the call for tender and the criteria, and monitored the procedure for selecting an external auditor for discussing specific legislative requirements referring to the auditing of financial statements of companies employing disabled persons – opinion no. 17 for 2020 and 2021, and reviewed draft contracts, met with the external auditor prior to the start of the audit, and reviewed and discussed the proposed audit plan; furthermore, it met with the external auditor after the pre-audit conducted for 2020.

  The Audit Committee of the Supervisory Board conducted a self-assessment of the work of the Audit Committee of the Supervisory Board for 2020.

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.

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

The Annual Report of Elektro Maribor d.d. for 2020 was audited by the audit firm BDO Revizija d.o.o., which on 15 April 2021 issued a concurring opinion to the Annual Report of Elektro Maribor d.d.

Proposed allocation of distributable profit

The Supervisory Board agreed with the proposal for the allocation of distributable profit for 2020, 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 2020

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 Annual Report of the Company for 2020 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 for 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 properly disclosed in the Annual Report.

The Supervisory Board determined that the content of the Annual Report and the consolidated Annual Report of the Company presents a true and fair view of its operations in 2020. 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 presents a true and fair view of the Company's financial position, and adopted the following resolutions:

- The Supervisory Board has determined that the Annual Report has been prepared following the provisions of the Companies Act and accounting standards.
- The Supervisory Board considers that the Annual Report and the data contained therein are a credible reflection of the Company's operations in the previous financial year.
- After the final review of the Company's Annual Report, the Supervisory Board has no comments and endorses the Annual Report of the Company for 2020.
- The Supervisory Board gives a positive opinion on the audit report of the Company's financial statements and consolidated financial statements for 2020, 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 2020, the Supervisory Board approved the Annual Report of Elektro Maribor d.d. and the Elektro Maribor Group for 2020 at the meeting held on 20 May 2021;
- 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 2020; The Supervisory Board estimates that the Management Board managed the successfully, diligently and in compliance with the regulations and Company acts.
  - adopt a resolution on granting discharge to the Company's Supervisory Board for 2020, as it estimates that the Company operated in accordance with the set objectives and the plan for 2020.
- 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 2020.
- 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 2020 (Article 546a of the ZGD-1)

At its third and fourth regular meetings in 2021, the Supervisory Board discussed and reviewed the Report on relations with related companies for 2020, 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.

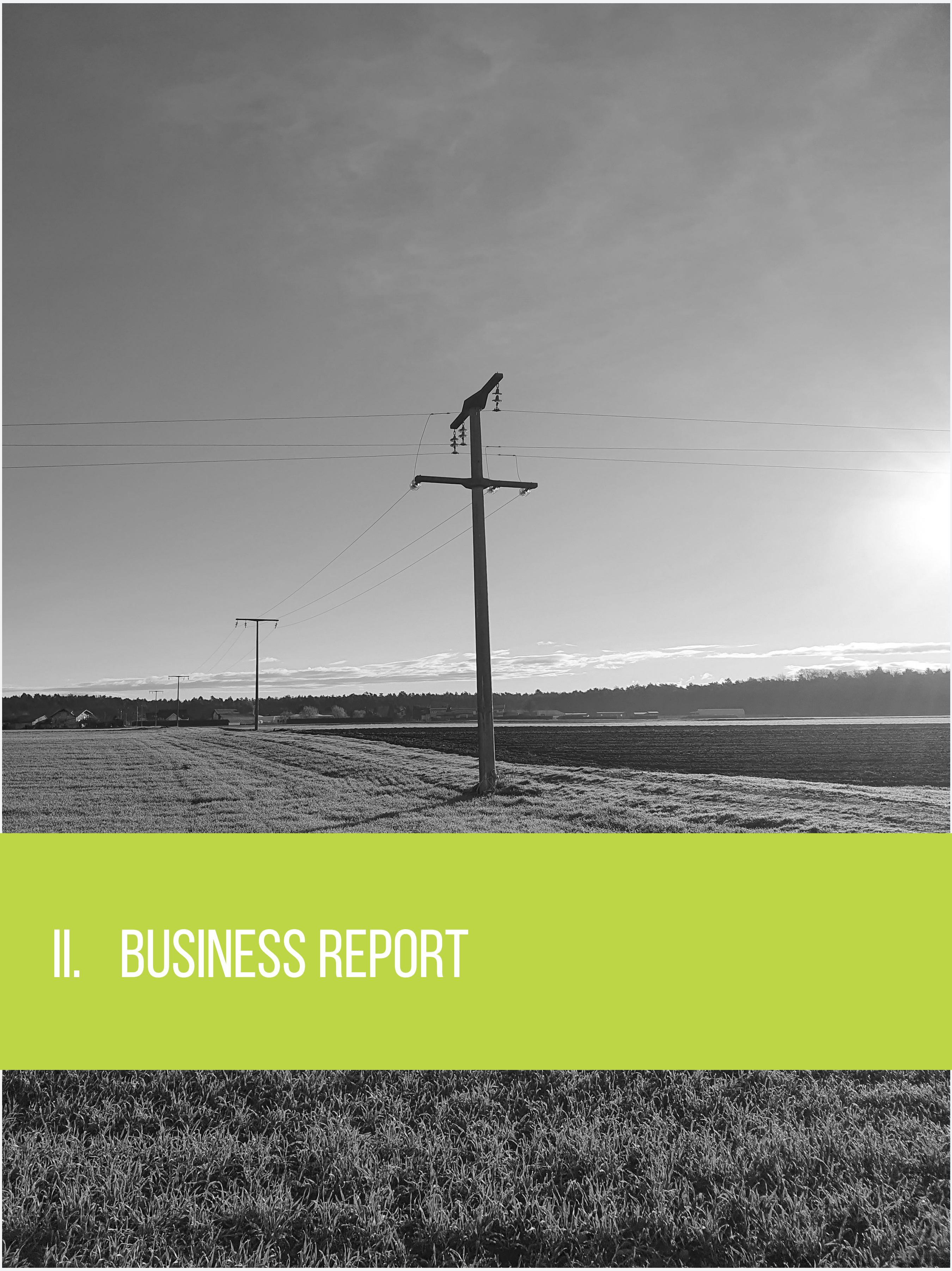
Based on the report on relations with related companies for the previous financial year, the Supervisory Board examined all the necessary circumstances and reasons for concluding legal transactions and established that there were no disadvantages between the companies.

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, 20 May 2021

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), 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 2020 to 31 December 2020.

1.1 Corporate Governance Codes – Statement of Compliance of Operations with the Corporate Governance Codes

In 2020, the Company used the Corporate Governance Code for State-Owned Enterprises adopted by the Slovenian Sovereign Holding in November 2019, as the reference Corporate Governance Code[12]. In 2020, it deviated from the following recommendation:

- Principle 6.14.2: In 2020, the Audit Committee of the Supervisory Board of Elektro Maribor d.d., met eleven times as appropriate considering the work process.

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 2020, 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 5.7.11 in relation to point 8: In 2020, the supervisory body did not prepare any criteria for variable pay to the management body in light of the circumstances of operations in 2020.
- 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] and Recommendations and Expectations of Slovenian Sovereign Holding, which were adopted in August 2020. In 2020, it deviated from the following recommendation:

- Recommendation 4.5: The binding collective agreement or the agreements with employee representatives referring 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, Elektro Maribor d.d. continuously strives to improve practices in the field of corporate governance, including proactive corporate communication with different stakeholders. At the end of 2020, the Supervisory and the Management Board of the Company adopted an amended Corporate Governance Policy of Elektro Maribor d.d., which will include this recommendation.

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

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

The objectives of the internal control operation are to ensure the compliance of operation with

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.

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 Risks 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 2020 the present system of internal controls in 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 Supervisory Board and the Management Board of the Company always endeavour to further improve the internal controls system in the Company and the Group.

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, 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 pursues 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;
- regular internal and external audits of business operation processes.

1.3 Notes in accordance with the sixth paragraph of Article 70 of the ZGD-1

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

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.

Restrictions on the number of shares

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 of 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.

All shares are freely transferable.

Significant direct and indirect ownership of the 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 2020, the Republic of Slovenia held 26,628,994 shares or 79.86%, and Pivovarna Laško Union d.o.o. held 1,922,321 shares, accounting for 5.76%.

Notes on the holder of securities that provide special controlling rights

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

Employee share scheme

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

Notes regarding all restrictions on voting rights

Shareholders of Elektro Maribor d.d. have no restrictions for exercising their voting rights in terms of own shares. As at 31 December 2020, Elektro Maribor d.d. had no own shares due to the withdrawal of own shares in 2019.

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

There are no such agreements.

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.

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

In 2020, the General Meeting of Elektro Maribor d.d.did not authorise the Company's Management Board for purchasing own shares.

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.

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.

1.4 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.

1.5 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 Presentation of the Company and the Elektro Maribor Group.

1.6 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 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.

1.7 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 Supervisory Board of Elektro Maribor d.d. developed, and on 22 December 2020 adopted the Diversity Policy of Elektro Maribor d.d., which is published on the Company's website https://www.elektro-maribor.si/media/4872/politika-raznolikosti-družbe.pdf.

Company bodies 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. In accordance with the General Meeting's resolution, the supervisory body is made up of single-gender representatives.

Maribor, 12 April 2021

President of the Management Board

Mag. Boris Sovič

Chairman of the Supervisory Board

Tomaž Orešič

2 Statement on non-financial operations[17]

In accordance with point 44 of Article 3 of the ZRev-2, Elektro Maribor d.d. belongs to the group of public-interest entities as of 1 January 2020; in line with Article 70.c of the ZGD-1, it is bound to report on non-financial operations. The statement on non-financial operations is an integral part of the Annual Report for 2020 and is available at the Company website on https://www.elektro-maribor.si/ for a minimum of five years from when it is published.

Elektro Maribor d.d. discloses information on non-financial operations based on the international reporting framework under the GRI (Global Reporting Initiative) guidelines. Information with a description of the business model and policies of the Company regarding such matters, including the main risks and key non-financial performance indicators are presented throughout the annual period with references to individual GRI indicators.

Elektro Maribor d.d. is the parent company; together with the subsidiaries Energija plus d.o.o. and OVEN Elektro Maribor d.o.o. it makes up the Elektro Maribor Group. The consolidated Annual Report of the Group is an integral part of the parent company's Annual Report, which is available at the seat of Elektro Maribor d.d., Vetrinjska ul. 2, 2000 Maribor and on the website www.elektro-maribor.si in Slovenian and English. The consolidation includes both subsidiaries, Energija plus d.o.o. and OVEN Elektro Maribor d.o.o.

The Annual Report of the Company and of the Elektro Maribor Group is prepared by individual expert departments at Elektro Maribor d.d. and the subsidiary. The report is prepared according to GRI standards – basic option. The report is also prepared by observing the Companies Act (ZGD-1), Slovenian Accounting Standards (SAS), International Financial Reporting Standards (IFRS) and Recommendations and Expectations of the Slovenian Sovereign Holding.

The Annual Report of the Company and of the Elektro Maribor Group provides a comparison of individual realised data for a three-year time period (2018–2020); in the financial part, the data is presented for two years (2019–2020). A comparison of certain financial data in 2020 compared to the plan is presented in the chapter Analysis of operations.

In the context of non-financial reporting we disclose key aspects of sustainability reporting, 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. The GRI reporting index is presented at the end of the Annual Report.

Key aspects of sustainability reporting

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

The Corporate Governance Policy Elektro Maribor d.d. is published on the website www.elektro-maribor.si/o-podjetju/akti-družbe/; it includes the principles and the main policies of corporate governance, while taking into consideration the Company's long-term objectives, such as determined by the Corporate Governance Code for State-Owned Enterprises and the Corporate Governance Code for Non-Public Companies, and taking into consideration the strategy of capital investment management of the state. The parent company also endeavours to implement the same high standards of governance and operations in its subsidiaries. The Company has published the Diversity Policy of Elektro Maribor d.d., which is intended to assure good and sustainable operation of the management and supervisory bodies. More on the business model and di-

17 GRI 102-45 – 102-54, 102-56

versity policy is presented in the chapter Statement of governance and the chapter Presentation of the Company and of the Group.

The Company applies a well-regulated risk management method to mitigate the negative impacts of risks on the achievement of goals and to enhance their positive impacts. We pay a lot of attention to all risks in the Company. We have adopted a Risk Management Policy and appointed persons to be in charge of individual risks based on the register of risks. For more information about risks, see chapter Risks.

Pursuant to the ZGD-1, the mandatory components for non-financial reporting include information about environmental, social and HR issues, respect for human rights and about the fight against corruption and bribery.

Environment

Due to the importance of the Company's activity in ensuring a quality life of the population and the economic development, we demonstrate our responsibility to the environment especially through effective sustainable realisation of our mission and by supporting humanitarian projects and projects emphasising innovation, creativity and excellence. In this field, we have introduced quality systems, which are explained in more detail in chapter Quality system. We are aware of our corporate social responsibility in creating conditions for green transformation in the wider environment. The results evidence our efforts. We have integrated an above-average share of advanced metering systems for our users, provided the network with an above-average share of underground MV and LV lines, and integrated an above-average volume of renewable energy sources into the network.

We are also focused on enhancing our own energy efficiency. As the first company in this sector, we started calculating the carbon footprint and adopting measures to manage it already in 2011. In 2020, we implemented the new ISO 50001 standard: Energy Management System and integrated it into the quality system together with the other standards. The key non-financial indicators and a detailed content are presented in the chapter Environmental impacts.

Social and HR policy

The HR policy of the Company and the Elektro Maribor Group pursues the objective of placing the appropriate staff to the appropriate job positions in accordance with the applicable regulations and the development of key personnel. Professionalism, performance, commitment, affiliation and loyalty of employees are important. We observe the fundamental moral and ethical values, ensure 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 positions, the Company also follows the diversity policy 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 six years now, the Company has been conducting a selection of the "best employee" where everyone gets a chance 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 electricity training for work activities or for the future profession to high school or university students. Annually, we submit offers for granting scholarships to young people who are studying for professions in the electricity sector.

The Company emphasises social dialogue with the trade union and the works council, which represent the interests of employees in the Company.

Annual survey of organizational climate and employee satisfaction is one of the important tools for determining the organizational climate and satisfaction of employees in the Company. In 2020 we once again 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. The key non-financial indicators and detailed content are presented in the chapter Employees.

Respect for human rights

The Company operates on the basis of the respect for ethical and legal norms, honesty, quality and business excellence. We comply with the principles of observing the law, accountability, honesty, respect for others, honesty, fairness, care, reliability, and awareness of responsibilities.

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: 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.

In 2020, we supplemented the Code and harmonised it with the revised Corporate Governance Code for State-Owned Enterprises, which is published on the intranet of Elektro Maribor d.d. and on the Company's website on www.elektro-maribor.si, and available for consultation in secretary offices of regional/service units. We continuously raise awareness among employees about ethical operations and conduct of employees in accordance with the Code. All employment contracts include a provision on compliance with the Code.

Fight against corruption and bribery

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.

At the meetings between employees and the Management Board, we informed employees with the role of a whistle-blower. The applicant can report any irregularities via email (korporativna.integriteta@elektro-maribor.si); a written application can be inserted into boxes placed in the premises of Elektro Maribor d.d. or sent to the seat of Elektro Maribor d.d.

In 2020, Elektro Maribor d.d. actively approached the identification of fraud risks. We noted down the processes where risks were identified and where unethical activity or fraud could occur. For this purpose we also noted down the controls preventing unethical activities and possibility of fraud.

In 2020, we discussed five applications for the issuance of consent to perform supplementary work. We did not receive any applications regarding cooperation in management and supervisory boards.

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.

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.
- Rules on handling received gifts.

In 2020, we discussed four reports regarding the suspicion of unethical conduct and one self-report for elimination from public procurement procedure. We did not identify any case of corruption and bribery.

President of the Management Board

Mag. Boris Sovič

3 Significant events

3.1 Significant events in 2020

Contract signed with SODO d.o.o.

In January 2020, we signed a contract and Annex No 1 to the contract with SODO d.o.o., both relating to the regulatory period of 2019–2021 and determining the amount of eligible revenue from the leased electricity infrastructure on the distribution system, and revenue from service provision (regulated revenue).

Integrated National Energy and Climate Plan

In the context of the Elektro Maribor Distribution Academy, we were actively involved in the discussion regarding the strategic document "National Energy and Climate Plan". The Distribution Academy organised a traditional and teleconference consultation and, with presentations and organisation of round tables with experts, it facilitated an in-depth discussion and preparation of quality strategic development documents. Being a modern energy company, Elektro Maribor d.d. also supports sustainable development and efficient energy use in such way, and at the same time it emphasises the importance of ensuring a robust distribution system as a platform for the transition to a low-carbon society.

We prepared several expert comments and recommendations, many of which were taken into account. On 27 February 2020, the Government of the Republic of Slovenia adopted the National Energy and Climate Plan, which was submitted to the European Commission. An increase in the annual realisation of investments by more than three times from the current EUR 130 million to EUR 420 million a year represents a great challenge to Slovenian electricity distribution and, as a result, regulation of activity suited to such objectives.

Covid-19 epidemic

The Republic of Slovenia declared an epidemic of the infectious disease SARS-CoV-2 (Covid-19) in March 2020, which was cancelled after 80 days, at the end of May 2020. In August 2020, a new wave of infections occurred and in October 2020, the epidemic was again declared in the Republic of Slovenia. In the Elektro Maribor Group, numerous protective measures have been in place since March 2020. We have followed the recommendations of competent government institutions, all the while implementing prevention and protection measures to protect the health of our employees, our families and users and to ensure the going concern. The measures are presented in more detail in a separate chapter.

Averages

In 2020, the first and third quarter, particularly the third, were marked by frequent and intensive extreme weather conditions, such as strong wind, storms and early snow, leading to power failure, tree damage, fallen trees on transmission lines, base station breaking and line tearing. Elektro Maribor d.d. immediately started repairing the damage to restore electricity supply in the shortest time possible by reassigning human resources.

Change in the recognised return on assets

On 29 May 2020, the Energy Agency adopted an amended Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system (hereinafter: the Network Charge Act). A material change in the amended Network Charge Act refers to a decrease in the recognised level of return on assets for the electricity distribution system in 2020, from 5.26% to 4.13%. As a result, our regulated revenue in 2020 was lower. The Energy Agency did not change the decision for the regulatory framework of 2019–2020.

EIB loan

In May 2020, the European Investment Bank (EIB) granted Elektro Maribor d.d. a long-term loan in the amount of EUR 31 million for investments to ensure better reliability of the electricity distribution network. The Company will earmark the funds to further enhance electricity distribution reliability and develop electricity distribution infrastructure for more than 221,000 users in NE Slovenia. In September 2020, we drew the first portion of the loan in the amount of EUR 11 million.

Sale of 110kV network elements

Pursuant to Article 512 of the Energy Act (EZ-1B – the Official Gazette of the RS, No. 60/2019) and pertinent Decree on the division of the 110 kV network into the distribution and transmission systems (the Official Gazette of the RS, No. 35/15), Elektro Maribor d.d. transferred a part of the 110 kV network, determined in the said Decree, for consideration to the transmission operator in the Republic of Slovenia, ELES d.o.o.

Sale of an interest in a subsidiary

Pursuant to the law governing operations of companies and the Articles of Association of the Company and taking into consideration the Ordinance on state-owned assets management strategy (OdSUKND) adopted by the National Assembly of the Republic of Slovenia, a procedure to sell a part of the initial capital of Energija plus d.o.o. is in place.

In July 2020, we published a call to express interest in the purchase of up to 51% of the initial capital of Energija plus d.o.o., whereby Elektro Maribor d.d. as the owner will keep at least a 49-percent share in Energija Plus d.o.o.. In order to keep the ownership interest in Energija Plus d.o.o., Elektro Maribor d.d. will consider strategic connections and synergies as important in the transaction.

Platinum Creditworthiness Rating Excellence

Elektro Maribor d.d. received the Platinum Creditworthiness Rating Excellence, the Golden AAA, for three successive years. Based on this, we received the Platinum Creditworthiness Excellence from Bisnode Slovenija in July 2020, which represents above-average credit rating based on financial statements and other dynamic indicators, such as the assessment of solvency, creditworthiness, debt, profitability; it forecasts above-average and successful operations of the Company in the next twelve months.

Elektro Maribor d.d., is thus a most reliable, credible and low-risk company in terms of cooperation with all business partners. The certificate provides European acknowledgment and recognition and Elektro Maribor d.d.proudly presents it, as it evidences its good and reliable operations.

Increased share capital

Based on the General Meeting resolution, we increased the share capital of Elektro Maribor d.d. by EUR 64,785,031.94 on 6 August 2020. It now stands at EUR 203,932,511.50 and is divided in 33,345,302 ordinary registered no-par-value shares. The increase in the share capital will help improve the Company's financial stability and further increase its credit rating, and it will enable it to increase the volume of investments and ensure a more stable electricity network.

Revised plan for 2020

Throughout 2020, the Company has made every effort to mitigate the negative impacts on operations and to maximise the realisation of the business objectives set for 2020. Despite great efforts, it was impossible to achieve all of the targets set in the Annual Business Plan for 2020, which was adopted in 2019, because of the reduced regulated revenue in the changed situation.

In response to the significant external impacts on the Company's operations, we prepared a revised Annual Business Plan for 2020 (hereinafter: Revised Plan for 2020), which was endorsed by the Supervisory Board of the Company at its meeting on 27 August 2020. In the Revised Plan for 2020, we took into account the external impacts on the operations of the Company known at that time and the planned measures to mitigate the negative impacts on Company's operations. After the adopted Revised Plan for 2020, a new wave of the epidemic occurred in the second half of 2020. In this period, there were many days of extreme weather conditions, both of which were impossible to anticipate and consider while preparing the Revised Plan for 2020, but they had a significant effect on the operations in 2020.

Long-Term Climate Strategy

The Long-Term Climate Strategy is a strategic document for the period up to 2050. The comprehensive decarbonisation plan is one of the most complex projects of the present generation. At the end of August 2020, the competent ministry published two documents: Draft Long-Term Climate Strategy of Slovenia up to 2050 and Summary Analysis of Scenarios to Decide about the Long-Term Climate Strategy of Slovenia up to 2050.

In the context of the Elektro Maribor Distribution Academy, we actively cooperated in the discussion about this strategic document in the energy field. We prepared numerous expert comments and suggestions, which were confirmed in the context of the Economic Interest Grouping in the field of electricity distribution and submitted in time for public discussion.

Centenary of the alternating current electricity supply in the city of Maribor

In 2020, we celebrated hundredth anniversary of the advent of alternating current electricity distribution in Maribor, which represented a technological breakthrough and a basis on which to build the economy and prosperity. Within the city and the surrounding region, the alternating current network enabled the development of street lighting, the supply of buildings with electricity for everyday purposes, and the use of electricity as a primary power source in workshops and small businesses, thereby significantly facilitating the economic development and increase in the standard of living.

On this important anniversary, we held a gala event at the Slovenian National Theatre Maribor, by observing the epidemiological situation. We were honoured to host the President of the Republic of Slovenia. The Post of Slovenia issued a commemorative stamp on this occasion.

Development Plan 2021–2030

In accordance with the law, we prepared a draft Electricity Distribution System Development Plan in the Republic of Slovenia for a ten-year period from 2021 to 2030. The Plan is harmonised with the National Energy and Climate Plan. We submitted it to the distribution operator. On 18 December 2020, the Ministry of Infrastructure gave its consent to the joint document Electricity Distribution System Development Plan in the Republic of Slovenia from 2021 to 2030. The confirmed development plan is published on the distribution operator's website.

Record-high robustness and number of replaced pylons

Through intensive cabling in 2020, the robustness of the MV and LV network reached the value of 72.7%, which is the most to date. The extension of the underground line length has been the largest in the last five years.

In order to increase network robustness, thereby ensuring a more reliable and safer operation and provision of uninterrupted electricity supply to our users, we replaced 10,539 pylons in 2020, which is the most in the last decade.

Advanced metering infrastructure

In 2020, we achieved an important milestone, as we had more than 90% of consumer meter points in the area of the NE Slovenia included in the advanced metering infrastructure. This will enable Elektro Maribor d.d. to achieve its goal of including all meter points into the advanced metering system by the end of 2025 much sooner.

Network integration of production sources

In 2020, we integrated as many as 1,221 production sources into the distribution system, thereby setting a record in the entire history of the Company. In the Elektro Maribor supply area we connected almost a third of all new distribution production sources to the network in the country. Much interest in the connection of self-supply installations requires additional organisation measures in terms of issuing consents and, definitely, also additional investments in the network.

ISO management systems

In 2020, we successfully certified the ISO 50001 energy management system and integrated in into the quality system together with the other standards.

Having transferred to the ISO 45001 standard, we have integrated the field of occupational health and safety into the current management system.

Code of Business Conduct and Ethics

The Company has adopted a revised Code of Business Conduct and Ethics, taking account of the Corporate Governance Code for State-Owned Enterprises. We have started identifying the risk of fraud and recorded the processes in which we identified risks and which could lead to unethical conduct or fraud. To this end, we have set up controls to prevent unethical conduct and the possibility of fraud.

Governance policy

In December 2020, the Supervisory Board and the Management Board of the Company adopted an amended Corporate Governance Policy of Elektro Maribor d.d. in accordance with the Corporate Governance Code for State-Owned Enterprises and the Corporate Governance Code for Non-Public Companies.

3.2 Significant events after the end of the business year

Extended Covid-19 epidemic

The epidemic did not settle down at the end of 2020 and has continued into 2021. Coping with it has remained a priority at the state and corporate levels as well as a new reality before life can return back to normal as result of adequate vaccination coverage.

On 17 January 2021, the Government of the Republic of Slovenia extended the declared epidemic for another 60 days with the Decree declaring a state of epidemic of the infectious disease Covid-19. The situation, however, has not improved and we are facing the third wave of the epidemic. To this end, the Government of the Republic of Slovenia has once again extended the declared epidemic on 18 March 2021 with the Decree, this time for 30 days.

In light of the current situation, additional measures to contain the Covid-19 epidemic were adopted at the state level, the majority of which will apply from 1 April until 11 April 2021.

In the current situation, the operation of the critical infrastructure, which includes electricity distribution, is crucial. The Company has several measures in place to ensure the health of employees. In cooperation with the competent health institutions, we provided our employees with the possibility to get vaccinated in March 2021 (staff on-call and on duty, support processes). By the end of March 2021, more than 200 of our employees were vaccinated.

4 Presentation of the company and the Elektro Maribor Group[18]

4.1 Parent company Elektro Maribor d.d.

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.

Elektro Maribor d.d. is a provider of essential services in the field of energy, in subsection electricity, namely for electricity distribution services.

Company profile of Elektro Maribor d.d.

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 203,932,512
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 2020:	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

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.

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 approximately 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.

Logo of Elektro Maribor d.d.

ELEKTRO MARIBOR

4.1.2 Organizational structure of Elektro Maribor d.d.

Elektro Maribor d.d. has a Management Board and is organizationally broken down 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 31 December 2020 are:

Management Board

Mag. Boris Sovič, President of the Management Board

Distribution Area

Silvo Ropoša, Area Director

Andrej Roškar, 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 Leskovar – Regional Unit Gornja Radgona

Service Area

Andrej Dolšak, Area Director

Directors of service units:

Damir Ćatič – Service Unit Maribor

Andrej Sraka – Service Unit Ljutomer

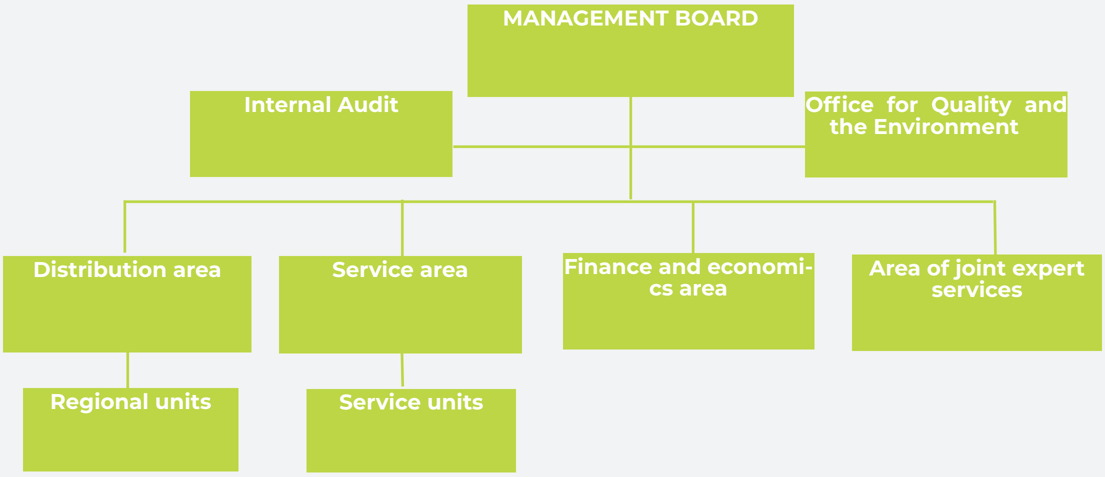
Finance and Economics Area

Mag. Andreja Zelenič Marinič, Area Director

Area of Joint Expert Services

Tatjana Vogrinec Burgar, Area Director

Organizational structure of Elektro Maribor d.d.



4.1.3 Management and 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. Based on results of work so far and plans for the future, the Supervisory Board of Elektro Maribor d.d. reappointed Mag. Boris Sovič for a 4-year term of office on 14 March 2020.

Composition of the Management Board of Elektro Maribor d.d. in 2020

Name and surname	Function (President, Member)	Responsibility	First-time appointment	End of function/ term of office	Gender	Citizenship	Year of birth
Boris Sovič	President of the Management Board	Manages and represents the company	12. 3. 2012	14. 3. 2024	M	SLO	1956

Composition of the Supervisory Board and Committees in 2020

Name and surname	Function (Chairman, Deputy, Member)	First-time appointment	End of function/ term of office	Shareholder/employee representative	Attendance at SB meetings based on the total number of SB meetings (e.g. 5/7)	Gender	Citizenship	Year of birth
Tomaž Orešič	Chairman	12. 12 .2014	12.12.2022	Shareholder representative	12 of 12	M	SLO	1970
David Klarič	Deputy	1. 9. 2017	31. 8 .2021	Shareholder representative	12 of 12	M	SLO	1974
Alojz Kovše	Member	13. 12. 2018	12.12.2022	Shareholder representative	12 of 12	M	SLO	1955
Jože Golobič	Member	13. 12. 2018	12.12.2022	Shareholder representative	11 of 12	M	SLO	1973
Dušan Kovačič	Member	14. 7. 2014	13. 7. 2022	Employee representative	12 of 12	M	SLO	1965
Nenad Kajtezovič	Member	14.7.2018	13.7.2022	Employee representative	12 of 12	M	SLO	1971

Education	Professional profile	Membership in supervisory bodies in companies not associated with the Company
University graduate in electrical engineering, Master of electrical engineering	Management, electricity system	NO

Education	Professional profile	Independence pursuant to Article 23 of the Code (DA / NE)	Conflict of interest in business year (YES/NO)	Membership in supervisory bodies of other companies	Membership in committees (audit, HR, remuneration committee...)	Chairman/ Member	Attendance at committee meetings based on the total number of committee meetings (e.g. 5/7)
University graduate in mechanical engineering	Management, electricity system	YES	NO	NO	NO	/	/
University graduate in economy, MSc	Finance, accounting	YES	NO	NO	YES / Audit Committee	Member	11 of 11
University graduate in economy, MBA	Finance, accounting	YES	NO	YES	YES / Audit Committee	Chairman	11 of 11
LL.B.	Law	YES	NO	YES	NO	/	/
University graduate in electrical engineering	Electricity system	YES	NO	NO	NO	/	/
Electrical Engineer	Electricity system	YES	NO	NO	NO	/	/

Composition of external committee members in 2020

Name and surname	Committee	Attendance at committee meetings based on the total number of committee meetings (e.g. 5/7)	Gender	Citizenship	Year of birth	Education	Professional profile	Membership in supervisory bodies in companies not associated with the Company
Ivana Kuhar	Audit Committee	11 of 11	F	SLO	University graduate in economy	1970	Finance, accounting	

At a regular Annual General Meeting in 2020, the General Meeting decided on the allocation of distributable profit for the financial year 2019 and on granting of discharge to the Management Board and the Supervisory Board.

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 uses 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 the 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

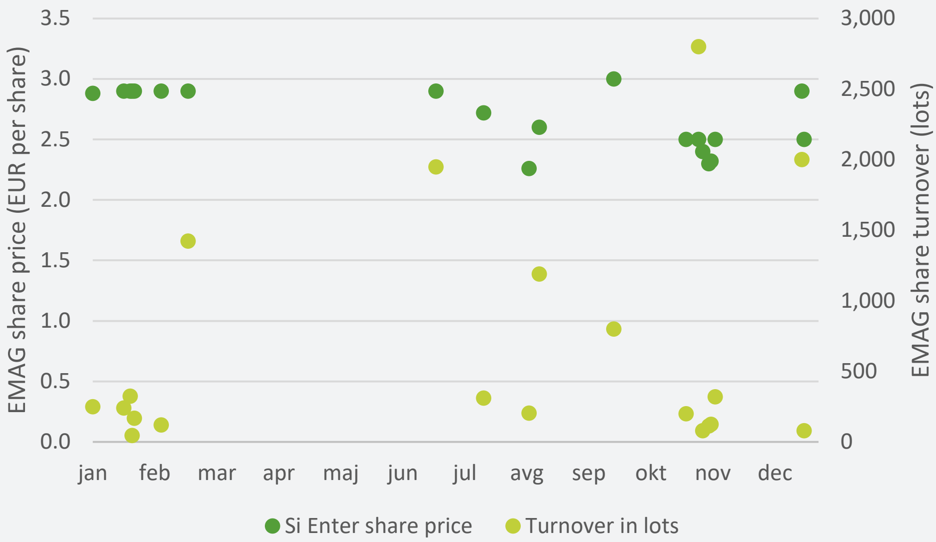
Elektro Maribor d.d. is a public limited company with a share capital of EUR 203,932,511.50 divided into 33,345,302 ordinary registered no-par-value shares EMAG. Each share represents an equal stake and corresponding amount in the share capital.

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 Equity market – Enter Basic.

In September 2020, the Elektro Maribor d.d. shares reached the highest value of EUR 3.00 per share, following which they reached the lowest in August at EUR 2.26 per share. In 2020, the average value of the EMAG share in the SI ENTER market amounted to EUR 2.68, which is 6.6% less than in 2019 (EUR 2.87).

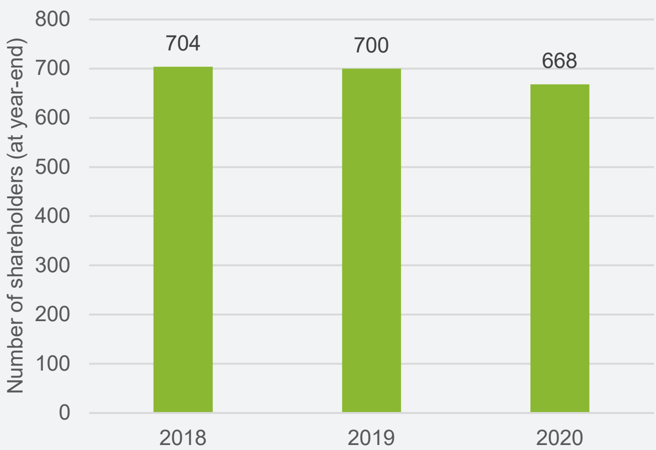
In 2020, a total of 32 transactions in the total volume of 12,739 EMAG shares were executed in the SI ENTER market.

Trend of EMAG share value and turnover on the SI ENTER market in 2020



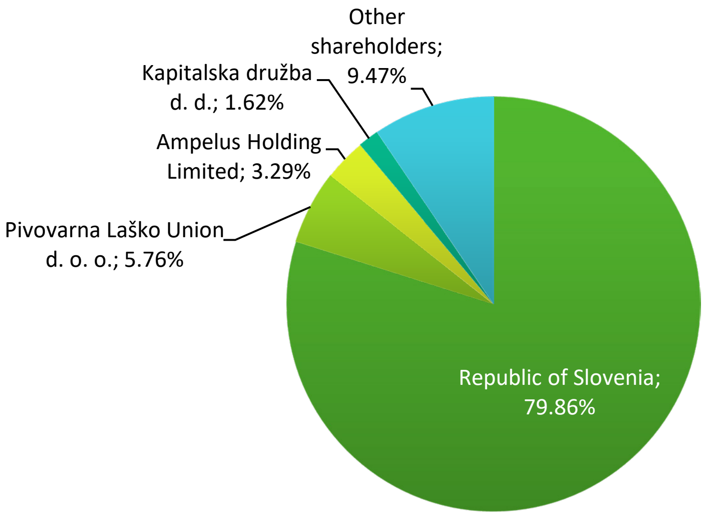
As at 31 December 2020, Elektro Maribor d.d. had 668 shareholders, which is 5% or 32 shareholders less than as at 31 December 2019.

Changes in the number of shareholders of Elektro Maribor d.d.



In 2020, there were no significant changes in the structure of shareholders of Elektro Maribor d.d. The Republic of Slovenia has remained the major shareholder.

Structure of shareholders of Elektro Maribor d.d. as at 31 December 2020



Major shareholders of Elektro Maribor d.d. as at 31 December 2020

Shareholder	Address	Number of shares
Republic of Slovenia	Gregorčičeva ulica 2, 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, 5, Mesa, 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**

Number of shares owned by Supervisory and Management Board members as at 31 December 2020

Name and surname	Function	Number of shares	Equity interest
Supervisory Board			
Internal members		**594**	**0.0003%**
1. Dušan Kovačič	Supervisory Board Member	200	0.0001%
2. Nenad Kajtezovič	Supervisory Board Member	394	0.0002%
External members		**0**	**0.0000%**
1. Tomaž Orešič	Chairman of the Supervisory Board	0	0.0000%
2. David Klarič	Supervisory Board Member	0	0.0000%
3. Jože Golobič	Supervisory Board Member	0	0.0000%
4. Alojz Kovše	Supervisory Board Member	0	0.0000%
Management Board		**0**	**0.0000%**
1. Boris Sovič	President of the Management Board	0	0.0000%

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 Article 322 of the Slovenian Companies Act (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 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. Elektro Maribor d.d. filed an appeal against the decision on appointing the extraordinary auditor.

In February 2020, the Maribor District Court submitted to Elektro Maribor d.d. a Report on the performed extraordinary audit of property, plant and equipment of 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 were 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.

The report on the conducted extraordinary audit of property, plant and equipment of Elektro Maribor d.d. of 10 February 2020 is published on the website of Elektro Maribor d.d. (www.elektro-maribor.si/media/4733/elektro-ampelus-izredna-revizija_1.pdf) and on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES).

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:

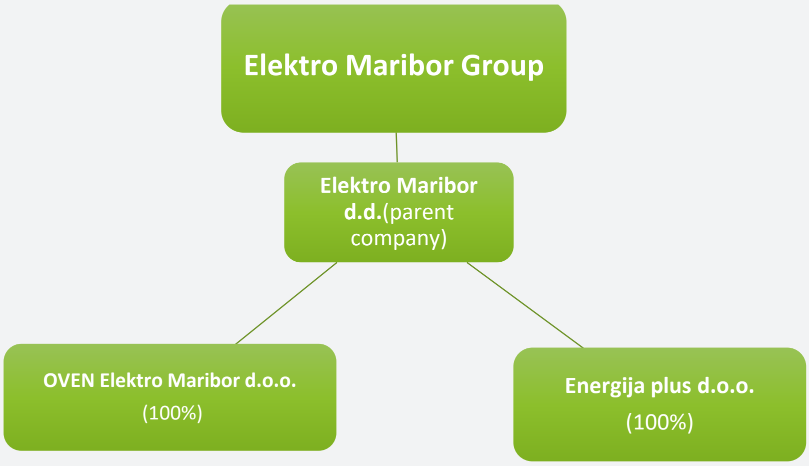
- Energija plus d.o.o.,
- OVEN Elektro Maribor d.o.o.

In 2002, 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.o.o., 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.

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.

Organizational structure of the Elektro Maribor Group



4.3 Subsidiary Energija plus d.o.o.

Company profile of the 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 2020:	75
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

Company activity

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.

Logo of Energija plus d.o.o.

ENERGIJA PLUS

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:

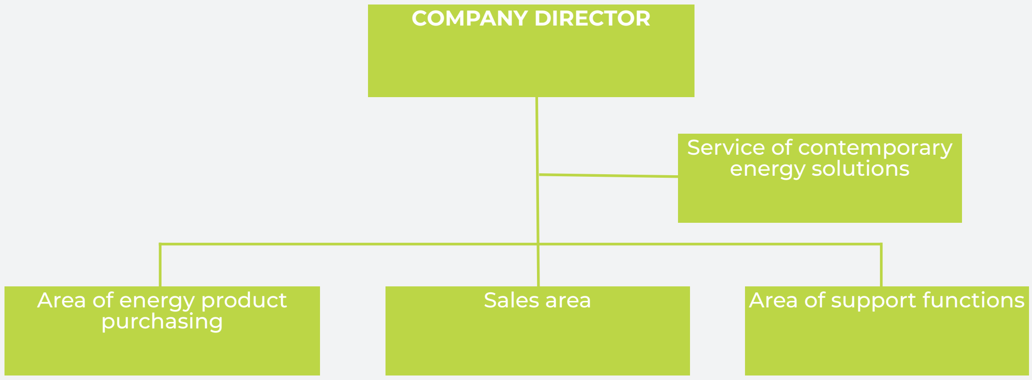
Product lines of Energija plus d.o.o.

ELEKTRIKA
ZEMELJSKI PLIN
TOPLOTA PLUS
SONČNI PLUS
eMOBILNOST
OSTALA PONUDBA

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

Organizational structure

Organizational structure of Energija plus d.o.o.



Management and corporate governance

In accordance with the Articles of Incorporation, Energija plus d.o.o. 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. The company reports about its operations to the shareholder in the context of interim reporting; such reports are conducted by the President of the Management Board of the parent company and area Directors.

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

Frameworks of operations

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 2020, 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 profile of OVEN

Company name:	OVEN Elektro Maribor d.o.o.
Registered office:	Vetrinjska ulica 2, p. p. 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 HPP generation facilities
Number of employees as at 31 December 2020:	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

Company activity

OVEN Elektro Maribor d.o.o. operates five small-scale hydro power plants, one medium hydroelectric power plant and 18 small photovoltaic power plants. The owner and sole shareholder is Elektro Maribor d.d.

Company's basic activities are:

- Production of electricity in small-scale hydro power plants.
- Production of electricity in photovoltaic power plants.
- Maintenance of hydroelectric power plants and photovoltaic power plants.

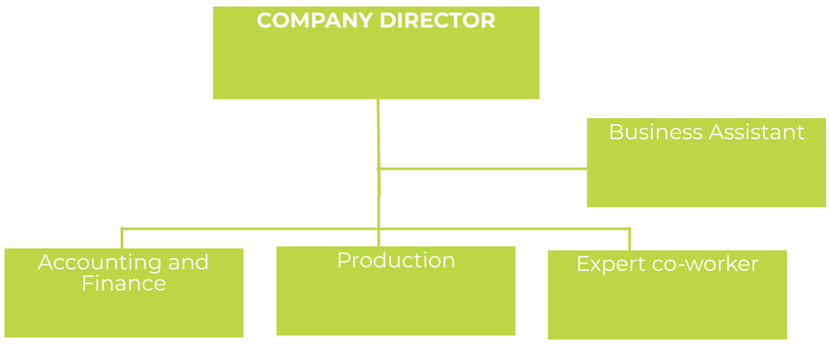
Logo of OVEN Elektro Maribor d.o.o.

OVEN

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

Organizational structure

Organizational structure of OVEN Elektro Maribor d.o.o.



Management and corporate governance

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 reports about its operations to the shareholder in the context of interim reporting conducted by the President of the Management Board of the parent company and area Directors.

Company director: Neven Lisica, BSc (Oec.).

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 2020, which is published on the company's website https://www.oven-em.si/info/o-podjetju/.

5 Economic trends

Economic trends

The COVID-19 pandemic, in combination with strict health and containment measures, markedly affected economic activity in 2020. Particularly in the first and the last quarters of 2020, businesses in certain service activities were closed and businesses in other activities were limited. To mitigate the consequences of the epidemic, the Republic of Slovenia adopted several packages of measures to preserve jobs and help the economy focusing on mitigating the pandemic-related income losses of the economy and the population, and provided companies with liquidity and support to recover. These measures have significantly cushioned the contraction of economic activity and are essential in ensuring economic recovery. Economic recovery in the euro area stopped on the transition to the last quarter of the year. GDP contracted by 5.5% last year, covering all components except government consumption, which improved during the crisis.

In its Spring Forecast of Economic Trends 2021, IMAD forecasts that the economic recovery should start in the second quarter or the second half of 2021, assuming an improvement in the epidemiological situation and a gradual increase in vaccination coverage.

Economic trends in Slovenia

Real growth rates in %	Forecast 2021	2020	2019	2018	2017
Gross domestic product (GDP)	4.6	- 5.5	2.4	4.1	4.8
Employment	0.8	-1.0	2.4	3.2	3.0
Gross wages per employee	-0.4	5.9	2.7	1.6	1.3
Private consumption	4.0	-9.7	2.7	2.8	2.0
National consumption	2.4	1.8	1.6	3.2	0.3
Inflation (year-end)	1.1	-1.1	1.8	1.4	1.7
Capital expenditures	9.0	-4.1	3.2	9.1	10.4

Source: Statistical Office of the Republic of Slovenia, UMAR's Spring Forecast of Economic Trends 2021

6 Operations in the sector

Distribution

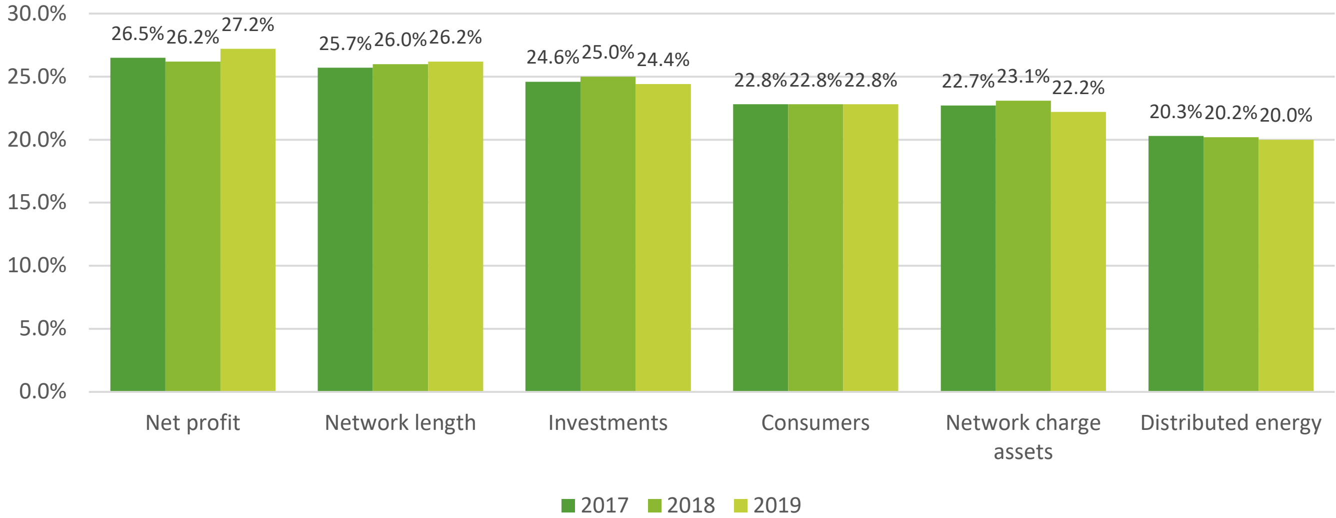
The Energy Agency is the regulator of the Slovenian energy market. It monitors, directs and oversees the providers of energy activities. In 2019, a new regulatory framework for the 2019–2021 period entered into force based on the Legal Act on the methodology for determining the regulatory framework and 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: the Decision). The regulatory framework is a value-based definition of eligible costs, network charges, and other revenues from the implementation of activities, surpluses or deficits of network charges from previous years.

In Slovenia, the electricity distribution activity is carried out by five companies, namely Elektro Maribor d.d., Elektro Primorska d.d., Elektro Gorenjska d.d., Elektro Ljubljana d.d. and Elektro Celje d.d. With the SODO Company, which holds the concession for performing 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: the SODO Contract).

Comparison of Elektro Maribor d.d. with other electricity distribution companies is made on the basis of publicly available data for 2019.

In 2019, Elektro Maribor d.d., which covers 26.2% of the entire electricity distribution network, distributed 22.8% of electricity to Slovenian distribution consumers. In terms of the existing regulation of activities, the Company's share in the total regulated activity revenues of all electricity distribution companies is 22.2 %. The volume of distributed electricity otherwise reflects the economic and social situation in the Company's supply area and the Company has no influence over it, whereas the number and connected load of users' meter points, the network length and volume of devices and the peak power reflect the fundamental characteristics that have an important effect on the funds required for the operation, maintenance and development of the distribution system. In the valid regulatory framework, Elektro Maribor d.d. maintains, operates and develops 26.2% of the Slovenian electricity distribution network with 22.2% of assets for 22.8% Slovenian users, which is definitely a significant challenge.

Elektro Maribor d.d.'s share among all distribution companies



Trends in electricity and natural gas prices

The year 2020 was marked by the COVID-19 epidemic, which affected the electricity prices in both the day-ahead market and the forward market and on the business and private life of people in general. The day-ahead market was mainly affected by higher temperatures than the long-term average, hydrology, occasional non-operation of nuclear power plants (especially in France), prices of other energy products and emission allowance prices. Prices of electricity and other energy products on the forward market were relatively high until March 2020, which was followed by a steep decline resulting from COVID-19. At the end of October 2020, the prices again increased because of the developed vaccines and optimism that prevailed in energy and stock markets. To a large extent, electricity prices in the forward market depended on the prices of other energy products and emission allowances, the COVID-19 spread, the measures adopted by governments throughout the world to close certain economic sectors, the goal to reduce emissions to 55% by 2030, the Brexit agreement and the newly elected US president. Moreover, oil prices dropped and lost more than 50 percent in value in mid-2020 when the first wave of COVID-19 crippled the global economy. The OPEC+ reached an agreement to cut production, thereby establishing oil market balance.

The average price in the “BSP Energy Exchange” day-ahead market for 2020 amounted to EUR 37.55 per MWh, having dropped by 23% compared to 2019, when it was EUR 48.75 per MWh.

The baseload price in the forward market in 2020 for 2021 ranged between EUR 45 and 56 per MWh, while the baseload price in 2019 for 2020 ranged between EUR 53 and 63 per MWh.

In 2020, the price of natural gas in the current market in Austria (reference purchase price of natural gas for Slovenia) was approximately EUR 10 per MWh, having dropped by 32% compared to 2019 when it was EUR 14.76 MWh. Thus, in 2020, the price curve with minor intervals in the first five months was in a distinct downward trend and achieved the bottom at the end of May 2020 when the natural gas price fell below EUR 5 per MWh. Since the summer of 2020, however, the natural gas market has again recorded a positive trend, which has further improved in the first weeks of 2021.

The price of gas in the forward market in 2020 for 2021 ranged between EUR 12 and 16 per MWh most of the time, while the price of gas in 2019 for 2020 was between EUR 16 and 22 per MWh. The maximum price of gas for 2021 decreased by about 19% compared to the price for 2020. At the beginning of 2021, the occupancy rate of European gas storage facilities is by approximately 14% lower compared to 2020 and by approximately 4% higher compared to 2019 (74% occupancy).

7 Development strategy

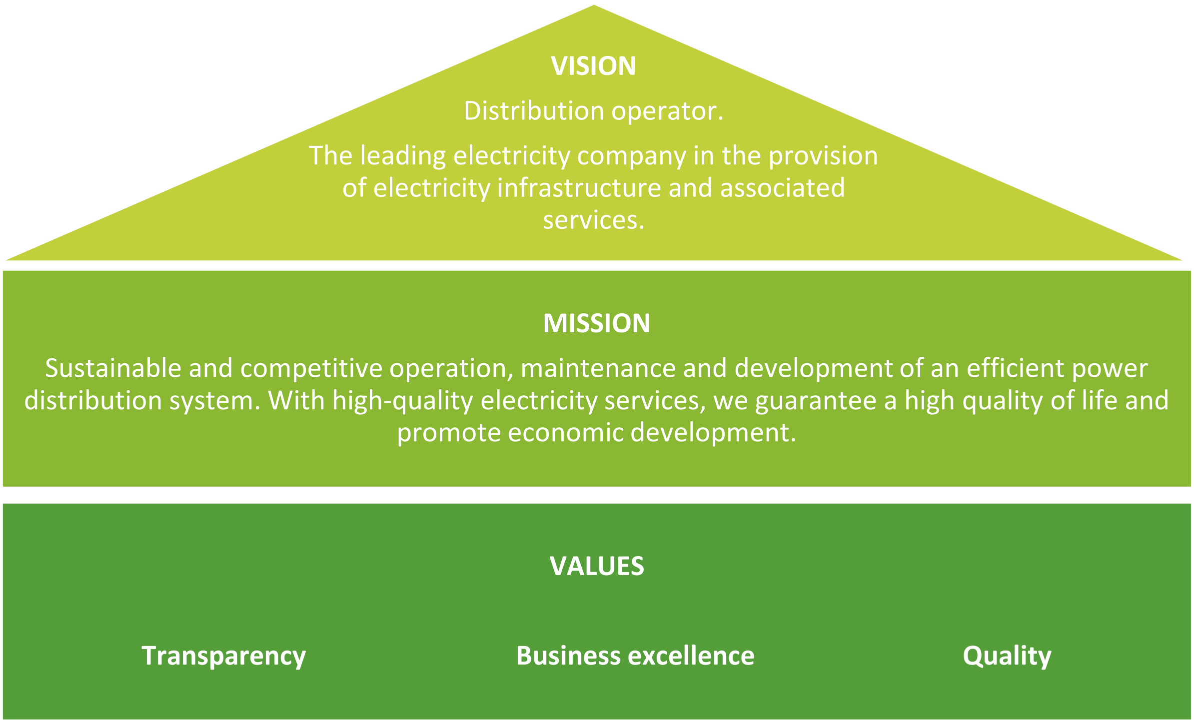
7.1 Expected development

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 2021, with a projection of operations for 2022 and 2023, and the Development plan for the distribution network of Elektro Maribor d.d. for the period from 2021 to 2030.

Company's strategy

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

Vision, mission and values



Annual business plan for 2021

The Management Board of the Company adopted the Annual Business Plan of the Company and the Elektro Maribor Group for 2021 with projections of operations for 2022 and 2023 (hereinafter: Annual Business Plan 2021) on 13 October 2020 upon prior consent of the Supervisory Board of Elektro Maribor d.d.

We are aware of our responsibility to our users, employees, shareholders and the society, which is why the Annual Business Plan 2021 was prepared in accordance with the fundamental statutory objectives and the strategy of Elektro Maribor d.d., taking into account the Annual Asset Management Plan for 2020 and the Recommendations and Expectations of the Slovenian Sovereign Holding.

In the current situation of complex regulation, climate change, the epidemic, the planned post-epidemic recovery, and especially the increasing needs of our users and the adopted definition of the transition to a low-carbon society, we are aware of the electricity distribution activity's responsibility towards the population, local communities, social systems and the economy.

The Company is proactively pursuing its mission and ensuring development by running efficient and successful business operations. In 2021, we will continue realising the goals set in our strategy, especially in terms of robustness, advancement and intensity of the electricity distribution system. We will place great emphasis on efficient and successful business operations by increasing revenue, managing costs and investing in electricity infrastructure.

Key objectives of Elektro Maribor d.d. for 2021

		Plan 2021
Return on assets (ROA) in %	≥	3.02
EBITDA margin in %	≥	42.77
Added value per average no. of employees from hours worked (in EUR thousand)	≥	79.03
Share of losses subject to distributed energy in %	≤	4.70
Share of insulated underground and overhead MV and LV lines in %	≥	72.80
Share of insulated overhead MV and LV lines in %	≥	42.10
Share of meter points included in the advanced metering system in %	≥	95.70
Share of revenue in the market and capitalized own products and services in all operating revenues in %	≥	30.75
Share of investments in assets in the carrying amount of electricity infrastructure in %	≥	10.00

Long-term network development plan

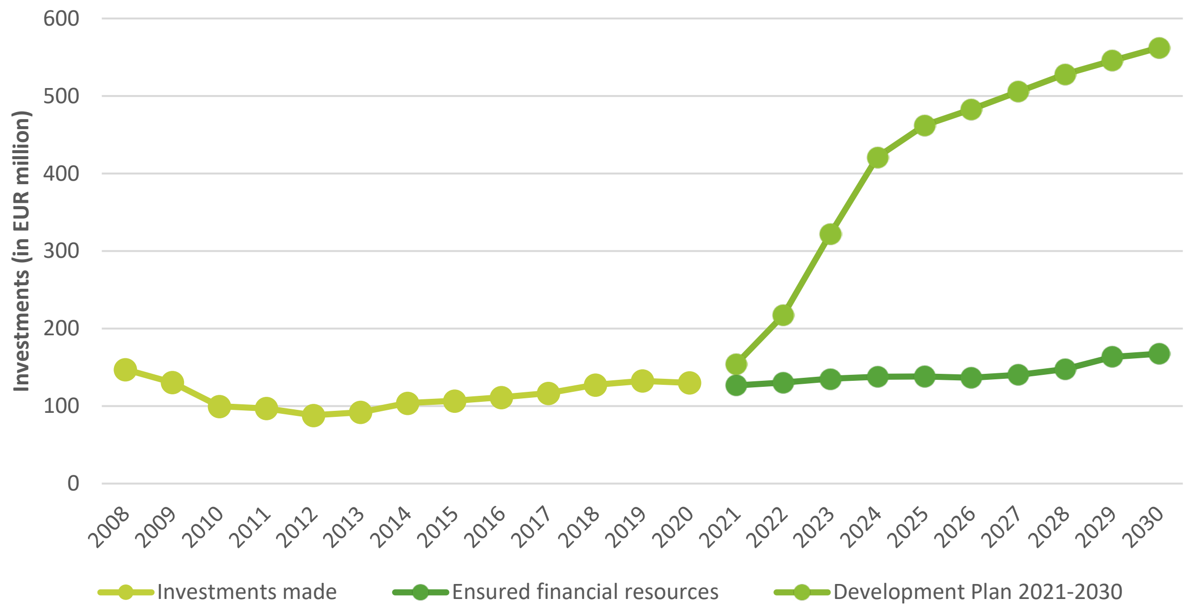
Elektro Maribor d.d.'s long-term network development plan is defined in the Network Development Plan for the Elektro Maribor d.d.'s supply area for the period between 2021 and 2030 (hereinafter: the Development Plan).

In 2020, we drew up a basic and an extended version of the draft Development Plan. The amount of investments in the basic version is estimated at EUR 384 million and in the extended version at EUR 951 million. The basic version is covered with sources of finance, whereas the extended version, which complies with the Integrated National Energy and Climate Plan, is not. Besides ensuring a distribution network that is powerful, robust and reliable enough to connect new consumers (heat pumps, electric vehicles), generation resources and electricity storage facilities, the challenges of the extended version are to ensure the advanced nature of distribution network using state-of-the-art technologies and, especially, to enable users to get involved by adapting their consumption and generation in line with the distribution network needs to prevent network congestion (overload, maintenance of voltage profiles in MV and LV networks).

SODO d.o.o. sent the combined document entitled Electricity Distribution System Development Plan in the Republic of Slovenia from 2021 to 2030, in which it included only the extended version, to the competent ministry, which gave its consent on 18 December 2020. The Electricity Distribution System Development Plan has thus become a public document, which is published on the distribution operator's website.

The Electricity Distribution System Development Plan, which is based on the National Energy and Climate Plan, anticipates that a total of EUR 4.2 billion needs to be invested in electricity distribution networks in Slovenia in the coming years. It includes an estimate that it is possible to ensure financial assets of EUR 0.83 billion with own funds (amortisation and depreciation, return and other own assets), and an additional EUR 0.64 billion with long-term borrowing, in total amounting to EUR 1.47 billion or 34% of total planned resources.

Investments made in 2008–2020 and Development Plan 2021–2030



7.2 Strategic projects

Sustainable development infrastructure

Electricity distribution systems are fundamental infrastructure requirements for sustainable development and the backbone of energy transition; it is impossible to realise the green transition without strong, robust and advanced electricity distribution networks focused on mobility and heating electrification, active user and producer roles, renewable energy sources and energy efficiency.

- Network robustness
  With increasingly intensive and frequent extreme weather conditions, the Company endeavours to increase network resistance by targeting the construction of underground MV and LV lines and overhead insulated MV and LV lines, and by implementing reliability-focused maintenance, including line corridor maintenance, rehabilitation of MV and LV line base stations and cable diagnostics.
- Network intensity
  With increasing needs of users and an increasingly extensive network integration of production sources, the installed and peak powers have been rising. In line with the needs of our users and the requirements of electricity supply quality and reliability standards we have been systematically increasing network intensity with new or reconstructed lines and devices.
- Advanced and recognisable network
  The construction of advanced metering infrastructure has been intensively in progress. It includes system metres at system users, control meters in TS, data collectors in TS; communication infrastructure enabling data transmission from system meters to metering centres; metering centres; and a unified information system. The project includes three sets:
  a) Introducing the advanced metering infrastructure.
  b) Metering centres.
  c) Remote-controlled switchgears.
- Electricity distribution digitalisation
  Digitalisation is an important pre-condition for an active role of a user and enforcement of advanced services. To this end, we have already initiated the project to introduce advanced distribution system management with integrated ADMS (Advanced Distribution Management System) functionalities.
- Telecommunications and IT.
  We are planning to develop a telecommunications infrastructure in order to ensure production and consumption flexibility and an active role of users and, naturally, to ensure uninterrupted distribution network element management. The objective is to set up optical connections to devices/facilities, whereas the locations where setting up optical connections is not reasonable/possible for technical/financial reasons will be connected with the pLTE network,

private IP radio network or using the public 4G-LTE or 5G network. We have also been increasing information security.

Introducing the Advanced Metering Infrastructure (AMI)

Elektro Maribor d.d. has already 94.3% of all meter points (208,510) included in the advanced metering infrastructure 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.

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.

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 meter data) – Moj Elektro App

Elektro Ljubljana d.d., Elektro Maribor d.d., Elektro Celje d.d., Elektro Primorska d.d. and Elektro Gorenjska d.d. in cooperation with Informatika d.d. have developed a system for single access to meter data in order to ensure easy access thereto.

Users can use a free online (www.mojelektro.si) and mobile Moj Elektro App. The mobile app is available via Google Play (Android) and App Store (iOS).

Moj Elektro App

Users can access their meter data irrespective of the supplier's electricity distribution area. The portal is intended for end users (consumers and electricity producers).

Having carefully planned and implemented the user notification programme, Elektro Maribor d.d. has achieved that of a total of 15,184 meter points registered in Moj Elektro, as many as 5,602 (36.9%) are from the Elektro Maribor supply area.

Central Electricity Portal of Slovenia (CEEPS)

As part of the Central Electricity Portal of Slovenia (CEEPS) project, Elektro Ljubljana d.d., Elektro Maribor d.d., Elektro Celje d.d., Elektro Primorska d.d. and Elektro Gorenjska d.d. together with Informatika d.d. prepared a project task called "Automation of the preparation and submission of consumption and transmission meter data for the billing via the CEEPS Portal".

The aim of the project is to further extend the already developed app for the submission of billing data via a new CEEPS portal with new functionalities of automated report preparation from the eIS data storage and automated data import from tables of systems other than the eIS data storage. With the project, we wish to maximise the automation of the procedures to prepare and exchange billing and annual balance settlement data in accordance with the effective Rules on the operation of the electricity market and for all distribution network owners in a unified way.

While the Moj Elektro portal is intended for users, the CEEPS portal is intended for other electricity market participants. This way, we will optimise data exchange between market players.

The objectives of the project are:

- to reduce the controlled costs of activity and generate savings in labour costs or to use such labour costs for other urgent tasks;
- to use the opportunities offered by the already achieved level of digitalisation and automation of meter data provision processes;
- to keep the strategic role of an initiator and provider of technologically advanced B2B solutions of data exchange with other stakeholders of the Slovenian regulated electricity market.

IoT Energy Data Infrastructure Project

On the basis of the announced new European energy policy or the presented EU directive and regulation amendment proposal package, together called "Clear energy for all Europeans", a detailed analysis of all identified additional functionalities that the metering system of tomorrow will need to fulfil was made.

Based on the identified needs of the tomorrow's market for data services, extensive research was conducted in respect of metering, information and communication technologies, which can capture, process and submit the necessary data within the required short intervals. Research was conducted in respect of IoT solutions suitable as basic building blocks of an advanced metering infrastructure based on the future private networks built pursuant to Decision (EU) 2017/899 of the European Parliament and of the Council of 17 May 2017 on the use of the 470–790 MHz frequency band in the Union.

From a range of commercially already available technologies, the most suitable IoT solutions or the most suitable communication interfaces covering the needs of the energy market were proposed. Suggestions were made to develop new HES SEP 3 functionalities, data collectors and communication gateways. The need for new HES contents was highlighted because of the forthcoming roles of the aggregator, self-sufficient active consumer, flexibility systems and a massive increase in meter points in households, requiring a replacement of the traditional PULL- data collection method with the hybrid PULL-/PUSH- method using an intermediary function to switch data to several locations. Based on the vast experience in using advanced metering systems of various producers, test specifications were prepared for new solutions of tomorrow's advanced metering infrastructure. Test procedures were prepared to verify new third-generation HES solutions and data collectors/communication gateways by taking account of various data capture methods.

For the needs of setting up a new advanced metering infrastructure and implementation of test procedures in a real environment, we set up a large test site in the area of the 20 kV/0,4 kV T-102 Vrazov trg-Ptuj transformer station and included 359 consumers with new AM550 advanced meters. Likewise, we set up a new IT server environment and installed a new development HES SEP 3 for the needs of testing and verification. Additionally, the necessary online services were developed to connect the new HES SEP 3 with other Elektro Maribor information solutions, which enabled automating certain process activities. The results were regularly checked, analysed and evaluated by individual sets or individual test scenarios. After the testing, all results were again analysed and the final report was prepared. The project is completed.

The PAKT Project

As part of the research and development project "Smart devices, models and platforms in the active network" (PAKT), we successfully tested a new platform of the AM550 meter with OFDM G3-PLC, LTE CAT1 and LTE NB-IoT communications technology in the area of two transformer stations, one in an urban environment and one in a rural environment. Furthermore, we performed tests with the LTE Cat-M1 communication technology, which however did not deliver the expected results with the use of a hybrid LTE NB-IoT/Cat-M1 modem. Testing with such communication technology will be repeated once we receive the repaired software from the hybrid modem manufacturer; it will be used to successfully upgrade all communication interfaces. We connected interfaces with the Z-Wave communication to the user I1- meter interface, but it has turned out not to be ready for real environment testing yet, which is why we have temporarily suspended such testing.

Distribution Academy

In 2020, the Elektro Maribor Distribution Academy carried out education and training activities in many areas in order to strengthen the internal knowledge and competence of employees. Based on the current pandemic-related situation, we introduced distance learning in 2020 and held 14 training events with more than 400 employees. The most important trainings were in the fields of engineering know-how and the building legislation, information computer skills, corporate integrity, and risk management and leadership.

In 2020, the Distribution Academy initiated training to obtain the title of electricity manager. Training is provided mainly by lecturers and experts employed at Elektro Maribor d.d. In three modules, the participates acquire the skills and knowledge necessary to carry out management and organisational tasks and to effectively perform work and procedures, and skills for efficient communication and distribution process management.

8 Internal audit and risk management

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. and the Supervisory Board or the Audit Committee of the Supervisory Board. 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.

8.1 Internal audit

The internal audit in Elektro Maribor d.d. has operated 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 d.d. In the course of its work, the internal audit is committed to follow the international framework of professional conduct in internal auditing.

The 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 compliance with the annual work plan, the internal audit conducted nine regular audits (one in co-sourcing with a certified information systems auditor and one in cooperation with an independent corporate management reviewer), and two extraordinary audits in 2020. At the Elektro Maribor Group, internal audits were conducted to review the implementation of seven processes. In terms of the audit trail review in IT systems or apps of Elektro Maribor d.d., testing under the non-statistic method included seven out of a total of 21 apps.

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 2020, the internal audit realised all of the key objectives, namely:

- Ensuring efficiency and effectiveness of internal audit's operation in the Elektro Maribor Group.

  101 recommendations were issued with recognised opportunities for improvements; 57 recommendations were included in the first reporting, of which 43 or 75.4% were realised in the originally set deadline, 4 recommendations or 7.1% were realised in extended deadlines, while 10 or 17.5% recommendations have remained in execution; 44 recommendations issued in 2020 were not included in the first reporting.

- Transfer of knowledge and good practices among internal auditors.

  Two internal audits were implemented in cooperation with an independent expert, of which one in cooperation with an external auditor and one in cooperation with a certified IT auditor.

- Internal audit quality assurance.

  Throughout 2020, the internal audit pursued the provisions of the internal audit quality assurance and improvement in the Company and the Elektro Maribor Group. In January 2021, work quality self-evaluation was conducted; the self-evaluation result report was submitted to the Management Board and the Supervisory Board's Audit Committee (external quality audit was conducted in 2019 and it is repeated every five years).

- Meeting the conditions to take the position of the Head of Internal Audit of Elektro Maribor d.d.

  Through follow-up training, the Head of Internal Audit collected enough points to obtain the expert title of Certified Internal Auditor in accordance with the rules of the Slovenian Institute of Auditors (examination conducted on 10 October 2020).

In terms of the implemented transactions in 2020, the internal audit paid special attention to verifying the operation of internal controls in the process of storage operations at Elektro Maribor d.d., including checking the inventory in every local storage facility of the Company and also via unannounced inspections. Further, the examination included the process of planning, implementation and activation of investments in Elektro Maribor d.d. and the process of ordering and checking dependency of suppliers on cooperation with Elektro Maribor d.d. The process of connecting users to the distribution system, falling under responsibility of district units of Elektro Maribor d.d., and the process of recruiting a new employee in Elektro Maribor d.d. were checked. In the Elektro Maribor Group, a compliance check for advisory transaction conclusion and corporate management implementation efficiency was conducted. The year 2020 ended with an audit of the audit trail in IT systems or applications of Elektro Maribor d.d., which are used to process personal data; internal audit was conducted in co-sourcing with a certified IT system auditor. In addition to the above-mentioned transactions, the internal audit regularly monitored the realisation of the recommendations in 2020.

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 work performed in 2020, the internal audit estimates that the internal control system in the Company and the Elektro Maribor Group is set up appropriately (rated at 3 out of 5), however, there is potential for improvement to which it refers by issuing recommendations.

8.2 Risks[19]

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.

8.2.1 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:

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Types of risk

RISKS		
STRATEGIC RISKS Strategic risks are defined as potential events that (un)favourably impact the achievement of *medium-term or long-term business objectives of the Company* or Group	**OPERATIONAL RISKS** Operational risks are defined as potential events that (un)favourably impact the achievement of *annual business objectives of the Company* or Group; these are risks of loss or benefits	**FINANCIAL RISKS** Financial risks are defined as potential events that (un)favourably impact the achievement of strategic and *annual financing objectives* of the Company or the Group

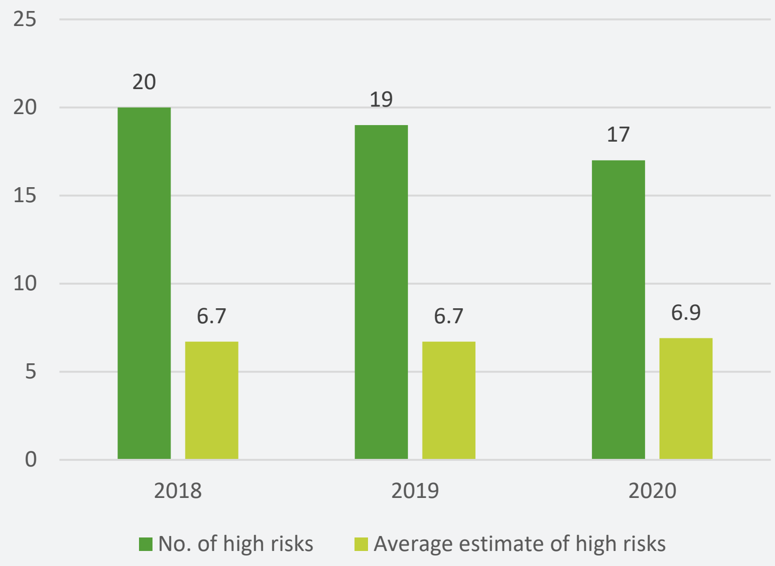
Identified risks

The risk register specifies identified risks 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. 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 negative impact of risks on the operations of the Company and the Group.

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.

Overview of risks from the register

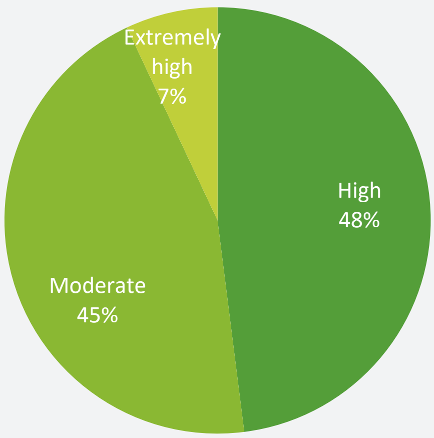
Comparison of high risks



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.

Assessment of identified risk by size

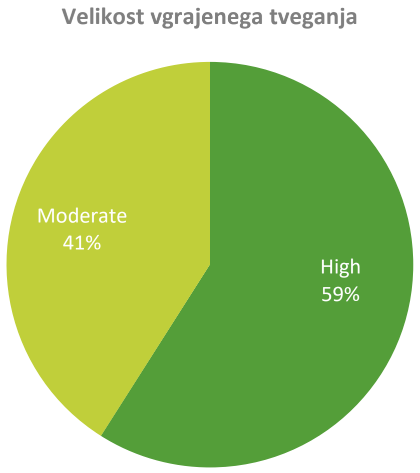


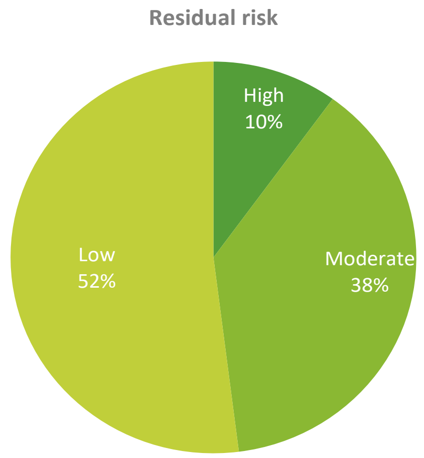
Reducing risks

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 riskis a risk identified and assessed by taking into account its management.

Share of inherent and residual risks





Significant events in 2020 in terms of risk

In 2020, Elektro Maribor d.d. continued working on identifying risks by processes where owners and process administrators compiled an inventory of process risks and identified adequate internal controls for this purpose. Based on this, a good quality Risks and Internal Controls Catalogue was prepared. The risk coordinator revised the Risk Management Policy of Elektro Maribor d.d.

In 2020, based on the changed Network Charge Act, which significantly reduced regulated revenue by changing the recognised return on assets, it became evident that the regulator's policy represents an important risk that can strongly affect business results.

Due to the Covid-19 epidemic outbreak, we identified a new large risk related to the pandemic in 2020 and determined the following risk management measures:

- We prepared a risk assessment for the event of an epidemic.
- We appointed a crisis management group to be in charge of the entire communication.
- Based on the prepared risk assessment, we ensured the necessary means of protection.
- Via the crisis management group, we issued an instruction to employees for the event of an epidemic, where all necessary measures for work on electricity devices and in offices are described.

8.2.2 Management of more significant strategic risks

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.

Regulator's policy

A 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 achievement of 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 the Economic Interest Grouping for 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

This is a 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 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.

Pandemic

This is a risk the consequences of which could severely impact the Company's core activity. It is assessed as occurring frequently with potentially immense consequences, as absence of a large number of employees could limit the Company's core activity of ensuring uninterrupted electricity supply.

Pandemic means an outbreak of an infectious disease which may appear in several regions, countries and continents as an epidemic. Pandemic occurs when the virus starts spreading among people because of low or inexistent immunity and results in a disease in the majority of people. Pandemic increases work absenteeism to the point where it is impossible to manage the critical infrastructure anymore; furthermore, it may affect the financial operations of a Company and everyday life.

To contain the spread of the virus, the Company has set up a crisis working group, which covers all fields and locations. The purpose of the group is to coordinate work in the field of ensuring protective equipment as well as implementing measures as instructed by the National Institute of Public Health (NIPH).

9 Distribution of electricity

9.1 Operation of the distribution system[20]

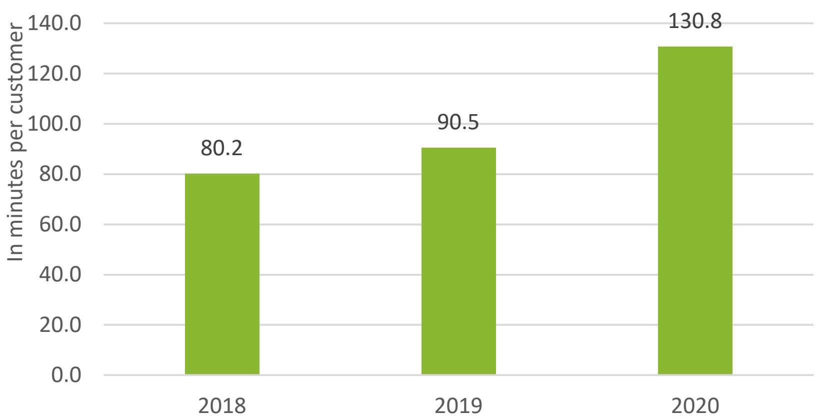
The quality of supply was, despite adverse weather and epidemiological conditions, better in 2020 than in the previous year. The quality of supply is typically affected by the severity and frequency of extreme weather events.

The quality of electricity supply to customers in the area supplied with electricity is measured with supply quality factors SAIDI, SAIFI and MAIFI, which depend on the scope and severity of extreme weather events. The Energy Agency has specified their target annual values, which constitute criteria for the assessment of quality electricity supply. With enhanced network robustness, the impact of meteorological factors on the security of electricity supply is reduced.

SAIDI factor: It is used to measure the average duration of unplanned power outages for each customer in the Company distribution system; it is measured in minutes.

In 2020, the total SAIDI factor (comprising own reasons, force majeure and external reasons) achieved on the entire area supplied by Elektro Maribor was 130.77 minutes/customer and rose by 44.6% compared to 2019. The increase was the result of a large volume of interruptions due to force majeure and external reasons.

Changes in total SAIDI factors



Upon the review of outages for own reasons in the SAIDI factor, separately for urban and rural areas, the results turned out to be better than in 2019, i.e. by 53.9% for own reasons in urban areas and by 4.8% for own reasons in rural areas. The values achieved for own reasons fell in 2020 with respect to the target values laid down by the Energy Agency, i.e. by 54.7% for urban areas and by 1.5% for rural areas.

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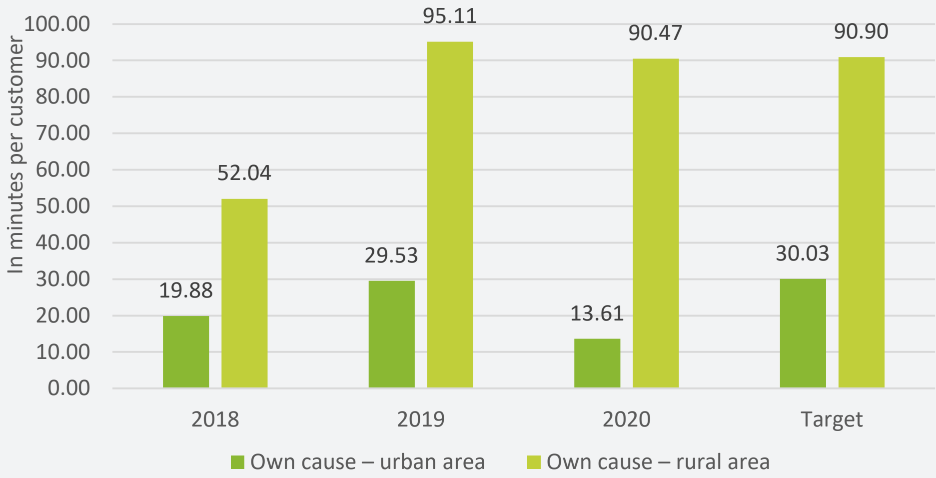
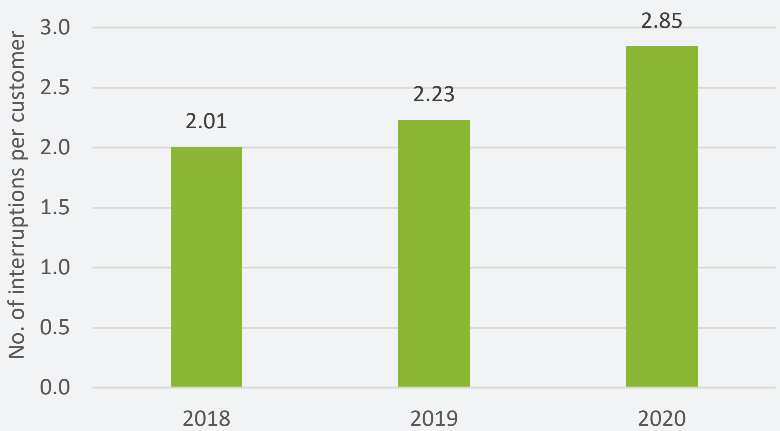
SAIDI own cause – average duration of unplanned interruptions longer than 3 minutes per customer



SAIFI factor: It is used to measure the average frequency of unplanned power outages for each customer in the Company distribution system; the factor has no unit.

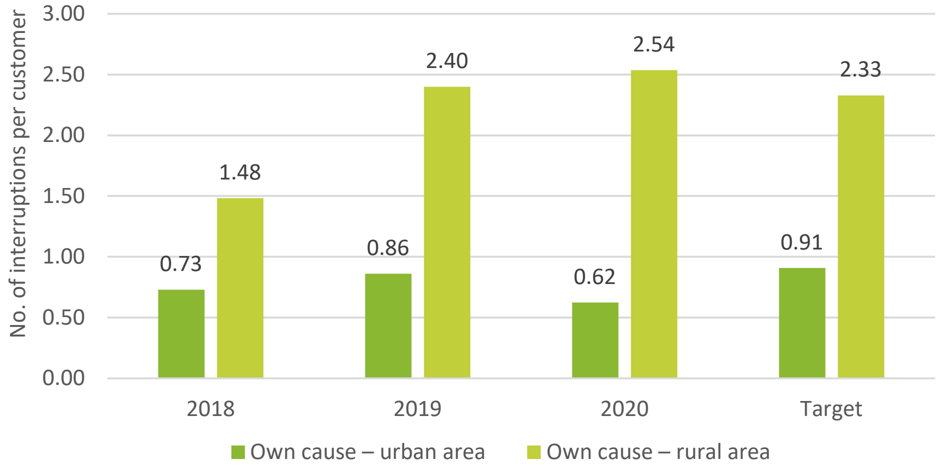
The total SAIFI factor (comprising own causes, force majeure and external causes) achieved for the entire area supplied by Elektro Maribor in 2020 was 2.85 interruptions/customer and grew by 27.8% compared to 2019. The increase was the result of a major scope of interruptions due to force majeure and external reasons.

Changes to total SAIFI factors



Comparing own causes for failures in the SAIFI factor, separately for urban and rural areas, the results improved with respect to the previous year for the urban area, i.e. by 27.9%, while falling behind for own causes by 5.8% with respect to the previous year. The values achieved for own causes fell in 2020 with respect to the target values laid down by the Energy Agency for urban areas, i.e. by 31.8%, but increased by 9% for rural areas.

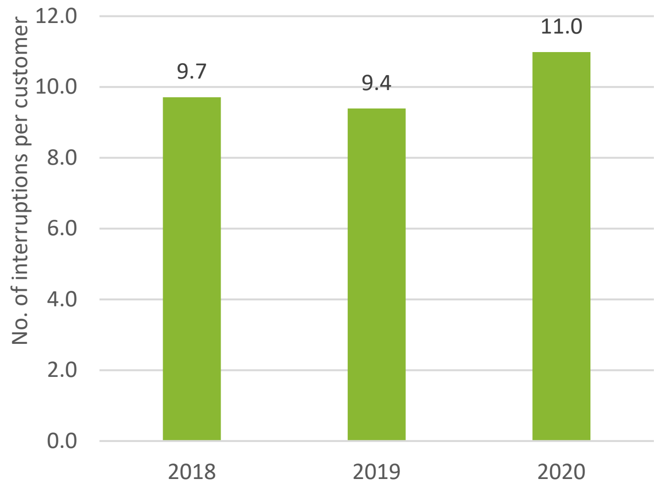
SAIFI own cause – average frequency of unplanned interruptions longer than 3 minutes per customer



MAIFI factor: It is used to measure momentary outages that frequently occur in storms, when the number of automatic re-closures increases; it is measured in the number of interruptions shorter than 3 minutes.

The results for momentary outages per customer in 2020 were poorer than in the previous year. The value of the MAIFI factor in 2020 increased by 17.0% compared to the previous year.

Changes to the MAIFI factor



An important factor to reduce the duration of interruptions is responsiveness in the elimination of the consequences brought about by extreme weather events. The latter is also subject to the Company organisation pursuant to the protection and rescue plan upon natural and other disasters and, most of all, to the engagement of field teams and teams in support processes.

9.2 Commercial quality[21]

Commercial quality is the quality of non-technical services rendered by Elektro Maribor d.d. to the users of the distribution network. It is measured with the response time for the completion of a particular service. Services for the users of the distribution network have been regulated by the Energy Agency, namely with the following types of commercial quality:

- Guaranteed commercial quality standards, which guarantee to users a specified response time by the service provider (average time for the activation of a connection, elimination of meter defects, answers to written questions and complaints).

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- System commercial quality standards, which guarantee to users the quality of certain services with average values that are laid down for a particular area of services (issue of a consent and contract for connection, resolution of deviations and complaints relating to voltage quality).

In 2020, the Company recorded a growing need for system services compared to 2019 (connection consent – 4.8% growth, connection contracts – 5.2% growth). Despite the mentioned, system service indicators for 2020, other than the consent indicator, were within the prescribed values.

Furthermore, the Company successfully resolved poor voltage conditions, including those resulting in interrupted operation of heat pumps and solar power stations used for self-supply.

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

In 2020, the Company completed long-term studies for the development of the distribution network in the supply area of Elektro Maribor d.d. within the scope of the 5-year project REDOS 2045 (Development of the Slovenian electricity distribution network by 2045). The entity implementing the project is the Milan Vidmar Electric Power Research Institute, while the entities contracting the project are all electricity distribution companies and SODO d.o.o. Five studies for the development of the medium voltage network have been made for the area of Elektro Maribor d.d. along with pertaining transformation from high voltage (HV) to medium voltage (MV) for the period of the following 10 to 15 years. Before that, a study was also made forecasting electricity consumption and peak loads.

In 2020, the Company upgraded the IBM Maximo information system. The IBM Maximo information system underwent several additions that improved the operation of the IBM Maximo system and associated systems or work processes. We made sure that all applications at the Company that are based on data from the IIS system receive updated information transformed from the MX and AX information systems. Several upgrades were made to the GIS, which have facilitated the management of assets and geographic data, while improvements were also made to the online version of the GIS system, which may now also be used on mobile devices with a work profile.

The realisation of the scope of issued documents in the process of connecting users to the electricity distribution network and documents that are issued pursuant to the building regulations and legislation governing spatial planning for 2020 is evident from the table below.

No. of documents issued

Name	2020	2019	2018
Preparation of guidelines to spatial planning documents	56	60	91
Preparation of opinions on spatial planning documents	59	74	88
Preparation of terms of reference	1,382	1,390	1,583
Issue of opinions on design solutions	2,286	2,233	2,462
Preparation of power connection approvals	5,608	4,824	4,378
Conclusion of power connection contracts	5,342	4,895	3,979
Preparation of analyses for dispersed sources	1,838	1,328	712
Total	**16,571**	**14,804**	**13,293**

The volume of documents issued increased by 12% compared to the previous year and by 4% compared to the volume planned for 2020. With respect to the previous year, the realisation for power connection approvals increased by 16% and by 9% for power connection contracts. In 2020, the Company produced 38% more analyses for dispersed sources with respect to the previous year. The Covid-19 pandemic resulted in the smaller number of documents issued in March and April 2020, when the number of issued documents fell by more than 20% compared to the same two months in 2019, while the numbers increased substantially in other months with respect to 2019. The increased number of documents issued for the connection of users to the power grid is managed with newly recruited employees in processes, increasing use of data from the advanced metering system, additional electricity quality meters, overtime and students working in administration.

9.4 Development and maintenance of the distribution system

Compared to the previous year, the scope of the distribution network was significantly enlarged, i.e. in:

- MV cable conduits by 36.3km,

- LV cable conduits by 280km,
- MV/0.4kV, MV/0.95kV and 0.95/0.4kV transformer substations by 10 transformer substations.

Compared to the previous year, the systemic network length in the Company's distribution system was enlarged by 175.8km or 1.1%, which is the largest volume increase in over a decade. The length of underground power lines was enlarged by 316.3km or 3.7%, which is the largest increase after 2016, while the length of overhead power lines was reduced by 140.5km or 1.7%, which was more than in the previous year. The increase in network length reflects the Company's investment activities and the scope of accepted fixed assets in line with regulations.

The quantities and physical volume of devices in the distribution system

	2020	2019	2018
HV and MV network (in km)			
HV overhead power lines	231.9	231.9	231.9
MV overhead power lines	2,846.8	2,852.4	2,877.0
HV cable conduits	8.3	8.3	8.3
MV cable conduits	1,243.1	1,206.8	1,168.9
Total HV network	**240.2**	**240.2**	**240.2**
Total MV network	**4,089.9**	**4,059.2**	**4,045.9**
LV network 1kV + 0.4kV + 0.2kV (in km)			
LV overhead power lines	4,939.2	5,074.1	5,143.0
LV cable conduits	7,597.7	7,317.7	7,187.0
Total LV network	**12,536.9**	**12,391.8**	**12,330.0**
Total network (in km)	**16,867.0**	**16,691.2**	**16,616.1**
Distribution transformer substations (DTS) and transformer substations (TS) (in pcs)			
DTS 110/MV kV, distribution substation 110kV	20	20	20
DTS MV/MV, MV distribution substation (with control and protection)	9	9	9
TS MV/0.4kV, TS MV/0.95kV, TS 0.95/0.4kV	3,543	3,533	3,511

The maintenance of power installations is conducted pursuant to the instructions for the maintenance of the electricity distribution network (the distribution code). Maintenance works are carried out according to the distribution code and time schedules attached to the distribution code.

The share of each maintenance group shows how much is spent on each group within the overall structure. The largest maintenance share is attributed to the general group, which refers to the management, operation and provision of an on-call service, maintenance of office buildings, vehicles, building machinery, and measuring instruments and tools. Within the scope of available funds, which are part of controlled costs, funds are allocated annually for those energy and non-energy devices that are needed the most at a given moment. As a result, the ratio between investments in energy devices or non-energy devices changes from year to year.

Share of funds by maintenance group

	2020	2019	2018
Maintenance of energy infrastructure	48%	47%	60%
General maintenance	52%	53%	40%
Total	**100%**	**100%**	**100%**

Due to the importance of maintenance, a great deal of attention is placed on reviews of important transformer substations in order to enhance the reliability of the electricity distribution system.

Transformer substation reviews

	2020	2019	2018
Plan (in pcs)	810	868	868
Realisation (in pcs)	949	1,160	917
Realisation of the plan (in %)	117.2%	133.6%	105.6%

Tree removal is carried out throughout the overhead power grid within the scope of own services and with outsourcers. The realisation of tree removal is one of the indicators showing the reliability of the power grid. In 2020, some outsourcers did not remove trees due to the Covid-19 epidemic and therewith related compliance with the measures imposed by the National Institute of Public Health (NIPH) and the Company, whereas the removal of trees could not be fully completed even in subsequent months due to inadequate vegetation.

Tree removal in the HV, MV and LV network

	2020	2019	2018
Plan (in km)	300	300	300
Realisation (in km)	215.6	244.9	332.0
Realisation of the plan (in %)	71.9%	81.6%	110.7%

9.5 Access to the distribution system and network use billing

Number of customers and producers

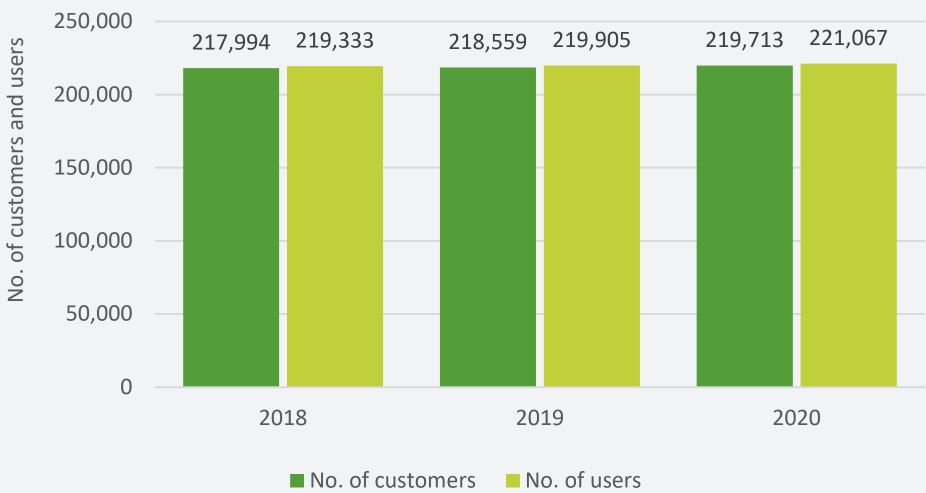
In 2020, the Company has noted a record-breaking number of users (customers and producers).

The number of customers increased by 1,154 or 0.5% in 2020 with respect to the previous year. The number of customers has reached a record high.

The number of producers (metering points for self-supply and other producers) increased by 1,221 or 42.5% in 2020 with respect to the previous year and also reached a record high. The number of metering points increased the most in self-supply (by 1,213).

The number of users (customers and producers) increased by 1,162 or 0.5 % in 2020 with respect to the previous year and also reached a record high.

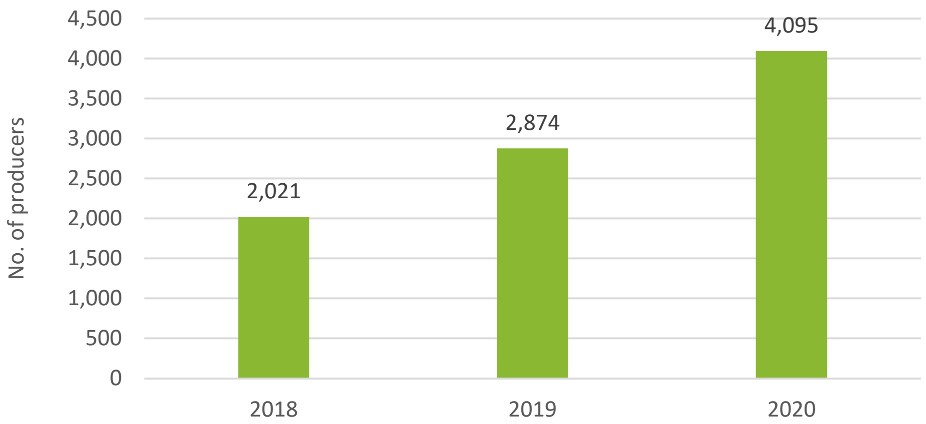
Number of customers and users connected to the distribution system



The number of network integrated generation sources has risen at a very high growth rate, which is quite a challenge for the distribution system, as the method of operating the distribution system by connecting integrated generation sources has been subject to profound changes. Power is frequently fed into the 20kV distribution network via the LV network and transformer substations. There are more and more cases where the level of transformation of distribution transformers (TS) needs to be changed/reduced, with an ever frequent need to shorten long LV outlets for the purposes of maintaining voltage of adequate quality, particularly in parts of the grid, where self-supply is combined with heating by way of heat pumps. In more and more cases, there is a need to ensure outstanding and fast increase ikn grid capacity, which is in practice also subject to an extremely complex method of siting power installations.

As at 31 December 2020, there were 2,741 cases of connected self-supply, which is 1,213 or 79% more than in the previous year. The number of other producers amounted to 1,354, which is 8 more than in the previous year. Hence, there were a total of 4,095 producers. In the relevant period, the total number of producers increased by 1,221 or 43% with respect to the previous year.

Number of producers connected to the distribution system (including self-supply)



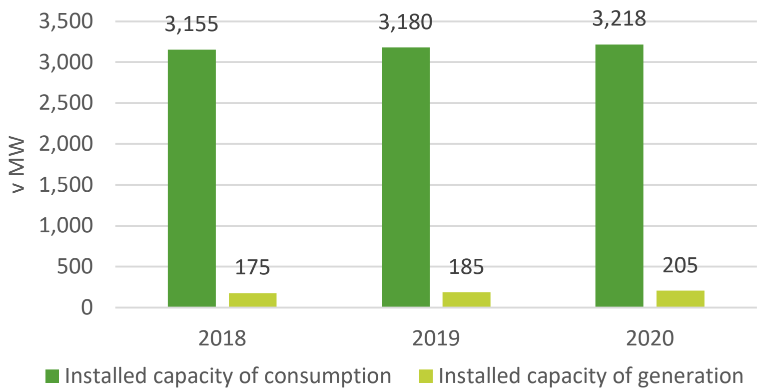
Installed capacity

In 2020, installed capacity achieved the value of 3,218MW, which is a 38MW increase compared to the previous year. The increase resulted from the integration of new users and devices in need of electricity. The growth trend was not changed despite the epidemiological situation. Installed capacity increased in all customer groups in 2020. Installed capacity increased by 14MW for commercial consumption and by 24MW for household consumption.

The installed capacity of producers reached 205MW in 2020. Within a year, it increased by 20MW[22] due to a major increase in the number of generation sources integrated in distribution network.

The total installed capacity of customers and that of producers have a major impact on necessary investments in the power of the electricity distribution network.

Installed capacity of consumption and generation



Billing capacity

In 2020, the average monthly billing capacity in the area of Elektro Maribor d.d. achieved the value of 2,029MW, which is 2MW or 0.1% more than in the same period of 2019. The average monthly billing capacity for household users increased by 13MW. The average monthly billing capacity on the part of commercial users reduced by 10MW.

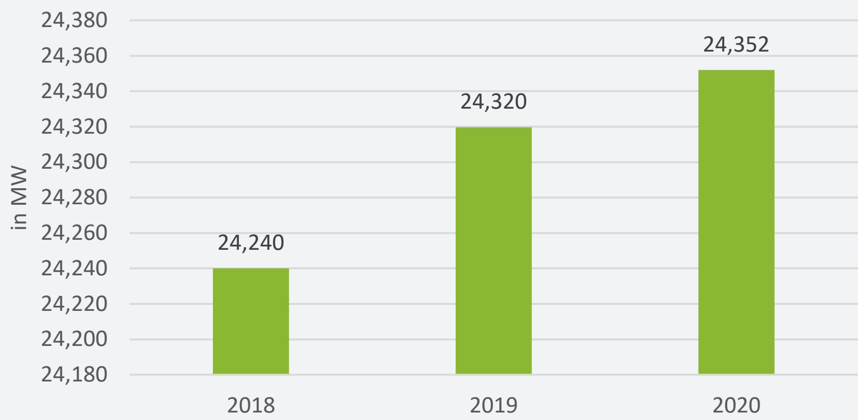
The billing capacity for commercial users, where the power is measured in MV and LV, is the results of the scope and dynamics of economic activities and measures taken to adapt consumption. In 2020, the scope of demand for power was also subject to the epidemic. In household users and other consumption at LV, where power is not measured, the monthly billing capacity is set at a fixed rate due to the provisions of act governing network charges.

22 Self-supply is taken into account in both categories.

Trends in billing capacity and energy consumption compared to 2019

	Billing capacity	Energy
Medium voltage (MV)	-3.8%	-7.7%
Low voltage (LV) – commercial consumption	-0.6%	-9.2%
Households	0.9%	5.3%
Total	**0.1%**	**-3.6%**

Total annual billing capacity

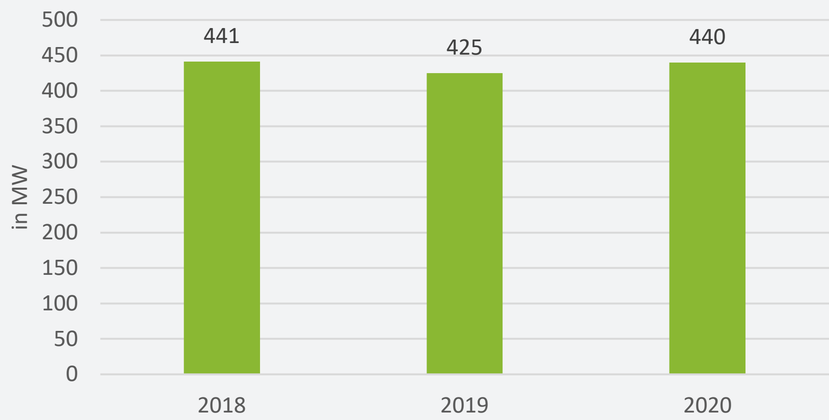


Peak load

The peak load of the system reached a high in December 2020 (2 December 2020 at 12 noon) and amounted to 440MW. In 2019, it reached a high in January amounting to 425MW.

The minimum load in 2020 was at 127MW (on 2 May 2020 at 4 a.m.). Since 2010, the minimum load has always been reached on 2 May.

Maximum peak load



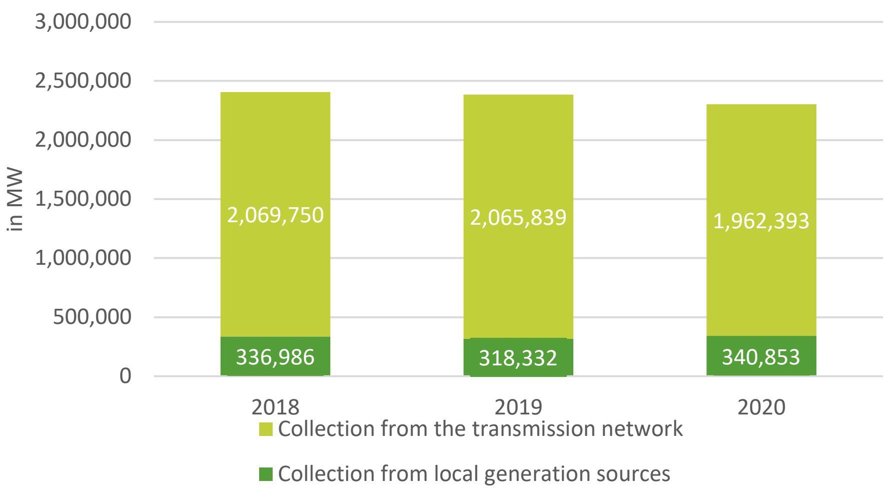
Peak load data is particularly important when planning the development of the electricity distribution system, which also needs to be dimensioned with respect to peak power. If the latter rises, the network needs to be further reinforced. The efforts made by Elektro Maribor d.d. are also focused on increasing grid capacity. Changes in peak loads are largely subject to climatic factors, economic activity, increased loads at existing customers and producers, and the connection of new ones.

Energy collected

In 2020, a total of 2,303GWh of electricity was fed into the electricity distribution network of Elektro Maribor d.d., which is 3.4% less than in the previous year. A total of 1,962GWh was received from the transmission network, which is 5% less than in the previous year. There were 341GWh received from local generation sources (small hydro power plants, solar power stations, biomass and cogeneration power plants), which is 7.1% more than the year before.

The ratio between the energy received from the transmission network and that received from generation sources stood at 85-15 in 2020, while the ratio in 2019 was at 87- 13.

Trends in electricity collected

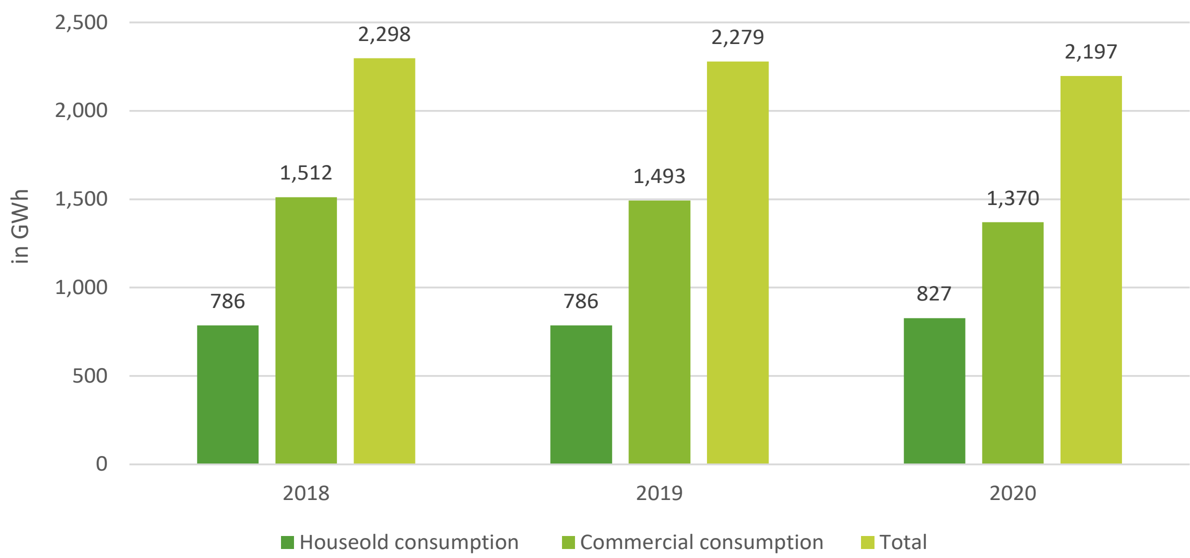


Distributed electricity

In 2020, the Company distributed 2,197GWh of electricity at 219,713 metering points throughout its power grid, which also includes self-supply metering points. The total electricity distributed decreased by 3.6% compared to the previous year. The Covid-19 epidemic resulted in increased consumption on the part of household customers, reaching a record high, and decreased consumption on the part of commercial customers due to a standstill in economic activity, which was the lowest since 2009.

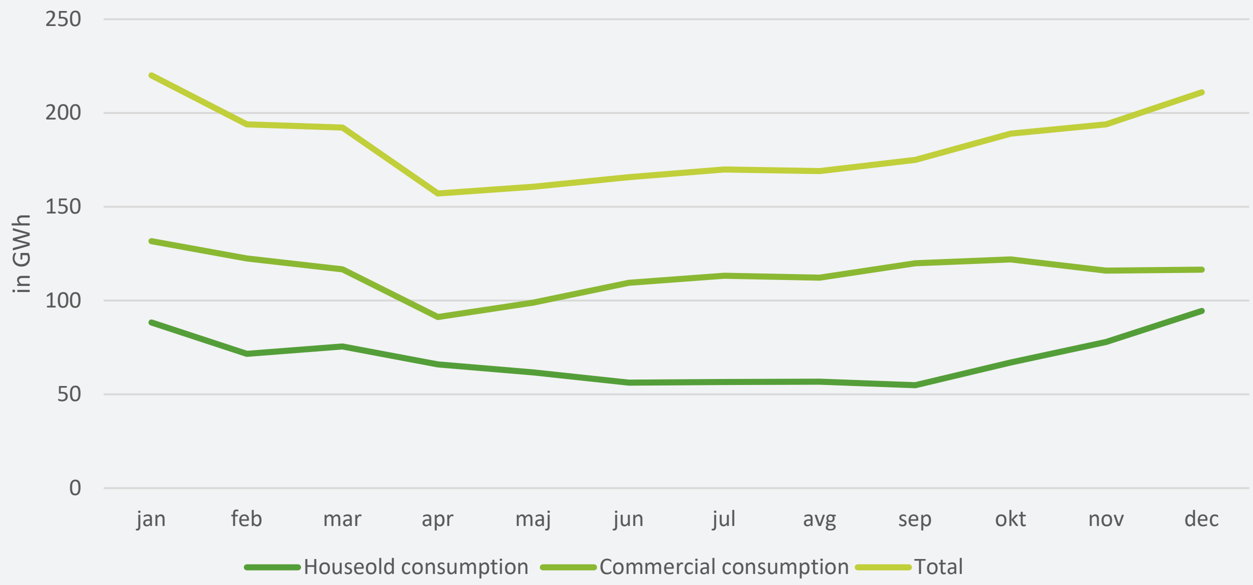
Household consumption increased by 5.3%, while industrial consumption at medium voltage fell by 7.7% and commercial consumption at low voltage decreased by 9.2% compared to 2019. Similar trends in electricity consumption may also be expected in the first half of 2021.

Energy distributed for commercial and household consumption



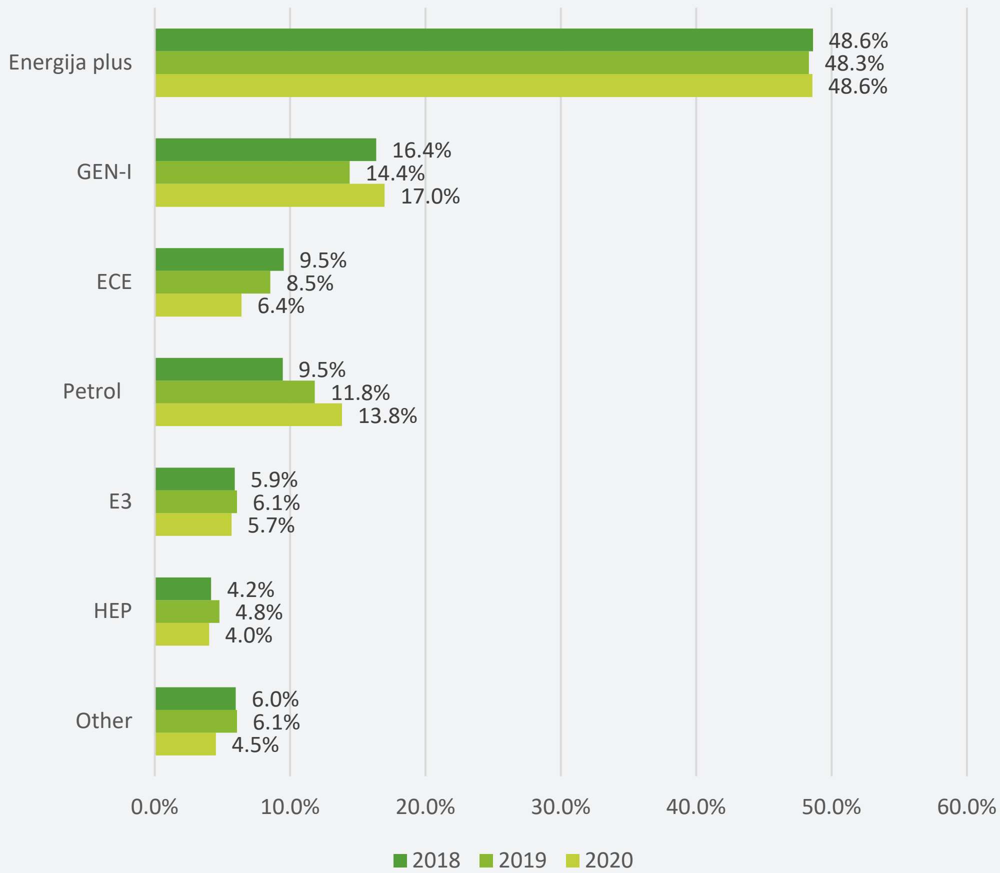
The Covid-19 epidemic and therewith related measures also affected the monthly consumption dynamics.

Monthly dynamics of electricity distributed for commercial and household consumption



In 2020, there were 18 active electricity suppliers in the area of Elektro Maribor. Six suppliers with the largest market shares supplied 95.5% of total electricity distributed.

Electricity distributed by Elektro Maribor in the area of the electricity distribution operator by supplier

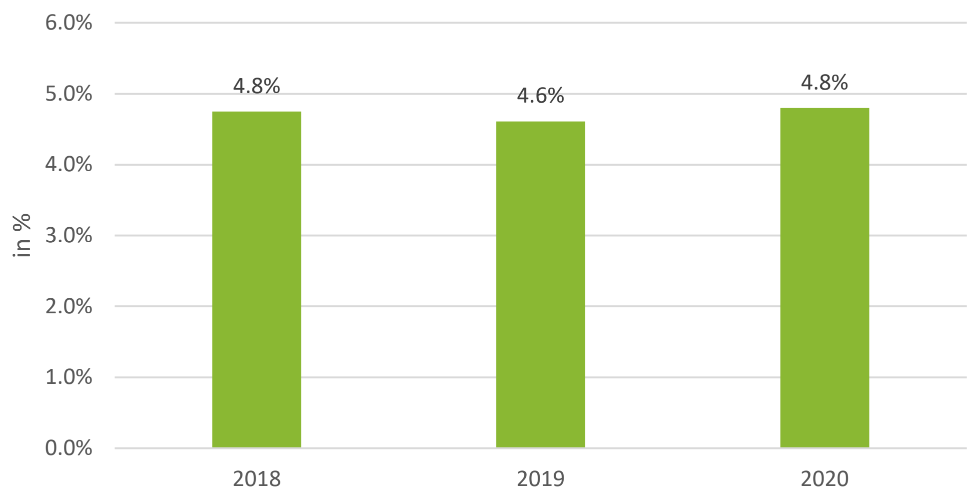


Electricity losses

Electricity losses are a major cost in the operation of distribution systems. They are defined as the difference between the measured amounts of electricity at collection points from the transmission system into the distribution system and from the generation sources connected to the distribution system on one part and measured volumes of electricity at the delivery metering points of end customers. Losses are roughly broken down to technical losses resulting from power transmission along the distribution system and non-technical or commercial losses resulting from wrong registration of metering data, electricity theft and other causes where the source of loss is not the flow of electricity through the grid.

In 2020, electricity losses somewhat increased compared to the year before, which was largely subject to a changed ratio between medium voltage consumption and low voltage consumption during the epidemic. The achieved share of losses amounting to 4.8% was lower than that acknowledged by the Agency, which amounted to 4.99% for 2020.

Trends in the percentage of losses in the grid with respect to distributed energy

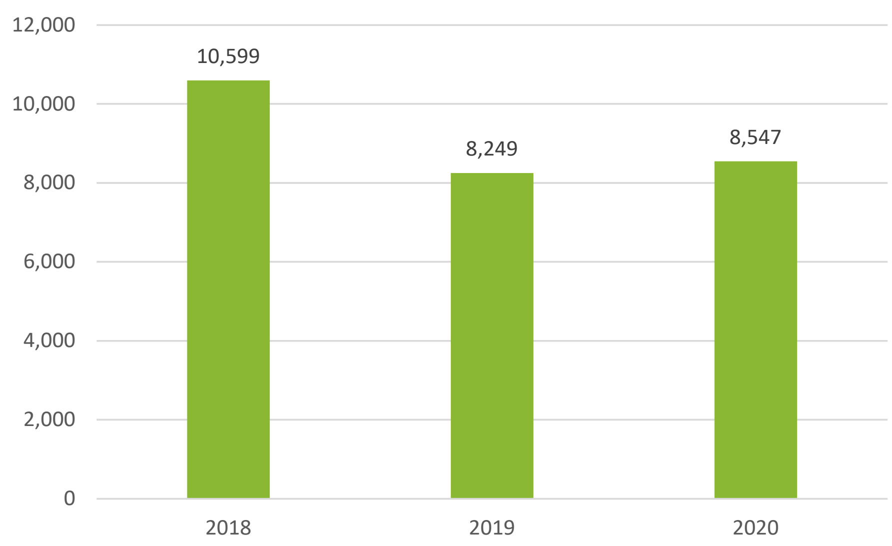


Supplier changes

Elektro Maribor d.d. makes a change of supplier within the legally prescribed period. In 2020, a change of electricity supplier in the Elektro Maribor distribution system was executed at 8,547 metering points, 7,050 of which were households and 1,497 were commercial customers, which altogether accounts for 3.9% of all metering points.

In 2020, there were somewhat more supplier changes than the year before; however, the number of changes has dropped significantly after 2016.

Trends in the number of electricity supplier changes

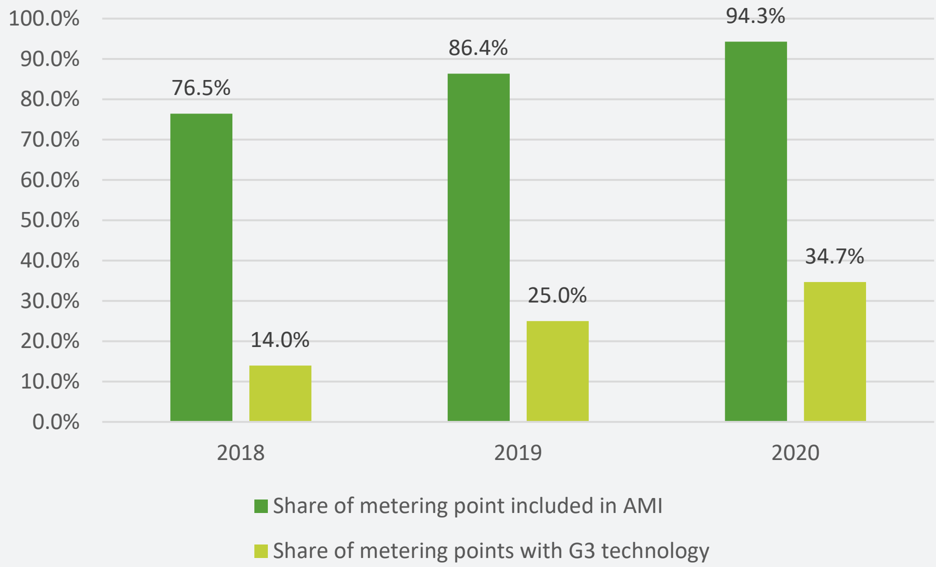


9.6 Electricity measurement and provision of measurement data

There are 208,510 metering points included in the advanced metering system in the Elektro Maribor distribution area, which accounts for 94.3% of all metering points in that area.

In 2017, the Company finished setting up an advanced metering system using S-FSK-PLC communication technology and transferred to high-performance multichannel OFDM G3-PLC technology. The share of metering points furnished with G3 meters amounted to 34.7% in 2020. All network users included in the advanced metering system can pay for electricity based on the actual quantities measured every month, transfer from a single-tariff to a double-tariff or multi-tariff metering regime or vice versa with no cost for metering equipment, and reclose the circuit breaker if the installed capacity is exceeded.

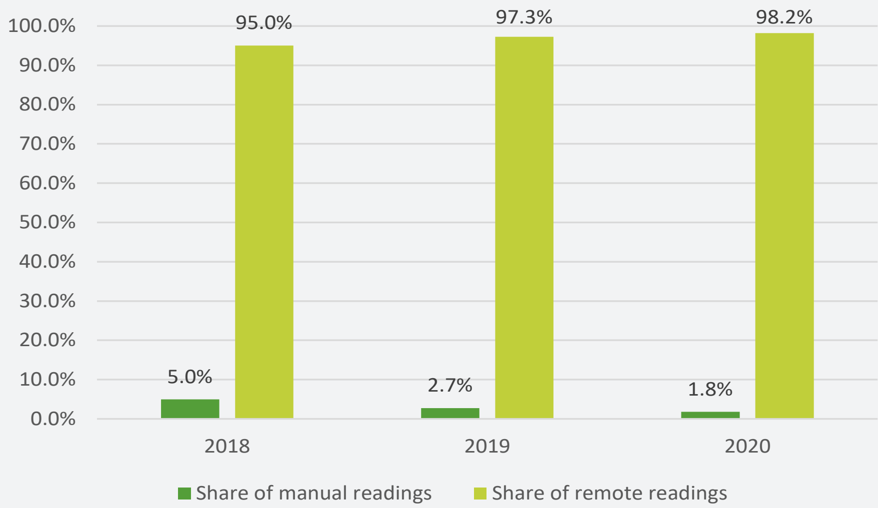
Share of metering points in the advanced metering system and share of meters using G3-PLC technology



Pursuant to the Metrology Act and implementing regulations, the Company replaced 2,343 metering devices, the certification for which expired in 2020. Meters, the service life of which did not expire based on the Rules laying down the period for the use of metering equipment, were properly serviced, calibrated and re-certified.

For the purposes of calculating network use, fees, electricity supply and making control calculations, 2,363,509 readings from electricity meters were provided from the metering centre. The remaining difference of 1.8% of all necessary readings was conducted manually.

Share of readings by type



Pursuant to the tripartite agreement made by SODO d.o.o., ELES d.o.o. and Elektro Maribor d.d., the Company replaced the meters installed at all generation sources of installed capacity exceeding 250kW with new ones providing 1-minute, 15-minute and daily data transmission via the set-up router to the EccoSP data exchange platform. The Company also established additional exchange of metering and structural data based on the concluded annex to the tripartite agreement. Furthermore, the Company sends the total aggregate energy generation up to including 43kW, separately by distribution transformer substation and primary energy source, via the EccoSP channel once a year. The requested structural data for generation sources are also prepared and sent in an automated manner.

For persons executing the tasks of overseeing and resolving PLC communication problems, the Company organised training by way of an online and mobile applications and put the system into service along with the metering and information equipment developed specifically for that purpose.

The Company also prepared the Terms of Reference for the "Integration of the HES SEP2W System in eIS" for the purposes of automating certain unrelated activities within various processes. The purpose of the project is to integrate separate information systems (development and then production environment HES/MDMS SEP2WSystem with the overarching eIS information system in order to enhance the efficiency of those processes that begin in eIS, continue in HES/MDMS and then end in eIS). Both information systems will be integrated with newly developed modern online services. By realising this important project, the Company seeks to automate to the maximum extent the processes of:

- remote electricity disconnection/connection by reading the meter from eIS at request;
- remotely reducing/increasing the billing capacity within the scope of installed capacity, where there is no need for physical replacement of main fuses.

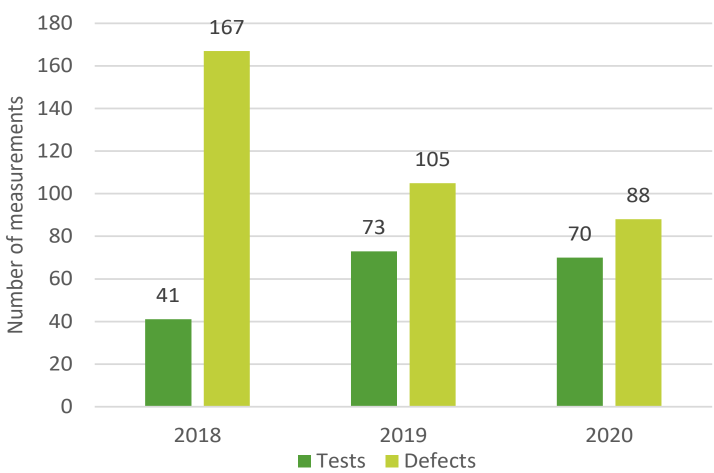
By integrating both information systems and developing additional modules in eIS, the Company will:

- reduce the time for the execution of such processes, thus improving commercial quality indicators;
- reduce the employees' workload by eliminating unnecessary communication and manual entries of metering data and statuses in various tools;
- reduce labour costs at the metering centre;
- achieve a more transparent overview over the implementation of such processes and thus eliminate unnecessary backlogs due to a limited number of workers, ultimately also reducing the number of errors due to the eliminated human factor, etc.

9.7 Measurements and protection

In maintenance, the Company made 158 measurements in 2020, 70 of which were MV cable tests and 88 were measurements for the identification of defects in MV and LV cable conduits. Furthermore, 354 protection devices for protection and control (relays) were reviewed.

Number of measurements conducted



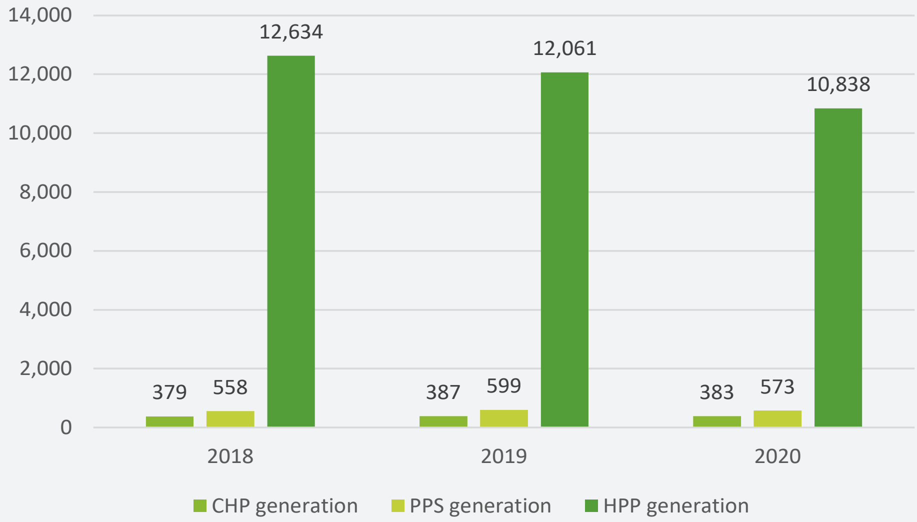
The Company conducted 1,560 voltage quality measurements, which is 7.8% more than in the previous year. 753 measurements or 51.7% did not comply with the SIST EN 50160 standard. The increased number of measurements conducted is the result of a larger number of measurement requests received in the stage of acquiring information or consent for connection to the electricity distribution network and consideration of complaints relating to voltage quality.

10 Production of energy products

In 2019, the Elektro Maribor Group produced 11,794MWh of electricity from own generation sources, which is a 10% decrease compared to 2019. This was the result of reduced production at hydro power plants caused by a period of drought from February to July 2020.

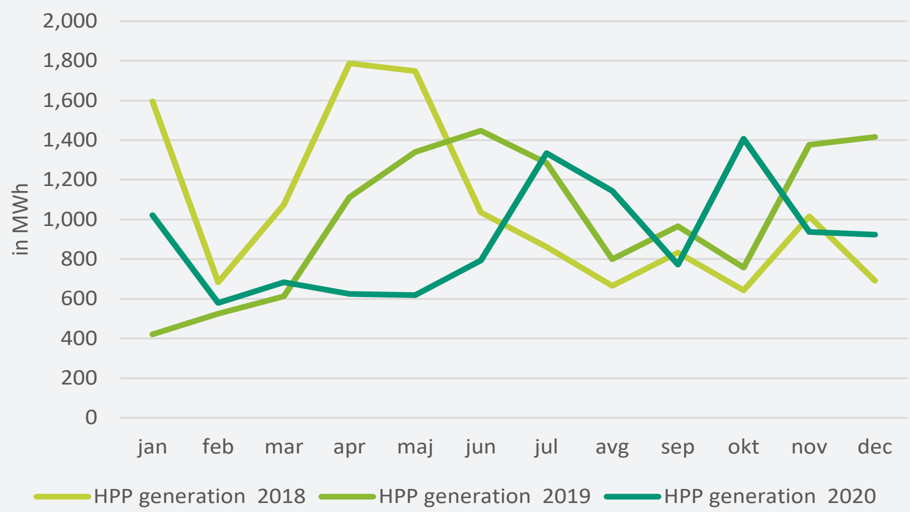
The share of electricity produced at hydro power plants in 2020 amounted to 92%, the share produced at photovoltaic power stations amounted to 5%, while the share from cogeneration (CHP) amounted to 3%.

Electricity produced at hydro power plants (HPP), photovoltaic power stations (PPS) and cogeneration (CHP) in MWh



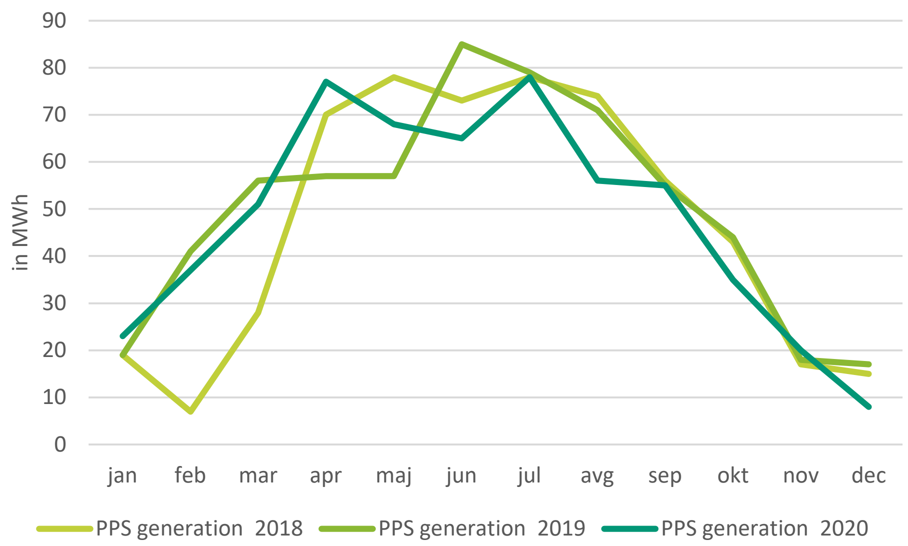
The highest generation by hydro power plants was recorded in July and October 2020. The amount of electricity generated at three small-scale hydro power plants was eligible for support premiums.

Monthly dynamic of electricity produced at hydro power plants (HPP) in MWh



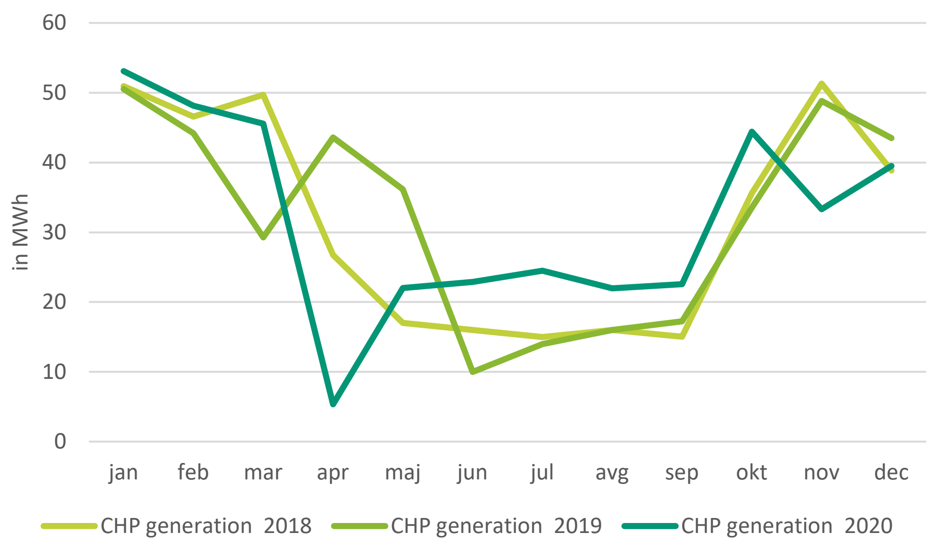
The highest generation at photovoltaic power stations was recorded in April and July 2020. The total amount of electricity generated there was eligible for support premiums.

Monthly dynamic of electricity produced at photovoltaic power stations (PPS) in MWh



The Group disposes with two plants that produce combined heat and power (CHP) in high-efficiency cogeneration from natural gas. In 2020, electricity produced from cogeneration (CHP) amounted to 383MWh, which is 1% less than in 2019. The highest production from combined high-efficiency heat and power generation was recorded in January and February 2020.

Monthly dynamic of electricity produced at CHP plants in MWh



11 Sale of energy products

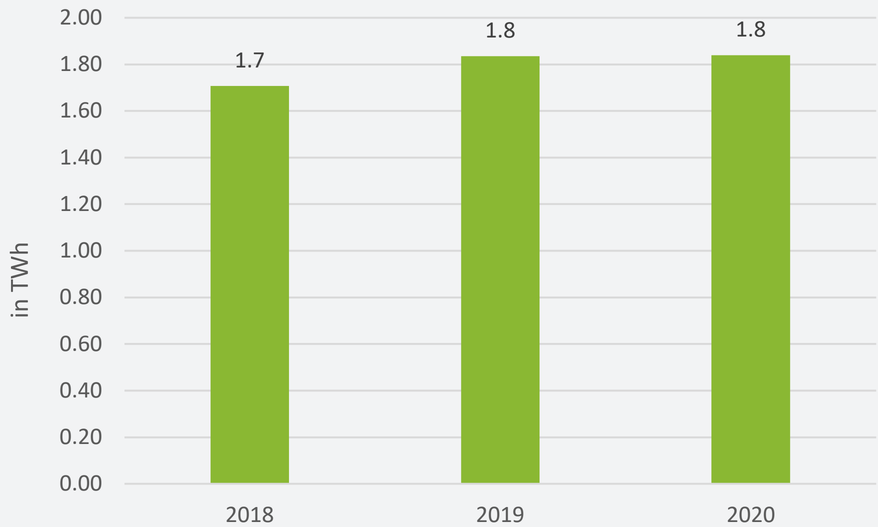
The company Energija plus d.o.o. sells energy products, electricity, natural gas and heat to end customers. The company OVEN Elektro Maribor d.o.o. sells all electricity generated within the Group to the company Energija plus d.o.o.

11.1 Electricity

In 2020, the sale of electricity was also marked by the Covid-19 epidemic. Adjustments to operations with the aim of providing the best support possible to customers despite closed points of sale and remote operations was by all means a challenge. Despite all challenges, the service level was further improved. Customers were provided with expert assistance and support with the purpose of enhancing customer satisfactions, user experiences and overall energy supply.

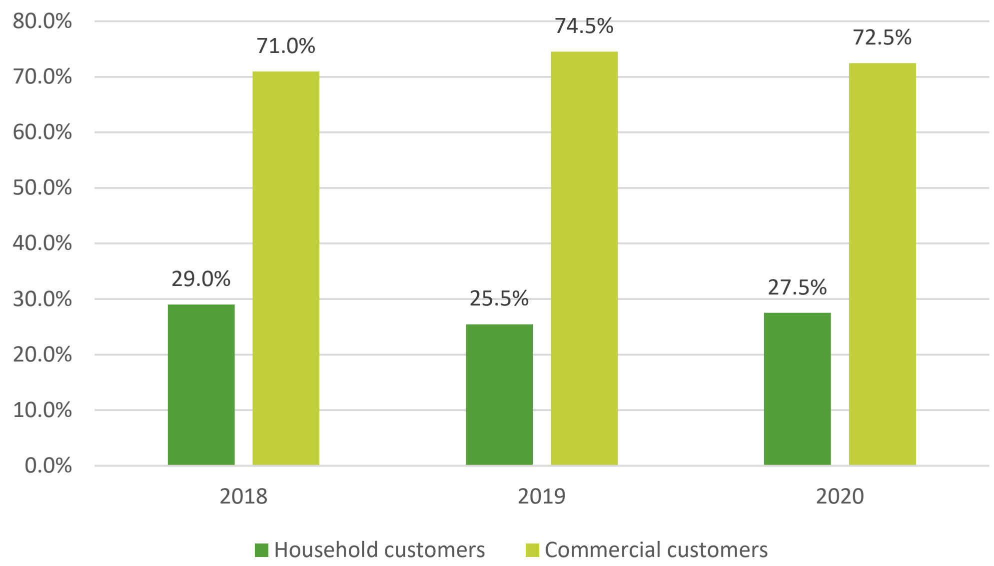
Major commercial customers were provided with assistance through active communication, analyses and counselling as regards changes in forecast consumption to avoid any cost of deviations. To reduce the negative effects faced by our customers due to the situation arisen, the prices for all household customers other than those with self-supply were cut down by 5% from March to May 2020, while all members of the loyalty programme were granted additional 500 points. The same perks were granted to minor commercial customers with no capacity measurement. Furthermore, the Company promoted energy efficiency, efficient energy use and new energy solutions with stress placed on environment conservation. The competitive environment calls for short response times and flexibility, which is why the Company has placed a great deal of attention on digital operations and process optimisation.

Sale of electricity in terms of volume



With respect to the previous year, the sale of electricity to household customers grew, while the sale of electricity to commercial customers fell. The reason for the growing sale to household customers and reduced sale to commercial customers lay primarily in the changed demand for electricity due to Covid-19.

Share of sold volumes of electricity to end customers



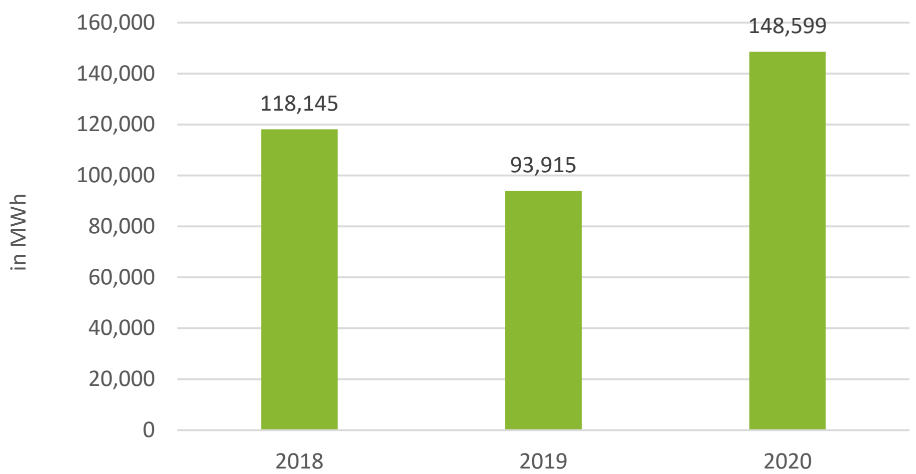
Based on currently available data for January to September 2020, the Company achieved a 12.8% market share in the total sale to end customers, which is a 0.2% decrease with respect to 2019.

11.2 Natural gas

The number of new customers on the natural gas market is slowly growing. Growth was recorded both in natural gas consumption and supplier changes by commercial customers, while the trend for household customers has slowed down, revealing a significant drop in the number of supplier changes compared to previous years (except in individual special campaigns). There are 22 natural gas suppliers active on the Slovenian retail market which have intensified competition with their activities.

In 2020, 58% more gas was sold to end customers than in 2019. The growing sale was largely affected by the acquisition of two major business partners.

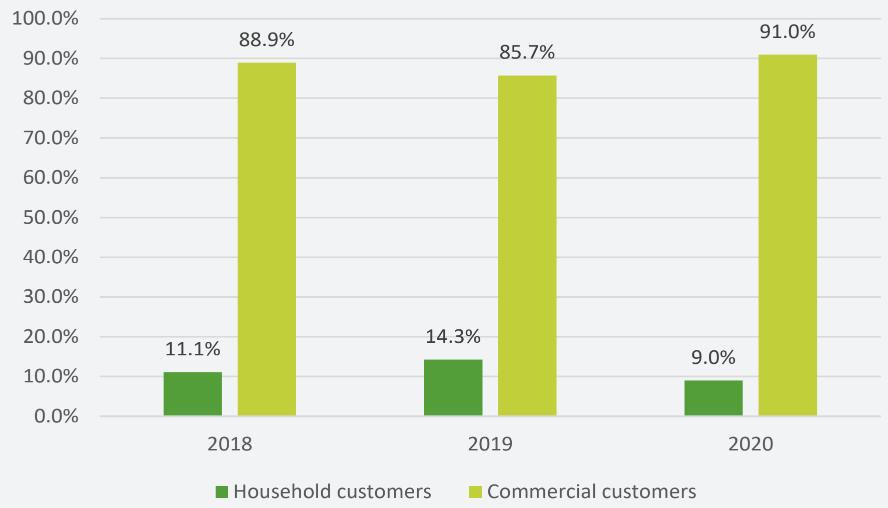
Sale of natural gas in terms of volume



In 2020, natural gas sales prices for households and minor commercial customers were not changed. To obtain new customers, the Company offered discounts on existing prices. In order to reduce the negative impact brought about by the Covid-19 epidemic, the Company cut down natural gas prices for all existing household and minor commercial customers by 30% from March to May 2020.

Activities to strengthen the Company's position on the natural gas market were carried out throughout the year in various forms (promotions, campaigns, sales promotion for gas and Double Plus packages, addressing potential customers at the call centre and points of sale, etc.). Note should also be given to the campaigns "It's time to save", "Bring a friend" and "Halving natural gas prices".

Share of sold volumes of natural gas to end customers



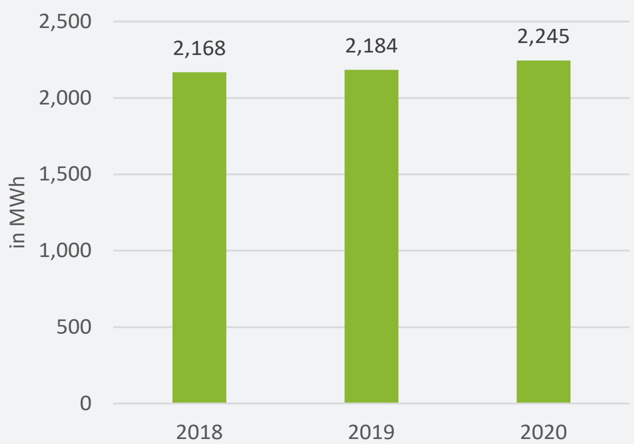
Based on available official data regarding natural gas consumption in Slovenia (for 2019, source: Energy Agency), the Company's market shares in 2020 on the entire retail market (transmission and distribution) are estimated at 1.45% and at 3.35% in distribution. It is expected that the market shares will increase by 0.58 percentage points in 2020 for the entire retail market, and by 1.34 percentage points for distribution.

11.3 Heat

The Company has successfully operated a boiler house in Pobrežje for 7 years. The heat produced is supplied to 580 apartments. In 2017, the Company also started supplying thermal energy to the building hosting Zavrč Municipality and municipal school buildings within the scope of a public-private partnership. The Company also produces electricity from cogeneration at the Pobrežje boiler house, which is fed into the grid and represents an additional source of income. The sale of thermal energy and the revenue thus generated depend directly on weather conditions, which is why the latter deviated positively from those planned, primarily due to cold winter months compared to the previous year.

In 2020, 2,245MWh of thermal energy was generated, which is 2.8% more than in 2019, mostly on account of cold months in the last quarter of 2020.

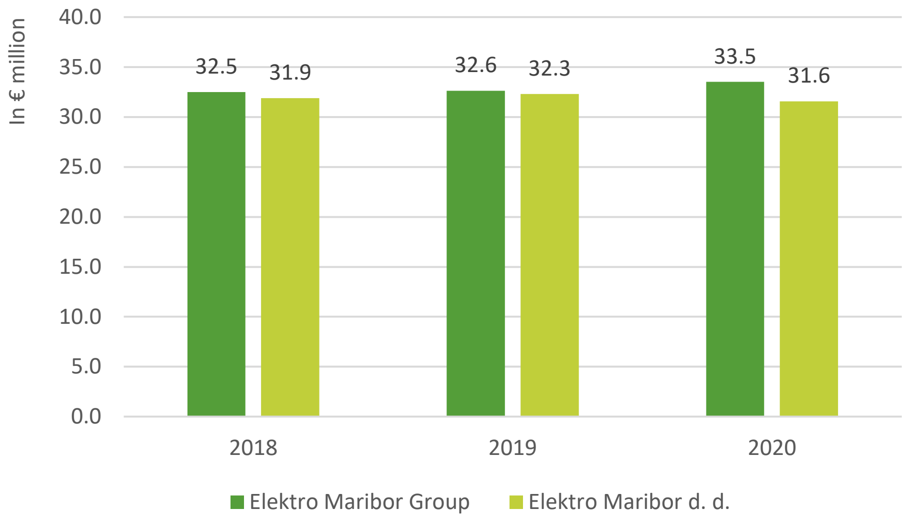
Sale of thermal energy in terms of volume



12 Investments[23]

In 2020, investments were realised in the amount of €33,509,942 within the scope of the Elektro Maribor Group, which is 3% more than in the previous year. Company investments were realised in the amount of €31,571,377, which is a 2% decrease with respect to the previous year.

Group investments



The largest share of investments (94%) are the investments made by the parent company Elektro Maribor d.d. With respect to previous investments, the share of the subsidiary OVEN Elektro Maribor d.o.o. increased the most in the Group investment structure as a result of the acquisition of a small-scale hydro power plant with the nominal power of 492kW, which represents the average annual increase in the electricity generated by 2GWh.

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Investments made by Elektro Maribor d.d.

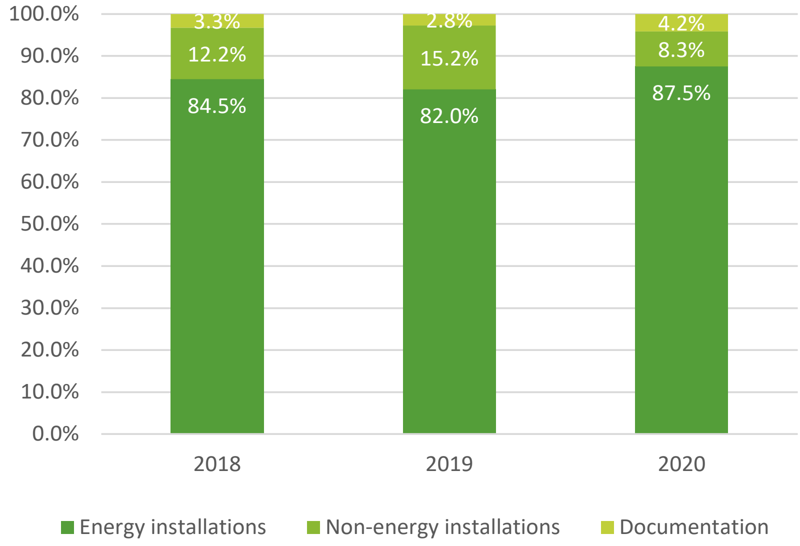
	2020		2019		2018	
	Volume	Value in €	Volume	Value in €	Volume	Value in €
New HV transmission lines		70,554		249,198		49,954
Refurbished HV transmission lines		191,162		47,508		58,383
New overhead MV power lines	5.84 km	350,038				
Refurbished overhead MV power lines	90.06 km	3,345,311	73.83 km	2,997,150	113.78 km	4,023,189
New underground MV cable conduits	28.41 km	2,301,466	30.86 km	2,538,319	39.79 km	2,829,201
Refurbished underground MV cable conduits	12.58 km	1,063,776	4.86 km	746,185	7.12 km	441,505
New overhead LV power lines	0.00 km	414	4.33 km	172,009	2.64 km	159,521
Refurbished overhead LV power lines	73.07 km	2,817,529	53.61 km	2,341,481	50.18 km	2,533,130
New LV cable conduits	24.80 km	1,661,980	17.08 km	1,119,643	21.36 km	1,151,085
Refurbished LV cable conduits	125.95 km	6,108,753	93.86 km	5,031,242	144.51 km	5,140,804
MV/LV transformer substations						
– new	30 pcs	2,868,683	31 pcs	2,439,480	22 pcs	1,700,634
– refurbished	67 pcs		69 pcs		53 pcs	
HV/MV distribution transformer substa-tions		1,508,652		3,293,265		4,335,726
Automation and remote control		643,370		490,478		581,667
Maintenance and operation reserve		349,140		593,280		179,780
Telecommunications		637,142		526,796		311,543
Metering devices and instruments		3,676,494		3,774,451		3,091,549
Tools and machinery		210,144		344,792		169,258
Transport means		573,584		1,512,876		1,250,508
Inventory		62,814		44,770		26,749
Work premises		610,989		555,571		489,492
Design documents		1,319,852		896,457		1,054,299
Business informatics		1,178,222		2,457,753		1,958,313
Purchase of electricity infrastructure		21,310		129,372		146,373
Investment projects				-		197,957
Total		**31,571,377**		**32,302,073**		**31,880,619**

The realisation of Elektro Maribor d.d. at power plants increased by €1.1 million or 4% compared to the same period last year. As a result, the share of investments in power installations also increased in 2020, i.e. by 4 percentage points, which is the most in the last 5 years.

Within the scope of power installations, realisation at distribution installations (MV, TS and LV) increased the most YOY, i.e. by €3.1 million or 18%. Due to the delay in the execution of a 2 × 110kV Murska Sobota–Lendava transmission line, the plan for 2020 was restructured to other investment groups. Increased realisation in the LV power line investment group was possible due to restructured funds from the MV power line investment group to the target pole replacement.

Upon the growing share of investments in power installations, the Company has also invested in non-energy installations (tools and machinery, means of transport, inventory, work premises and business informatics) and preparation of investment documents. The realisation of investments in non-energy installations fell by €2.28 million or 46% YOY. It fell mostly in business informatics and means of transport. The realisation in the preparation of investment documents on the other hand increased by €0.42 million or 47%.

Structure of investments made by Elektro Maribor d.d.



12.1 Strategic investments made by Elektro Maribor d.d.

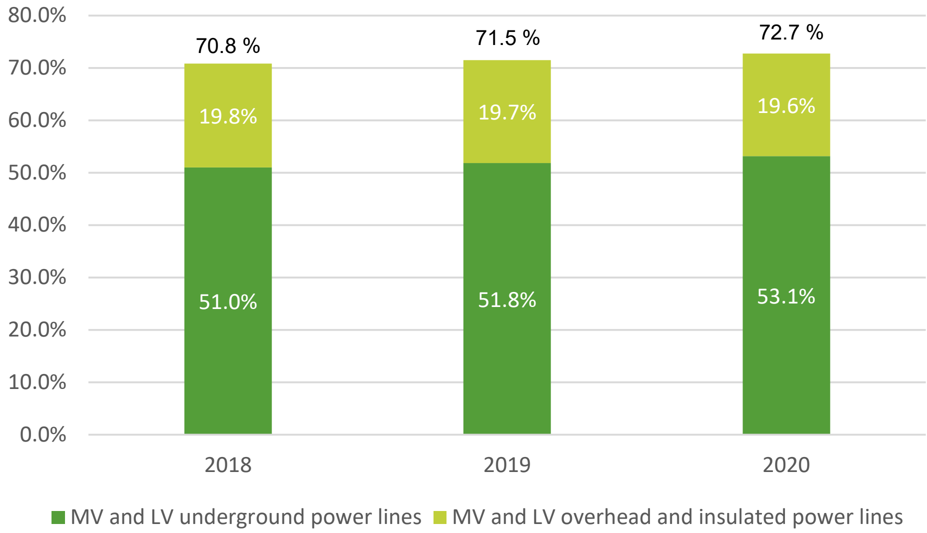
Network robustness

The Company systematically increases the robustness of the medium voltage (MV) and low voltage (LV) networks, also by laying LV and MV lines underground and insulating overhead LV and MV power lines. In 2020, the overall overhead MV and LV networks reduced by some 140km, while the total length of underground MV and LV power lines increased by some 316km. In 2020, investments were made to reconstruct and build anew 95.9km of overhead MV power lines, while 40.99km of MV cable conduits were laid anew and reconstructed along with 73.07km of overhead LV power lines and 150.75km LV cable conduits. Furthermore, the Company remedied major damages.

Within the scope of investments, the Company replaced 5,879 pylon sites, 1,444 of which within the MV network and 4,435 within the LV network.

Upon more and more frequent extreme weather events, the robustness of the network has gained strategic importance. The latter has been acknowledged and noted as an objective in the Company strategy and Guidelines for the Company's technical and technological development. Underground (cable) electricity networks are being constructed intensely and, where cabling is not possible, overhead networks are erected with insulated conductors.

Robustness of the MV and LV networks



Network capacity

New transformer substations: To improve voltage conditions and meet the requirements for electricity consumption, the Company built 30 new transformer substations.

Network advancement and visibility

- Automation of the MV network: Within the scope of automation, the Company completed and put into service 8 remote controller disconnector spots on a mast and 10 remote controlled disconnector spots in the transformer substation.
- Metering devices and instruments: Metering devices were installed and the AMI project was implemented actively, so that the Company has so far included 94.34% of all metering points in the advanced system. Within the scope of the investment project "Construction of an advanced metering system", the Company additionally installed 17,377 new system meters in the relevant period.

Telecommunications and information science

- Information technology: Most investments were dedicated to software upgrades (billing and customer life cycle (eIS), central data warehouse (CDWH) and support for business processes (AXI)), software licences and integrations between various information systems. In 2020, new software support was introduced for operational planning and analyses (Planning & Analytics). Other investments were earmarked for the replacement of obsolete hardware and expansion of the access control system for telecommunication premises at distribution transformer substations.
- Telecommunications: The Company furnished ICT premises, securing them with electronic access control. Outdated radio equipment was replaced, a redundancy system for recording radio conversations was set up and a new antenna tower Kapla was erected. The Company also made a study of the use and erection of antenna towers for the purposes of radio communication among Company employees and an estimate of coverage on the Company territory within the 700MHz frequency range. Proof of concept (PoC) was made for the Aprisa-IT100 radio equipment, which will be used for radio communication with remote locations, where SCADA services will be rendered. Proof of concept was also made for the cyber protection of OT/DCV environments. Remote locations were connected in terms of communication with the fibre optic and radio network, the MPLS/IP communication network was updated and expanded, surveillance systems were modernised and a public contract was executed for the refurbishment of the MPLS backbone network.

12.2 Major strategic investment facilities in 2020

- **110/20/10kV Dobrava distribution transformer substation**

  The overall refurbishment of the 110/20/10kV Dobrava distribution transformer substation was completed, i.e. all electrical installation works and functional tests at the 110kV, 20kV and 10kV switching substation. All bays and units operate in the final configuration. All construction works at the 110-kilovolt switching station have been completed, including the plateau and all service routes. The documents are yet to be reviewed and an expert opinion is to be prepared by Milan Vidmar electric Power Research Institute, which is planned for 2021.

Dobrava distribution transformer substation

Due to deteriorated MV and LV devices, certain investments in 110kV installations have been postponed, whereas urgent investments were executed, including the reconstruction of the 110/20/10kV Dobrava distribution transformer substation and some minor investments. Investments in MV and LV installations increased with the aim of reversing the trend of investments eliminating damage to a trend of investments preventing damage to MV and LV installations.

- **2 × 110kV Murska Sobota–Mačkovci transmission line**

On 2 November 2020, Elektro Maribor again sent the Ministry of the Environment and Spatial Planning a motion to repeal the decision adopted by the Ministry of the Environment and Spatial Planning, Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning, Regional Unit Murska Sobota, No. 06122-4221/2018/10 of 20 December 2018 in conjunction with the decision of the Ministry of the Environment and Spatial Planning No. 0612-8/2019/4 of 15 February 2019 and the decision of the Ministry of the Environment and Spatial Planning, Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning, Regional Unit Murska Sobota, No. 06122-270/2019/23 of 18 June 2019 in conjunction with the decision of the Ministry of the Environment and Spatial Planning No. 0612-187/2019-2-LMJ of 18 September 2019 and the decision of the Ministry of the Environment and Spatial Planning, Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning, Regional Unit Murska Sobota, No. 06122-4221/2018/51 of 5 September 2019 in conjunction with the decision of the Ministry of the Environment and Spatial Planning No. 0612-8/2019-15 of 7 November 2019, which has not been decided yet res judicata. The Company's motion to repeal the decisions was also notified to the Ministry of Infrastructure. On 7 January 2021, the Company received a letter in which the Ministry of the Environment and Spatial Planning informed the Company that it had received the motion for urgent annulment, but was not obliged to take into account or consider its content and make a decision as per the case-law, since that was not imposed by the Administrative Procedure Act. The Ministry could also act ex officio based on the data and evidence indicated in the motion.

In respect of the Murska Sobota–Mačkovci transmission line, the Company actively participates in the procedure to adopt an amended spatial plan and, consequently, obtain all documents for the acquisition of a building permit for the alternative layout between pylon sites 16 to 21. The initiative to adopt a national spatial plan (NSP) for the alternative layout was produced in October 2019 and was published at the end of 2019. The Spatial Planning, Construction and Housing Directorate within the scope of the Ministry of the Environment and Spatial Planning, which runs the procedure to prepare NSP, forwarded the initiative pursuant to Spatial Planning Act to the competent national and local spatial developers inviting them to provide specific guidelines and all data within their competence referring to the planned spatial arrangement that were not taken into account in the preparation of the initiative. At the same time, all spatial developers participating in the strategic environmental impact assessment were invited to provide their opinion along with specific guidelines, indicating whether a strategic environmental impact assessment is necessary and proposing the scope and accuracy of information to be included in the environmental report. The Strategic Environmental Assessment Division within the scope of the Ministry of the Environment and Spatial Planning was asked to decide on the necessity of carrying out the procedure of a strategic environmental impact assessment. The initiative was adopted with a Government decision in the beginning of June 2020. The Company is currently producing variant studies, which are planned to be completed by May 2022.

Taking into account all necessary activities, the adoption of the national spatial plan is currently foreseen for November 2023. The building permit is expected to be obtained within a year of the issue of the national spatial plan.

12.3 Other investments

Energy installations

Along with strategic investments, investments were also made in:

- MV power lines: 95.9km of overhead power lines were reconstructed and built anew and 40.99km of cable conduits were laid anew and reconstructed.
- Transformer substations: To improve voltage conditions and meet the requirements for electricity consumption, the Company built 30 new transformer substations and reconstructed 67 transformer substations.
- LV power lines: 73.07km of overhead power lines were reconstructed and built anew and 150.75km of cable conduits were laid anew and reconstructed.

Physical realisation of the construction of MV, TS and LV installations

Elements		Measurement unit	2020	2019	2018
MV power lines	transmission line	km	95.9	73.83	113.78
	cable conduit	km	40.99	35.72	46.91
MV/LV TS	new construction	pcs	30	31	22
	refurbishment	pcs	67	69	53
LV network	overhead power line	km	73.07	57.94	52.82
	cable conduit	km	150.75	110.95	165.87

- Maintenance and operating reserve

  Within the scope of the investment group, the Company enhanced the operating reserve of distribution transformers (44 pcs) in the total value of €0.35 million.
- Automation of the MV network
- Within the scope of automation, the Company completed and put into service 8 remote controlled disconnector spots on a mast and 10 remote controlled disconnector spots in the transformer substation.
- Purchase of electricity infrastructure

  In 2020, the Company purchased one transformer substation, i.e. Dobrovnik Mobitel transformer substation.

Non-energy installations

- Tools and machinery for energy purposes: Within that scope, the Company procured the tools required for safe and uninterrupted work.
- Transport means for energy purposes: The Company procured the transport means foreseen in the 2-year contract (2019–2020).
- Work premises and inventory: Within that scope, the Company arranged the Tezno mast warehouse, reconstructed sanitary premises in the administrative building, and provided supervision in Slovenske Konjice, also executing some minor investments.

Documentation

The Company mostly carried out activities to obtain the right to set up a corridor and pylon sites for the foreseen transmission lines, and to produce a building permit design (PGD) and obtain a building permit (BP) for the planned power installations: 2 × 110kV Murska Sobota–Lendava transmission line and 2 × 110kV Lenart–Radenci transmission line.

Furthermore, intense efforts were made to obtain investment documents for medium and low voltage power installations that are planned for the 2020–2022 period.

12.4 Own execution of investments

The Company executes most construction and installation works in the erection of new power installations on its own. In 2020, the value of capitalised own products and services amounted to €21.6 million and increased by €2.1 million or 11% with respect to the previous year.

Such investments were carried out at the two service units and regional units. The western part of the area supplied by the Company falls mostly within the competence of the service unit in Maribor, while the eastern part falls within the competence of the service unit in Ljutomer. The results achieved show the importance of own execution of investments. That way, the Company ensures its fundamental activity, i.e. secure electricity supply, in a responsible and reliable manner. To realise the investments planned, the Company additionally recruited installers, construction workers, machinery drivers and auxiliary workers due to the increased scope of works during the building season. All instructions and measures to contain the spread of the Covid-19 epidemic were taken into account during such works. Field works were adjusted in a manner allowing employees, where possible, to arrive directly at work sites. That way, working hours were used more efficiently, while the risks related with the concentration of employees at one location and, hence, the possibility of infection spreading among employees were reduced.

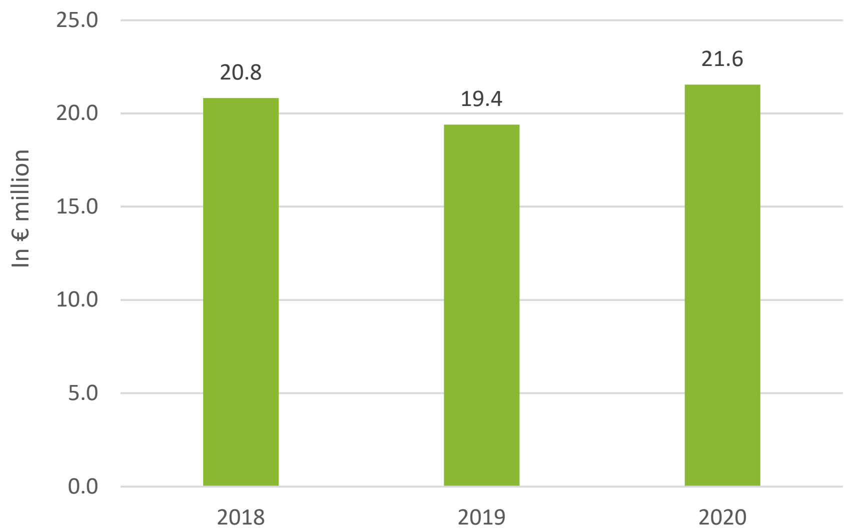
The largest investments carried out in 2020 by the Company on its own were:

- refurbishment of the Dobrava and Rače distribution transformer substations;

- rearrangement of three MV bays at the Sladki Vrh distribution transformer substation for supplying power to the Paloma complex;
- an extensive investment project for a transformer substation, and MV and LV network in the area of Duplek;
- an extensive investment project on own electricity infrastructure in the area of Jarenina;
- 20KV transmission line Lendava–Velika Polana DTS, Friško branch;
- 20KV transmission line Lendava–Gabrje 1–Velika Polana DTS;
- transmission line Lendava–Gaberje DTS.

The electro-metallic workshop intensively produced metal distribution boxes and boxes for the installation of concentrators for the purposes of advanced measurement systems. In 2020, the Company obtained the SIQ certificate of compliance for the type cable boxes produced at our own electro-metallic workshop, whereby the Company officially confirmed the reliability and quality of own products installed in the LV network.

Revenue from own investments (in € million)



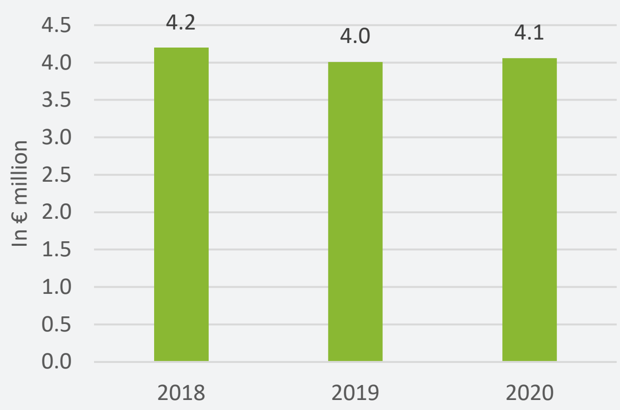
13 Services on the market

Elektro Maribor d.d. provides comprehensive services in design engineering, construction and maintenance of power installations and devices. Pursuant to standards and metrology regulations, the Company also controls measuring instruments and tests for electromagnetic radiation. The requirements imposed by the Slovenian Accreditation and the Metrology Institute of the Republic of Slovenia are upheld regularly and successfully. The goals set in respect of the quality policy have been attained and the Company strategy is being pursued.

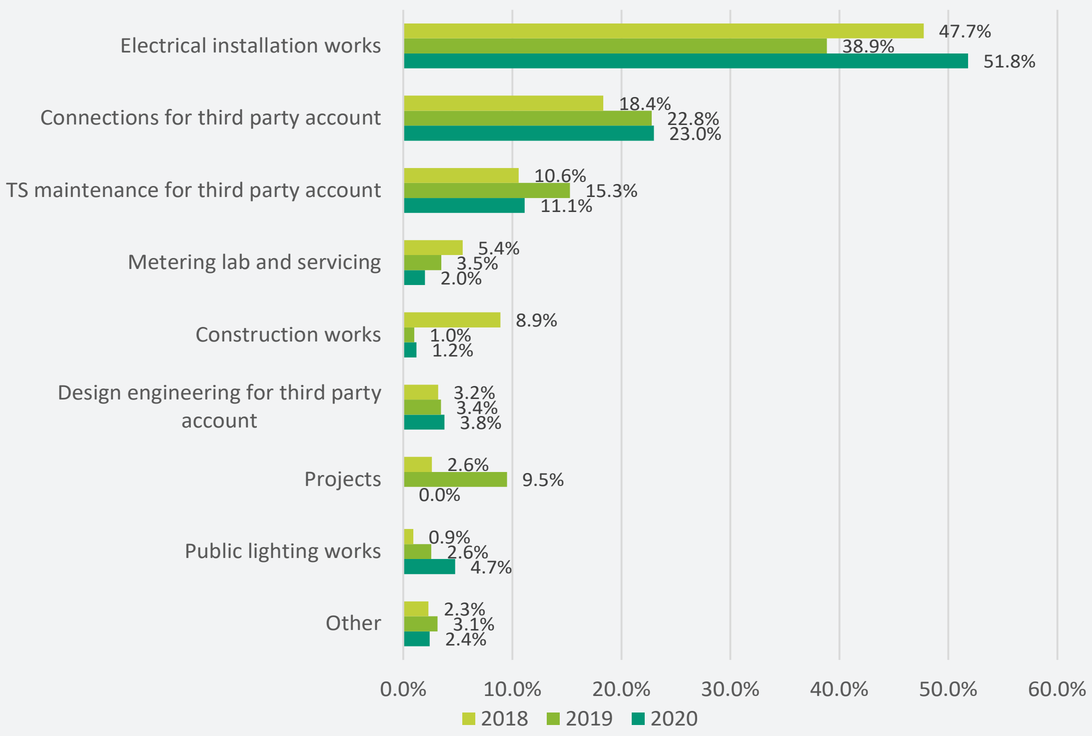
The combat with the Covid-19 epidemic in the first half of 2020 reduced the works obtained on the market. In the second half of 2020, demand on the market strengthened. Several important contracts on the market were successfully completed. The Company has kept its market position of a reliable partner for the execution of most demanding power installations. This is possible with professionally qualified staff, quality machinery and sound organisation of work.

In 2020, the Company generated revenues amounting to €4.1 million from services rendered on the market, which is 1% more than the previous year.

Trend in revenues from the sale of services rendered by Elektro Maribor d.d.



The structure of revenues from the sale of services by type of service



Major works successfully completed on the market in 2020 included:

- The Company successfully completed an extremely important and complex project for power supply to the industrial complex Paloma d.d. in Sladki Vrh.
- In the area of Ruše, the Company completed an extensive project of setting up the new Hofer Ruše transformer substation, its connection to the MV network and made extensive relocations of the MV and LV networks in the area planned for the construction of new Hofer trade centres in Ruše and Šentilj.
- Furthermore, the Company rearranged MV and LV networks and installed public lighting within the scope of the project for a new Cesta proletarskih brigad–Limbuška.
- Other works on major power installations included: TS Lendava–Academy, TS Velika Polana–Friško, public lighting in Domajinci and Beltinci, relocation of MV power lines for the construction of a multi-purpose arena in Gornja Radgona.

14 Analysis of business performance[24]

The analysis of business performance shows financial data and notes for the current year compared to the data planned in the amended 2020 budget. Deviations with respect to the previous financial year are explained in detail in the financial report.

14.1 Analysis of business performance of Elektro Maribor d.d.

In 2020, the Company surpassed the set short-term goals referring to added value per average number of employees according to hours worked (by 1.5%), share of underground and insulated overhead MV and LV power lines on all MV and LV power lines (by 0.7 percentage points), share of metering points included in the advanced measurement system (by 4.3 percentage points) and achieved the set short-term goals referring to the return on assets (ROA), share of losses per distributed energy, share of insulated overhead MV and LV power lines on overhead MV and LV power lines and the share of investments in the carrying amount of electricity infrastructure.

The EBITDA margin decreased by 0.9 percentage points as a result of increased operating revenues with respect to those planned. The share of market revenue and capitalised own products and services in total operating revenue decreased by 1 percentage point as a result of increased operating revenues, primarily deriving from regulated revenue from the services of the electricity distribution operator, which increased as a result of incentives granted in the preliminary settlement for the 2020 regulatory year and increased depreciation/amortisation.

Realisation of operating goals for 2020

Short-term goals	2020	Amended 2020 plan
Return on assets (ROA) in %	2.7	2.7
EBITDA margin (in %)	39.3	40.2
Added value per average number of employees as per the hours worked (in € thousand)	73.6	72.5
Share of losses per distributed energy in %	4.8	4.8
Share of underground and insulated overhead MV and LV lines on all MV and LV power lines in %	72.8	72.1
Share of insulated overhead MV and LV lines on overhead MV and LV power lines in %	41.8	41.8
Share of metering points included in the advanced measurement system in %	94.3	90.0
Share of market revenue and capitalised own products and services in total operating revenue in %	30.7	31.7
Share of investments in the carrying amount of electricity infrastructure in %	9.9	9.9

Compliance with SSH expectations

In February 2020, the Slovenian Sovereign Holding (SSH) delivered the Annual Management Plan for the Management of Capital Assets for 2020 (hereinafter “2020 Annual Plan”) indicating the expected annual goals along with economic and financial indicators for Elektro Maribor d.d.

Due to the amended regulation of the activity in 2020, it was not possible to meet the expectations of SSH as laid down in the 2020 Annual Plan, other than the CAPEX indicator in net sales revenues, where the expectations were exceeded by 2.1 percentage points. The failure to meet the mentioned expectations, other than the CAPEX indicator in net sales revenues, was also foreseen in the Amended 2020 Plan.

Investments

The investments made by Elektro Maribor d.d. were realised in the amount of €31,571,377, which is €142,739 or 0.5% more than foreseen in the Amended 2020 Plan.

Investments

in €	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
Energy installations	27,615,773	27,572,913	26,489,854	100	104
– MV, TS and LV	20,517,949	19,708,547	17,385,507	104	118
Non-energy installations	2,635,753	2,775,725	4,915,762	95	54
Documentation	1,319,852	1,080,000	896,457	122	147
Investments	**31,571,377**	**31,428,638**	**32,302,073**	**100**	**98**

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Net profit or loss

In 2020, Elektro Maribor d.d. generated a net profit or loss of €10,473,594, which fell behing that planned by 5%. Upon the adoption of the amended plan, it was not possible to foresee the continuation of the epidemic in the second half of 2020 or the high number of days with extreme weather events and, consequently, damage to the network. The investment plan was completed entirely and the distribution system operated flawlessly; however, developments in the second half of 2020 affected costs and, consequently, profit or loss. The latter was most affected by the amended regulation of the distribution activity.

Profit before tax amounted to €11,710,991 and decreased by 5% compared to that planned.

Net profit or loss of Elektro Maribor d.d.

Elements	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
EBIT	11,138,216	11,723,108	14,105,310	95	79
Net flow	663,187	639,082	1,696,542	104	39
Profit or loss from other operations	-90,412	-86,109	-74,657	105	121
Tax	-1,237,397	-1,301,836	-1,452,513	95	85
Net profit or loss	**10,473,594**	**10,974,244**	**14,274,681**	**95**	**73**

Impact of amended regulation on net profit or loss

If the regulation of the distribution activity had not been amended in 2020, the Company would have generated an increased EBIT by €3,479,200 from the acknowledged return on assets. It is estimated that the net profit or loss would have amounted to €13,291,746, which would have been a 7% decrease with respect to the previous year, primarily on account of lower financial revenue from shares and stakes in Group companies and, consequently, decreased net flow, and due to increased cost of material and services related with the epidemic.

Impact of the amended regulation on net profit or loss

Elements	2020 *	2020	2019		
	1	2	3	1 / 2	1 / 3
EBIT	14,617,416	11,138,216	14,105,310	131	104
Net flow	663,187	663,187	1,696,542	100	39
Profit or loss from other operations	-90,412	-90,412	-74,657	100	121
Tax	-1,898,445	-1,237,397	-1,452,513	153	131
Net profit or loss	**13,291,746**	**10,473,594**	**14,274,681**	127	93

* realisation without the reduced acknowledged return

Revenues

Total revenues in 2020 increased with respect to those planned, primarily as a result of increased operating revenue, which grew by €3,188,778 or 4%, mostly as a result of increased regulated revenue of the electricity distribution operator deriving from the incentives granted in the preliminary settlement for the 2020 regulatory year and increased depreciation/amortisation. The largest share among all revenues includes regulated revenue under the contract with the electricity distribution operator, which accounts for 63% and equals that planned.

Revenue of Elektro Maribor d.d.

Elements	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
Operating revenue	83,535,628	80,346,850	83,201,815	104	100
Financial revenue	1,111,884	1,050,406	2,169,679	106	51
Other revenue	12,875	2,753	27,309	468	47
Total revenues	**84,660,387**	**81,400,009**	**85,398,803**	104	99

Increased operating revenue in 2020 with respect to that planned was mostly the result of increased regulated revenue from the services of the electricity distribution operator and higher revenue from the sale of services on the market.

Costs and expenses

Total costs and expenses in 2020 with respect to those planned increased primarily as a result of increased operating costs and expenses. Operating costs and expenses (OPEX costs) increased by €3,773,670 or 5% compared to those planned. The Company was unable to compensate fully for the reduced regulated revenue by reducing the cost for the provision of the principal Company activity. In addition, certain costs increased due to the Covid-19 epidemic. The Company carries out the regulated activity of maintaining the electricity distribution network and is obliged to provide stable electricity supply, including in demanding conditions such as an epidemic, pursuant to its statutory goals and the contract concluded with the operator of the electricity distribution network.

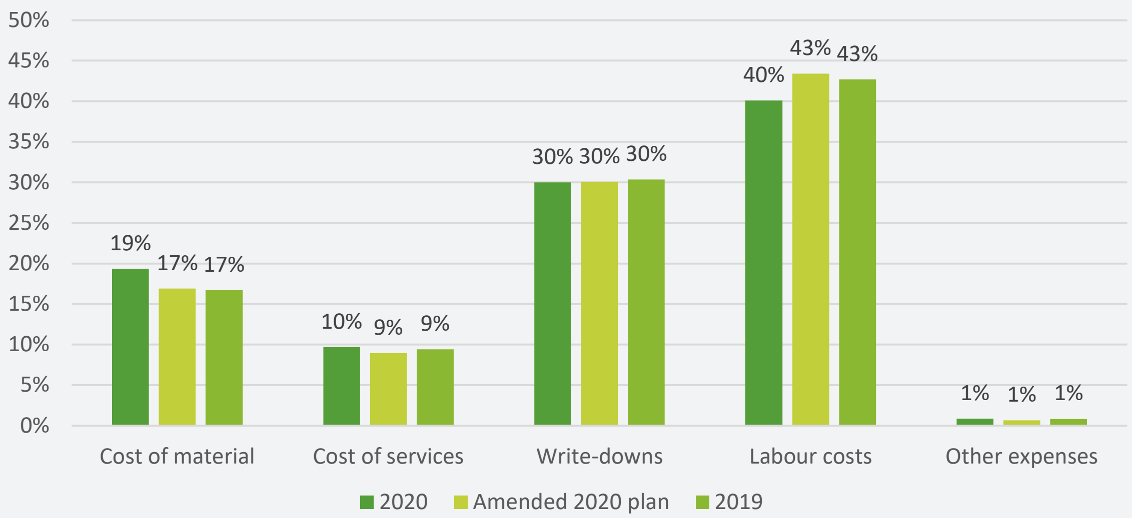
Costs and expenses of Elektro Maribor d.d.

Elements	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
Operating costs and expenses	72,397,412	68,623,742	69,096,506	105	105
- cost of material	14,006,681	11,595,274	11,552,960	121	121
- cost of services	7,012,878	6,130,811	6,497,507	114	108
- write-downs	21,716,881	20,644,549	20,966,475	105	104
- labour costs	29,035,834	29,794,559	29,501,552	97	98
- other expenses	625,137	458,550	578,012	136	108
Financial expenses	448,697	411,324	473,137	109	95
Other expenses	103,287	88,862	101,966	116	101
Total costs and expenses	**72,949,396**	**69,123,928**	**69,671,608**	**106**	**105**

The cost of material increased with respect to that planned, primarily on account of a larger scope of services rendered on the market, own investments and damage repair. The costs of services increased primarily as a result of services for subsequent billing and the cost of maintenance services. Write-downs increased primarily as a result of increased depreciation/amortisation costs. Other expenses increased mostly due to the provisions made for litigations.

There was no major deviation in operating costs with respect to those planned. The Company pursues a labour-intensive activity, whereby labour costs account for 40% of total operating costs and expenses.

Operating costs and expenses of Elektro Maribor d.d.



Financial expenses increased with respect to those planned, primarily as a result of actuarial interest.

Other expenses increased with respect to those planned, primarily as a result of deductibles.

Assets

As at 31 December 2020, the Company's total assets amounted to €399,079,365 and decreased with respect to the planned figure by €2,545,426 or 1%, primarily due to decreased net profit or loss in 2020 with respect to the amended 2020 plan.

Total assets of Elektro Maribor d.d.

in €	31/12/2020	Amended plan 31/12/2020	31/12/2019	Index	Index
	1	2	3	1 / 2	1 / 3
Assets	**399,079,365**	**401,624,791**	**390,758,423**	**99**	**102**
Long-term assets	376,475,479	379,660,112	366,207,556	99	103
Short-term assets	22,337,331	21,602,716	24,060,141	103	93
Short-term deferred costs and accrued revenue	266,555	361,963	490,726	74	54
Liabilities	**399,079,365**	**401,624,791**	**390,758,423**	**99**	**102**
Equity	294,792,477	295,568,199	289,312,301	100	102
Provisions and long-term accrued costs and deferred revenue	41,295,069	40,368,983	40,232,696	102	103
Long-term liabilities	43,608,417	43,543,771	38,979,657	100	112
Short-term liabilities	18,577,410	21,347,356	21,437,226	87	87
Short-term accrued costs and deferred revenue	805,992	796,481	796,543	101	101

The structure of assets did not change significantly in 2020. Long-term assets account for the largest share (94%).

Structure of the assets of Elektro Maribor d.d.

Item in %	31/12/2020	Amended plan 31/12/2020	31/12/2019
Long-term assets	94.34	94.53	93.72
Short-term assets	5.60	5.38	6.16
Deferred costs and accrued revenue	0.07	0.09	0.13
Total	**100.00**	**100.00**	**100.00**

In 2020, the Company spent €142,739 more on investments in fixed assets with respect to the planned figures. The investment increase is shown mostly in the enhanced robustness of the MV and LV networks.

Investments in the fixed assets of Elektro Maribor d.d.

	31/12/2020	Amended plan 31/12/2020	31/12/2019	Index	Index
	1	2	3	1 / 2	1 / 3
Value of assets in €	357,617,218	360,933,755	347,564,396	99	103
Amount of investments in fixed assets in €	31,571,377	31,428,638	32,302,073	100	98
Share of investments in the value of assets in %	8.83	8.71	9.29		

As at 31 December 2020, short-term investments in 2020 increased by €734,615 or 3% with respect to the figures planned and result from a higher balance of cash and cash equivalents. By efficiently managing inventories and recovery, the Company achieved a decrease in inventories and short-term operating receivables with respect to the amended plan and previous year.

Short-term assets of Elektro Maribor d.d.

in €	31/12/2020	Amended plan 31/12/2020	31/12/2019	Index	Index
	1	2	3	1 / 2	1 / 3
Inventories	2,339,050	2,500,000	2,750,549	94	85
Short-term operating receivables	9,615,152	13,336,868	12,361,762	72	78
Cash and cash equivalents	10,383,129	5,765,849	8,947,830	180	116
Total	**22,337,331**	**21,602,716**	**24,060,141**	**103**	**93**

As at 31 December 2020, Company liabilities disclose the method of financing the Company assets. The largest share of the Company assets (73.9%) was financed with equity.

Structure of liabilities of Elektro Maribor d.d.

Item in %	31/12/2020	Amended plan 31/12/2020	31/12/2019
	1	2	3
Equity	73.87	73.59	74.04
Provisions and long-term accrued costs and deferred revenue	10.35	10.05	10.30
Long-term liabilities	10.93	10.84	9.98
Short-term liabilities	4.66	5.32	5.49
Short-term accrued costs and deferred revenue	0.20	0.20	0.20
Total	**100.00**	**100.00**	**100.00**

As at 31 December 2020, the Company equity amounted to €294,792,477 and decreased by €775,722 or 0.3% with respect to that planned, which is primarily the result of lower profit reserves than planned, i.e. lower net profit or loss.

Provisions and long-term accrued costs and deferred revenues increased by €926,086, which is primarily due to the fixed assets (house connections and other assets) accepted free of charge.

In 2020, the Company borrowed €11,000,000, as planned. The Company's debt at banks is at the level planned.

Bank borrowings at Elektro Maribor d.d.

in €	31/12/2020	Amended plan 31/12/2020	31/12/2019	Index	Index
	1	2	3	1 / 2	1 / 3
Loans (short-term + long-term share)	49,325,000	49,325,000	44,650,000	100	110

The balance of short-term liabilities fell by €2,769,946 or 13% with respect to the figures planned and results from decreased short-term operating liabilities.

Short-term liabilities of Elektro Maribor d.d.

in €	31/12/2020	Amended plan 31/12/2020	31/12/2019	Index	Index
	1	2	3	1 / 2	1 / 3
Short-term operating liabilities	12,316,417	15,074,422	15,051,239	82	82
Short-term financial liabilities	6,260,993	6,272,934	6,385,987	100	98
Total	**18,577,410**	**21,347,356**	**21,437,226**	**87**	**87**

Net cash flow and financial operations

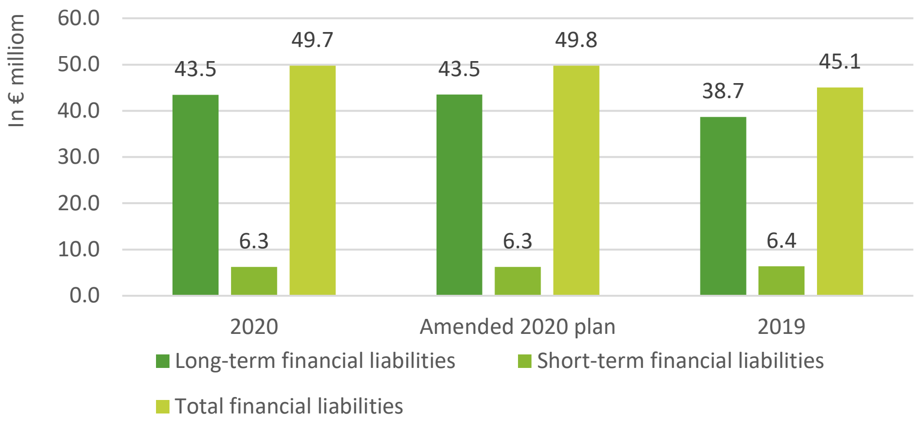
In 2020, the Company net cash flow exceeded that planned by €4,617,281, mostly on account of lower investment expenditure, which resulted from lower trade liabilities for fixed assets due to restructured investments.

Financial operations of Elektro Maribor d.d.

in €	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
Cash flows from operating activities	**11,497,252**	**12,220,811**	**14,772,350**	**94**	**78**
- cash receipts from operating activities	112,425,789	109,542,390	116,673,870	103	96
- cash disbursements from operating activities	-100,928,537	-97,321,579	-101,901,520	104	99
Cash flows from investing activities	**-9,466,573**	**-14,790,137**	**-11,618,212**	**64**	**81**
- cash receipts from investing activities	3,325,809	3,047,114	2,320,835	109	143
- cash disbursements from investing activities	-12,792,381	-17,837,252	-13,939,047	72	92
Cash flows from financing activities	**-595,380**	**-612,656**	**-2,192,032**	**97**	**27**
- cash receipts from financing activities	11,000,000	11,000,000	11,000,000	100	100
- cash disbursements from financing activities	-11,595,380	-11,612,656	-13,192,032	100	88
Net cash flow for the period	**1,435,299**	**-3,181,982**	**962,106**		**149**
Closing balance of cash and cash equivalents	**10,383,129**	**5,765,849**	**8,947,830**	**180**	**116**
Opening balance of cash and cash equivalents	**8,947,830**	**8,947,830**	**7,985,724**	**100**	**112**

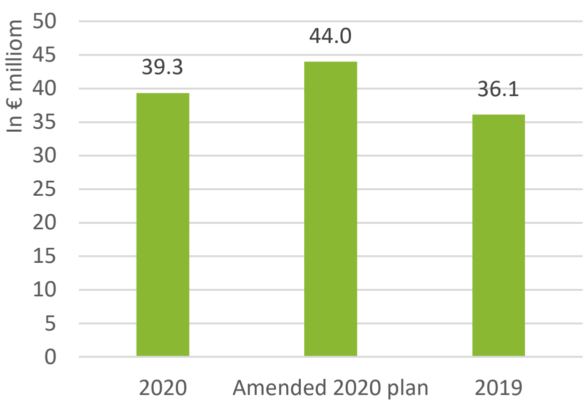
Total financial liabilities of the Company as at the end of 2020 amounted to €49,728,647, which is at the level planned.

Financial liabilities of Elektro Maribor d.d.



As at 31 December 2020, the net debt amounted to €39,345,518, which is 11% less than planned and results from an increased balance of cash and cash equivalents compared to that planned.

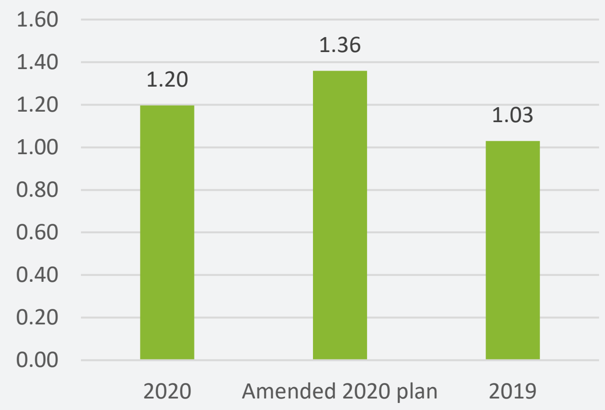
Net debt of Elektro Maribor d.d.



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

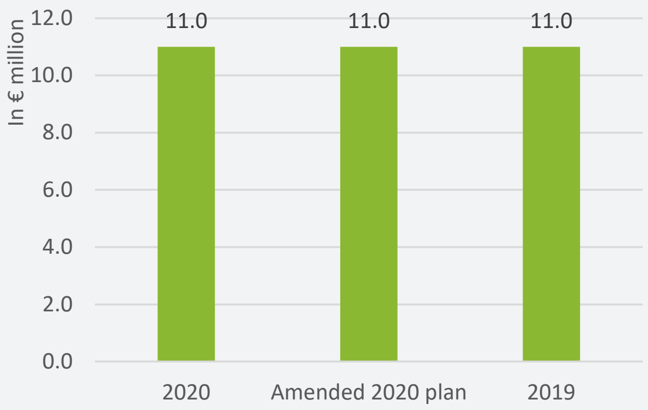
The net debt-to-EBITDA ratio decreased in 2020 with respect to that planned due to the reduced net debt.

Net debt-to-EBITDA



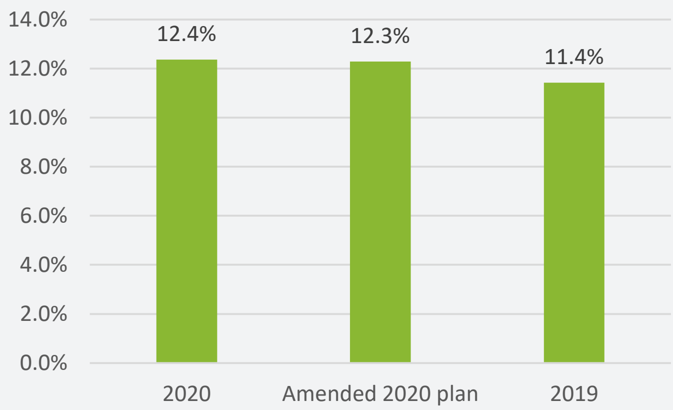
In 2020, the Company received a long-term loan from the European Investment Bank (EIB) for financing investments in the amount of €31 million, whereby the first tranche was drawn in 2020 in the amount of €11 million.

Borrowing with long-term loans at Elektro Maribor d.d.



The Company debt ratio increased by 0.1 percentage points in 2020 compared to the value planned as a result of a lower value of assets than planned.

Debt ratio at Elektro Maribor d.d.



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

14.2 Analysis of business performance of the Elektro Maribor Group

Net profit or loss

The Elektro Maribor Group successfully ended operations in 2020 generating a net profit or loss of €10,693,866, which is at the level of that planned, but also a 24% drop with respect to the previous year.

Net profit or loss of the Elektro Maribor Group

in €	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
EBIT	12,410,544	12,226,848	15,979,388	102	78
Net flow	-130,712	-91,233	-55,577	143	235
Profit or loss from other operations	-129,915	-114,316	-97,915	114	133
Tax	-1,456,051	-1,378,058	-1,804,357	106	81
Net profit or loss	**10,693,866**	**10,643,241**	**14,021,539**	**100**	**76**

Revenues

Total Group revenues amounted to €199,765,505 in 2020 and increased by 4% with respect to those planned and by 1% with respect to the previous year. Considering the revenues planned, the increase was noted predominantly in operating revenue.

Revenues of the Elektro Maribor Group

in €	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
Operating revenue	199,403,631	191,807,991	196,888,514	104	101
Financial revenue	341,157	349,719	436,807	98	78
Other revenue	20,717	7,944	30,909	261	67
Total revenues	**199,765,505**	**192,165,654**	**197,356,230**	**104**	**101**

Costs and expenses

Total costs and expenses of the Group amounted to €187,615,588 in 2020 and increased by 4% with respect to those planned and by 3% with respect to the previous year. Considering the costs and expenses planned, the increase was noted predominantly in operating costs and expenses.

Costs and expenses of the Elektro Maribor Group

in €	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
Operating costs and expenses	186,993,087	179,581,143	180,909,126	104	103
- cost of material and cost of goods sold,	119,586,754	113,732,300	114,311,318	105	105
- cost of services	10,779,344	9,836,416	10,252,332	110	105
- depreciation/amortisation and write-downs	23,220,839	22,428,319	22,497,251	104	103
- labour costs	32,492,039	32,841,322	32,640,688	99	100
- other operating expenses	914,111	742,786	1,207,537	123	76
Financial expenses	471,869	440,952	492,385	107	96
Other expenses	150,632	122,260	128,824	123	117
Total costs and expenses	**187,615,588**	**180,144,355**	**181,530,335**	**104**	**103**

Assets

The Group assets are disclosed in the balance sheet. As at 31 December 2020, the total assets of the Group amounted to €429,040,154 and were at the level planned, but increased by 2% with respect to the previous year.

Total assets of the Elektro Maribor Group

in €	31/ 12/ 2020	Amended plan 31/ 12/ 2020	31/ 12/ 2019	Index	Index
	1	2	3	1/2	1/3
Assets	**429,040,154**	**429,899,760**	**419,418,011**	**100**	**102**
Long-term assets	369,469,566	372,654,854	357,897,866	99	103
Short-term assets	59,570,588	57,244,906	61,520,145	104	97
Equity and liabilities	**429,040,154**	**429,899,760**	**419,418,011**	**100**	**102**
Equity	301,873,974	302,278,714	296,215,772	100	102
Long-term liabilities	86,014,728	84,970,552	80,279,540	101	107
Short-term liabilities	41,151,452	42,650,494	42,922,699	96	96

Long-term assets account for the predominant share of assets. The structure of assets has not changed significantly over the years.

The structure of Group assets

in %	31/ 12/ 2020	Amended plan 31/ 12/ 2020	31/ 12/ 2019
Long-term assets	86.12	86.68	85.33
Short-term assets	13.88	13.32	14.67
Total	**100.00**	**100.00**	**100.00**

As at 31 December 2020, Group liabilities disclose the manner of financing the assets with which the Group disposes. The structure has not changed significantly over the years.

Structure of liabilities as at 31 December

in %	31/ 12/ 2020	Amended plan 31/ 12/ 2020	31/ 12/ 2019
Equity	70.36	70.31	70.63
Long-term liabilities	20.05	19.77	19.14
Short-term liabilities	9.59	9.92	10.23
Total	**100.00**	**100.00**	**100.00**

Net cash flow and financial operations

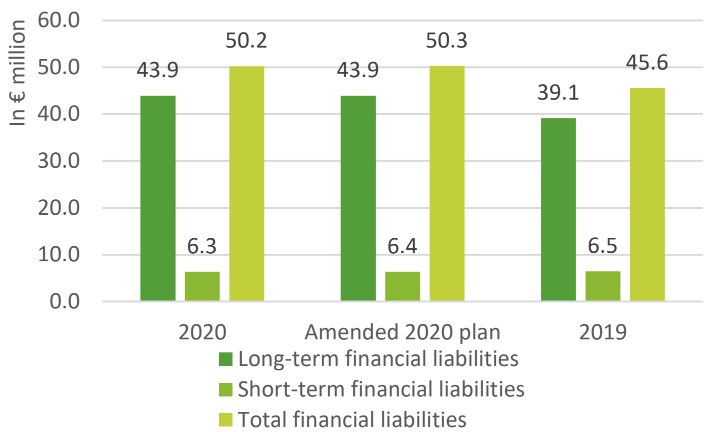
In 2020, the Group generated a net cash flow of €2,402,900, which exceeded that planned by €5,802,754, i.e. mostly as a result of an increased net cash flow generated by Elektro Maribor d.d.

Financial operations of the Elektro Maribor Group

in €	2020	Amended 2020 plan	2019	Index	Index
	1	2	3	1 / 2	1 / 3
Net cash flow from operating activities	**15,673,675**	**15,718,733**	**16,953,563**	**100**	**92**
- cash receipts from operating activities	330,399,343	323,878,019	338,540,037	102	98
- cash disbursements from operating activities	-314,725,668	-308,159,286	-321,586,474	102	98
Net cash flow from investing activities	**-12,521,785**	**-18,352,638**	**-14,224,569**	**68**	**88**
- cash receipts from investing activities	2,298,067	2,019,296	168,569	114	1,363
- cash disbursements from investing activities	-14,819,852	-20,371,934	-14,393,138	73	103
Net cash flow from financing activities	**-748,990**	**-765,949**	**-2,333,763**	**98**	**32**
- cash receipts from financing activities	11,300,000	11,000,000	11,000,000	103	103
- cash disbursements from financing activities	-12,048,990	-11,765,949	-13,333,763	102	90
Net cash flow for the period	**2,402,900**	**-3,399,854**	**395,231**		**608**
Closing balance of cash and cash equivalents	**13,927,196**	**11,524,296**	**11,524,296**	**121**	**121**

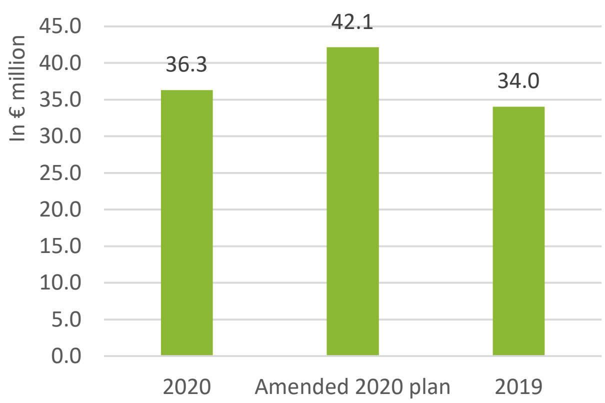
Total financial liabilities of the Group as at the end of 2020 amounted to €50,234,506 and were at the level planned, but 10% higher than in the previous year as a result of increased borrowing by Elektro Maribor d.d.

Financial liabilities of the Elektro Maribor Group



As at 31 December 2020, the net debt amounted to €36,308,342 and decreased by 14% with respect to that planned, but increased by 7% with respect to the previous year.

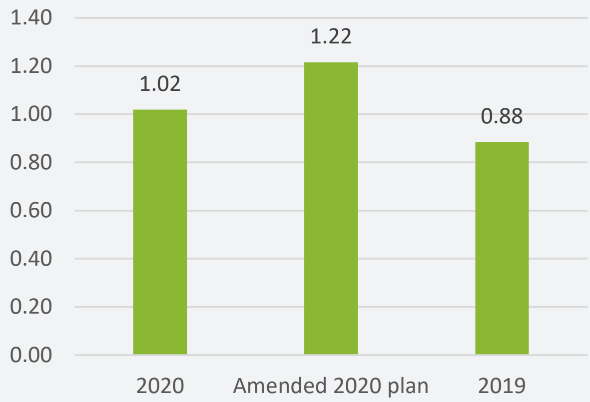
Net debt of the Elektro Maribor Group



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

The net debt-to-EBITDA amounted to €1.02 and fell behind that planned by 16%, but exceeded that of the previous year by 15%.

Net debt-to-EBITDA of the Elektro Maribor Group



14.3 Covid-19 epidemic and its impact on operations

In March 2020, the Government declared the epidemic of the SARS-CoV-2 (Covid-19) communicable disease in the Republic of Slovenia, cancelling it in May 2020. In the second half of 2020, the number of infections in the country again rose and the epidemic was re-declared in October 2020. During that time, many activities and changes occurred that have affected Company operations and will continue to do so.

The Company started intensely procuring protective equipment (disinfectants, protective masks, gloves, thermometers, etc.) in due time, i.e. at the end February 2020, before the first cases of infection with the new virus were confirmed in Slovenia. The distribution of protective means to protect employees' health began before the epidemic was declared and the activities continued during the epidemic

The guidelines provided by the National Institute of Public Health (NIPH) and the measures adopted by the Government are monitored systematically on an ongoing basis – both in view of preventing infections as well as conducting tests and providing vaccination. The Company proposed that the operators of critical infrastructure be included in the national vaccination programme. The Ministry of Defence sent the request to the Ministry of Health asking that employees at the operators of critical infrastructure be included in the priority vaccination list, which would no doubt provide additional protection to employees and users. Vaccination not only protects the health of individuals, but also that of others with reduced spread of the disease. In line with the recommendations provided by the competent national authorities, the Company expressly recommends vaccination against Covid-19 to its employees as soon as possible and, hence, actively cooperates with the competent institutions.

The concern for employees, their families and users has made the Company introduce individual measures to reduce chances for the spread of infections. The following measures have remained applicable:

- protective masks are to be worn on the job;
- individual transport is to be used for arrival at work;
- concern for adequate social distance;
- meetings are held by way of suitable applications;
- hands are to be disinfected upon entry to work premises;
- body temperature is measured upon arrival at work;
- frequent aeration of premises.

Employees are asked to:

- observe all measures adopted at the Company;
- monitor all measures adopted by the competent bodies;
- control themselves upon any signs of infection with the virus;

- act accordingly upon an infection and notify the Company immediately (Safety and Health at Work, superior).

The following organisational measures still apply at the Company:

- separate gathering of work teams at supervisory offices and arrival at work at intervals with respect to the intensity of foreseen works;
- work meetings are held as video conferences using MS Teams;
- work premises are closed for customers;
- visits by customers are not permitted;
- work premises are closed for secondary school and university students doing practical training;
- masks are to be used in shared transport;
- business trips outside the Company area are permitted only upon the consent of the sectoral director.

In 2020, there were seven acts laying down intervention measures adopted to aid in the mitigation of the Covid-19 epidemic consequences (hereinafter "PKPs") and one more in 2021 (PKP 8).

- The Government issued an ordinance on suspended payments of fees to provide support to the production of electricity from high-efficiency cogeneration and renewable energy sources (the RES-CHP fee) for the customer groups "other consumption with no power metering" and "household electricity consumption", i.e. for the period from 1 March 2020 to 31 May 2020.

- The Energy Agency enforced changed tariff items for the calculation of the network charge by way of an emergency measure, i.e. the tariff item for the billing capacity was not charged for household consumption and other consumption with no power metering from 1 March 2020 to 31 May 2020. The abolition of billing capacity payments implies a monthly cut of roughly €2.8 million from the distribution network charge for the entire electricity distribution system (hence, a cut of some €8.5 million in the three months when the measure applied). For the area of Elektro Maribor that means a cut of some €630k (hence, a cut of €1.9 million for three months).
- The Energy Agency issued the Legal Act amending the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system (hereinafter "Amended Legal Act"), which entered into force on 13 June 2020. The amended Legal Act lays down that the regulated return on assets for the electricity distribution system granted for 2020 be calculated on the basis of the 4.13% return rate; however, the Agency failed to issue a new decision defining the new regulatory framework in terms of value. The reduced rate of return in 2020 from 5.26% to 4.13% caused reduced regulated revenue by €3.5 million and, hence, decreased the net profit or loss.
- The application of intervention legislation as regards labour costs, based on which revenue from the received government grant is disclosed, refers to:
    - exemption from the payment of pension and disability insurance contributions in the amount of €791k;
    - refund of allowances for temporary inability to work and the crisis allowance disbursed in December 2020 in the total amount of €123k.

- The application of intervention legislation as regards labour costs, based on which labour costs deriving from the disbursement of the crisis allowance to employees eligible to it, are disclosed in the amount of €322k. The disbursement of the crisis allowance increased labour costs and, consequently, controlled costs for the operation and maintenance of regulated activity, since the Energy Agency refused to include it under uncontrolled costs despite substantiated proposals.

The financial impact of the epidemic is reflected in 2020 primarily in:

- decreased regulated revenue of the distribution system operator by €4.1 million deriving from the amended return rate regulation and compliance with intervention acts, based on which revenue is disclosed as government grants received in a regulated activity;
- decreased financial revenue from shares in Group companies by €0.8 million;
- increased costs of material and services by €0.2 million resulting from the purchase of protective equipment and healthcare services;
- increased labour costs by €0.3 million resulting from the disbursement of the crisis allowance.

It is estimated that the Company revenue fell by €4.9 million in 2020 due to the epidemic, while operating costs increased by €0.5 million. The negative impact of the epidemic on the Company's profit or loss before tax is estimated at €5.4 million.

The Company keeps track of measures and recommendations relating to the epidemic and adopts all measures within its competence to protect employees and users from the spread of infections, while providing stable electricity supply and uninterrupted operations to users.

- Consumption by end customers and losses in the distribution network

  The Covid-19 epidemic has affected the scope and structure of electricity consumption by end user and, indirectly, the achieved percentage of losses in the distribution network, which is the highest in the last 4 years. Household consumption in 2020 reached a record high, while commercial consumption was the lowest after 2009 due to a standstill in economic activity. On the other hand, peak power increased by 15MW. Irrespective of the epidemic, the installed capacity for consumption also increased, i.e. by 38MW, while that for production increased by 36MW. Such dramatic increase in installed capacity poses quite a challenge for the distribution system.

- Works at metering points

  In line with the Company policy to provide stable electricity supply to users, while providing maximum protection to users and employees against the spread of Covid-19 infections, works at metering points were conducted using adequate personal protective equipment pursuant to the guidelines provided by the National Institute of Public Health (NIPH).

- Withdrawal from the implementation of the "Move Consumption 2" project

  Due to the uncertain situation in the country and wider region related with Covid-19, there is a high level risk that the implementation of the project would be impaired or even disabled. Many activities were foreseen in direct interaction with user groups (inclusion of local communities and project presentations), which had turned out to be vital in the first project. Furthermore, direct interaction was foreseen within the scope of examining existing equipment at metering points and installing additional equipment, which may have been risky or even prevented by the law upon any spread of infections. In 2020, Elektro Maribor d.d., like many others, operated in the most specific condition so far. The distribution system operated flawlessly throughout the time, which was particularly important for the population and the economy in epidemic conditions and resulted from timely, proportionate and efficient measures. Due to the mentioned risks, the Company withdrew from the implementation of the project in September 2020. The application for such projects for the following regulatory period will be re-examined.

- Safety and health at work

  Due to the Covid-19 epidemic and the measures implemented by the Government and the National Institute of Public Health, the execution of the entire safety and health work and fire safety plan was impaired or even unfeasible. With proper measures, the Company managed to provide safe working conditions and monitor the spread of Covid-19 at the Company.

  Many measures and activities were implemented, and a risk assessment in case of a pandemic was made for that purpose, while the Safety statement with a risk assessment was supplemented with an elaborated "home working" chapter. Over 20 different notices and instructions for work proposing measures against the spread of Covid-19 were prepared for employees.

  To provide safety and health at work and prevent the spread of the virus at the Company, the relevant protective means were provided in such quantities making them available at all times. To that end, 52 low-value contracts were awarded along with three public contracts. Over €178k was spent on the procurement of protective equipment for that purpose. The spread of the virus was further prevented with technical and organisational measures at the Company.

  The job positions identified as infection transmission points were recorded to prevent the spread of the virus at work. Pursuant to the law, the Company prepared the relevant forms and sent lists of infected workers to the Labour Inspectorate. In 2020, the Company recorded a total of 97 employees who tested positive for Covid-19. 36 infections were transmitted on the job and 255 at-risk contacts were considered as a result. All those employees were given verbal instructions and explanations of the measures foreseen by way of authorised persons.

  A special challenge in 2020 was the organisation of work from home, namely due to vague legislation. The Company prepared guidelines and bases for risk assessment in respect of home working. In 2020, 146 employees were enabled to work from home. There were 33,819 hours worked from home.

15 Sustainability reporting

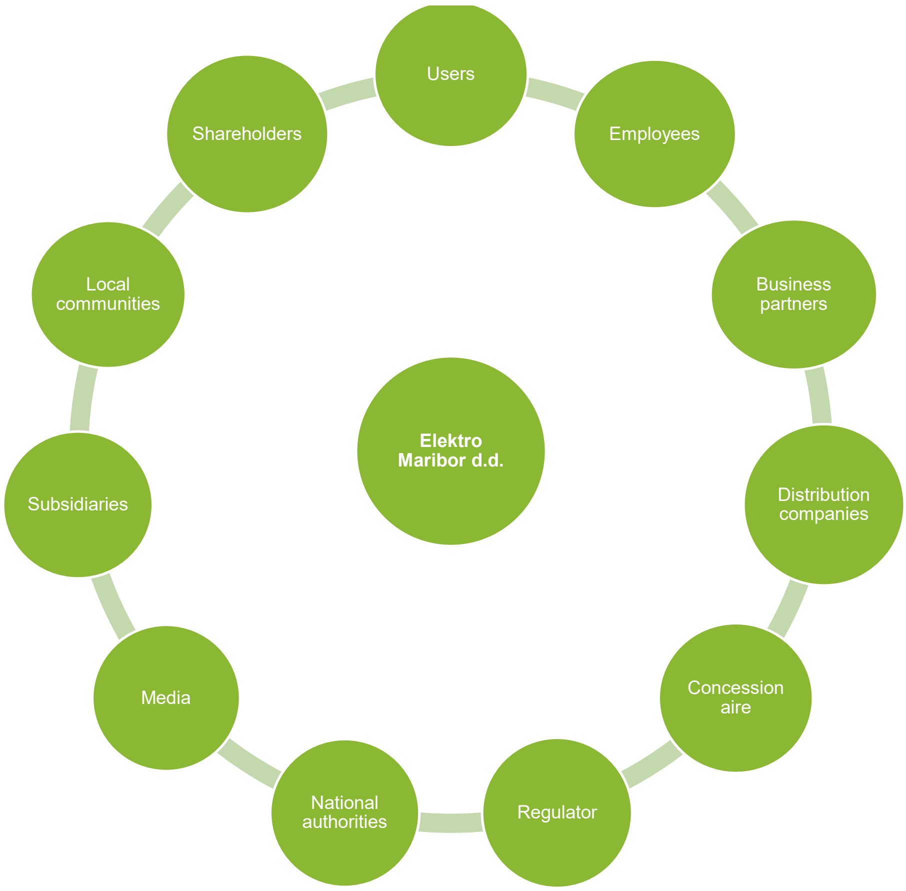
15.1 Stakeholders of Elektro Maribor d.d.[25]

Social responsibility is demonstrated with the realisation of the Company mission, which includes sustainable and competitive operations, maintenance and development of an efficient electricity distribution system, and the provision of quality electricity services to ensure high quality of life and promote economic development.

The integration of the Group and Elektro Maribor d.d. in its social and natural environment implies that the Company acts in a socially responsible manner at all times, pursuing the set operating goals, observing sustainable development goals, enhancing the quality of work and life of Company employees, local communities in which the Company operates and the wider society, while taking due account of the shareholders' interests.

The Company cooperates with stakeholders who are relevant due to the activity performed by the Company in its social and natural environment, its placement and operations in the local environment, ownership and legislation, and due to plans regarding the development of the Company, services and the entire industry.

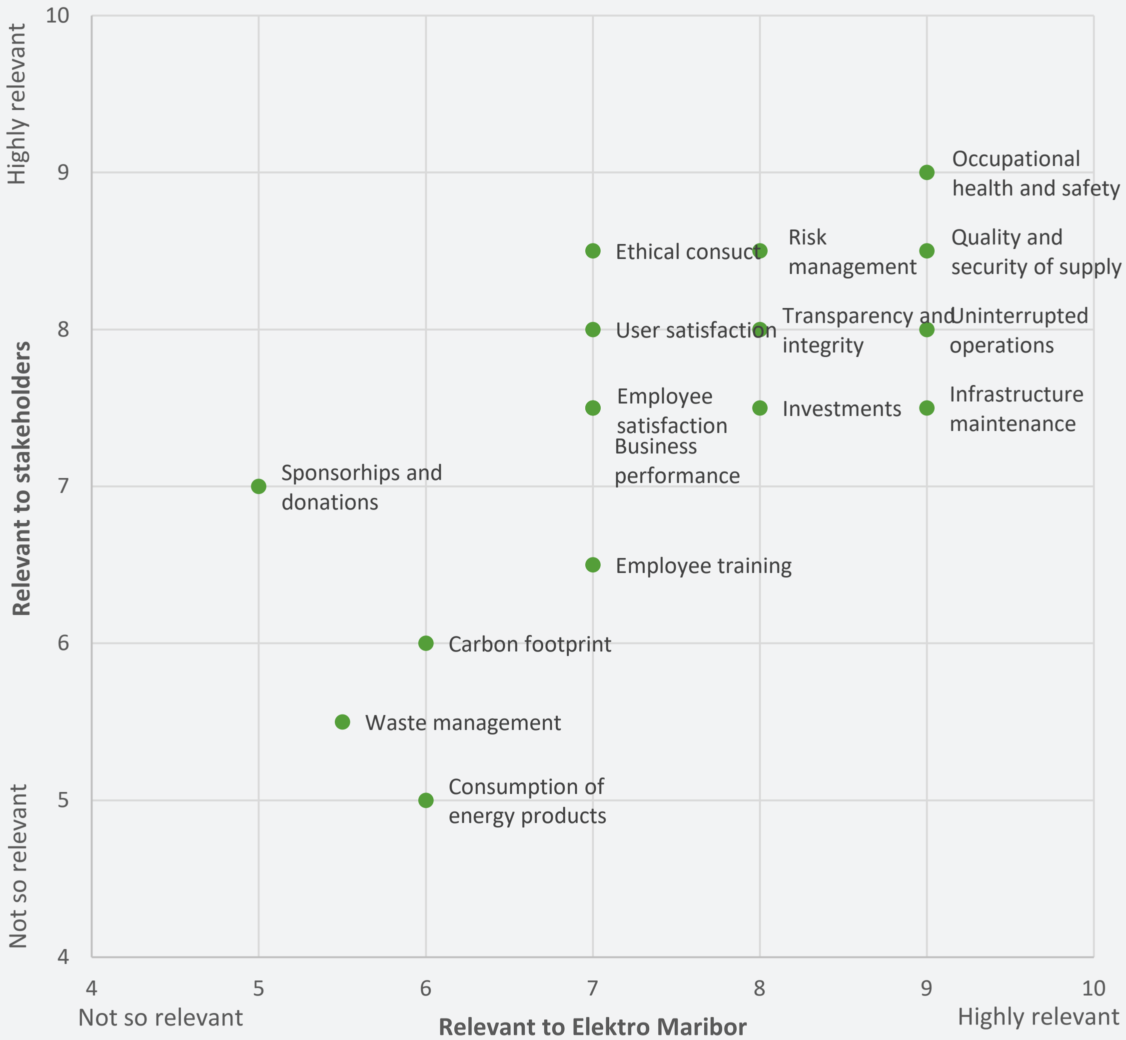
Key stakeholders of Elektro Maribor d.d.



The materiality matrix is a tool to manage relations with stakeholders. Through current cooperation with stakeholders, the Company has identified and emphasised the contents relevant to them. The materiality matrix presents the synergy of Company interests and those of stakeholders. In areas where there is related interest with stakeholders, there is much potential for the attainment of common goals. Essential sustainability areas have been defined on the basis of the matrix.

25 GRI 102-40, 102-42, 102-43, 102-44

Materiality matrix



The table below shows the method of stakeholder engagement. The Company strives for proper and balanced cooperation and two-way communication with stakeholders.

Engagement of stakeholders

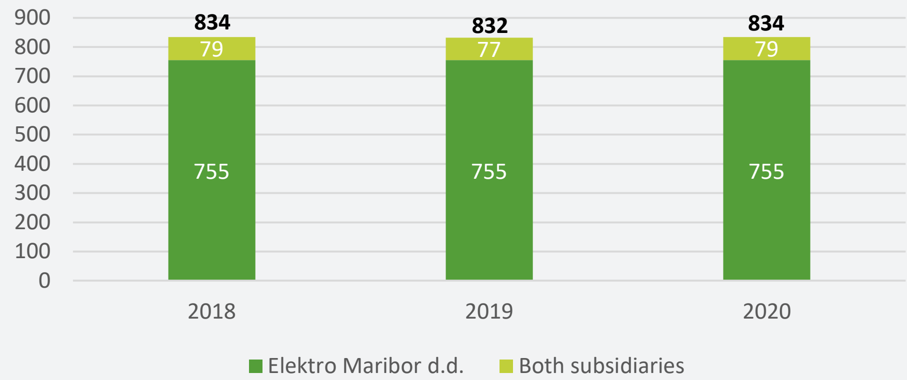
Stakeholders	Form of engagement
Users	Personal contact
	Email and classic mail
	Call centre
	Online and mobile application
	Website
	Social networks
	Surveys
Employees	Participation in management (Workers' Council, Union, Supervisory Board)
	Work meetings
	Discussions with the Board
	Personal contact
	Email and telephone conversations
	Internet site
	Employee gatherings
	Measurement of organisational climate
	In-house newsletter
Shareholders	General Meeting of Shareholders
	Provision of information to shareholders as per the Corporate Governance Policy
Subsidiaries	General Meetings of the companies
	Reporting to the company member
Business partners	Public calls and offers
	Work meetings
	Negotiations
	Email and telephone conversations
Distribution companies	Participation in EIG (typing, common procurement, exchange of best practice)
Concessionaire	Reporting to SODO d.o.o.
Regulator	Reporting to the Energy Agency
National authorities	Reporting to the Ministry of Infrastructure
	Reporting to the competent institutions
Local communities	Participation in the preparation and evaluation of the development plan
	Common projects with local communities
	Direct contact
	Email and telephone conversations
Media	Press conferences
	Website (press releases)
	Questions from journalists

15.2 Employees

Employee trend and composition[26]

At the end of 2020, the Group employed a total of 834 employees, i.e. two more than the previous year. Employees at Elektro Maribor d.d. account for the largest of share of all Group employees (91%).

Number of employees as at 31 December



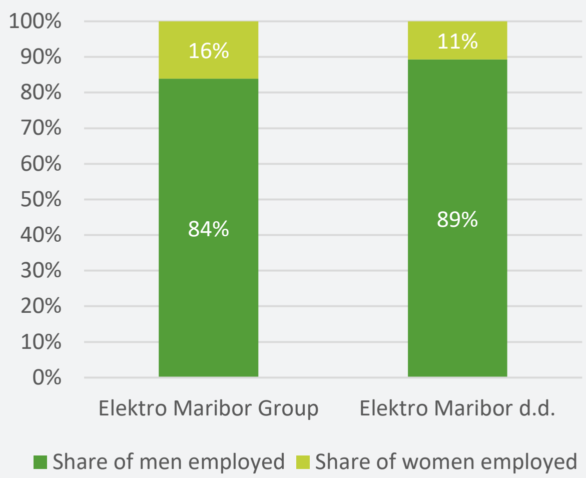
Elektro Maribor d.d. publishes in-house and external vacancy notices taking into account the applicable legislation and corporate culture. In-house vacancy notices are published on the Company intranet site and sent to employees by email. External vacancy notices are published at the Employment Service of Slovenia, on the Company website www.elektro-maribor.si, and on the Company Facebook and Twitter profiles.

External and in-house vacancy notices in 2020

Type of vacancy notice	Elektro Maribor Group			Elektro Maribor d.d.		
	No. of vacancy notices	No. of job vacancies published	No. of job applications	No. of vacancy notices	No. of job vacancies published	No. of job applications
External vacancy notice – fixed-term employment by 24 December	15	253	340	15	253	340
External vacancy notices – others	12	24	441	8	21	109
In-house vacancy notices	65	68	138	65	68	138

The employee structure by gender in 2020 did not change significantly with respect to previous years. Most employees are men. As at 31 December 2020, the Group employed 700 men and 134 women, while Elektro Maribor d.d. employed 674 men and 81 women.

Number of employees in 2020 by gender



26 GRI 102-8, 102-41, 401-1, 405-1

Number of employees by term and type of employment

	2020 Elektro Maribor Group	2020 Elektro Maribor d. d.	2019 Elektro Maribor Group	2019 Elektro Maribor d. d.	2018 Elektro Maribor Group	2018 Elektro Maribor d. d.
Permanent employment	810	733	823	748	816	744
Fixed-term employment	24	22	9	7	18	11
Full-time employment	823	745	819	743	819	740
Part-time employment	11	10	13	12	15	15

Most employees of those recruited and dismissed in 2020 were employed for a fixed term by 24 December 2020 due to an enlarged workload in the own execution of investments. There were 20 associates who retired.

Employee trend

	2020 Elektro Maribor Group	2020 Elektro Maribor d d.	2019 Elektro Maribor Group	2019 Elektro Maribor d d.	2018 Elektro Maribor Group	2018 Elektro Maribor d d.
Number of recruitments	**136**	**132**	**125**	**122**	**153**	**147**
- men	129	126	117	116	148	145
- women	7	6	8	6	5	2
- aged up to 30	59	58	46	46	70	66
- aged from 30 to 50	56	54	58	56	64	62
- aged over 50	21	20	21	20	19	19
Number of dismissals	**134**	**132**	**127**	**122**	**146**	**144**
- men	128	128	118	115	136	135
- women	6	4	9	7	10	9
- aged up to 30	43	43	31	30	52	52
- aged from 30 to 50	48	46	47	45	55	53
- aged over 50	43	43	49	47	39	39

The average age of employees in the Group rose by 0.6 years, but did not change at Elektro Maribor d.d. The average length of service in the Group rose by 0.8 years, but fell at Elektro Maribor d.d. by 0.6 years.

Average age and length of service

	2020 Elektro Maribor Group	2020 Elektro Maribor d d.	2019 Elektro Maribor Group	2019 Elektro Maribor d d.	2018 Elektro Maribor Group	2018 Elektro Maribor d d.
Aged up to 30	93	89	78	74	74	66
Aged from 31 to 50	449	397	468	415	482	430
Aged 51 and more	292	269	286	266	278	259
Average age of employees (in years)	46.1	44.9	45.5	44.9	45.5	45.0
Average length of service (in years)	23.9	23.2	23.1	23.8	23.1	23.7

The share of employees covered by the provisions of collective agreements as at 31 December 2020 at the Elektro Maribor Group amounted to 98.0% and at Elektro Maribor d.d. to 98.5%, which is at the level of previous years.

The number of employees in the Group with recognised disability amounted to 56 in 2020 and fell by 8 with respect to 2019. The number of employees with recognised disability at Elektro Maribor d.d. reduced by 8 in 2020 and amounted to 53.

Recruitment due to increased workload at Elektro Maribor d.d.

In 2020, 112 workers were recruited for a fixed term due to increased workload. The Company hired 51 installers, 44 auxiliary workers, 10 machinery drivers, 6 construction workers and 1 independent metalworker.

Number of workers recruited due to increased workload

	2020	2019	2018
Employment period	Mar-Dec	Mar-Dec	Feb-Dec
No. of workers	**112**	**108**	**137**
Installer	51	53	71
Auxiliary worker	44	38	45
Machinery driver	10	10	12
Other (mason, construction worker, etc.)	7	7	9

Number of employees based on hours

	2020*	2019
Number of employees based on hours	**840.91**	**811.14**
- No. of employees based on hours – permanent employment	764.68	728.65
- No. of employees based on hours – project-based employment	76.23	82.48

** the calculation includes the hours refunded*

Employee training[27]

Employees are enrolled in educational programmes and attend functional training pertaining to their professional and personal development with respect to the needs of the work process. Employees attended many functional training courses (seminars, workshops, conferences, professional exams). Due to the Covid-19 epidemic, the training was conducted online (in a partly interactive manner). Remote training by way of web applications may be attended by a large number of employees.

The Elektro Maribor Distribution Academy conducted training in computer science and employees also attended seminars relating to efficient implementation of construction legislation. The lecturers employed at Elektro Maribor d.d. sharpened employees' communication skills and soft skills. The financial year ended with remote training on purchasing processes and quality operations.

Employee responsibility for own safety is promoted with the relevant training on occupational health and safety. Despite a highly demanding epidemic situation and measures imposed by NIPH, the Company conducted periodic training in occupational health and safety and fire safety in 2020 for 857 employees under the revised Programme for theoretic and practical employee training for safe work. If conditions permitted, training was conducted at regional units and partly also by video conference via MS Teams.

As the first electricity distribution company in Slovenia, we engaged in live working several years ago. With the development of technology and new challenges, the Company further referred a team of installers to training for live working in 2020. Employees performing particularly dangerous works attended a test of practical qualification for safe work in the range provided by the Distribution Academy.

Employees are also enrolled in formal education, if so demanded by the work process. The Company co-funded tuition fees for 14 employees in 2020-21 academic year.

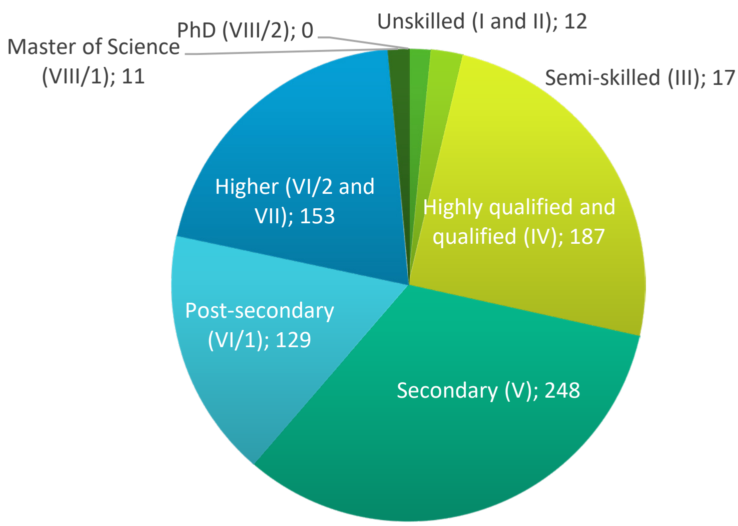
There are 18 employees included in training to pass the foreman master exam. For the first time, the provider of such training is the Distribution Academy. The exam in Administrative Procedure Act was passed by 4 employees, while 11 employees passed their national energy exam and renewed their qualification.

27 GRI 404-1

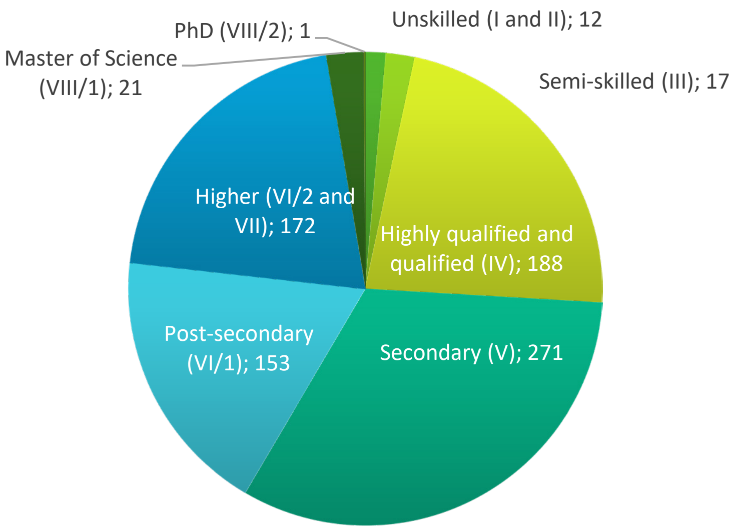
Employee training

	2020 Elektro Maribor Group	2020 Elektro Maribor d d.	2019 Elektro Maribor Group	2019 Elektro Maribor d d.	2018 Elektro Maribor Group	2018 Elektro Maribor d d.
No. of training participants	587	550	575	509	808	775
No. of training hours	5,750	4,849	4,968	4,072	7,974	7,082
Share of employees engaged in training	70.4	72.8	69.1	67.4	96.9	102.6
Average No. of training hours per employee	6.9	6.4	6.0	5.4	9.6	9.4

Average number of employees at Elektro Maribor d.d. by educational structure in 2020



Average number of employees at the Elektro Maribor Group by level of education in 2020



Employee innovations

The Company uses innovative approaches to introduce new technologies and encourage employees to demonstrate their creativity by providing innovative proposals in the form of a useful suggestion, fresh idea or bold project. Proposals are collected (recorded), examined, assessed and rewarded systematically. In 2020, the Company recorded 42 innovative suggestions.

Number of suggestions

	2020	2019	2018
Number of suggestions	42	26	40

The Company encourages employees to make new and/or innovative useful suggestions, fresh ideas or bold projects through communication about innovations in the in-house "Infotok" newsletter (interviews with prize winners for fresh ideas and bold projects), through annual development interviews within the scope of targeted HR management, publications on the "Innovation Platform" intranet page and with the award of cash prizes and recognitions for the most successful suggestions.

When identifying the most successful suggestions, special emphasis is placed on innovative suggestions supporting the goals set by Elektro Maribor d.d. Among the useful suggestions received in 2020, the following were identified as most successful:

- aggregate supplier invoice;
- teams promoting the occupation of an electrician;
- hands-free kits for phone conversations while driving;
- a clear notice to electricity consumers on non-functional remote meter reading and billing type;
- electronic (paper-free) submission of claims for the reimbursement of excise duty;
- test kit for the main distributor of alternating own consumption;
- electronic procedure for the submission of an application to notify construction to an administrative unit;
- setting up quality acceptance of strategic material;
- connection for a generating set.

Employee reward scheme[28]

The work performed well by employees is acknowledged and motivated by way of various reward schemes. Employees are rewarded on the basis of achieved performance and efficiency of work results (employee productivity), their responsiveness during the declared extreme weather events outside regular working hours and/or upon breakdowns, active cooperation in projects and based on achievements and recognised most successful innovative suggestions. That way, the Company seeks to promote employee engagement and allegiance, while rewarding excellence and loyalty.

Supplementary pension insurance for employees

Employees are included in the second pension pillar. Insurance premiums are paid by each Group company in the specified share of the maximum premium amount. Employees have the option to decide on their own free will whether they too will pay in their share of the premium.

Average annual number of employees included in supplementary pension insurance

	2020 Elektro Maribor Group	2020 Elektro Maribor d.d.	2019 Elektro Maribor Group	2019 Elektro Maribor d.d.	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.
Number of employees	908	829	897	820	917	838

28 GRI 201-3, 401-2, 404-3

Use of parental leave

Employees may use parental leave based on the Parental Protection and Family Benefits Act.

Number of employees (by gender) on parental leave

	2020 Elektro Maribor Group	2020 Elektro Maribor d.d.	2019 Elektro Maribor Group	2019 Elektro Maribor d.d.	2018 Elektro Maribor Group	2018 Elektro Maribor d.d.
Number of employees	39	35	46	44	55	50
- employed men	36	34	42	42	50	47
- employed women	3	1	4	2	5	3

Cooperation with the youth

In 2020, practical training was approved for 77 secondary school students and 6 university students. Due to the Covid-19 epidemic, practical training was not conducted for 24 secondary school students, since the school changed the execution of the curriculum. Upon the second wave of the Covid-19 epidemic, the Company suspended practical training for 8 secondary school students due to the implementation of preventive measures at the Company and those students will be able to complete their training in a period following the cancellation of measures as specified by mutual accord.

At the end of 2020, Elektro Maribor d.d. paid scholarships to 11 students, 3 of whom are enrolled in the 2nd cycle Master's programme in electrical engineering and 8 in secondary vocational programme (electrician). At the level of the Elektro Maribor Group, the number of students receiving scholarships equals that of Elektro Maribor d.d.

Number of scholarships

	2020 Elektro Maribor d.d.	2019 Elektro Maribor d.d.	2018 Elektro Maribor d.d.
Number of scholarships	11	9	3

Family Friendly Company

Elektro Maribor d.d. implements a family friendly policy that is put into action with the measures adopted within the scope of the Family Friendly Company certificate, including:

- regular periodic work meetings of employees with the Company management. In 2020, the Company management presented operations in the past year, plans for the next year, major challenges and achievements to employees using the MS Teams web application due to the epidemiological situation;
- flexible working hours and a time bonus for children (an additional day off work in the first three primary school grades and upon introduction to kindergarten). In 2020, the possibility of an extra day off work was used by 113 employees, which is 7% more than the previous year;
- when planning annual leave of absence, the Company also takes into account options for the use of leave by immediate family members;
- the free-of-charge "Quick and anonymous psychological counselling for employees and their family members" programme pursuant to EAP (Employee Assistance Programme) standards.

In 2020, the Company conducted the SiOK survey among employees regarding satisfaction with the Family Friendly Company certificate. The employee satisfaction index with the implementation of measures under the Family Friendly Company certificate amounted to 3.46 in 2020. Employees rated the target group of employees to whom most measures are targeted (employees with preschool or school children) the highest, while the use of benefits deriving from the certificate was rated the lowest.

SiOK survey on satisfaction with the Family Friendly Company certificate

	2020 Average score	2019 Average score	2018 Average score
Most measures target employees with preschool and school children.	3.88	3.85	3.84
I am aware of the benefits brought by the Family Friendly Company certificate.	3.77	3.77	3.71
I know where I can obtain information about the benefits brought by the Family Friendly Company certificate.	3.61	3.59	3.42
I am satisfied with the family friendly measures offered by the employer.	3.63	3.52	3.40
Elektro Maribor d.d. places enough emphasis on the coordination of career and family life.	3.32	3.31	3.16
I used benefits deriving from the Family Friendly Company certificate last year.	2.55	2.66	2.6
Average	**3.46**	**3.45**	**3.36**
Max N	409	460	343

Communication with employees

Communication within the Company is vital for sound operations and development of the Company, which is based on satisfied and motivated employees who are aware of developments at the Company. Efficient communication is a multilateral process taking place among all employees. It is vital that managers be aware of their responsibility in communication in order to disseminate true information in all directions and in a proper manner.

Communication with employees and among employees at the Company takes place through the channels selected with respect to the content to be communicated. Mass communication is used to communicate information about work, developments and other information directly relating to work or the Company. Mass communication channels:

- work meetings – with the Chairman of the Board, directors of a particular regional or service unit or directors of individual sectors;
- letters from the Management Board – notification of employees upon major events, turning points such as the end of the year, acknowledgements upon overtime worked during major breakdowns, etc.;
- email – quick notification of employees, sending and harmonising contents;
- website www.elektro-maribor.si – a wide range of information about the Company, news, etc.;
- intranet – shared content, documents and notices, public calls, etc.;
- DNA – an application to manage meetings, tasks, circulars, rules, etc.;
- the e-Infotok and Infotok in-house newsletters – contain brief and current news on developments at the Company or elaborated news, interviews, conversations and extensive topics with respect to their design and communication features;
- notice boards – notices, public calls, rules, etc.;
- the Company Facebook and Twitter profiles – current information about developments at the Company and conditions in the distribution system, possible publication of photos and recordings.

Due to the Covid-19 epidemic, the Company did not organise the traditional sports and social gathering entitled "Elektro Maribor d.d. Employee Day" in 2020, which is otherwise a good opportunity to relate and meet with employees, thus fostering integration and loyalty to the Company.

Both social partners, i.e. the Union and Workers' Council, which represent employees' interests at the Company, communicated with employees on current topics and developments through their channels (email).

Employee satisfaction

Employee satisfaction and organisational climate at Elektro Maribor d.d. have been monitored since 2005. The employee satisfaction index in 2020 amounted to 3.58. Employees rated satisfaction with working hours and co-workers the highest. The lowest scores were given to possibilities for advancement and satisfaction with salary.

The organisational climate index amounted to 3.31 in 2020. The highest scores in organisational climate were given to attitude to quality, allegiance to the Company, motivation and engagement, and internal relations. Key challenges seem to lie mostly in career development and reward schemes.

Employee satisfaction and organisational climate index

	2020	2019	2018
Employee satisfaction index	3.58	3.46	3.41
Organisational climate index	3.31	3.21	3.12

In 2020, the Company continued to conduct annual interviews with all employees.

Safety and health at work[29]

The provision of safety and health at work was highly demanding in 2020, since all activities and tasks set had to be conducted with regard to the Covid-19 epidemic, which had global dimensions. The key challenge was to provide a safe and healthy work environment, which was realised with measures that enabled employees to maintain a work environment that provided the maximum possible level of health and physical and mental safety.

At the beginning of 2020, the Company initiated activities to transfer to the ISO 45001:2018 standard, which meaningfully covers the requirements of the BS OHSAS 18001:2007 standard and lays down occupational health and safety requirements. The standard was successfully certified and integrated along with other standards in the single management system. The standard emphasises the importance of the management's commitment and support to the development, governance and promotion of such a safety culture that supports the operation of the occupational health and safety management system. Challenges that will be faced in future will be based on communication, consultations and participation of Company stakeholders.

The Company actively participates in the preparation of a new programme for meter operators for live working . Employees who do live working have been given special personal protective equipment and have undergone supervision over its use.

In addition to internal and external stakeholders of the occupational health and safety system, the Company engaged external and internal evaluators, internal audit, Workers' Council, Union, inspection services and the OHS project team at EIG in activities concerning safety and health at work. With the help of all those indicated above, the Company provided a safe and efficient occupational safety system.

Periodic medical check-ups were conducted in line with the medical risk assessment. Preliminary medical check-ups were conducted for new employees, along with targeted and control medical check-ups for other employees. Notably, all medical check-ups foreseen were conducted irrespective of the epidemic declared in the country. Due to Covid-19 measures, fewer employees were referred to preventive medical check-ups than in previous years.

Number of medical check-ups

	2020	2019	2018
Number of medical check-ups	306	387	383

To reduce absence from work, the Company took preventive measures by providing vaccination against seasonal influenza and tick-borne encephalitis, while preparing health at work promotion programmes for employees. The Company also provided collective health insurance to employees in 2020. All that was conducted with the aim of enhancing employee safety and reducing absence from work.

The Company records all work accidents and dangerous events occurring to employees. The number of accidents at work fell by 16% with respect to the previous year, although there were new employees in the field, where exposure to work accidents is the highest. Most accidents at work resulted in low trauma and were caused by mechanical factors, whereas none was related with an electric shock or electric arc.

Number of accidents at work

	2020*	2019	2018
Number of accidents	25	30	25
- women	0	0	0
- men	25	30	25

* excluding Covid-19

29 GRI 403-2

In 2020, the number of accidents at work somewhat reduced, while the number of working days lost due to the nature of individual accidents slightly grew. In 2020, the factor used to measure the severity of work accidents rose from 41.9 to 42.5.

If additional working days lost due to Covid-19 in 2020 had been recorded, the number of working days lost would have risen by 0.37%.

Number of working days lost

	2020*	2019	2018
Total number of working days lost	13,518	12,711	12,337
- due to accidents at work	728	689	388
- due to sick leave	12,790	12,022	11,949
Share of days lost due to accidents at work (in %)	0.35	0.33	0.18
Share of days lost due to sick leave (in %)	6.18	5.81	5.67

* excluding Covid-19

Preventive inspections and controls of field teams were carried out regularly to check for compliant implementation of work procedures. The use of work and personal protective equipment was checked and breath tests were performed.

If permitted by Government and NIPH measures, various types of physical exercise were organised along with other sports and recreation activities within the scope of health at work promotion.

In fire safety, the Company conducts regular inspections of automatic fire alarm systems and fire extinguishers. Due to Covid-19, it was not possible to conduct system inspections entirely in 2020, which is why the Company could not obtain all certificates of flawless operation.

A fire safety drill was conducted in which all employees and visitors to the administrative building and other units were evacuated. In December 2020, we were shaken by an earthquake that was felt throughout Slovenia. As a result, the office building was evacuated and the measures applicable to natural and other disasters were implemented.

15.3 Collaboration with local communities and users

Sponsorships and donations[30]

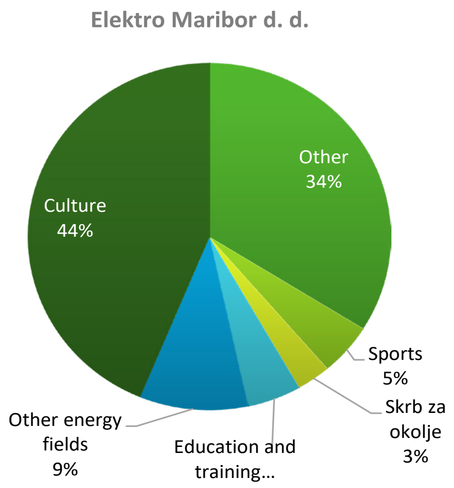
Social responsibility is also demonstrated through sponsorships and donations, whereby the Company observes the principles of transparency, balance, economic benefits and territorial presence. Sponsorships and donations were dedicated mostly to the projects implemented by humanitarian organisations and to the promotion of excellence and sustainable development in the area supplied by the Company. Stress is placed on support to the projects implemented by humanitarian organisations, such as the Red Cross, Caritas and Friends of Youth Association. Support is further provided to fire brigades with which we cooperate frequently, mostly during extreme weather events and often in hostile and inaccessible areas. Sponsorships are intended to support traditional events in the area of Elektro Maribor, whereby the Company also participates in expert meetings.

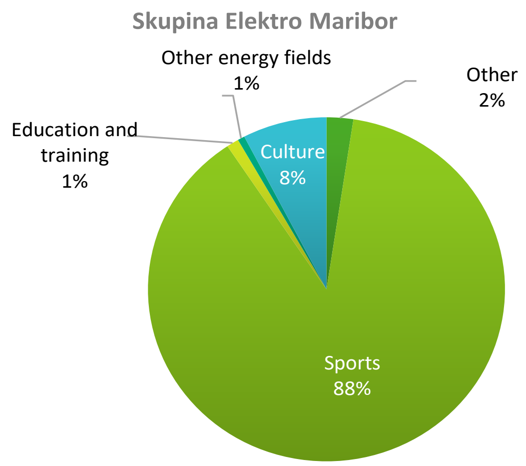
Pursuant to SSH recommendations and the Public Information Access Act, the Company publishes data on the sponsorships and donations awarded on its website. Together with the subsidiary Energija plus d.o.o., the Company donated funds for energy-saving lamps to the Slovene National Theatre Maribor in 2020 in honour of 100 years of AC electricity distribution in Maribor. At the end of the year, funds were traditionally donated to the homeless shelter in Maribor.

In line with SSH expectations, the share of funds earmarked for sponsorships and donations does not exceed 0.1% of Company revenues generated in the previous year.

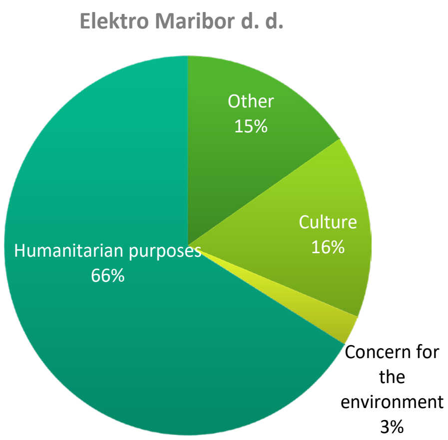
30 GRI 201-1

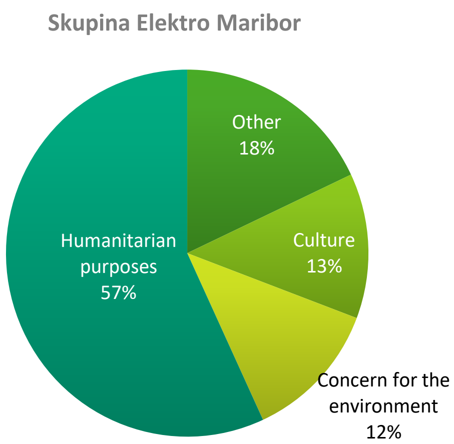
Breakdown of sponsorships by purpose





Breakdown of donations by purpose





Within the scope of promoting educational excellence among the youth, the Company selected, in cooperation with three secondary schools for electrical engineering, and awarded prizes to the best students at the two secondary electrical engineering schools on the territory supplied for the 9th year in a row. In cooperation with the University of Maribor and the subsidiary Energija plus d.o.o., the Company traditionally awarded recognitions and prizes to the best university students, thus encouraging and motivating them to pursue excellence in the academic sphere. In 2020, the Company continued promoting excellence among the youth, encouraging them to achieve notable success and results during secondary and tertiary education. In cooperation with the University of Maribor and the subsidiaries Energija plus and OVEN, the Company awarded prizes to the best students at the University of Maribor. In cooperation with schools in the wider region, prizes were also awarded to the best secondary school students.

Communication and provision of information

The general public is informed of current contents and developments at the Company via the Company website, social network and press conferences.

Network users were informed within the scope of work processes via the call centre, personal contact with customers, email info@elektro-maribor.si, website: www.elektro-maribor.si, online and mobile eStoritve portal, online and mobile Moj Elektro portal , the Facebook social network and partner radio stations.

Upon the emergence of Covid-19, the Company further communicated with users on associated measures via the website, its Facebook and Twitter profiles, the media and notices posted at entrances to the Company premises.

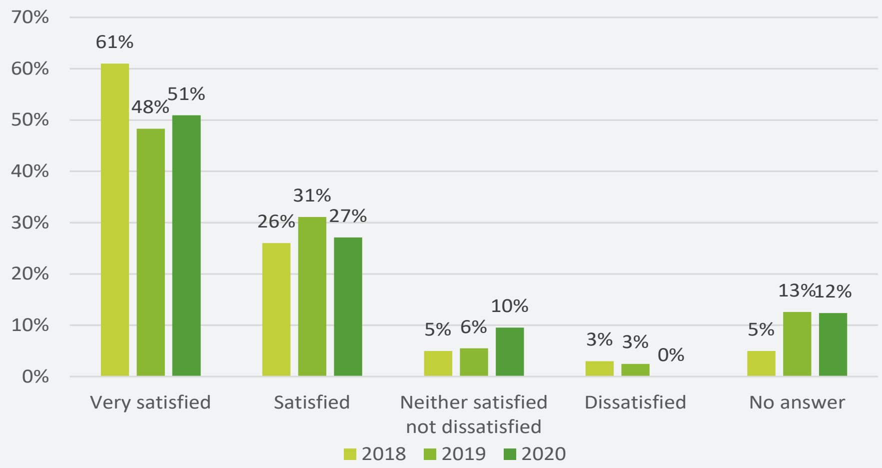
The Company published the Company Profile containing all key data about the Company and a new version of the leaflet "Installation of a new meter".

To promote the Moj elektro application, a prize game was organised on Facebook. A video was prepared for the presentation of the Metering Lab.

In 2020, the Company again measured satisfaction on cooperation with Elektro Maribor d.d. Questionnaires were sent to household and commercial customers in regional and service units who used Company services in 2020. The goal of the survey was to establish customer satisfaction with Company services and cooperation, the quality of products and services, resolution of warranty claims, and to assess contact persons at Elektro Maribor and obtain other opinions, recommendations and proposals.

The research showed that 78% of respondents were fully pleased with the cooperation of Elektro Maribor (51% of users were very satisfied and 27% were satisfied).

Results of measuring satisfaction with the cooperation of Elektro Maribor d.d.

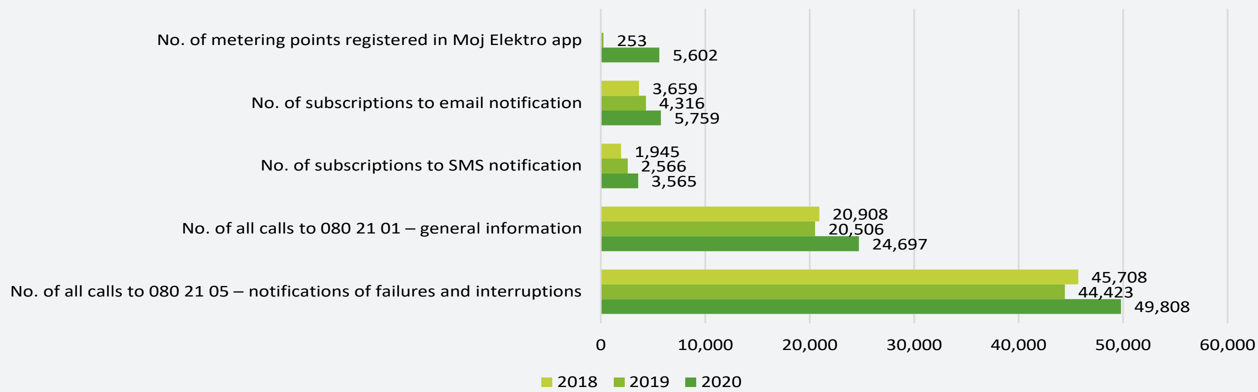


In 2020, the Company recorded 49,808 calls to its free phone line for the notification of defects and interruptions (080 21 05), whereby the service level indicator amounted to 76%, meaning that the mentioned share of customers reached the operator within a minute. The number of calls primarily depends on weather conditions (stands out primarily in February 2020) and disconnections due to urgent maintenance works. The Company recorded 24,697 calls to its free phone line for general information (080 21 01), whereby the service level indicator amounted to 88%, meaning that the mentioned share of customers reached the operator within a minute.

Users were kept informed of the option to subscribe to free-of-charge notification about planned and unplanned interruptions in electricity distribution by email and/or via a text message. The number of metering points included has grown from year to year.

Users were in particular informed of the possibilities provided at the Moj elektro portal. The notification of users received a favourable response. Hence, the number of users included in the Moj elektro portal increased substantially.

Contacts with system users



In 2020, the Company again conducted a survey among users regarding the services rendered for the electricity distribution operator (SODO d.o.o.). Users rated the services on a scale from 1 to 5, whereby 1 meant very poor, while 5 meant very good. The average score amounted to 4.53. Possibilities for improving the score are mostly deemed to be in the simplification of procedures (improvement of the user experience) and response times. A review has already been announced for 2021 for the price list of the electricity distribution operator services, which is approved by the Energy Agency. The number of surveys conducted has reduced compared to the previous years, which is the result of the Covid-19 epidemic and therewith related restriction of contacts with users. For that reason, the Company plans to conduct future surveys electronically.

Results of user surveys on the services rendered on behalf of SODO d.o.o.

	2020 Average score	2019 Average score	2018 Average score	2017 Average score
1. Assessment of a service rendered				
Transparency and knowledge of a service	4.66	4.70	4.57	4.59
Response time and demand	4.41	4.57	4.53	4.56
Price	4.00	4.38	4.07	4.08
2. Assessment of the service provider				
Quality of execution	4.74	4.76	4.72	4.75
Execution deadline	4.37	4.58	4.54	4.67
3. Assessment of warranty resolution quality				
Professionalism	4.69	4.76	4.75	4.72
Responsiveness	4.56	4.66	4.62	4.67
4. Assessment of contact persons				
Professionalism	4.73	4.79	4.75	4.76
Responsiveness	4.63	4.76	4.70	4.70
TOTAL	**4.53**	**4.66**	**4.58**	**4.61**
N	226	419	279	224

15.4 Collaboration with business partners[31]

The Company made contact with market suppliers in a transparent and just manner. Pursuant to the transparent and open Company policy and Rules laying down the procurement of low-value goods, services and construction works, all contracts worth over €1,000 are published on the Company website. Hence, the Company enables a large number of providers to submit their proposals, which affects the scope of suppliers. Company suppliers are evaluated annually based on quality criteria, sales prices and attitude.

The Company has centralised its procurement of material and services for the needs of the entire Company. The Purchasing function covers the process of procuring materials, services and construction works as well as the process of acceptance and warehousing. Material is typically procured for the main warehouse, which is in charge of further distribution of materials to the warehouses of regional and service units. Purchasing processes are conducted in a transparent manner by way of public procurement procedures or recorded procedures as published on the website.

To provide uninterrupted supply of material, the Company holds stocks in the main warehouse and the warehouses of regional and service units, whereby the target quantities of material in stock were amended in 2020. As at 31 December 2020, the total value of material inventory amounted to €2,339,050, which is a 15% decrease with respect to the previous year. Most inventories refer to material that is intended for installation in own implementation of investments.

As an entity bound by public procurement, the Company published 54 public procurement procedures in 2020 pursuant to the applicable legislation governing public procurement (ZJN-3) and monthly public procurement time schedule, which is 18 more than in the previous year. Public contracts are regularly posted on the Public Procurement Portal (enarocanje.si), the e-JN electronic public procurement portal and on the Company website.

Public procurement is based on the principles of economy, efficiency, performance, provision of competition among providers, transparency, proportionality and equal treatment of providers. Various criteria are observed in public procurement, e.g. the lowest price, the most economically

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advantageous tender taking into account various criteria, calculation of costs in service life, etc. An important factor in the selection of a supplier is the Decree on green public procurement, in line with which the Company takes into account only those tenders that comply with the technical requirements laid down in the Decree.

Pursuant to SSH recommendations, the Company regularly publishes data on all contracts concluded in public procurement procedures, low-value contracts and tendering procedures on its website. The table provides data on the subject of a contract, contract value and the names of business partners since 2010.

By the end of February every year, the Company publishes on the public procurement portal a list of contracts awarded in the previous year, the value of which is below the threshold for public procurement and equal or higher than €10,000 excluding VAT, with the description of the subject, type of subject, value of the contract awarded excluding VAT, and the name of economic entity to whom the contract was awarded, pursuant to the Public Procurement Act.

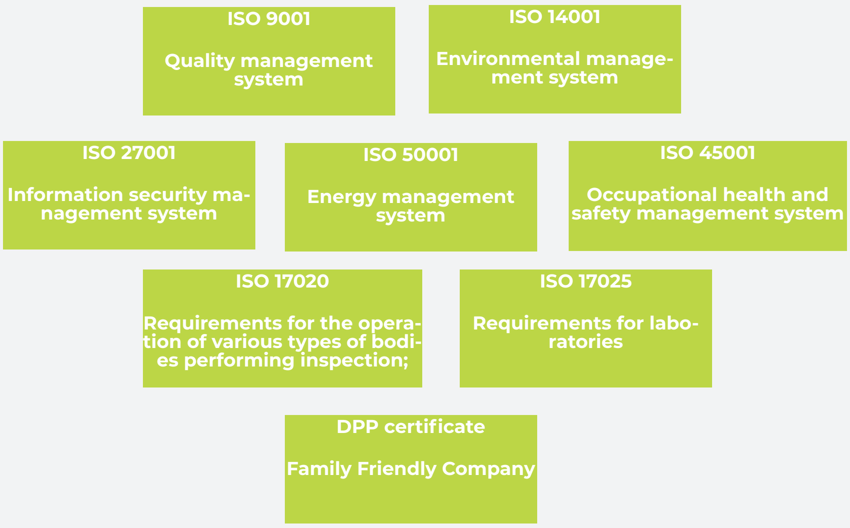
15.5 Quality system

By meeting the demands and expectations of customers, clients and business partners on one hand and with the awareness of employees about the importance of quality assurance on the other hand, Elektro Maribor d.d. has managed to set up a quality management system as per the ISO 9001 standard. The system was subsequently upgraded and now combines management systems in the following areas:

- quality;
- environment protection;
- occupational health and safety;
- information security;
- energy management;
- requirements for inspection authorities;
- qualification for test and calibration laboratories.

In addition to the established management systems, the Company also started introducing other systems raising the level of expectations by interested parties, i.e. Family Friendly Company certificate and self-assessment under the EFQM model.

Quality management systems at Elektro Maribor d.d.



Quality systems are subject to continuous improvements and development to upgrade the activities already established and maintain their growth. Upgrading or improvements to activities in system management enhance the competitive position of the Company compared to other companies in the industry.

- Quality in Company operations is provided with the fulfilment of requirements under the ISO 9001 standard. The requirements on one hand refer to operations within the Company and, on the other hand, to relations with users or fulfilment of their expectations and needs.

Activities continued in respect of a process-based approach, as we are aware that it is vital to define own processes to achieve a general increase in the quality level and the goals set, also integrating the need for risk management.

- By transferring to the ISO 45001 standard, the occupational health and safety area was integrated in the existing management system. Occupational health and safety is the basis for each activity. Employees are entitled to a safe and healthy work environment, which is in fact provided by the Company as the employer.
- The Company has also committed to transfer to a low-carbon company. The key elements for transfer to a low-carbon company have been established with a quality network and promotion of efficient energy use from renewable sources. The Company has been engaged in systematic work in environment protection under the ISO 14001 standard for over a decade. It has managed to reduce its impact on the environment as regards waste, but also as regards water, air and soil conservation as well as other impacts caused.
- Future activities for transfer to a low-carbon company have been regulated with the energy management system as per ISO 50001. In 2020, the system was successfully certified and integrated in the quality system together with other standards. Focus is placed on the implementation of organisational and investment measures reducing the need for energy. Investment measures will no doubt be important in future as well, since it is not possible to provide an adequate level of energy efficiency without investing in energy improvement.
- The management of information security was regulated in 2013 with the introduction of the ISO 27001 standard (Information security), which was upgraded in 2015 due to the amended version of the standard. In 2018, the General Data Protection Regulation (GDPR) substantially changed the Company's view of the protection of the information and personal data processed by the Company. The issue is properly managed upon compliance with the requirements of the information security standard as per ISO 27001 and the Regulation on the protection of natural persons with regard to the processing of personal data.
- The Metrology Institute of the Republic of Slovenia accredited the Metering Lab for the certification of electricity meters and current measuring transformers based on the accreditation document issued under the SIST EN ISO/IEC 17020:2012 standard. The Slovenian Environment Agency authorised the Company's Metering Lab to conduct initial measurements and operational monitoring for low-frequency sources of electromagnetic radiation based on the accreditation document issued under the SIST EN ISO/IEC 17025:2017 standard, which is also provided on the market.

  The services are rendered pursuant to the standards and metrology regulations at the laboratory and on site. The requirements imposed by the Slovenian Accreditation and the Metrology Institute of the Republic of Slovenia are upheld regularly and successfully.
- Basic areas of operations in terms of quality are managed as per the previously mentioned standards. However, since those areas largely refer to the provision of principal activity, the Company also approached to the provision of enhanced employee satisfaction. It introduced the Family Friendly Company certificate, using it to coordinate the requirements of the work process with the requirements of the external environment towards employees. The Company has acquired the full Family-Friendly Company certificate.

All activities in system management are conducted using various approaches. With regular consideration of individual areas, the actual state of affairs is established and, if needed, corrected with adequate measures. The implementation of regular and outstanding internal and external audits brings new possibilities for improvements to the quality system.

Efforts are made to apply a process-based approach, which is why system documents and processes through which management systems are governed are harmonised on a regular basis. These are checked upon the managerial inspection, where activities in management systems are re-examined and, if needed, additional measures are adopted.

15.6 Environmental impacts[32]

The Elektro Maribor Group, which provides electricity supply and energy services in the environment in which it operates, is to a large extent dependent on weather conditions.

Extreme weather events and their impact on operations

The number and intensity of extreme weather conditions have grown recently. Phenomena, such as windthrow, heavy snowfall and sleet, may cause serious damage to the power grid.

In 2020, there were 23 days with extreme weather events recorded in the area supplied by Elektro Maribor, which is 4 days fewer than in the previous year. In the last 4 years (2017–2020), the number of days with extreme weather events was three times higher than in years before that (2013–2016). As an example, in 2014, which was noted for disastrous damage caused by sleet, there

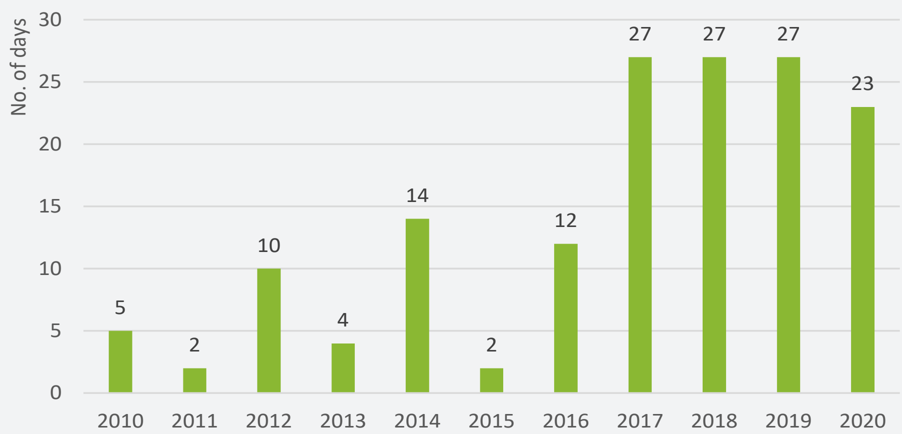
32 GRI 201-2, 302-2

were only 14 days with extreme weather events.

The annual volume of extreme weather events in 2020 was slightly lower than in the previous year, while the severity of individual disasters was more pronounced. In 2020, February was the month with most extreme weather events, followed by the third quarter of the year and December, when heavy storms caused extensive damage to the electricity distribution network.

The impact of meteorological factors on the security of electricity supply is mitigated with enhanced network robustness.

Number of days with extreme weather events



Production and distribution of energy

Electricity production in 2020 fell by 10% with respect to the previous year. A detailed explanation is provided in the chapter "Production of energy products".

The sale of energy in the period observed was the highest in 2020, i.e. 3% higher than the previous year and 9% higher than in 2018. The sale of natural gas grew the most. A detailed explanation is provided in the chapter "Sale of energy products".

The volume of electricity distributed through the Company grid to users in 2020 fell by 3.6% with respect to the previous year. A detailed explanation is provided in the chapter "Access to the distribution system and network use billing".

Energy at the Elektro Maribor Group

	2020	2019	2018
Produced electricity in MWh	11,794	13,047	13,571
- hydro power plants	10,838	12,061	12,634
- photovoltaic power stations	573	599	558
- cogeneration	383	387	379
Energy sold in MWh	1,990,524	1,931,632	1,827,457
- Electricity	1,839,680	1,835,533	1,707,144
- Natural gas	148,599	93,915	118,145
- Heat	2,245	2,184	2,168
Distributed electricity in MWh	2,197,131	2,279,153	2,297,516

Energy in the Elektro Maribor distribution system

	2020	2019	2018
Collected electricity in MWh	2,303,223	2,384,171	2,406,736
- from generation sources	340,830	318,332	336,986
- from the transmission network	1,962,393	2,065,839	2,069,750
Share of energy collected from generation sources in %	15	13	14
Distributed electricity in MWh	2,197,131	2,279,153	2,297,516
Electricity losses in MWh	106,114	105,018	109,220
Share of electricity losses in %	4.8	4.6	4.7

In 2020, the share of energy received from generation sources amounted to 14.8%, which was 1.4 percentage points more than in the previous year and the highest after 2016.

The share of electricity losses in the Elektro Maribor distribution system in 2020 increased by 0.22 percentage points compared to the previous year as a result of changed ratios between consumption at MV and at LV.

Environment protection[33]

The Company is committed to observe the principles of sustainable development. Environment protection and concern for nature is embedded in all Company activities engaging all employees.

The contribution of Elektro Maribor d.d. to environment protection is primarily demonstrated in the implementation of activities to mitigate potential environmental impacts. Efforts are made to minimise the latter through various activities. Separate waste collection and proper waste treatment before waste is handed over to the waste disposal contractor, the siting of power installations, mitigation of direct impacts on air, water and soil, and so on are only some of the areas where the Company seeks to minimise its impacts on the environment.

Hence, environment protection measures as per ISO 14001 have been implemented systematically since 2006. To achieve the goals set in environment protection, it is vital to have the cooperation or, rather, involvement of all employees who contribute to reduced environmental impacts – both within as well as indirectly outside the Company.

Active work in environment protection is also upgraded in terms of energy efficiency. In 2020, the Company systematically approached to reduced energy consumption by introducing the ISO 50001 standard. Regular energy consumption measurements, specification of measures to reduce consumption and investments in energy efficiency reflect the Company's commitment to sustainable development and transfer to a low-carbon society. Due to the nature of work (maintenance and erection of the distribution network), most energy is needed for transport and heating. The goal is to increase energy efficiency.

Consumption of energy products at Elektro Maribor d.d.

Energy product	Unit	2020	2019	2018
Fuel	l	613,263	552,500	623,326
Electricity	MWh	3,075	3,192	2,972
Fuel oil	l	0	0	1,843
Natural gas	m^3	127,140	141,337	140,443
District heating	MWh	737	654	805
Total	**MWh**	**10,995**	**10,558**	**11,175**

Consumption of energy products at the Elektro Maribor Group

Energy product	Unit	2020	2019	2018
Fuel	l	617,890	558,329	628,703
Electricity	MWh	3,129	3,249	3,023
Fuel oil	l	0	0	1,843
Natural gas	m^3	127,140	141,337	140,443
District heating	MWh	737	654	805
Total	**MWh**	**11,095**	**10,672**	**11,279**

Self-sufficiency at the Elektro Maribor Group

Energy product	Unit	2020	2019	2018
Electricity – production within the Group	MWh	11,794	13,047	13,571
Electricity – consumption within the Group	MWh	3,129	3,249	3,023
Other energy products – consumption within the Group	MWh	7,966	7,423	8,257
Self-sufficiency	%	**106**	**122**	**120**

33 GRI 302-1, 302-4

In 2020, 11.8GWh of electricity was produced within the scope of the Elektro Maribor Group, while the consumption of electricity and energy products totalled 11.1GWh. That means that the Elektro Maribor Group achieved 106% energy self-sufficiency. The slightly poorer result than last year and year before that was affected by production at hydro power plants. The long-term sustainability goal is to maintain a high level of self-sufficiency.

Carbon footprint[34]

Elektro Maribor d.d. regularly calculates its carbon footprint, taking into account the following sources of greenhouse gas emissions:

- direct greenhouse gas emissions occurring at the sources owned or supervised by the Company, e.g. in fossil fuel combustion in combustion installations or use of company vehicles and building machinery;
- indirect greenhouse gas emissions due to the use of electricity and purchased heat or steam;
- other indirect greenhouse gas emissions occurring as a result of the purchase of products and services procured by the Company, e.g. purchase of material and fuel, business travel with vehicles not owned by the Company, etc.

The calculation also takes into account indirect emissions due to the use of paper, employees' transport to and from work, and business travel with transport means not owned by the Company.

Carbon footprint (kg CO_2/employee)

	2020	2019	2018
Transport	2,945	2,754	2,942
Electricity	0	0	0
Heating	530	538	581
Paper	26	23	24
Total	**3,501**	**3,315**	**3,547**

Waste[35]

While pursuing its activities, the Company encounters mostly 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 disposal contractors authorised to keep records of collected waste in the IS waste system.

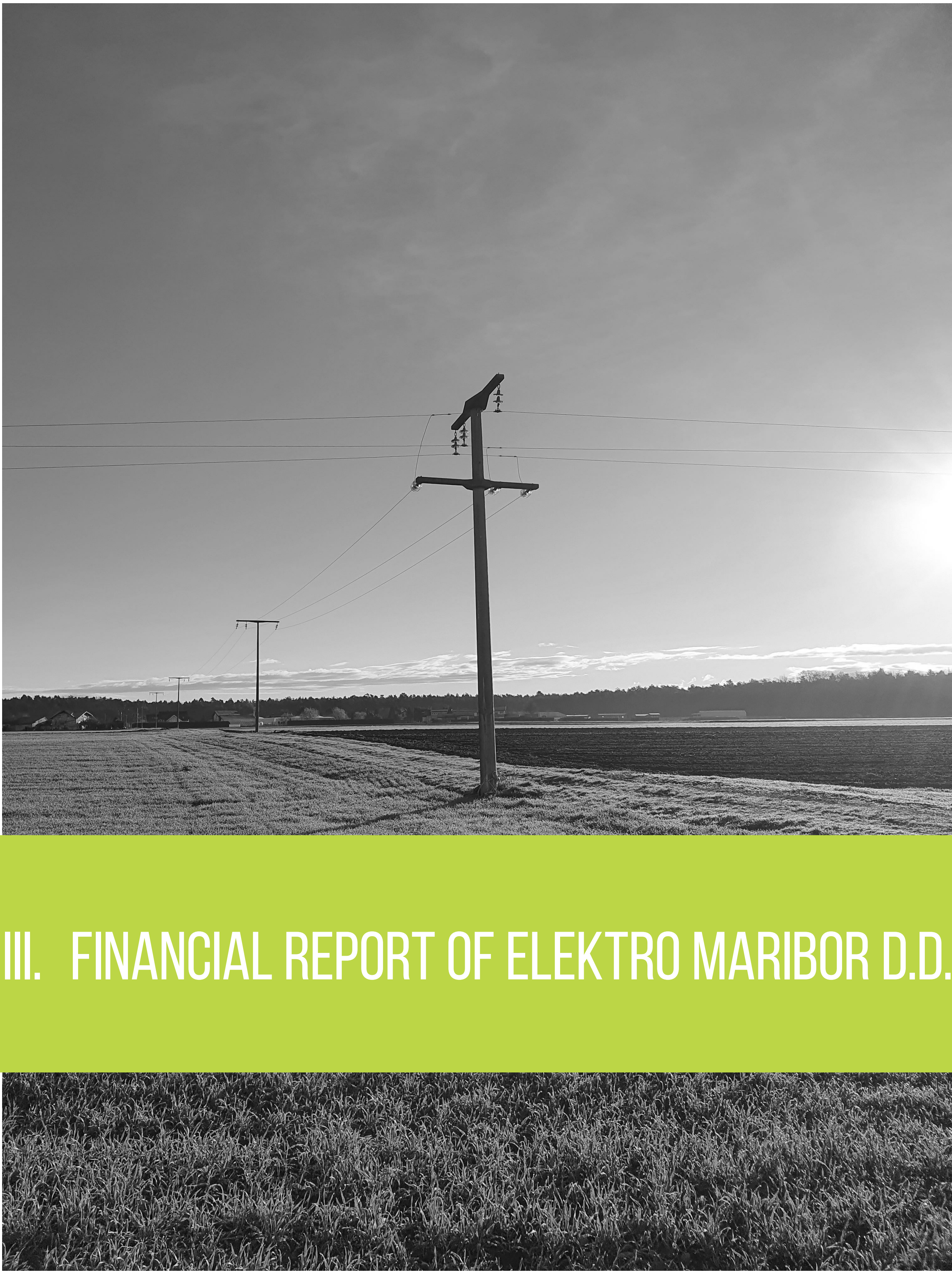
A great deal of attention is placed on waste management, since waste mostly represents a secondary raw material. In waste management, the Company has established a centre for the collection, separation and treatment of disassembled equipment, where waste from non-ferrous metals is mostly separated.

The total mass of disposed waste in 2020 increased by 23% compared to the previous year. A major increase in waste quantities with respect to the previous year was recorded in construction waste, primarily as a result of the construction projects carried out in 2020.

Waste mass

in kg	2020	2019	2018
Hazardous waste	26,521	121,575	40,100
Contaminated water	115,000	64,400	61,700
Packaging	44,409	35,101	32,861
Paper, cardboard	25,693	24,723	38,901
Construction waste	1,971,413	1,491,514	2,543,374
Municipal waste	46,421	42,807	46,408
Non-ferrous metals	23,055	19,955	20,145
Other metals	230,769	221,106	219,392
Waste electrical and electronic equipment	59,390	47,895	58,570
Other	113,912	96,773	105,391
Total	**2,656,583**	**2,165,849**	**3,166,842**

34 GRI 305-1, 305-2, 305-3, 305-5
35 GRI 306-2



III. FINANCIAL REPORT OF ELEKTRO MARIBOR D.D.

1 Independent Auditor's report

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the company Elektro Maribor d.d. (hereinafter "Company") comprising the balance sheet as at 31 December 2020, income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of relevant accounting policies.

In our opinion, the financial statements are in every significant aspect a fair presentation of the financial situation of the Company as at 31 December 2020 and its operating result and cash flows for the then finished year pursuant to the Slovenian Accounting Standards (hereinafter "SAS").

Basis for the opinion

The audit was performed in accordance with the International Standards on Auditing (ISA). Our responsibilities based on the standards are described in detail in the paragraph *Auditor's responsibility for the audit of financial statements* of this report. In line with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements referring to the auditing of financial statements in Slovenia, we confirm our independence from the Company and the fulfilment of all other ethical obligations pursuant to these requirements and the IESBA Code. We believe that the audit evidence obtained represents a sufficient and appropriate basis for our audit opinion.

Key audit matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was taken into account in the audit of separate financial statements as a whole and in the formation of our opinion on these financial statements, and no separate opinion is provided on such matter.

We have fulfilled all obligations described in paragraph *Auditor's responsibility for the audit of separate financial statements*, including those relating to the matter. Hence, the audit included the execution of procedures laid down on the basis of our risk assessment for a material misstatement in separate financial statements. The results of our audit procedures, including procedures conducted in relation to the matter described below, serve as the basis for our audit opinion on the attached separate financial statements.

Capitalised own products and services

Description of the key audit matter	Our audit approach
Capitalised own products and service in the financial year ended on 31 December 2020 amounted to €21,551,855. The Company pursues the activity of own construction of facilities and installations. Investments in fixed assets built by the Company itself are valued on the basis of estimated values of hourly rates, which in addition to labour costs also include other indirect costs and direct costs of material. The setting of hourly rates for the price of works and assessing which indirect costs to include in the value of fixed assets is related to estimates. The estimate of the amount and structure of costs for the construction of fixed assets is important for the audit, as it relates to important judgements of the management, which is why the matter was defined as the key audit matter. When making therewith related decisions, the Company applies significant assumptions and judgements relating to the fulfilment of conditions for the recognition of property, plant and equipment as laid down by the Slovenian Accounting Standards. Reference is hereby made to the note in point 4 *Significant accounting policies – Property, plant and equipment*, note 2 *Property, plant and equipment* in point 6.1 *Notes to the balance sheet*, and to note 18 *Capitalised own products and services* in point 6.2 *Notes to the income statement*.	Our audit procedures, inter alia, included: - Assessing internal acts and rules defining investments in property, plant and equipment and construction costs to make sure that they comply with the policies laid down by the Slovenian Accounting Standards, particularly SAS 1 – Property, plant and equipment. - Testing the design and implementation of internal controls in the process of recognising labour costs, the costs of material and services, and fixed assets. - Learning about the method of managing investments executed by the Company on its own. - Examining the methodology and assumptions applied by the Company in the calculation of the price for the works and checking for the completeness and accuracy of the data used. - Recalculating the calculated price for the selected type of works and comparing it with post-calculation for the current year and market data. - Testing by way of a sample of selected items of capitalised own products and services, whereby we: • assessed whether a proper price for the works was taken into account with respect to the type of works; • obtained bases for the cost of material and car drives; • conducted interviews with the persons responsible for investments; • checked the supporting financial documents and book entries in the financial statements. The sample included randomly selected items as items that were specified as per our risk-based approach due to the size, complexity, content or duration of construction or maintenance works.

Other information

Other information is the responsibility of the management. Other information includes the information in the annual report other than the financial statements and the auditor's opinion thereon. Other information was obtained prior to the date of the auditor's report, except for the Report by the Supervisory Board, which will be available later.

Our opinion of the financial statements does not refer to other information and no assurance is made thereon.

Our responsibility in relation to the audit of financial statements is to read other information and assess whether it is materially incompliant with the financial statements, legal requirements or our knowledge obtained during the audit or whether it seems materially incorrect in any other way. If, based on the we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Based on the procedures carried out and in the scope possible for an assessment, we report of the following:

- Other information describing the facts also presented in the financial statements are in every significant aspect in line with the financial statements.
- Other information has been prepared in line with the applicable law or regulations.
- Based on the knowledge and understanding of the Company and its environment obtained during the audit, we detected no material misstatement of facts in relation to other information.

The responsibility of the management, Supervisory Board and Audit Committee for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements pursuant to the Slovenian Accounting Standards and for such internal control as deemed appropriate by the management for the preparation of financial statements that are free from material misstatements due to fraud or error.

During the preparation of Company financial statements, the management is responsible for an assessment of the ability to continue as a going concern, the disclosure of matters related with the going concern and the use of the assumption of a going concern as the basis for accounting, unless the management intends to liquidate or terminate operations or has no other realistic chance for either.

The Supervisory Board and Audit Committee are responsible for supervising the financial reporting process at the Company.

Auditor's responsibility for the audit of financial statements

Our goal is to obtain acceptable assurance confirming that the financial statements as a whole contain no material misstatement due to fraud or error and to issue the auditor's report including our opinion. Acceptable assurance is a high level of assurance which, however, is no guarantee that the audit conducted pursuant to the International Standards on Auditing (ISA) will always identify material misstatements, if any. False statements may derive from fraud or error and are considered material if it can be reasonably expected that they, individually or in combination, affect the economic decisions of users adopted on the basis of these financial statements.

During auditing pursuant to ISA, we apply professional judgement and maintain professional scepticism. Furthermore:

- We identify and assess the risk of material misstatement in the financial statements either due to error or fraud, develop and carry out auditing procedures as a reaction to the risk assessed, and obtain sufficient and adequate audit evidence providing the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We carry our procedures to review and understand internal controls that are relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal controls.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and associated disclosures made by the management.
- Based on the obtained audit evidence on the existence of significant uncertainty in respect of events or circumstances raising doubt as to the organisation's ability to continue as a going concern, we hereby adopt a decision of the appropriateness of the assumption of going concern used by the management as the accounting basis. If a decision on the existence of significant uncertainty is adopted, we are required to warn in the auditor's report of the relevant disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. The auditor's conclusions are based on the audit evidence obtained until the date of issue of the auditor's report; however, subsequent events or circumstances may cause the termination of the organisation as a going concern.
- We evaluate the general presentation, structure and content of the financial statements, including disclosures, and assess whether the financial statements give a true presentation of the relevant transactions and events.

The Supervisory Board and Audit Committee are also informed of the planned scope and time frame of the audit and relevant audit findings, including significant deficiencies in internal controls as identified during our audit.

We submitted to the Supervisory Board and Audit Committee our statement declaring that all ethical requirements in relation to independence were met, and informing them of all relationships and other matters that may reasonably be believed to affect our independence and of all therewith related supervisory measures.

Other requirements relating to the auditor's report pursuant to Regulation (EU) No 537/2014 of the European Parliament and of the Council

Pursuant to Article 10(2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, our independent auditor's report hereby provides the following information required in addition to that required by the International Standards on Auditing:

Appointment of the auditor, period of engagement and responsible certified auditor

On 28 June 2019, the General Meeting of Shareholders of the Company appointed us as the statutory auditor for the 2019–2021 financial years. The auditing contract was concluded for the period of three years on 6 September 2019. The statutory audit of separate financial statements is conducted for the fourth year. The certified auditor responsible for the audit performed is Maruša Hauptman.

Compliance with the additional report to the Audit Committee

Our opinion on separate financial statements in this report complies with the additional report to the Company's Audit Committee as issued on 15 April 2021.

Prohibited services

We hereby declare that we performed no prohibited services as referred to in Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council and that we ensured our independence from the audited company when conducting the audit.

Other services rendered by the audit firm

In addition to the services of statutory audit and those disclosed in the annual report, we performed no other services for the Company and its subsidiaries.

Ljubljana, 15 April 2021

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 2020.

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 2021

President of the Management Board

Mag. Boris Sovič

3 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: the SAS), the Companies Act (ZGD-1), the requirements of the Energy Act (EZ-1), and the legislation governing taxes and finance.

Management Board's statement of responsibility

On 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 2020, 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

In 2020, there were no changes in accounting policies.

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.

The following required quality characteristics are also taken into account:

- 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.

Significant transactions and other business events in the Company's statement of financial position are those exceeding 2% of the value of assets or liabilities as at the balance sheet date, and those costs, expenses and revenues exceeding 10% of total revenue or costs and expenses in the financial year.

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. All accounting policies are consistent with the SAS.

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 such significant impact on the financial statements for 2020 that would require additional disclosure in the financial report, but nevertheless, we want to highlight certain factors that will have a significant effect on the Company's operations in 2021.

The Company has consistently observed the legislation in the field of intervention measures to contain the Covid-19 epidemic in 2020 and 2021 and recorded all business events in the way as stipulated by the law. Pursuant to the explanation of the Financial Administration of the Republic of Slovenia od 5 February 2021, the Company did paid the crisis bonus difference for 2020 with the 2021 January wage to those employees who worked and whose monthly wage for November, excluding the payment by results bonus, did not exceed double the minimum salary.

In 2020, Elektro Maribor d.d. generated a EUR 2.8 million lower net profit, especially because of the changed Network Charge Act (decreased recognised return on assets in 2020), which will affect the operations in 2021, particularly in terms of sources of financing for investments and payment of dividend, which is already included in the Annual Business Plan 2021.

Own funds to finance investments in 2021 will decrease by approximately EUR 2 million because of the lower net profit in 2020. In 2021, we will not decrease the amounts of investments, which is why we increased foreign sources of financing for investments in the Annual Business Plan 2021 and as result also the Company's debt.

In light of the lower net profit in 2020, we will earmark EUR 1.6 million less for dividend payout in accordance with the provisions of the Articles of Association of Elektro Maribor d.d., that is, by EUR 0.0473 lower gross dividend per share.

The financial statements for 2020 took into account the preliminary settlement for the regulatory year 2020, which shows excess of the funds received in relation to the recognised contractual values of the lease and services in the amount of EUR 209,726 and is entirely recorded in financial year 2020. Until the preparation of the financial statements, the final settlement of the regulatory years 2019 and 2020, which will be based on the audited data for 2019 and 2020, was not yet known.

The indicated values are considered in accordance with paragraphs 4 and 5 of Article 60a of the Contract on the lease of the electricity distribution infrastructure and the provision of services for SODO, and therefore will 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:

- Elektro Maribor Energija plus d.o.o., Vetrinjska ulica 2, Maribor 100.00%,
- OVEN Elektro Maribor d.o.o., Vetrinjska ulica 2, Maribor 100.00%,
- Moja energija d.o.o., Jadranska cesta 28, Maribor 33.33%,
- Eldom d.o.o., Obrežna ulica 170, Maribor 25.00%,
- Informatika d.d., Vetrinjska ulica 2, Maribor 23.97%.

Operations of associated companies in 2020

in EUR	Equity	Assets	Net profit or loss	Revenue
Energija plus d.o.o., Vetrinjska ulica 2, Maribor	19,226,678	42,703,052	1,038,284	115,897,569
OVEN Elektro Maribor d.o.o., Vetrinjska ulica 2, Maribor	4,361,348	4,717,945	257,867	1,067,382
Moja energija d.o.o., Jadranska cesta 28, Maribor	3,323,397	6,023,383	61,734	4,550,677
Eldom d.o.o., Obrežna ulica 170, Maribor	312,615	490,194	13,194	616,336
Informatika d.d., Vetrinjska ulica 2, Maribor	1,673,874	5,520,288	225,416	9,503,796

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 10 to 50%.

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 property, plant and equipment 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 theassets 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.

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, already on 1 January 2019, using 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 2020, 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 is 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 2020, 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 the table below.

Useful life of fixed assets

	2020	2019
Buildings	40 years	40 years
Cable ducts, HV overhead lines, HV cable lines, MV overhead lines	40 years	40 years
Construction part of DTS, DS and TS	33 years	33 years
MV cable lines with XHP and EHP, LV overhead line and CR with wooden poles, TS mast on wooden pole	15 years	15 years
Equipment DTS and DS secondary	30 years	30 years
Equipment DTS, DS and remote switch primary	35 years	35 years
HV/MV energy transformer	30 years	30 years
MV/LV energy transformer	5–24 years	5–24 years
Meter and control devices (meters)	7–12 years	7–12 years
Motor vehicles	2-5 years	2-5 years
Computer equipment	2-10 years	2-10 years
Intangible assets (application software)	1-100 years	1-100 years
Easements	40 years	40 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 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 that they will 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: 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 0.3475%;
- wage growth:
  - in the Republic of Slovenia 2.5%;
  - in the company 1.0%;
  - in the electricity sector 1.0%;
- 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 2020, 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% 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.

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

In its labour costs the Company 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.

Statement of financial position

in EUR

	Item	Note	31 Dec 2020	31 Dec 2019
A.	**Non-current assets (I–VI)**		**376,475,479**	**366,207,556**
I.	**Intangible assets and long-term prepayments and accrued income (1 to 6)**	**1**	**4,335,300**	**4,770,032**
	1. Long-term property rights		4,335,300	4,770,032
II.	**Property, plant and equipment (1 to 6)**	**2**	**352,676,825**	**342,159,177**
	1. Land and buildings (a to c)		262,413,027	251,442,208
	a. Land		9,974,029	9,758,662
	b. Buildings		252,069,517	241,285,506
	c. Right to use buildings		369,481	398,041
	2. Production equipment and machinery		84,447,958	82,166,694
	4. Property, plant and equipment being acquired (a + b)		5,815,840	8,550,275
	a. Property, plant and equipment under construction		5,755,936	8,490,371
	b. Advances for acquisition of property, plant and equipment		59,904	59,904
III.	**Investment property**	**3**	**605,093**	**635,187**
IV.	**Long-term financial investments (1 to 2)**	**4**	**17,596,970**	**17,596,970**
	1. Long-term financial investments excluding loans (a to č)		17,596,970	17,596,970
	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	207,045
V.	**Non-current operating receivables (1 to 3)**	**5**	**65,483**	**59,540**
	3. Non-current operating receivables due from others		65,483	59,540
VI.	**Deferred tax assets**	**6**	**1,195,807**	**986,650**
B.	**Current assets (I–V)**		**22,337,331**	**24,060,141**
II.	**Inventories (1 to 4)**	**7**	**2,339,050**	**2,750,549**
	1. Material		2,339,050	2,750,549
IV.	**Current operating receivables (1 to 3)**	**8**	**9,615,152**	**12,361,762**
	1. Current operating receivables due from Group companies		28,010	119,765
	2. Current operating trade receivables		8,762,161	11,121,377
	3. Current operating receivables due from others		824,980	1,120,620
V.	**Cash and cash equivalents**	**9**	**10,383,129**	**8,947,830**
C.	**Short-term deferred costs and accrued revenue**	**10**	**266,555**	**490,726**
	ASSETS (A + B + C)		**399,079,365**	**390,758,423**

in EUR

	Item	Note	31 Dec 2020	31 Dec 2019
A.	**Equity**	11	**294,792,477**	**289,312,301**
I.	**Called-up capital (1 to 2)**		**203,932,512**	**139,147,480**
	1. Share capital		203,932,512	139,147,480
II.	**Capital reserves**		**75,384,315**	**75,384,315**
III.	**Revenue reserves (1 to 5)**		**13,064,589**	**70,751,607**
	1. Legal reserves		6,485,990	5,966,575
	5. Other revenue reserves		6,578,599	64,785,032
V.	**Reserves arising from valuation at fair value**		**-879,226**	**-839,446**
VI.	**Net profit or loss carried forward**		**0**	**363,301**
	1. Net profit brought forward from previous years		0	363,301
VII.	**Net profit or loss for the financial year**		**3,290,287**	**4,505,045**
	1. Residual net profit for the financial year		3,290,287	4,505,045
B.	**Provisions and long-term accruals and deferred income (1 to 3)**	12	**41,295,069**	**40,232,696**
	1. Provisions for pensions and similar liabilities		5,792,325	5,792,102
	2. Other provisions		501,363	380,561
	3. Long-term accrued costs and deferred revenue		35,001,381	34,060,033
C.	**Non-current liabilities (I to III)**	13	**43,608,417**	**38,979,657**
I.	**Non-current financial liabilities (1 to 4)**		**43,467,654**	**38,694,109**
	2. Non-current financial liabilities to banks		43,125,000	38,325,000
	3. Non-current financial liabilities arising from leases		342,654	369,109
II.	**Non-current operating liabilities**		**41,992**	**285,548**
	2. Non-current operating accounts payable		41,992	285,548
III.	**Deferred tax liabilities**		**98,771**	**0**
Č.	**Current liabilities (I to III)**	14	**18,577,410**	**21,437,226**
II.	**Current financial liabilities (1 to 4)**		**6,260,993**	**6,385,987**
	2. Current financial liabilities to banks		6,200,000	6,325,000
	4. Other current financial liabilities		60,993	60,987
III.	**Current operating liabilities (1 to 8)**		**12,316,417**	**15,051,239**
	1. Current operating liabilities to Group companies		64,124	67,807
	2. Current operating accounts payable		5,863,129	6,283,166
	3. Other current operating liabilities		6,389,164	8,700,267
D.	**Short-term accrued costs and deferred revenue**	15	**805,992**	**796,543**
	LIABILITIES (A to D)		**399,079,365**	**390,758,423**

Income statement

in EUR

	Item	Note	I–XII 2020	I–XII 2019
1.	**Net sales revenue**	**17**	**58,153,824**	**60,049,868**
	a. in the domestic market		58,153,824	60,049,868
3.	**Capitalized own products and services**	**18**	**21,551,855**	**19,406,584**
4.	**Other operating revenues (with revaluated operating revenue)**	**19**	**3,829,948**	**3,745,364**
5.	**Costs of goods, material and services**	**20**	**21,019,559**	**18,050,467**
	a. Cost of goods sold and costs of material used		14,006,681	11,552,960
	b. Costs of services		7,012,878	6,497,507
6.	**Labour costs**	**21**	**29,035,834**	**29,501,552**
	a. Costs of wages and salaries		20,042,349	20,730,116
	b. Social security costs		4,303,658	4,434,585
	– of which pension insurance costs		1,004,374	1,033,917
	c. Other labour costs		4,689,827	4,336,851
7.	**Write-offs**	**22**	**21,716,881**	**20,966,475**
	a. Amortization/Depreciation		21,309,916	20,223,665
	b. Revaluation operating expenses for intangible assets and property, plant and equipment		299,326	500,030
	c. Revaluation operating expenses for working capital		107,639	242,780
8.	**Other operating expenses**	**23**	**625,137**	**578,012**
9.	**Financial revenue from shares and interests**	**24**	**1,034,435**	**2,152,913**
	a) Financial revenue from shares and interests in Group companies		1,027,978	2,152,913
	b) Financial revenue from shares and interests in associated companies		6,457	0
10.	**Financial revenue from loans granted**		**5**	**43**
	b. Financial revenue from loans granted to others		5	43
11.	**Financial revenue from operating receivables**	**25**	**77,445**	**16,723**
	b. Financial revenue from operating receivables due from others		77,445	16,723
13.	**Financial expenses from financial liabilities**	**26**	**371,121**	**390,703**
	b. Financial expenses from loans received from banks		364,891	384,853
	č. Financial expenses from other financial liabilities		6,230	5,850
14.	**Financial expenses from operating liabilities**	**27**	**77,575**	**82,434**
	b. Financial expenses from accounts and notes payable		32,501	3,694
	c. Financial expenses from other operating liabilities		45,074	78,739
15.	**Other revenue**	**28**	**12,875**	**27,309**
16.	**Other expenses**	**29**	**103,287**	**101,966**
17.	**Income taxes**		**1,347,783**	**1,650,698**
18.	**Deferred taxes**		**110,385**	**198,185**
19.	**NET PROFIT OR LOSS FOR THE PERIOD**	**30**		
	(1 ± 2 +3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 17 +18)		**10,473,594**	**14,274,681**

Statement of other comprehensive income

in EUR

	Item	Note	I–XII 2020	I–XII 2019
19.	Net profit or loss for the period		10,473,594	14,274,681
23.	Other items of comprehensive income		-125,073	-227,169
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19+20+21+22+23)**		**10,348,521**	**14,047,512**

Statement of cash flows

in EUR

Item	Note	I–XII 2020	I–XII 2019
A. Cash flows from operating activities			
a) Cash receipts from operating activities	***31***	***112,425,789***	***116,673,870***
Cash receipts from the sale of products and services		109,337,106	113,667,673
Other cash receipts from operating activities		3,088,683	3,006,197
b) Expenditures from operating activities	***32***	***-100,928,537***	***-101,901,520***
Expenditures for purchases of material and services		-61,609,384	-61,894,048
Expenditures for salaries and employee shares in profit		-30,558,827	-30,574,197
Expenditures for duties of all types		-7,010,167	-7,540,291
Other expenditures from operating activities		-1,750,160	-1,892,984
c) Positive cash flow from operating activities (a + b)		***11,497,252***	***14,772,350***
B. Cash flows from investing activities			
a) Cash receipts from investing activities	***33***	***3,325,809***	***2,320,835***
Cash receipts from interest received and shares in profit of others related to investing activities		1,034,439	2,152,962
Cash receipts from the disposal of property, plant and equipment		2,291,370	167,873
b) Expenditures from investing activities	***34***	***-12,792,381***	***-13,939,047***
Expenditures for acquisition of intangible assets		-1,690,582	-3,418,851
Expenditures for acquisition of property, plant and equipment		-11,101,799	-10,520,196
c) Negative cash flow from investing activities (a + b)		***-9,466,573***	***-11,618,212***
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***	***-11,595,380***	***-13,192,032***
Expenditures for interest paid relating to financing		-402,034	-364,166
Expenditures for repayments of financial liabilities		-6,325,000	-8,159,524
Expenditures for dividend payments and other shares in profit		-4,868,346	-4,668,342
c) Negative cash flow from financing activities (a+b)		***-595,380***	***-2,192,032***
Č. Closing balance of cash and cash equivalents		**10,383,129**	**8,947,830**
x) Cash flow for the period (sum of cash flows Ac, Bc and Cc)		**1,435,299**	**962,106**
+			
y) Opening balance of cash and cash equivalents		**8,947,830**	**7,985,724**

Statement of changes in equity 2020

	in EUR	Called-up capital	Capital reserves	Revenue	
		Share capital		Legal reserves	Reserves for own shares
		I/1	II	III/1	III/2
A.1.	**Balance at the end of the previous reporting period**	**139,147,480**	**75,384,315**	**5,966,575**	**0**
A.2	**Opening balance of the reporting period**	**139,147,480**	**75,384,315**	**5,966,575**	**0**
B.1	**Changes in equity capital - transactions with owners**	**0**	**0**	**0**	**0**
g.	Dividend payments				
B.2	**Total comprehensive income for the reporting period**	**0**	**0**	**0**	**0**
a.	Entry of net profit or loss for the financial year				
d.	Other items of comprehensive income				
B.3	**Changes in equity**	**64,785,032**	**0**	**519,415**	**0**
a.	Allocation of residual net profit for the comparative reporting period to other equity components				
b.	Allocation of residual net profit for the reporting period to other equity components according to the resolution of the management and supervisory bodies			519,415	
f	Other changes in equity	64,785,032			
C.	**Closing balance of the reporting period**	**203,932,512**	**75,384,315**	**6,485,990**	**0**
	DISTRIBUTABLE PROFIT				

Statement of changes in equity 2019

	in EUR	Called-up capital	Capital reserves	Revenue	
		Share capital		Legal reserves	Reserves for own shares
		I/1	II	III/1	III/2
A.1.	**Balance at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**5,255,607**	**363,301**
A.2	**Opening balance of the reporting period**	**139,773,510**	**75,121,586**	**5,255,607**	**363,301**
B.1	**Changes in equity capital - transactions with owners**	**0**	**0**	**0**	**0**
g.	Dividend payments				
B.2	**Total comprehensive income for the reporting period**	**0**	**0**	**0**	**0**
a.	Entry of net profit or loss for the financial year				
c.	Change in reserves arising from valuation of financial investments at fair value				
d.	Other items of comprehensive income				
B.3	**Changes in equity**	**–626,031**	**262,730**	**710,967**	**–363,301**
a.	Allocation of residual net profit for the comparative reporting period to other equity components				
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	
e.	Release of reserves for own shares and own interests, and allocation to other components of equity				–363,301
f	Other changes in equity	–626,031	262,730		
C.	**Closing balance of the reporting period**	**139,147,479**	**75,384,316**	**5,966,575**	**0**
	DISTRIBUTABLE PROFIT				

e reserves		Reserves arising from fair value valuation	Net profit carried forward	Net profit or loss for the year	Total
Own shares	Other revenue reserves		Net profit carried forward	Net profit	
III/3	III/5	V	VI/1	VII/1	
0	**64,785,032**	**-839,446**	**363,301**	**4,505,045**	**289,312,301**
0	**64,785,032**	**-839,446**	**363,301**	**4,505,045**	**289,312,301**
0	**0**	**0**	**-4,868,346**	**0**	**-4,868,346**
			-4,868,346	0	-4,868,346
0	**0**	**-125,073**	**0**	**10,473,594**	**10,348,521**
			0	10,473,594	10,473,594
		-125,073			-125,073
0	**-58,206,433**	**85,293**	**4,505,045**	**-11,688,352**	**0**
			4,505,045	-4,505,045	0
	6,578,599		85,293	-7,183,307	0
	-64,785,032	85,293	-85,293		0
0	**6,578,599**	**-879,226**	**0**	**3,290,287**	**294,792,476**
			0	**3,290,287**	**3,290,287**

e reserves		Reserves arising from fair value valuation	Net profit carried forward	Net profit or loss for the year	Total
Own shares	Other revenue reserves		Net profit carried forward	Net profit	
III/3	III/5	V	VI/1	VII/1	
–363,301	**55,781,696**	**–667,609**	**0**	**4,668,342**	**279,933,132**
–363,301	**55,781,696**	**–667,609**	**0**	**4,668,342**	**279,933,132**
0	**0**	**0**	**–4,668,342**	**0**	**–4,668,342**
			–4,668,342	0	–4,668,342
0	**0**	**–227,169**	**0**	**14,274,681**	**14,047,512**
				14,274,681	14,274,681
		55,290			55,290
		–282,459			–282,459
363,301	**9,003,336**	**55,332**	**5,031,643**	**–14,437,978**	**0**
			4,668,342	–4,668,342	0
	9,003,336		55,332	–9,769,636	0
			363,301		0
363,301		55,332	–55,332		0
0	**64,785,032**	**–839,446**	**363,301**	**4,505,046**	**289,312,301**
			363,301	**4,505,046**	**4,868,346**

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 thestraight-line method. The amortization rates applied range from 10% to 50%.

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, based on the contract, the Company discloses EUR 579,333 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 upgrades of the ERP solution MS Dynamics AX and the purchase of new software for remote meter reading.

Changes in intangible assets in 2020

in EUR	Intangible assets	Ongoing investments	Total
Cost			
Balance as at 1 Jan 2020	12,084,050	0	12,084,050
Increases	*0*	*0*	0
– New purchases	0	1,145,824	1,145,824
– Activation	1,145,824	-1,145,824	0
Eliminations	16,769	0	16,769
Transfers	0	0	0
Balance as at 31 Dec 2020	13,213,105	0	13,213,105
Write-offs			
Balance as at 1 Jan 2020	7,314,018	0	7,314,018
Adjustments	0	0	0
Eliminations	16,769	0	16,769
Transfers	0	0	0
Amortization	1,580,556	0	1,580,556
Balance as at 31 Dec 2020	8,877,804	0	8,877,804
Carrying amount			
Balance as at 1 Jan 2020	4,770,032	0	4,770,032
Balance as at 31 Dec 2020	4,335,300	0	4,335,300

Changes in intangible assets in 2019

in EUR	Intangible assets	Ongoing investments	Total
Cost			
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	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

Property, plant and equipment

Note 2

Balance and changes in property, plant and equipment in 2020

in EUR	Land	Construction facilities		Easements	Equipment	Ongoing investments	Advances given	Total property, plant and equipment
		Construction facilities	Right-of-use assets					
Cost								
Balance as at 1 Jan 2020	7,710,567	741,738,966	426,600	2,140,490	193,518,944	8,490,371	59,904	954,085,841
Acquisitions, of which:	0	0	0	0	0	32,326,766	0	32,326,766
- Acquisitions (new purchases)	0	0	0	0	0	30,417,625	0	30,417,625
- Acquisitions (free acquisition)	0	0	0	0	0	1,909,140	0	1,909,140
Activations	14,349	24,241,698	0	224,820	10,580,334	-35,061,201	0	0
- Activation (new purchases)	14,349	22,332,558		224,820	10,580,334	-33,152,060	0	0
– Activation (free acquisition)	0	1,909,140	0	0	0	-1,909,140	0	0
Disposals	2,397	12,194,164	0	0	4,163,411	0	0	16,359,972
Transfers	0	0	0	0	0	0	0	0
Balance as at 31 Dec 2020	7,722,519	753,786,500	426,600	2,365,310	199,935,867	5,755,935	59,904	970,052,635
Write-offs								
Balance as at 1 Jan 2020	0	500,453,461	28,559	92,395	111,352,251	0	0	611,926,665
Disposals	0	10,932,341	0	0	3,323,984	0	0	14,256,325
Depreciation	0	12,195,864	28,559	21,405	7,459,642	0	0	19,705,470
Transfers	0	0	0	0	0	0	0	0
Balance as at 31 Dec 2020	0	501,716,983	57,118	113,800	115,487,909	0	0	617,375,810
Carrying amount								
Balance as at 1 Jan 2020	7,710,567	241,285,505	398,041	2,048,095	82,166,694	8,490,371	59,904	342,159,177
Balance as at 31 Dec 2020	7,722,519	252,069,517	369,482	2,251,510	84,447,958	5,755,935	59,904	352,676,825

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								
Balance as at 31 Dec 2018	7,789,939	728,863,587	0	2,134,865	180,789,829	10,471,605	59,904	930,109,729
Adjustments due to changes in SAS 1	0	0	426,600	0	0	0	0	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:	0	0	0	0	0	30,044,210	0	30,044,210
- Acquisitions (new purchases)	0	0	0	0	0	28,619,713	0	28,619,713
- Acquisitions (free acquisition)	00	0	0	0	0	1,424,497	0	1,424,497
Activations	4,592	17,227,991	0	5,624	14,787,237	–32,025,444	0	0
- Activation (new purchases)	4,592	15,808,884	0	5,624	14,781,847	–30,600,947	0	0
– Activation (free acquisition)	0	1,419,107	0	0	5,390	–1,424,497	0	0
Decreases	83,964	4,352,612		0	2,058,121	0	0	6,494,698
Transfers	0	0	0	0	0	0	0	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	0	71,045	106,252,405	0	0	598,907,497
Disposals	0	4,177,660	0	0	1,817,008	0	0	5,994,668
Depreciation	0	12,047,072	28,559	21,350	6,916,854	0	0	19,013,835
Transfers	0	0		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

Major purchases of items of property, plant and equipment in 2020 refer mainly to:

Major purchases of items of property, plant and equipment

	2020	2019
LV lines	10,588,675	8,664,374
Metering equipment and instruments	3,676,494	3,774,451
LV lines	2,868,683	2,439,480
Overhead MV lines	3,695,349	2,997,150
HV transmission line – new	70,554	249,198
Underground MV lines	3,365,242	3,284,504

The decrease in property, plant and equipment refers to construction facilities at cost value of EUR 12,194,164 and to equipment at cost of EUR 4,163,411, 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 5,755,936.

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 withthe 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 2020, amounted to EUR 28,559. The interest charges arising from the right to use the assets amounted to EUR 4,910.

In 2020, the Company disclosed costs of EUR 179,856 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 2021. The cash flow from rents in 2020 amounted to EUR 257,690.

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 2020 amounts to EUR 27,353,439.

The carrying amount of the leased electricity infrastructure as at 31 December 2020 amounts to EUR 320,024,826.

Balance and changes in electricity infrastructure in 2020

in EUR	Land	Construction facilities	Easements	Equipment	Total property, plant and equipment
Cost					
Balance as at 1 Jan 2020	4,982,528	713,622,851	2,140,490	167,118,551	887,864,420
Increases, of which:	14,349	23,319,423	224,820	8,500,668	32,059,260
- Activations	14,349	23,319,423	224,820	8,500,668	32,059,260
Disposals	2,397	11,538,915	0	3,658,937	15,200,249
Transfers	0	0	0	0	0
Balance as at 31 Dec 2020	4,994,480	725,403,359	2,365,310	171,960,282	904,723,431
	0	0	0	171,960,283	0
Write-offs					
Balance as at 1 Jan 2020	0	486,216,344	92,395	94,267,952	580,576,691
Decreases	0	10,447,671	0	2,830,150	13,277,821
Depreciation	0	11,640,055	21,405	5,738,276	17,399,736
Balance as at 31 Dec 2020	0	487,408,728	113,800	97,176,078	584,698,606
Carrying amount					
Balance as at 1 Jan 2020	4,982,528	227,406,507	2,048,095	72,850,599	307,287,730
Balance as at 31 Dec 2020	4,994,480	237,994,631	2,251,510	74,784,204	320,024,825

Investment property

Note 3

The Company's Management Board actively monitors the events in the market and estimates that, in 2020, there was no objective evidence on factors pointing to the need for impairment of investment property.

Balance and changes in investment property in 2020

in EUR	2020
Cost	
Balance as at 1 Jan 2020	1,447,266
Increases	7,929
Decreases	31,401
Balance as at 31 Dec 2020	1,423,794
Write-offs	
Balance as at 1 Jan 2020	812,079
Disposals	17,269
Depreciation	23,891
Balance as at 31 Dec 2020	818,701
Carrying amount	
Balance as at 1 Jan 2020	635,187
Balance as at 31 Dec 2020	605,093

Balance and changes in investment property in 2019

in EUR	2019
Cost	
Balance as at 1 Jan 2019	1,438,079
Increases	9,187
Balance as at 31 Dec 2019	1,447,266
Write-offs	
Balance as at 1 Jan 2019	788,070
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.

Investment property in 2020

in EUR	Value	Revenue	Costs
Holiday facilities	558,881	87,529	128,239
Apartments	46,212	12,966	4,183
Total	**605,093**	**100,495**	**132,422**

Long-term financial investments

Note 4

The Company did not impair any investments in associated companies in 2020.

Long-term financial investments

in EUR	Balance 31 Dec 2020	Balance 31 Dec 2019
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	207,045
Total	**17,596,970**	**17,596,970**

Changes in long-term financial investments in 2020

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 2020	16,983,478	349,854	56,594	207,044	17,596,970
Increases	0	0	0	0	0
Decreases	0	0	0	0	0
Balance as at 31 Dec 2020	**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 2020, 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 2020, 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.

Deferred tax assets as at 31 December 2020 stood at EUR 1,195,807.

Changes in deferred tax assets

in EUR	Balance 31 Dec 2019	Decreases	Increases	Balance 31 Dec 2020
Deferred tax assets				
- arising from value adjustments of receivables	*328,158*	*22,039*	*0*	*306,119*
- arising from provisions for jubilee benefits and termination benefits upon retirement	*299,433*	*0*	*250,838*	*550,271*
- arising from long-term accrued costs and deferred revenue	*359,060*	*19,642*	*0*	*339,417*
Total	**986,650**	**41,681**	**250,838**	**1,195,807**

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.

Inventories

in EUR	31 Dec 2020	31 Dec 2019
Raw materials and material	2,248,680	2,604,132
Fuel and lubricants	10,504	11,980
Office supplies	7,880	12,432
Small tools and packaging inventories	71,985	122,005
Total	**2,339,050**	**2,750,549**

As at 31 December 2020, the Company discloses inventories of EUR 92,970, where there were no changes in the period from 1 January 2020 to 31 December 2020, however, they are identified as operating reserve inventories.

Value of inventories

in EUR	31 Dec 2020	31 Dec 2019
Gross value of inventories	2,339,050	2,750,549
Value adjustments	0	0
Net value of inventories	**2,339,050**	**2,750,549**

In annual inventory of stock, the Company established a deficit of EUR 161 and a surplus of EUR 997. In 2020, there were EUR 52,511 in inventory write-offs 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

Current operating receivables

in EUR	31 Dec 2020	31 Dec 2019
Current operating receivables due from Group companies, of which:	28,010	119,765
- receivables due from Energija plus d.o.o.	25,911	117,686
- receivables due from OVEN Elektro Maribor d.o.o.	2,100	2,080
Current operating trade receivables for network use	2,957,907	3,050,993
Current operating trade receivables for services	5,802,001	8,068,090
Current operating receivables for interest	2,254	2,294
Other current receivables	824,980	1,120,620
Total	**9,615,152**	**12,361,762**

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 2020, 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.

Value of receivables

in EUR	31 Dec 2020	31 Dec 2019
Gross receivables	11,259,837	14,203,765
Value adjustment	1,644,685	1,842,003
Net receivables	**9,615,152**	**12,361,762**

Changes in value adjustments of receivables

in EUR	Balance 31 Dec 2019	Decreases	Increases	Balance 31 Dec 2020
Value adjustments of current operating receivables:				
- decrease in value adjustments due to payments	0	138,191	0	0
- decrease in value adjustments due to write-offs	0	141,021	0	0
Total	**1,842,003**	**279,211**	**81,894**	**1,644,685**

Trade receivables for network use amount to EUR 2,957,907 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 2020, the disclosed balance of current receivables due from SODO d.o.o. amounts to EUR 4,756,421 for lease and services.

At the end of the financial year 2020, the Company had no receivables due from the Management Board and Members of the Supervisory Board.

Breakdown of current operating receivables by maturity

in EUR	31 Dec 2020	Structure in %	31 Dec 2019	Structure in %
Receivables not yet due	9,269,018	96.40	11,769,305	95.21
Overdue up to 30 days	293,262	3.05	344,058	2.78
Overdue from 31 to 60 days	45,616	0.47	40,787	0.33
Overdue from 61 to 90 days	2,166	0.02	23,480	0.19
Overdue more than 90 days	5,090	0.05	184,132	1.49
Total	**9,615,152**	**100.00**	**12,361,762**	**100.00**

Cash and cash equivalents

Note 9

Cash and cash equivalents

in EUR	31 Dec 2020	31 Dec 2019
Cash at banks	283,129	597,830
Demand deposits	10,100,000	8,350,000
Total	**10,383,129**	**8,947,830**

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.

Short-term deferred costs and accrued revenue

in EUR	31 Dec 2020	31 Dec 2019
Short-term accrued income	219,739	453,525
Short-term deferred expenses	17,070	15,739
VAT in advance payments received	29,746	21,462
Total	**266,555**	**490,726**

Changes in short-term deferred costs and accrued revenue

in EUR	31 Dec 2019	Increase	Decrease	31 Dec 2020
Short-term accrued income	453,525	219,739	453,525	219,739
Short-term deferred expenses	15,739	166,893	165,563	17,070
VAT in advance payments received	21,462	17,326	9,043	29,746
Total	**490,726**	**403,959**	**628,130**	**266,555**

Equity

Note 11

The share capital of the Company amounts to EUR 203,932,512 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 2020, Elektro Maribor d.d. increased its share capital from other revenue reserves based on General Meeting resolution. The change was entered into the court register on 6 August 2020.

Equity

in EUR	31 Dec 2020	31 Dec 2019
Share capital	203,932,512	139,147,480
Capital reserves	75,384,315	75,384,315
Legal reserves	6,485,990	5,966,575
Other revenue reserves	6,578,599	64,785,032
Reserves arising from valuation at fair value	-879,226	-839,446
Net profit or loss carried forward	0	363,301
Net profit or loss for the financial year	3,290,287	4,505,045
Total	**294,792,477**	**289,312,301**

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 are formed from net profit for the current years between 2003 and 2020, and other revenue reserves are formed from net profit for 2020.

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.

Changes in reserves incurred at fair value

in EUR	Balance 31 Dec 2019	Formation	Use	Carry-over to profit or loss brought forward	Balance 31 Dec 2020
Reserves from valuation of long-term financial investments	160,474	0	0	0	160,474
Actuarial losses from termination benefits upon retirement	-999,920	-125,073	0	85,293	-1,039,700
Total	**-839,446**	**-125,073**	**0**	**85,293**	**-879,226**

In 2020, the Company disclosed net profit in the amount of EUR 10,473,594.10. 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 85,293 to cover the losses brought forward from the actuarial calculation, the amount of EUR 519,415 to create legal reserves, and the amount of EUR 6,578,599 to create other revenue reserves.

The distributable profit is disclosed in the amount of EUR 3,290,287 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 2021.

As at 31 December 2020, the carrying amount of one share amounted to EUR 8.840, whereas as at 31 December 2019, it stood at EUR 8.676.

In 2020, the earnings per share of Elektro Maribor d.d. amounted to EUR 0.31. The adjusted earnings per share equals the basic earnings per share.

Provisions and long-term accrued costs and deferred revenue

Note 12

Provisions

in EUR	Balance 31 Dec 2020	Balance 31 Dec 2019
Provisions for jubilee benefits	1,793,728	1,855,519
Provisions for termination benefits upon retirement	3,998,597	3,936,583
Provisions for guarantees issued	25,285	25,285
Provisions for long-term accrued expenses	476,079	355,276
Total	**6,293,688**	**6,172,662**

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.

The amount of provisions recognized from legal obligations amounts to EUR 476,079, 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.

Changes in provisions

in EUR	Balance 31 Dec 2019	Provision-ing	Use	Reversal	Balance 31 Dec 2020
Provisions for jubilee benefits	1,855,519	163,402	225,193	0	1,793,728
Provisions for termination benefits upon retirement	3,936,583	348,983	286,970	0	3,998,597
Provisions for guarantees issued	25,285	0	0	0	25,285
Provisions for long-term accrued expenses	355,276	120,803	0	0	476,079
Total	**6,172,662**	**633,188**	**512,162**	**0**	**6,293,688**

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.

Changes in long-term accrued costs and deferred revenue

in EUR	Balance 31 Dec 2019	Decreases	Increases	Balance 31 Dec 2020
Long-term deferred revenue from house connections acquired free of charge	18,217,235	804,147	1,883,008	19,296,096
Long-term deferred revenue from property, plant and equipment acquired free of charge	7,918,840	301,523	-12,267	7,605,050
Long-term deferred revenue from average connection costs	3,308,824	174,357	0	3,134,467
Long-term deferred revenue from co-financing	3,093,875	152,300	0	2,941,575
Long-term deferred revenue from assigned contributions for disabled persons	0	34,441	34,441	0
Long-term deferred revenue - EU projects	1,521,259	107,360	610,294	2,024,193
Total	**34,060,033**	**1,574,129**	**2,515,477**	**35,001,381**

Non-current liabilities

Note 13

Non-current financial liabilities refer entirely to long-term loans received from commercial banks. In 2020, the Company took out a long-term loan of EUR 11,000,000 for financing investments.

The maturity of loans received is between 8 and 11 years. The interest rate is between 1- and 6-month EURIBOR, in the range from 0.5% to 1% profit margin or a fixed interest rate in the range from 0.184% 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.

The Company's loans raised from banks in Slovenia are secured by bills of exchange.

The principal amounts of EUR 18,375,000 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.

Non-current financial liabilities to banks

in EUR	31 Dec 2020	31 Dec 2019
Non-current financial liabilities to banks	49,325,000	44,650,000
Current part of non-current financial liabilities to banks	-6,200,000	-6,325,000
Total	**43,125,000**	**38,325,000**

The Company's non-current financial liabilities from the rights to use assets amount to EUR 342,654.

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

At the end of the financial year 2020, 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 6,260,993 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 6,200,000 and other current liabilities in the amount of EUR 60,993.

Current operating liabilities amount to EUR 12,316,417 and disclose balances as shown in the table below. Among them, we mainly disclose accounts payable for fixed assets, liabilities to employees relating to wages for December 2020, and liabilities to SODO d.o.o.

Current operating liabilities

in EUR	31 Dec 2020	31 Dec 2019
Current operating liabilities to Group companies, of which:	64,124	67,807
– liabilities to Energija plus d.o.o.	64,124	67,807
Current operating liabilities to associated companies	438,870	418,014
Current operating accounts payable for fixed assets	3,300,641	3,717,566
Current operating accounts payable for working capital	2,123,617	2,147,585
Current operating liabilities to SODO d.o.o.	3,011,521	3,152,116
Current operating liabilities to employees	2,435,136	4,185,765
Current operating liabilities to government and other institutions	143,546	565,485
Current operating liabilities from advance payments	646,103	605,152
Other current operating liabilities	152,859	191,749
Total	**12,316,417**	**15,051,239**

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

As at 31 December 2020, the Company disclosed EUR 614,928 in terms of accounts payable, for which collateral instruments have been issued.

As at 31 December 2020, the Company disclosed a liability to the President of the Management Board for salary and reimbursement of material costs from December 2020 in the gross amount of EUR 8,810.

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.

Short-term accrued costs and deferred revenue

in EUR	31 Dec 2020	31 Dec 2019
Accrued costs for unused annual leave	805,857	775,538
Other accrued costs	135	21,005
Total	**805,992**	**796,543**

Changes in short-term accrued costs and deferred revenue

in EUR	Balance 31 Dec 2019	Formation	Use	Reversal	Balance 31 Dec 2020
Accrued costs for unused annual leave	775,538	805,857	739,780	35,758	805,857
Other accrued costs	21,005	169,311	190,180	0	135
Total	**796,543**	**975,168**	**929,961**	**35,758**	**805,992**

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

Note 16

Off-balance-sheet assets

in EUR	31 Dec 2020	31 Dec 2019
Instruments for securing payments - guarantees	197,015	508,354
Instruments for securing payments – bills of exchange	49,325,000	44,650,000
Receivables for bank guarantees received	3,276,380	3,365,994
Enforcement drafts received	410,557	410,557
Enforcement drafts issued	442,960	435,587
Contingent liabilities for payment of indemnities	224,912	196,080
Small tools in use	1,339,779	1,484,640
Average connection costs of SODO d. o .o., transfer of assets 1 Jul - 31 Dec 2009	3,120,385	3,278,341
Average connection costs of SODO d.o.o., transfer of fixed assets from 1 Jan 2010	911,495	947,966
Assets for holiday facilities – Eldom d.o.o.	184,870	184,870
Total	**59,433,351**	**55,462,390**

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 2020, 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 did not change the methods and accounting policies in 2020.

Revenue

in EUR	I–XII 2020	I–XII 2019
Operating revenue	83,535,628	83,201,815
Financial revenue	1,111,884	2,169,679
Other revenue	12,875	27,309
Total	**84,660,387**	**85,398,803**

Revenue generated from relationships with Group companies in 2020

in EUR	Energija plus d.o.o.	OVEN d.o.o.
Revenue from sales of services	41,586	6,688
Revenue from rents of business premises	83,923	8,004
Total	**125,509**	**14,692**

Revenue from sales of services to Energija plus d.o.o. mainly refer to the charged IT support services rendered.

Net sales revenue

Note 17

Net sales revenue

in EUR	I-XII 2020	I-XII 2019
Rents charged	27,799,890	29,664,000
– SODO d.o.o. – rent	27,353,439	29,212,008
– other	446,451	451,992
SODO d.o.o. services under the contract	26,046,446	26,061,207
Services charged	4,146,046	4,128,134
Sales of waste material	161,443	196,527
Total	**58,153,824**	**60,049,868**

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 year 2020.

Consideration of reconciliation bills of SODO d.o.o. in regulatory years

in EUR	Revenue achieved in 2020	Preliminary for 2020	Final for 2020	Total 2020
Rent	30,261,599	-2,908,160	0	27,353,439
Services	23,268,432	2,698,434	79,580	26,046,446
Total	**53,530,031**	**-209,726**	**79,580**	**53,399,885**

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).

Capitalized own products and services

in EUR	I-XII 2020	I-XII 2019
Capitalized products	21,036,167	18,908,514
Capitalized services	515,688	498,070
Total	**21,551,855**	**19,406,584**

Other operating revenue

Note 19

Other operating revenue

in EUR	I-XII 2020	I-XII 2019
Reversal of provisions	35,758	932,287
Reversal of long-term accrued costs and deferred revenue	1,466,769	1,849,677
Covid-19 state aid	913,526	0
Indemnities received from the insurance company	242,564	573,260
Profit from sales of fixed assets	176,407	215,036
Claims recovered from previous years	149,273	83,844
Other operating revenues	845,651	91,261
Total	**3,829,948**	**3,745,364**

Other revenue related to business effects (Covid-19 state aid)

in EUR	I-XII 2020
Revenue from exemption from employee contributions	503,478
Revenue from exemption from employer contributions	287,544
Revenue from compensation – sick pay up to 30 days	52,247
Revenue from crisis bonus - refunds	30,104
Revenue from compensation – force majeure – child care	22,635
Revenue from compensation - Covid-19 quarantine	14,751
Revenue from compensation – short-term sick leave and hospital stay with child	2,767
Total	**913,526**

In 2020, the Company started disclosing refunded labour costs in costs and other revenue in line with ZGD-1; however, due to irrelevance, it did not reclassify comparable data.

Costs by functional groups

Costs by functional groups

in EUR	I–XII 2020	I–XII 2019
Production costs of products sold	66,115,697	62,973,206
Selling costs	1,713,124	1,746,200
Costs of general activities	4,161,626	3,634,289
Total	**71,990,447**	**68,353,696**

Costs of goods, material and services

Note 20

Costs of material

in EUR	I–XII 2020	I–XII 2019
Costs of material, of which:	11,575,280	9,185,811
- material for investments	9,502,464	7,718,916
- material for eliminating damages	410,679	225,403
- material for services	1,476,185	1,189,728
- other costs of material	185,952	51,764
Costs of spare parts for fixed assets	976,347	1,035,595
Energy costs	812,158	913,909
Write-off of small tools and packaging	348,335	208,118
Costs of office supplies and specialised literature	241,883	203,010
Other costs of material	52,678	6,517
Total	**14,006,681**	**11,552,960**

In transactions with Group companies, the Company recorded the cost of purchasing electricity for own use in the amount of EUR 66,250 and the cost of purchasing gas in the amount of EUR 22,588. All costs were recorded in transactions with Energija plus d.o.o.

Costs of services

in EUR	I–XII 2020	I–XII 2019
Costs of services for further settlement of accounts	782,003	420,251
Costs of services related to maintenance	2,181,870	2,025,720
Costs of rents	179,856	225,365
Reimbursement of costs to employees	80,065	109,934
Costs of payment transactions, bank services and insurance premiums	1,181,017	1,158,333
Costs of intellectual and personal services	579,607	488,838
Costs of fairs, advertisements and representation	25,887	40,613
Costs of services of natural persons	206,276	213,138
Postal, telecommunication and internet services	249,608	230,485
IT services	1,141,569	1,259,016
Other costs of services	405,121	325,815
Total	**7,012,878**	**6,497,507**

Labour costs

Note 21

Labour costs include costs of salaries and other employees' receipts including employer's contributions, and accrued costs for unused annual leave.

Labour costs

in EUR	I–XII 2020	I–XII 2019
Costs of wages and salaries	20,042,349	20,730,116
Costs of supplementary pension insurance for employees	1,004,374	1,033,917
Costs of employer's contributions and other charges arising from salaries	3,299,284	3,400,668
Other labour costs	4,689,827	4,336,851
- Holiday pay	1,680,501	1,589,983
- Commuting to work	1,034,122	1,068,902
- Meal allowance	1,058,843	1,025,712
- Collective accident and health insurance	153,773	108,500
- Provisions for jubilee and termination benefits	342,238	457,312
- Crisis bonus	322,423	0
– Residual other labour costs	97,927	86,441
Total	**29,035,834**	**29,501,552**

In 2020, the Company started disclosing refunded labour costs in costs and other revenue in line with the ZGD-1; however, due to irrelevance, it did not reclassify comparable data.

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 2020, the Company discloses a liability to the President of the Management Board for the salary from December 2020 in the net amount of EUR 5,149.

Structure and amount of remuneration for the Management Board Members in 2020 in EUR

Name and surname	Function (President, Member)	Fixed receipts - gross (1)	Variable receipts - gross			Deferred receipts (3)	Severance pay (4)	Bonus (5)	Claw-back (6)	Total gross (1+2+3+4+5-6)
			Based on quantitative criteria	Based on qualitative criteria	Total (2)					
Boris Sovič	President	103,567	6,095		6,095	12,998		314		122,974

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

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

Gross in EUR	I-XII 2020
Cash receipts from salaries	762,525
Reimbursements of official business travel expenses	37
Reimbursements of other material costs	24,154
Voluntary supplementary pension insurance	29,530
Retirement bonus	29,112
Holiday pay	21,752
Jubilee benefits	5,275
Total	**872,386**

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 net amount of EUR 3,048.

The Company discloses a liability to the said group of persons for the payment of salary for December 2020.

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

In accordance with the resolution of the 23rd 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.

Amount of attendance fees and payments for function performance of the Supervisory Board

Gross in EUR	I–XII 2020	I–XII 2019
Regular and extraordinary meetings		
attendance fee for the Chairman of the SB	275	275
attendance fee for the Chairman of the SB (1 March–31 May 2020)	193	
attendance fee for members of the SB	275	275
attendance fee for members of the SB (1 March–31 May 2020)	193	
Correspondence meeting		
attendance fee for the Chairman of the SB	220	220
attendance fee for the Chairman of the SB (1 March–31 May 2020)	154	
attendance fee for members of the SB	220	220
attendance fee for members of the SB (1 March–31 May 2020)	154	
Payment for performing the function (month)		
attendance fee for the Chairman of the SB	1,625	1,625
attendance fee for the Chairman of the SB (1 March–31 May 2020)	1,138	
attendance fee for the Deputy Chairman of the SB	1,192	1,192
attendance fee for the Deputy Chairman of the SB (1 March–31 May 2020)	834	
attendance fee for members of the SB	1,083	1,083
attendance fee for members of the SB (1 March–31 May 2020)	758	

Structure and amount of remuneration for Supervisory Board Members in 2020 in EUR

Name and surname	Function (Chairman, Deputy Chairman, Member, External Committee Member)	Function performance base and extra pay – gross annual				SB and Committee attendance fees – gross annually (2)	Gross total (1+2)	Travel expense
		Base pay for function performance	Extra pay for function performance	Extra pay for special tasks	Total (1)			
Tomaž Orešič	Chairman	18,038			18,038	2,503	20,540	0
David Klarič	Deputy Chairman	13,228			13,228	3,528	16,756	1,026
Alojz Kovše	Member	12,025			12,025	2,612	14,637	110
Jože Golobič	Member	12,025			12,025	2,909	14,934	682
Dušan Kovačič	Member	12,025			12,025	2,503	14,528	0
Nenad Kajtezovič	Member	12,025			12,025	2,524	14,549	21

Remuneration from employment relationship of Supervisory Board members, who are employee representatives, amount to EUR 86,635.

The Audit Committee (AC) operates as a Supervisory Board's Committee.

Attendance fees and function performance payments for the SB's Audit Committee

Gross in EUR	I–XII 2020	I–XII 2019
Regular and extraordinary meetings		
attendance fee for the Chairman of the AC	220	220
attendance fee for the Chairman of the AC (1 March–31 May 2020)	154	
attendance fee for members of the AC	220	220
attendance fee for members of the AC (1 March–31 May 2020)	154	
Correspondence meeting		
attendance fee for the Chairman of the AC	176	176
attendance fee for the Chairman of the AC (1 March–31 May 2020)	123	
attendance fee for members of the AC	176	176
attendance fee for members of the AC (1 March–31 May 2020)	123	
Payment for performing the function (month)		
attendance fee for the Chairman of the AC	406	406
attendance fee for the Chairman of the AC (1 March–31 May 2020)	284	
attendance fee for members of the AC	271	271
attendance fee for members of the AC (1 March–31 May 2020)	190	

Calculated and paid funds to members of the Audit Committee for performing the function in 2020

Name and surname	Function (Chairman, Deputy Chairman, Member, External Committee Member)	Function performance base and extra pay – gross annual				SB and Committee attendance fees – gross annually (2)	Gross total (1+2)	Travel costs
		Base pay for function performance	Extra pay for function performance	Extra pay for special tasks	Total (1)			
Alojz Kovše	Chairman	4,509			4,509	2,075	6,585	73
David Klarič	Member	3,006			3,006	2,686	5,692	684
Ivana Kuhar	External member	3,006			3,006	2,063	5,069	61

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 nor to the members of Supervisory Board Committees.

Write-offs

Note 22

Amortisation/Depreciation

in EUR	I–XII 2020	I–XII 2019
Amortisation of intangible assets	1,580,556	1,185,820
Amortisation of intangible assets – easements	21,405	21,350
Depreciation of property, plant and equipment, of which:	19,684,065	18,986,248
– construction part	12,224,423	12,075,632
– equipment	7,459,642	6,916,854
Depreciation of investment property	23,891	24,009
Total	**21,309,916**	**20,223,665**

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.

Revaluation operating expenses

in EUR	I–XII 2020	I–XII 2019
Revaluation operating expenses for property, plant and equipment, and intangible fixed assets	299,326	500,030
Revaluation operating expenses from receivables, of which:	81,895	242,660
– from network use	72,566	106,133
– from services rendered	9,329	135,879
– from interest	0	648
Other revaluation operating expenses	25,744	120
Total	**406,965**	**742,810**

Other operating expenses

Note 23

Other operating expenses

in EUR	I–XII 2020	I–XII 2019
Provisions for legal proceedings	120,803	68,754
Fee for the use of construction land	328,996	318,692
Other duties and expenditures	175,339	190,566
Total	**625,137**	**578,012**

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

Financial revenue from interests

Note 24

Based on shareholder's resolution the Company received distribution of profits from Group companies Energija plus d.o.o. in the amount of EUR 671,925, OVEN Elektro Maribor d.o.o. in the amount of EUR 356,053 and Informatika d.d. in the amount of EUR 6,457 in 2020.

Financial revenue from operating receivables

Note 25

Financial revenue from operating receivables

in EUR	I–XII 2020	I–XII 2019
Interest revenue from network use	10,896	12,647
Interest revenue from lawsuits won	3,266	4,076
Credit notes received	63,283	0
Total	**77,445**	**16,723**

Financial expenses from financial liabilities

Note 26

Financial expenses from financial liabilities

in EUR	I–XII 2020	I–XII 2019
Financial expenses from bank loans received	364,891	384,853
Financial expenses from other financial liabilities	6,230	5,850
Total	**371,121**	**390,703**

Financial expenses from operating liabilities

Note 27

Financial expenses from operating liabilities

in EUR	I–XII 2020	I–XII 2019
Financial expenses from accounts and notes payable	32,501	3,694
Financial expenses from other operating liabilities	45,074	78,739
Total	**77,575**	**82,434**

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 12,875 indicates, in particular, amounts of contractual penalties charged and amounts of refunded costs of reminders.

Other expenses

Note 29

Other expenses

in EUR	I–XII 2020	I–XII 2019
Penalties and fines	3,030	1,000
Indemnities arising from annuity	13,563	14,310
Deductibles and other expenses	21,673	21,166
Donations	58,384	47,919
Other expenses	6,638	17,570
Total	**103,287**	**101,966**

Net profit or loss for the period

Note 30

Profit or loss before tax

in EUR	I–XII 2020	I–XII 2019
Operating result	11,138,216	14,105,310
Financial result	663,187	1,696,542
Result from other revenues and expenses	-90,412	-74,657
Profit or loss before tax	**11,710,991**	**15,727,194**

Income tax

Based on the tax return for the financial year 2020, the Company accounted for the liability for corporate income tax in the amount of EUR 1,347,783.

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 2020, all receipts of the Company amounted to EUR 126,751,598, and expenses to EUR 125,316,299. The cash result is positive in the amount of EUR 1,435,299. The closing balance of cash on Company's accounts as at 31 December 2020 amounted to EUR 10,383,129.

Cash receipts from operating activities

Note 31

Cash receipts from operating activities

in EUR	I–XII 2020	I–XII 2019
Cash receipts from renting and services under the SODO contract	70,700,270	72,359,104
Cash receipts from network charges and contributions charged	28,500,352	32,751,718
Cash receipts from customers of other services	5,610,837	5,273,237
Residual cash receipts from operating activities	4,525,646	3,283,615
Other cash receipts from operating activities	3,073,826	2,987,735
Interest receipts from operating activities	14,857	18,462
Total	**112,425,789**	**116,673,871**

Expenditures from operating activities

Note 32

Expenditures from operating activities

in EUR	I–XII 2020	I–XII 2019
Expenditures for purchases of material and services	-61,609,384	-61,894,048
Expenditures on salaries and employee shares in profit	-30,558,827	-30,574,197
Expenditures for duties of all types	-7,010,167	-7,540,291
Other expenditures from operating activities	-1,750,160	-1,892,984
Total	**-100,928,537**	**-101,901,520**

The positive cash flow from operating activities amounted to EUR 11,497,252.

Cash receipts from investing activities

Note 33

Cash receipts from investing activities are disclosed in the amount of EUR 3,325,809 and relate mainly to receipts from the sale of property, plant and equipment.

Expenditures from investing activities

Note 34

Expenditures from investing activities are disclosed in the amount of EUR 12,792,381 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 eleven years with the European Investment Bank to finance the renovation and construction of new electricity facilities and devices and to implement state-of-the-art metering devices and integrate components for electricity distribution network automation.

Expenditures from financing activities

Note 36

Expenditures from financing activities are disclosed in the amount of EUR 11,595,380 and relate to expenditures for repayment of financial liabilities in the amount of EUR 6,325,000, expenditures for dividend payments in the amount of EUR 4,868,346, and expenditures for interest paid in the amount of EUR 402,034.

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 the first paragraph of Article 230 of the ZGD-1.

Determination and proposal for the use of distributable profit

in EUR	2020	2019
a) Net profit or loss for the financial year	**10,473,594.10**	**14,274,681.21**
b) Net loss carried forward	**-85,293.21**	**-55,331.98**
c) Net profit carried forward	**0.00**	**363,300.93**
d) Increase of revenue reserves by resolution of the management and supervisory bodies	**519,415.04**	**710,967.46**
Legal reserves	519,415.04	710,967.46
e) Increase of revenue reserves by resolution of the management and supervisory bodies	**6,578,599.30**	**9,003,336.45**
Other revenue reserves	6,578,599.30	9,003,336.45
DISTRIBUTABLE PROFIT (a + b + c – d – e)	**3,290,286.55**	**4,868,346.25**

The General Meeting of Elektro Maribor d.d. at its session held on 30 June 2020 decided on allocation of distributable profit for the financial year 2019. The General Meeting adopted a decision that shareholders are to be given EUR 0.145998 gross per share for the dividends, which in total amounts to EUR 4,868,346.25.

The Management Board and the Supervisory Board suggested to the shareholder's General Meeting that the distributable profit for financial year 2020, amounting to EUR 3,290,286.55, be allocated for payment of dividends.

6.5 Reporting in accordance with the EZ-1

6.5.1 Segment reporting

Statement of financial position by segments

in EUR	As at 31 Dec 2020		
	Distribution	Services	Total Elektro Maribor d.d.
A. Non-current assets	**364,230,080**	**12,245,399**	**376,475,479**
I. Intangible assets and long-term prepayments and accrued income	4,329,363	5,937	**4,335,300**
II. Property, plant & equipment	346,961,482	5,715,343	**352,676,825**
III. Investment property	0	605,093	**605,093**
IV. Long-term financial investments	12,018,731	5,578,240	**17,596,970**
V. Non-current operating receivables	41,295	24,188	**65,483**
VI. Deferred tax assets	879,209	316,598	**1,195,807**
B. Current assets	**19,572,804**	**2,764,527**	**22,337,331**
II. Inventories	1,077,045	1,262,005	**2,339,050**
IV. Current operating receivables	8,818,285	796,867	**9,615,152**
V. Cash and cash equivalents	9,677,475	705,655	**10,383,129**
C. Short-term deferred costs and accrued revenues	**222,450**	**44,105**	**266,555**
A S S E T S (A + B + C)	**384,025,334**	**15,054,031**	**399,079,365**
A. Equity	**284,986,913**	**9,805,563**	**294,792,477**
I. Called-up capital	197,639,305	6,293,207	**203,932,512**
II. Capital reserves	73,058,011	2,326,304	**75,384,315**
III. Revenue reserves	11,610,419	1,454,170	**13,064,589**
V. Reserves arising from valuation at fair value	-202,624	-676,602	**-879,226**
VI. Net profit or loss carried forward	0	0	**0**
VII. Net profit or loss for the financial year	2,881,803	408,483	**3,290,287**
B. Provisions and long-term accrued costs and deferred revenue	**39,250,023**	**2,045,047**	**41,295,069**
C. Non-current liabilities	**43,448,319**	**160,097**	**43,608,417**
I. Non-current financial liabilities	43,394,671	72,983	**43,467,654**
II. Non-current operating liabilities	25,237	16,755	**41,992**
III. Deferred tax liabilities	28,412	70,360	**98,771**
Č. Current liabilities	**15,796,929**	**2,780,481**	**18,577,410**
II. Current financial liabilities	6,258,783	2,210	**6,260,993**
III. Current operating liabilities	9,538,146	2,778,271	**12,316,417**
D. Short-term accrued costs and deferred revenues	**543,149**	**262,843**	**805,992**
LIABILITIES (A + B + C + Č + D)	**384,025,334**	**15,054,031**	**399,079,365**

As at 31 Dec 2019		
Distribution	Services	**Total Elektro Maribor d.d.**
354,587,851	**11,619,706**	**366,207,556**
4,766,509	3,524	**4,770,032**
336,456,452	5,702,725	**342,159,177**
0	635,187	**635,187**
12,553,790	5,043,180	**17,596,970**
39,230	20,310	**59,540**
771,870	214,781	**986,650**
21,082,398	**2,977,743**	**24,060,141**
1,189,254	1,561,294	**2,750,549**
11,183,640	1,178,122	**12,361,762**
8,709,504	238,327	**8,947,830**
461,548	**29,178**	**490,726**
376,131,797	**14,626,626**	**390,758,423**
280,961,842	**8,350,460**	**289,312,301**
137,189,548	1,957,932	**139,147,480**
74,323,589	1,060,726	**75,384,315**
64,965,032	5,786,575	**70,751,607**
-169,687	-669,760	**-839,446**
359,668	3,633	**363,301**
4,293,691	211,354	**4,505,045**
38,230,793	**2,001,902**	**40,232,696**
38,881,628	**98,029**	**38,979,657**
38,613,011	81,098	**38,694,109**
268,617	16,931	**285,548**
0	0	**0**
17,519,389	**3,917,836**	**21,437,226**
6,383,547	2,439	**6,385,987**
11,135,842	3,915,397	**15,051,239**
538,145	**258,398**	**796,543**
376,131,797	**14,626,626**	**390,758,423**

Income statement

in EUR	I–XII 2020		
	Distribution	Services	**Total Elektro Maribor d.d.**
Net sales revenue	53,866,980	4,286,845	**58,153,824**
Capitalized own products and services	0	21,551,855	**21,551,855**
Other operating revenues (with revaluated operating revenues)	3,193,866	636,082	**3,829,948**
Costs of goods, material and services	7,657,954	13,361,605	**21,019,559**
Labour costs	18,062,873	10,972,961	**29,035,834**
Write-offs	21,128,464	588,418	**21,716,881**
Other operating expenses	283,165	341,972	**625,137**
Financial revenue from interests	804,790	229,645	**1,034,435**
Financial revenue from loans granted	4	1	**5**
Financial revenue from operating receivables	77,056	388	**77,445**
Financial expenses from financial liabilities	370,299	822	**371,121**
Financial expenses from operating liabilities	63,691	13,885	**77,575**
Other revenue	10,133	2,742	**12,875**
Other expenses	75,584	27,703	**103,287**
Income tax	1,198,229	149,553	**1,347,783**
Deferred taxes	25,394	84,991	**110,385**
NET PROFIT OR LOSS FOR THE PERIOD	**9,137,965**	**1,335,630**	**10,473,594**

I–XII 2019		
Distribution	Services	**Total Elektro Maribor d.d.**
55,834,542	4,215,327	**60,049,868**
0	19,406,584	**19,406,584**
3,546,966	198,397	**3,745,364**
6,933,878	11,116,590	**18,050,467**
18,184,678	11,316,874	**29,501,552**
20,110,715	855,760	**20,966,475**
391,925	186,087	**578,012**
1,696,496	456,418	**2,152,913**
34	9	**43**
16,723	0	**16,723**
390,024	679	**390,703**
54,707	27,727	**82,434**
22,771	4,538	**27,309**
75,893	26,073	**101,966**
1,657,334	-6,635	**1,650,698**
263,712	-65,527	**198,185**
13,582,090	**692,591**	**14,274,681**

Statement of cash flows

in EUR	I–XII 2020 Distribution	Services	Total Elektro Maribor d.d.
A. Cash flows from operating activities			
a) Cash receipts from operating activities	***106,331,815***	***27,130,141***	***133,461,956***
Cash receipts from the sale of products and services	103,963,669	26,409,603	***130,373,273***
Other cash receipts from operating activities	2,368,145	720,538	***3,088,683***
b) Expenditures from operating activities	***-75,431,017***	***-25,497,520***	***-100,928,537***
Expenditures for purchases of material and services	-48,880,231	-12,729,152	***-61,609,384***
Expenditures for salaries and employee shares in profit	-18,567,647	-11,991,180	***-30,558,827***
Expenditures for duties of all types	-6,759,286	-250,881	***-7,010,167***
Other expenditures from operating activities	-1,223,853	-526,306	***-1,750,160***
c) Positive cash flow from operating activities (a + b)	***30,900,798***	***1,632,621***	***32,533,419***
B. Cash flows from investing activities			
a) Cash receipts from investing activities	***2,909,349***	***416,460***	***3,325,809***
Cash receipts from interest received and shares in profit of others related to investing activities	706,522	327,917	**1,034,439**
Cash receipts from the disposal of property, plant and equipment	2,202,828	88,542	**2,291,370**
b) Expenditures from investing activities	***-32,461,003***	***-1,367,545***	***-33,828,548***
Expenditures for acquisition of intangible assets	-1,690,582	0	**-1,690,582**
Expenditures for acquisition of property, plant and equipment	-30,770,421	-1,367,545	**-32,137,966**
c) Negative cash flow from investing activities (a + b)	***-29,551,654***	***-951,086***	***-30,502,740***
C. Cash flows from financing activities			
a) Cash receipts from financing activities	***11,000,000***	***0***	***11,000,000***
Cash receipts from increasing financial liabilities	11,000,000	0	***11,000,000***
b) Expenditures from financing activities	***-11,381,173***	***-214,207***	***-11,595,380***
Expenditures for interest paid relating to financing	-402,034	0	***-402,034***
Expenditures for repayments of financial liabilities	-6,325,000	0	***-6,325,000***
Expenditures for dividend payments and other shares in profit	-4,654,139	-214,207	***-4,868,346***
c) Negative cash flow from financing activities (a + b)	***-381,173***	***-214,207***	***-595,380***
Č. Closing balance of cash and cash equivalents	**9,677,474**	**705,655**	**10,383,129**
x) Cash flow for the period (sum of cash flows Ac, Bc and Cc)	**967,971**	**467,328**	**1,435,299**
+			
y) Opening balance of cash and cash equivalents	**8,709,503**	**238,327**	**8,947,830**

I–XII 2019 Distribution	Services	**Total Elektro Maribor d.d.**
111,916,977	***23,665,407***	***135,582,384***
109,462,863	23,113,325	***132,576,187***
2,454,114	552,083	***3,006,197***
-78,507,767	***-23,393,753***	***-101,901,520***
-51,463,364	-10,430,684	***-61,894,048***
-18,383,230	-12,190,968	***-30,574,197***
-7,345,470	-194,821	***-7,540,291***
-1,315,703	-577,280	***-1,892,984***
33,409,210	***271,655***	***33,680,864***
1,864,404	***456,432***	***2,320,835***
1,696,530	456,432	**2,152,962**
167,873	0	**167,873**
-32,233,628	***-613,932***	***-32,847,561***
-3,418,851	0	**-3,418,851**
-28,814,778	-613,932	**-29,428,710**
-30,369,225	***-157,501***	***-30,526,725***
11,000,000	***0***	***11,000,000***
11,000,000	0	***11,000,000***
-13,014,671	***-177,362***	***-13,192,033***
-364,166	0	***-364,166***
-8,159,524	0	***-8,159,524***
-4,490,980	-177,362	***-4,668,342***
-2,014,671	***-177,362***	***-2,192,033***
8,709,503	**238,327**	**8,947,830**
1,025,314	**-63,208**	**962,106**
7,684,189	**301,535**	**7,985,724**

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 joint expert services 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-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 number 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 voluntary supplementary pension insurance, 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, 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-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 entities

In 2020, 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.

Transactions with related entities in 2020

in EUR	Eldom d.o.o.	Energija plus d.o.o.	Informatika d.d.	Moja energija d.o.o.	OVEN Elektro Maribor d.o.o.	Total related companies
REVENUE	**1,752**	**797,434**	**11,850**	**0**	**370,745**	**1,181,781**
Net sales revenue	1,752	125,509	5,394	0	14,692	147,346
Financial revenue from interests	0	671,925	6,457	0	356,054	1,034,435
COSTS AND EXPENSES	**351,934**	**111,130**	**1,142,549**	**0**	**0**	**1,605,613**
Costs of material	66,082	88,838	0	0	0	154,920
Costs of services	285,159	912	1,142,549	0	0	1,428,620
Right of use assets	0	11,313	0	0	0	0
Other operating expenses	693	10,067	0	0	0	10,759
ASSETS	**2,238**	**273,206**	**6,580**	**713**	**18,762**	**301,498**
Current operating receivables	2,238	**273,206**	6,580	713	18,762	301,498
LIABILITIES	**699,837**	**244,241**	**2,339,508**	**0**	**0**	**3,283,585**
Current operating liabilities	699,837	244,241	2,339,508	0	0	3,283,585

6.5.3 Reporting in accordance with the provisions of Article 69 of the ZGD-1

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.

Liabilities in the amount of EUR 18,375,000 fall due for payment in the period exceeding 5 years and liabilities in the amount of EUR 30,950,000 in the period up to five years,.

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 2020 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 liabilities and changes therein 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 chapter Segment reporting.

An audit contract in the amount of EUR 12,434, excluding VAT was concluded for auditing the Annual Report for the financial year 2020. This amount also includes the cost of auditing the consolidated Annual Report in the amount of EUR 1,280. In 2020, the selected auditor also prepared a report on the agreed procedures in accordance with the provisions of the Energy Act (EZ-1), the costs of which amounted to EUR 915. There were no other transactions with the selected auditor in 2020.

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 and risk management and control procedures are explained in the business part of the report in chapter Risk management.

7.1 Credit risk

In 2020, we actively monitored the balance of trade receivables and carried out relevant recovery processes accordingly.

We actively manage our 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.

At the reporting date, current operating receivables were the ones most exposed to credit risk, which decreased by EUR 2,746,610 or 22% compared to the previous year, the reason being primarily the lower return on the leased electricity infrastructure and as a result lower receivables due from SODO d.o.o.

Credit risk is estimated to have a moderate 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. Exposure to interest risk represents only a potentially negative trend in the EURIBOR reference interest rate. Changes in interest rate are not specifically hedged with financial instruments. Exposure to interest rate risk is namely assessed as low, since only 12.4% 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 2020 and assuming that all other variables remain unchanged, a change in the interest rate by 0.1 percentage point would mean that expenses would increase by EUR 1,722, a 0.2 percentage point change in the interest rate would mean EUR 3,445 higher expenses, and a 0.3 percentage point change in the interest rate would mean EUR 5,167 higher expenses.

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 Company 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 Company in due time approaches to obtain the opinions and the necessary consents for borrowing from line ministries and SODO d.o.o.

Maturity of liabilities as at 31 December 2020

in EUR	Carrying amount as at 31 Dec 2020	Maturity		
		Up to 1 year	from 1 to 5 years	over 5 years
Loans for financing investments	49,325,000	6,200,000	24,750,000	18,375,000
Non-current operating liabilities	41,992	20,996	20,996	0
Non-current lease liabilities	270,266	49,680	198,720	21,866
Current operating liabilities	12,252,293	12,252,293	0	0

Liquidity risk is managed by monitoring the core indicators of the horizontal financial structure.

Core indicators of liquidity risk

	31 Dec 2020	31 Dec 2019
CORE RATIOS OF HORIZONTAL FINANCIAL STRUCTURE		
Cash ratio (ratio of direct coverage of current liabilities) = liquid assets / current liabilities	0.56	0.42
Quick ratio (ratio of quick coverage of current liabilities) = liquid assets + current receivables / current liabilities	1.08	0.99
Current ratio (ratio of current coverage of current liabilities) = current assets / current liabilities	1.20	1.12

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

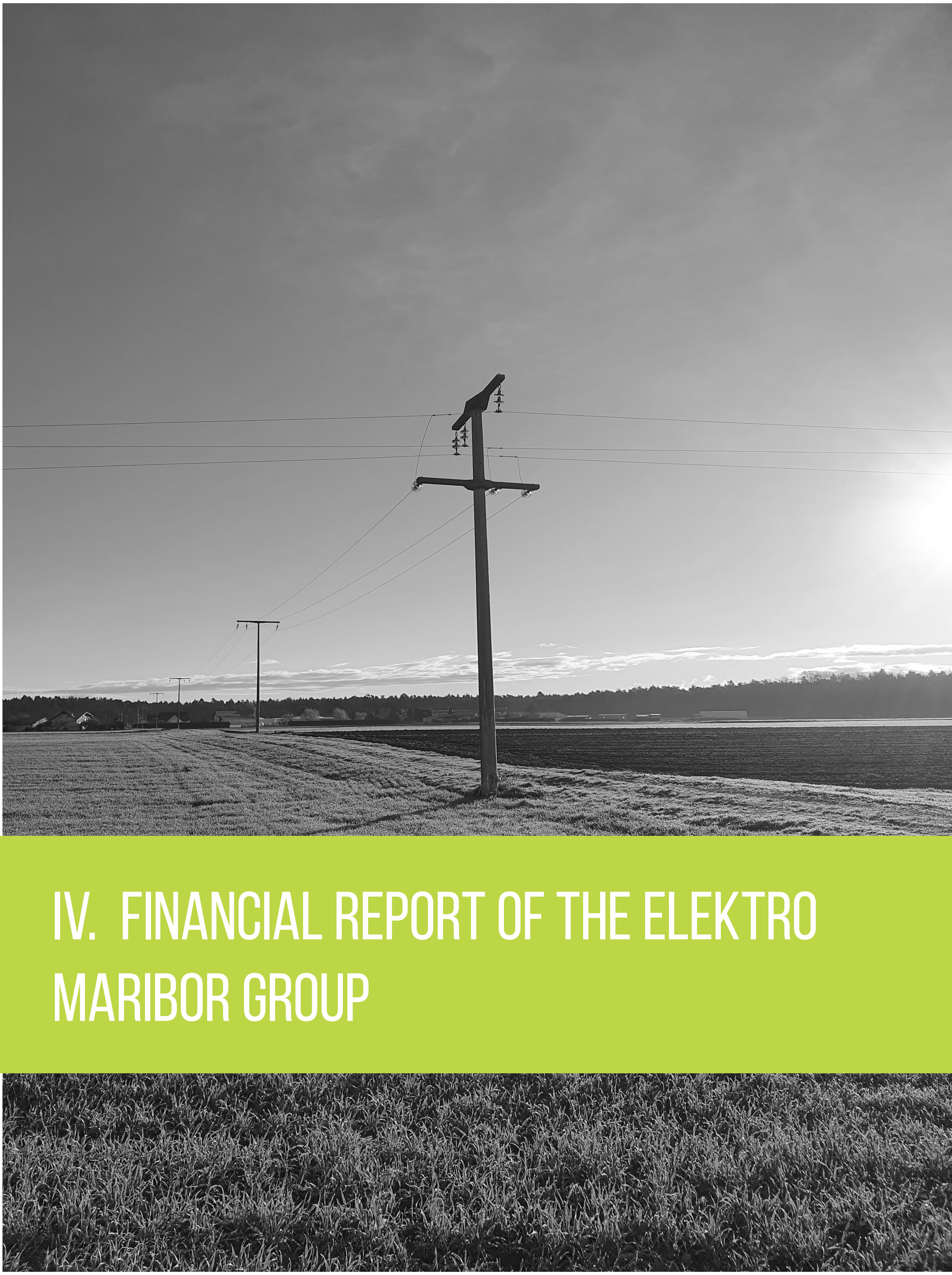
The main purpose of capital management is to ensure capital adequacy, financial stability, long-term solvency and the highest possible value for shareholders.

Core indicators of capital risk

	31 Dec 2020	31 Dec 2019
CORE FINANCING RATIOS		
Equity financing ratio in % = equity / liabilities	73.87%	74..04%
Long-term financing ratio in % = equity + long-term debt + provisions + long-term accruals and deferred income / liabilities	95.14%	94.31%
CORE RATIOS OF HORIZONTAL FINANCIAL STRUCTURE		
Equity to fixed assets ratio = equity / fixed assets	0.83	0.83
CORE PROFITABILITY RATIOS		
Net return on equity in % = net profit or loss / average equity (excluding net profit or loss for the accounting period)	3.63%	5.10%

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 2020, the Group complied with all contractual provisions with respect to creditors.

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 amountsto EUR 10,000.



IV. FINANCIAL REPORT OF THE ELEKTRO MARIBOR GROUP

1 Independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the group Elektro Maribor d.d. (hereinafter "Company") comprising the balance sheet as at 31 December 2020, income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of relevant accounting policies.

In our opinion, the enclosed consolidated financial statements are in every significant aspect a fair presentation of the financial situation of the group Elektro Maribor d.d. as at 31 December 2020 and its operating result and cash flows for the then finished year pursuant to the International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union.

Basis for the opinion

The audit was performed in accordance with the International Standards on Auditing (ISA). Our responsibilities based on the standards are described in detail in the paragraph *Auditor's responsibility for the audit of financial statements* of this report. In line with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements referring to the auditing of financial statements in Slovenia, we confirm our independence from the Company and the fulfilment of all other ethical obligations pursuant to these requirements and the IESBA Code. We believe that the audit evidence obtained represents a sufficient and appropriate basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. The matter was taken into account in the audit of consolidated financial statements as a whole and in the formation of our opinion on these financial statements, and no separate opinion is provided on such matter.

We have fulfilled all obligations described in paragraph *Auditor's responsibility for the audit of consolidated financial statements*, including those relating to the matter. Hence, the audit included the execution of procedures laid down on the basis of our risk assessment for a material misstatement in consolidated financial statements. The results of our audit procedures, including procedures conducted in relation to the matter described below, serve as the basis for our audit opinion on the attached consolidated financial statements.

Capitalised own products and services

Description of the key audit matter

Capitalised own products and service in the financial year ended on 31 December 2020 amounted to €21,551,855.

The Group pursues the activity of own construction of facilities and installations. Investments in fixed assets built by the Company itself are valued on the basis of estimated values of hourly rates, which in addition to labour costs also include other indirect costs and direct costs of material. The setting of hourly rates for the price of works and assessing which indirect costs to include in the value of fixed assets is related to estimates. The estimate of the amount and structure of costs for the construction of fixed assets is important for the audit, as it relates to important judgements of the management, which is why the matter was defined as the key audit matter. When making therewith related decisions, the Group applies significant assumptions and judgements relating to the fulfilment of conditions for the recognition of property, plant and equipment as laid down by the International Financial Reporting Standards adopted in the European Union.

Reference is hereby made to the note in point 4 *Accounting policies – Property, plant and equipment*, note 2 *Property, plant and equipment* in point 6.1 *Notes to the consolidated statement of financial position*, and to note 25 *Capitalised own products and services* in point 6.2 *Notes to the consolidated income statement*.

Our audit approach

Our audit procedures, inter alia, included:

- Assessing internal acts and rules defining investments in property, plant and equipment and construction costs to make sure that they comply with the policies laid down by the accounting standards.
- Testing the design and implementation of internal controls in the process of recognising labour costs, the costs of material and services, and fixed assets.
- Learning about the method of managing investments executed by the Group on its own.
- Examining the methodology and assumptions applied by the Company in the calculation of the price for the works and checking for the completeness and accuracy of the data used.
- Recalculating the calculated price for the selected type of works and comparing it with post-calculation for the current year and market data.
- Testing by way of a sample of selected items of capitalised own products and services, whereby we:
    - assessed whether a proper price for the works was taken into account with respect to the type of works;
    - obtained bases for the cost of material and car drives;
    - conducted interviews with the persons responsible for investments;
    - checked the supporting financial documents and book entries in the financial statements.

    The sample included randomly selected items as items that were specified as per our risk-based approach due to the size, complexity, content or duration of construction or maintenance works.

Recognition of revenues from the sale of electricity

Description of the key audit matter

Net sales revenues in the financial year ended on 31 December 2020 amounted to €173,464,076, whereby net sales revenues from electricity and energy products amounted to €115,047,256 (following the exclusion of transactions within the Group).

An important activity of the Group is the sale of energy products (electricity, natural gas). Recording revenues based on actually sold volumes calls for the harmonisation of volumes sold with those purchased on energy product markets. Furthermore, the subsidiary dealing with the sale of energy products established a customer loyalty programme in 2020. In light of the above, the revenues were identified as a key audit matter.

Revenues from the sale of energy products are recognised in the financial statements instantaneously, except where entailing the fulfilment of obligations deriving from the customer loyalty programme. The Group makes a large volume of individual, predominantly low-value transactions, which is why it is imperative that their completeness in the accounting period be provided.

Disclosures relating to the recognition of revenue are provided in the note under point 4 *Accounting policies – Revenues* and in note 24 *Net sales revenues* under point 6.2 *Notes to the consolidated income statement*.

Our audit approach

Our audit approaches, inter alia, included:

- Testing the design, implementation and effectiveness of internal controls in the revenue recognition process.
- Assessing Group policies relating to the recognition of revenues, including whether the policy complies with the relevant financial reporting standards.
- Testing the accuracy of the prices and volumes charged by way of samples of issued invoices and independent confirmations.
- Independently confirming the volumes sold in a year.
- Examining manual book entries in log books with stress placed on unusual single entries in revenue accounts and entries made after the balance sheet date.

Other information

Other information is the responsibility of the management. Other information includes the information in the annual report of the group Elektro Maribor d.d. other than the consolidated financial statements and the auditor's opinion thereon. Other information was obtained prior to the date of the auditor's report, except for the Report by the Supervisory Board, which will be available later.

Our opinion of the consolidated financial statements does not refer to other information and no assurance is made thereon.

Our responsibility in relation to the audit of consolidated financial statements is to read other information and assess whether it is materially incompliant with the consolidated financial statements, legal requirements or our knowledge obtained during the audit or whether it seems materially incorrect in any other way. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Based on the procedures carried out and in the scope possible for an assessment, we report of the following:

- Other information describing the facts also presented in the financial statements are in every significant aspect in line with the audited financial statements.
- Other information has been prepared in line with the applicable law or regulations.
- Based on the knowledge and understanding of the Company and its environment obtained during the audit, we detected no material misstatement of facts in relation to other information.

The responsibility of the management, Supervisory Board and Audit Committee for the consolidated financial statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the International Financial Reporting Standards adopted in the European Union and for such internal control as deemed appropriate by the management for the preparation of financial statements that are free from material misstatements due to fraud or error.

During the preparation of consolidated financial statements of companies within the Group, the management is responsible for an assessment of the ability to continue as a going concern, the disclosure of matters related with the going concern and the use of the assumption of a going concern as the basis for accounting, unless the management intends to liquidate or terminate operations or has no other realistic chance for either.

The Supervisory Board and Audit Committee are responsible for supervising the consolidated financial reporting process at the Company.

Auditor's responsibility for the audit of consolidated financial statements

Our goal is to obtain acceptable assurance confirming that the consolidated financial statements as a whole contain no material misstatement due to fraud or error and to issue the auditor's report including our opinion. Acceptable assurance is a high level of assurance which, however, is no guarantee that the audit conducted pursuant to the International Standards on Auditing (ISA) will always identify material misstatements, if any. False statements may derive from fraud or error and are considered material if it can be reasonably expected that they, individually or in combination, affect the economic decisions of users adopted on the basis of these financial statements.

During auditing pursuant to ISA, we apply professional judgement and maintain professional scepticism. Furthermore:

- We identify and assess the risk of material misstatement in the financial statements either due to error or fraud, develop and carry out auditing procedures as a reaction to the risk assessed, and obtain sufficient and adequate audit evidence providing the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We carry our procedures to review and understand internal controls that are relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal controls.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and associated disclosures made by the management.
- Based on the obtained audit evidence on the existence of significant uncertainty in respect of events or circumstances raising doubt as to the organisation's ability to continue as a going concern, we adopt a decision of the appropriateness of the assumption of going concern used by the management as the accounting basis. If a decision on the existence of significant uncertainty is adopted, we are required to warn in the auditor's report of the relevant disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. The auditor's conclusions are based on the audit evidence obtained until the date of issue of the auditor's report; however, subsequent events or circumstances may cause the termination of the organisation as a going concern.
- We evaluate the general presentation, structure and content of the financial statements, including disclosures, and assess whether the financial statements give a true presentation of the relevant transactions and events.

The Supervisory Board and Audit Committee are also informed of the planned scope and time frame of the audit and relevant audit findings, including deficiencies in internal controls as identified during our audit.

We submitted to the Supervisory Board and Audit Committee our statement declaring that all ethical requirements in relation to independence were met, and informing them of all relationships and other matters that may reasonably be believed to affect our independence and of all therewith related supervisory measures.

Other requirements relating to the auditor's report pursuant to Regulation (EU) No 537/2014 of the European Parliament and of the Council

Pursuant to Article 10(2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, our independent auditor's report hereby provides the following information required in addition to that required by the International Standards on Auditing:

Appointment of the auditor, period of engagement and responsible certified auditor

On 28 June 2019, the General Meeting of Shareholders appointed us as the statutory auditor for the 2019–2021 financial years. The auditing contract was concluded for the period of three years on 6 September 2019. The statutory audit of consolidated financial statements has been conducted for the fourth year. The certified auditor responsible for the audit performed is Maruša Hauptman.

Compliance with the additional report to the Audit Committee

Our opinion on consolidated financial statements in this report complies with the additional report to the Company's Audit Committee as issued on 15 April 2021.

Prohibited services

We hereby declare that we performed no prohibited services as referred to in Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council and that we ensured our independence from the audited company when conducting the audit.

Other services rendered by the audit firm

In addition to the services of statutory audit and those disclosed in the annual report, we performed no other services for the company and its subsidiaries.

Ljubljana, 15 April 2021

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 2020.

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 andfinancial standing;
- that the financial statements do not include any material or immaterial errors made in order to achieve the chosen presentation of the Group's business operations.

Maribor, 14 April 2021

President of the 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 IFRSs 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.

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.

The consolidated financial statements for the year ended 31 December 2020 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 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 and liabilities 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

Extended Covid-19 epidemic

The epidemic did not settle down at the end of 2020 and has continued into 2021. Coping with it has remained a priority at the state and corporate levels as well as a new reality before life can return back to normal as result of adequate vaccination coverage.

On 17 January 2021, the Government of the Republic of Slovenia extended the declared epidemic for another 60 days with the Decree declaring a state of epidemic of the infectious disease Covid-19. The situation, however, has not improved and we are facing the third wave of the epidemic. To this end, the Government of the Republic of Slovenia has once again extended the declared epidemic on 18 March 2021 with the Decree, this time for 30 days.

In light of the current situation, additional measures to contain the Covid-19 epidemic were adopted at the state level, the majority of which will apply from 1 April until 11 April 2021.

In the current situation, the operation of the critical infrastructure, which includes electricity distribution, is crucial. The Company has several measures in place to ensure the health of employees. In cooperation with the competent health institutions, we provided our employees with the possibility to get vaccinated in March 2021 (staff on-call and on duty, support processes). By the end of March 2021, more than 200 of our employees were vaccinated.

In 2020, Elektro Maribor d.d. generated a EUR 2.8 million lower net profit, especially because of the changed Network Charge Act (decreased recognised return on assets in 2020), which will affect the operations in 2021, particularly in terms of sources of financing for investments and payment of dividend, which is already included in the Annual Business Plan 2021.

Own funds to finance investments in 2021 will decrease by approximately EUR 2 million because of the lower net profit in 2020. In 2021, we will not decrease the amounts of investments, which is why we increased foreign sources of financing for investments in the Annual Business Plan 2021 and as result also the Company's debt.

In light of the lower net profit in 2020, we will earmark EUR 1.6 million less for dividend payout in accordance with the provisions of the Articles of Association of Elektro Maribor d.d., that is, by EUR 0.0473 lower gross dividend per share.

3.3 Application of new amendments of the standards effective in the current financial year

The following new standards and amendments to the existing standards and new explanatory notes issued by the International Accounting Standards Board (IASB) and adopted by the EU apply in the current reporting period:

- Amendments to IAS 1 – Presentation of financial statements and IAS 8 – Accounting policies, changes in accounting estimates and errors – The definition of the term "material", effective for annual periods beginning on or after 1 January 2020. The amendment of the standard explains the term "material" and how it should be applied. The amendment improves the explanation of this term and ensures consistency between individual standards.
- Amendments to IFRS 9 – Financial instruments, IAS 39 – Financial instruments: Recognition and measurement, and IFRS 7 – Financial instruments: Disclosures and interest rate benchmark reform, which are effective for annual periods beginning on or after 1 January 2020. The amendments represent a temporary, yet mandatory exemption of specific hedge accounting requirements to address the potential effects of uncertainty in light of the IBOR reform.

- Amendments to references to the conceptual framework for IFRS effective for annual periods beginning on or after 1 January 2020.
- Amendments to IFRS 3 – Business combinations, effective for annual periods beginning on or after 1 January 2020. The amended standard provides a detailed definition of business and introduces a new framework to determine whether a transaction should be considered as acquisition (or disposal) of an asset or business.
- Amendments to IFRS 16 – Leases, effective for annual periods beginning on or after 1 June 2020 with early application permitted. The amendment provides lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification; lessees may account for any such modification as if it is not a change of lease as stipulated under IFRS 16, if the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

  Lessees may decide to choose this practical expedient and apply it consistently for all lease contracts with similar characteristics and in similar circumstances. This practical expedient does not apply to lessors.

The adoption of these new standards, amendments to the existing standards and explanatory notes did not deliver any material amendments to the Group's financial standards.

3.4 Standards and amendments issued by the IASB and adopted by the EU, but not yet effective

On the date of the endorsement of these financial statements, the IASB issued the following amendments to the existing standard, adopted by the EU, but not yet effective:

- Amendments to IFRS 4 – Insurance contracts, effective in the EU for annual periods beginning on 1 January 2021,
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform – Phase 2, effective from 1 January 2021. The amendments address the issues arising from the enforcement of the IBOR reform and they include changing one benchmark with another. For the financial instruments measured at amortised cost, the amendments require an entity to apply IFRS 9:B5.4.5, such that the change in the basis for determining the contractual cash flows is applied prospectively by revising the effective interest rate. As result, there is no immediate profit or loss recognition. This practical expedient only applies when the change in the basis for determining the contractual cash flows is necessary as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. A lessee shall apply a similar practical expedient in IFRS 16 to account for all lease modifications modifying the basis to determine future rents as result of the interest rate benchmark reform (e.g. when rents are indexed at the interest rate benchmark reform rate).

The adoption of these new standards, amendments to the existing standards, and explanatory notes will not have a material impact on the Group's financial statements.

3.5 New standards and amendments adopted by the IASB, but not yet adopted by the EU

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:

- Amendments to IAS 1 – Presentation of financial statements: Classification of liabilities as current or non-current – Deferral of effective date. The amendment explains that classification of liabilities as current and non-current is based solely on the right of an entity to defer settlement of a liability on the reporting sate. Such right must be unconditional. The amendment also clarifies that the transfer of own equity instruments is considered the settlement of liabilities, unless it is a result of executing the swap option that corresponds to the definition of an equity instrument. According to the IASB, the amendments will enter into effect on 1 January 2023, but the EU has not yet adopted the amended standard.
- Amendments to IFRS 3 – Business combinations, relating to the updated referring to the conceptual framework in 2018 and introducing new exceptions regarding recognition and measurement under IFRS 3 to ensure that the new method of referencing does not change the provisions about which assets and liabilities qualify as business combinations. According to the IASB, the amendments will enter into effect on 1 January 2022, but the EU has not yet

adopted the amended standard.

- Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use. The amendments introduce new instructions. The proceeds from sale (e.g. samples) before a fixed asset is available for intended use can no longer be deducted from the cost of such fixed asset, but it is recognised in the profit or loss together with the cost of producing. An entity will need to differ between the cost of producing and selling before a fixed asset is made available for intended use and the cost related to making the fixed asset available for use. According to the IASB, the amendments will enter into effect on 1 January 2022 and the EU has not yet adopted the amended standard.
- Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets. The amendments apply to the note that where onerous contracts are estimated, the cost of fulfilling an onerous contract includes the total costs relating directly to the contract. According to the IASB, the amendments will become effective on 1 January 2022, but they have not been adopted by the EU yet.
- Annual improvements to IFRSs 2018–2020, effective from 1 January 2022, but not yet adopted by the EU. The annual improvements include amendments to IFRS 1 – First-time adoption of International Financial Reporting Standards, which simplify the implementation of IFRSs in a subsidiary which adopts IFRSs for the first time; amendments to IFRS 9 – Financial instruments, which clarified which fees an entity should include when it applies the '10 per cent' test in assessing whether to derecognise a financial liability; amendments to illustrative example to IFRS 16 – Leases and IAS 41 – Agriculture, which removes the requirement for entities to exclude taxation cash flows when measuring fair value, whereby fair value is equalled with the definition in IFRS 13. The EU has not yet adopted the annual improvements 2018–2020.
- IFRS 17 – Insurance contracts, effective from 1 January 2023, but not yet adopted by the EU.
- Amendments to IAS 1 – Presentation of financial statements and IFRS Practice statement 2: Disclosure of accounting policies, effective from 1 January 2023, but not yet adopted by the EU. The revised standard requires disclosure of material accounting policies and not only significant policies.
- Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors: Definition of accounting estimate, effective from 1 January 2023, but not yet adopted by the EU. The amendment introduces a definition of accounting estimate and other explanatory notes to enable differentiation between an accounting policy and an accounting estimate.

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.

4 Accounting policies

In 2020, the Group companies 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 duefor 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.

  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.

Estimated useful lives

	2020	2019
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.

  Estimated useful lives

	2020	2019
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 IAS 19, and it is made 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 2.5%;
  - in the Company 1.0%;
  - in the electricity sector 1.0%;
- 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 2020, 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 and liabilities 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 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 objective evidence existed 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 Maribord.o.o.

Associated companies

The Group's share in the profits of associated companies in 2020 amounted to EUR 73,375.

Review of assets, liabilities, revenues and expenses of associated companies for the period I–XII 2020

in EUR

Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Profit or loss
Moja energija d.o.o.	3,215,299	2,808,071	1,286,424	1,004,993	4,585,517	4,518,915	61,734
Eldom d.o.o.	134,427	352,998	11,333	166,245	620,120	606,157	13,194
Informatika d.d.	2,063,096	2,966,903	396,654	1,982,917	9,773,973	9,516,546	225,416

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

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

Consolidated statement of financial position

in EUR	Notes	31 Dec 2020	31 Dec 2019
Non-current assets		**369,469,566**	**357,897,866**
Intangible assets	1	6,062,422	6,578,013
Property, plant & equipment	2	358,832,766	347,017,766
Investment property	3	605,093	635,187
Financial investments	4	263,639	263,639
Investments in associated companies	5	1,428,707	1,361,788
Operating receivables	6	65,483	59,540
Deferred tax assets	7	2,211,456	1,981,933
Current assets		**59,570,588**	**61,520,145**
Inventories	8	2,357,157	2,784,124
Trade receivables	9	40,148,556	43,969,326
Income tax receivables	10	271,613	583,967
Other assets	11	2,646,326	2,204,907
Assets under contracts with customers	12	219,739	453,525
Cash and cash equivalents	13	13,927,196	11,524,296
TOTAL ASSETS		**429,040,154**	**419,418,011**
Equity	**14**	**301,873,974**	**296,215,772**
Called-up capital		203,932,511	139,147,479
Capital reserves		75,384,316	75,384,316
Revenue reserves		17,840,209	75,527,228
Reserves arising from valuation at fair value		-1,067,467	-985,441
Profit or loss from previous years		2,273,845	2,890,290
Profit or loss for the financial year		3,510,560	4,251,900
Non-current liabilities		**86,014,728**	**80,279,540**
Provisions	15	6,946,062	6,769,505
Deferred revenue	16	35,001,381	34,060,033
Financial liabilities	17	43,894,141	39,107,130
Operating liabilities	18	74,373	342,872
Deferred tax liabilities		98,771	0
Current liabilities		**41,151,452**	**42,922,699**
Financial liabilities	19	6,341,397	6,454,398
Operating liabilities	20	33,727,493	35,418,790
Income tax liabilities	21	143,262	45,298
Other liabilities	22	939,300	1,004,213
TOTAL EQUITY AND LIABILITIES		**429,040,154**	**419,418,011**

Consolidated income statement

in EUR	Note	I–XII 2020	I–XII 2019
Net sales revenue	23	173,464,076	173,307,896
Capitalized own products and services	24	21,551,855	19,406,584
Other operating revenues	25	4,387,700	4,174,034
Gross return on sales		**199,403,631**	**196,888,514**
Costs of goods, material and services	26	130,366,098	124,563,650
Cost of goods sold and costs of material		119,586,754	114,311,318
Costs of services		10,779,344	10,252,332
Labour costs	27	32,492,039	32,640,688
Depreciation	28	22,300,199	21,321,300
Write-offs and other operating expenses	29	920,640	1,175,951
Other operating expenses	30	914,111	1,207,537
Operating profit or loss		**12,410,544**	**15,979,388**
Financial revenue	31	267,781	208,243
Financial expenses	32	471,869	492,385
Share in profits (losses) of associated companies	33	73,376	228,564
Other revenue	34	20,717	30,909
Other expenses	34	150,632	128,824
Profit or loss before taxes		**12,149,917**	**15,825,896**
Income tax		1,586,803	1,979,857
Deferred taxes	35	-130,752	-175,500
Tax	35	1,456,051	1,804,357
Net profit or loss	**36**	**10,693,866**	**14,021,539**
Net profit or loss attributable to owners of the parent company		10,693,866	14,021,539
Basic and diluted earnings per share (EUR/share)		0.32	0.42

Consolidated statement of other comprehensive income

in EUR	I–XII 2020	I–XII 2019
Net profit or loss for the period	10,693,866	14,021,539
Items of other comprehensive income that will be re-classified to the income statement in the future	-167,319	55,290
Items of other comprehensive income that will not be reclassified to the income statement in the future	0	-363,260
Actuarial losses/gains	0	-363,260
Total comprehensive income for the period	**10,526,547**	**13,713,569**

Consolidated statement of cash flows

in EUR	Note	I–XII 2020	I–XII 2019
Cash flows from operating activities			
Cash receipts from operating activities	**37**	**330,399,343**	**338,540,037**
Cash receipts from the sale of products and services		326,782,218	335,068,500
Other cash receipts from operating activities		3,617,125	3,471,537
Expenditures from operating activities	**38**	**-314,725,668**	**-321,586,474**
Expenditures for purchases of material and services		-263,616,652	-269,852,810
Expenditures on salaries and employee shares in profit		-34,005,019	-33,729,166
Expenditures for duties of all types		-15,004,760	-15,697,707
Other expenditures from operating activities		-2,099,237	-2,306,791
Positive cash flow from operating activities		**15,673,675**	**16,953,563**
Cash flows from investing activities			
Cash receipts from investing activities	**39**	**2,298,067**	**168,569**
Cash receipts from interest received and shares in the profit of others		236	696
Cash receipts from shares received in the profit of others		6,461	0
Cash receipts from the disposal of property, plant and equipment		2,291,370	167,873
Expenditures from investing activities	**40**	**-14,819,852**	**-14,393,138**
Expenditures for acquisition of intangible assets		-2,051,116	-3,633,839
Expenditures for acquisition of property, plant and equipment		-12,768,736	-10,759,299
Negative cash flow from investing activities		**-12,521,785**	**-14,224,569**
Cash flows from financing activities			
Cash receipts from financing activities	**41**	**11,300,000**	**11,000,000**
Cash receipts from increasing non-current financial liabilities		11,000,000	11,000,000
Cash receipts from increasing current financial liabilities		300,000	0
Expenditures from financing activities	**42**	**-12,048,990**	**-13,333,763**
Expenditures for interest paid related to financing		-402,900	-364,166
Expenditures for repayments of non-current financial liabilities		-6,477,744	-8,159,524
Expenditures for dividend payments and other shares in profit		-4,868,346	-4,668,342
Negative cash flow from financing activities		**-748,990**	**-2,333,763**
Closing balance of cash and cash equivalents		**13,927,196**	**11,524,296**
Cash flow for the period	43	2,402,900	395,231
Opening balance of cash and cash equivalents		**11,524,296**	**11,129,065**

Consolidated statement of changes in equity 2020

	In EUR	Called-up capital Share capital	Capital reserves	Revenue re... Legal reserves
		I/1	II	III/1
A.1.	**Balance at the end of the previous reporting period**	**139,147,479**	**75,384,316**	**5,966,574**
A.2	**Opening balance of the reporting period**	**139,147,479**	**75,384,316**	**5,966,574**
B.1	**Changes in equity capital - transactions with owners**	**0**	**0**	**0**
g.	Dividend payments			
B.2	**Total comprehensive income for the reporting period**	**0**	**0**	**0**
a.	Entry of net profit or loss for the financial year			
e.	Other components of comprehensive income			
B.3	**Changes in equity**	**64,785,032**	**0**	**519,415**
a.	Allocation of residual net profit for the comparative reporting period to other equity components			
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			519,415
e.	Other changes in equity	64,785,032		
C.	**Closing balance of the reporting period**	**203,932,511**	**75,384,316**	**6,485,989**

Consolidated statement of changes in equity 2019

In EUR	Called-up capital Share capital	Capital reserves	Revenue r... Legal reserves
	I/1	II	III/1
Balance at the end of the previous reporting period	**139,773,510**	**75,121,586**	**5,255,607**
Opening balance of the reporting period	**139,773,510**	**75,121,586**	**5,255,607**
Changes in equity capital - transactions with owners	**0**	**0**	**0**
Dividend payments			
Total comprehensive income for the reporting period	**0**	**0**	**0**
Entry of net profit or loss for the financial year			
Change in reserves arising from valuation of financial investments at fair value			
Change in revaluation surplus from financial investments			
Changes in equity	**–626,031**	**262,730**	**710,967**
Allocation of residual net profit for the comparative reporting period to other equity components			
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
Release of reserves for own shares, and allocation to other equity components			
Withdrawal of own shares	–626,031	262,730	
Carry-over of actuarial losses/gains to profit or loss brought forward			
Closing balance of the reporting period	**139,147,479**	**75,384,316**	**5,966,574**

eserves	Reserves arising from valuation at fair value	Net profit or loss carried forward	Net profit or loss for the financial year	Total
Other revenue reserves		Net profit carried forward	Net profit	
III/5	IV	V/1	VI/1	
69,560,653	**-985,441**	**2,890,290**	**4,251,901**	**296,215,772**
69,560,653	**-985,441**	**2,890,290**	**4,251,901**	**296,215,772**
0	**0**	**-4,868,346**	**0**	**-4,868,346**
		-4,868,346		**-4,868,346**
0	**-167,319**	**0**	**10,693,866**	**10,526,547**
		0	10,693,866	**10,693,866**
	-167,319			**-167,319**
-58,206,433	**85,293**	**4,251,901**	**-11,435,208**	**0**
		4,251,901	-4,251,901	**0**
6,578,599		85,293	-7,183,307	**0**
-64,785,032	85,293	-85,293		**0**
11,354,220	**-1,067,467**	**2,273,845**	**3,510,559**	**301,873,974**

eserves	Reserves arising from valuation at fair value	Net profit or loss carried-forward	Net profit or loss for the financial year	Total
Other revenue reserves		Net profit carried forward	Net profit	
III/5	IV	V/1	VI/1	
60,557,316	**–732,803**	**2,255,991**	4,939,340	**287,170,547**
60,557,316	**–732,803**	**2,255,991**	**4,939,340**	**287,170,547**
0	**0**	**–4,668,342**	**0**	**–4,668,342**
		–4,668,342		**–4,668,342**
0	**–307,970**	**0**	**14,021,539**	**13,713,569**
	0	0	14,021,539	**14,021,539**
	55,290			**55,290**
	–363,260			**–363,260**
9,003,336	**55,332**	**5,302,641**	**–14,708,975**	**0**
		4,939,340	–4,939,340	**0**
9,003,336		55,332	–9,769,635	**0**
–363,301		363,301		**0**
363,301				**0**
	55,332	–55,332		**0**
69,560,652	**–985,441**	**2,890,290**	**4,251,903**	**296,215,773**

6 Notes and disclosures of items of consolidated financial statements

6.1 Notes to the consolidated statement of financial position

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 2020 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.

Changes in intangible assets in 2020

in EUR	Intangible assets	Ongoing investments	Total
Cost			
Balance as at 1 Jan 2020	15,999,371	0	15,999,371
Increases	1,431,008	1,388,998	2,820,006
– New purchases	1,466,008	-1,388,998	77,011
Eliminations	16,769	0	16,769
Balance as at 31 Dec 2020	17,482,148	-1,388,998	16,093,151
Write-offs			
Balance as at 1 Jan 2020	9,421,358	0	9,421,358
Adjustments	1,731	0	1,731
Eliminations	16,769	0	16,769
Amortisation	1,983,331	0	1,983,331
Balance as at 31 Dec 2020	11,419,727	0	11,419,727
Carrying amount			
Balance as at 1 Jan 2020	6,578,013	0	6,578,013
Balance as at 31 Dec 2020	6,062,422	0	6,062,422

Changes in intangible assets in 2019

in EUR	Intangible assets	Ongoing investments	Total
Cost			
Balance as at 1 Jan 2019	11,904,802	0	11,904,802
Increases	4,098,158	3,776,071	7,874,230
– New purchases	4,098,158	3,776,071	7,874,230
Eliminations	-3,588	0	-3,588
Transfers	0	-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	0	7,781,502
Eliminations	-3,587	0	-3,587
Amortisation	1,643,444	0	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

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 2020, 65.3% of intangible assets were fully amortized (58.9% in 2019). 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 32,381 (EUR 591,915 in 2019).

Property, plant and equipment

Note 2

The Group uses the cost model to recognise property, plant and equipment.

In 2020, the depreciation of property, plant and equipment in the Group amounted to EUR 20,294,707 (in 2019: EUR 19,678,658).

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 2020, the Group disclosed liabilities in the amount of EUR 2,992,838 for the acquisition of property, plant and equipment (in 2019: EUR 3,908,463).

Property, plant and equipment

in EUR	31 Dec 2020	31 Dec 2019
Land and buildings	265,882,222	254,058,099
– land	10,175,761	9,960,394
– buildings	255,706,461	244,097,705
Production equipment and machinery	87,103,517	84,427,014
Property, plant and equipment under construction or in production	5,847,027	8,532,653
Total	**358,832,766**	**347,017,766**

Changes in property, plant and equipment in 2020

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 ofuse buildings	Equipment	Right of use equipment			
Cost								
Balance as at 1 Jan 2020	10,052,789	746,536,889	944,494	199,009,449	25,279	367,726	8,532,653	965,469,278
Increases, of which:	0		100,514	0	0	0	34,160,655	34,261,169
- Acquisitions	0		100,514				34,160,655	34,261,169
- Transfer	0	-969,773	0	0	0	0	0	0
Activations	239,169	25,166,698	0	11,397,913	0	0	-36,838,780	0
- Activations (new purchases)	239,169	25,166,698	0	11,397,913	0	0	-36,838,780	0
Disposals	2,397	12,194,164	0	4,181,824	0	0	-7,500	16,370,885
Transfers	0	0	0	0	0	0	0	0
Balance as at 31 Dec 2020	10,289,560	758,539,651	1,045,008	206,225,538	25,279	367,726	5,847,027	982,339,789
Write-offs								
Balance as at 1 Jan 2020	92,395	502,439,184	85,106	114,844,358	7,983	123,100	0	617,592,124
Disposals	0	10,932,341	0	3,337,083	0	0	0	14,269,424
Depreciation	21,405	12,301,168	95,466	7,847,394	7,983	21,291	0	20,294,707
Transfers	0	-110,385	0	0	0	0	0	-110,385
Balance as at 31 Dec 2020	113,800	503,697,626	180,572	119,354,670	15,966	144,391	0	623,507,023
Carrying amount								
Balance as at 1 Jan 2020	9,960,394	244,097,706	859,388	84,165,091	17,296	244,626	8,532,653	347,877,154
Balance as at 31 Dec 2020	10,175,760	254,842,025	864,436	86,870,868	9,313	223,335	5,847,027	358,832,766

Changes 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 investmens	Total property, plant and equipment
		Construction facilities	Right of use buildings	Equipment	Right of use equipment			
Cost								
Balance as at 1 Jan 2019	10,126,536	733,528,449	0	186,243,051	0	368,206	10,494,407	940,760,649
Transition to IFRS 16	0	0	944,494	0	25,279	0	0	969,773
Increases, of which:	0	0	0	0	0	0	0	0
– Acquisitions	0	0	0	0	0	0	30,339,486	30,339,486
Activations	0	0	0	0	0	0	0	0
– Activations (new purchases)	10,216	17,361,052	0	14,857,553	0	0	32,228,821	0
Disposals	83,964	4,352,612	0	2,091,155	0	480	0	6,528,211
Transfers	0	0	0	0	0	0	0	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	0	109,389,506	0	101,926	0	603,923,996
Disposals	0	4,177,660	0	1,850,042	0	124	0	6,027,825
Depreciation	21,350	12,255,324	85,107	7,287,597	7,983	21,297	0	19,678,658
Transfers	0	0	0	0	0	0	0	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	0	76,853,545	0	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

Major purchases relate primarily to the purchase of electricity facilities and equipment in the Elektro Maribor company.

In 2021, 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 2020 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.

Balance and changes in electricity infrastructure in 2020

in EUR	Land and rights	Construction facilities	Equipment	Total intangible and tangible fixed assets
Cost				
Balance as at 1 Jan 2020	7,123,018	713,622,851	167,118,551	887,864,420
Increases, of which:	239,169	23,319,423	8,500,668	32,059,260
- Activations	239,169	23,319,423	8,500,668	32,059,260
Disposals	2,397	11,538,915	3,658,937	15,200,249
Transfers	0	0	0	0
Balance as at 31 Dec 2020	7,359,790	725,403,359	171,960,282	904,723,431
Write-offs				
Balance as at 1 Jan 2020	92,395	486,216,344	94,267,952	580,576,691
Decreases	0	10,447,671	2,830,150	13,277,821
Depreciation	21,405	11,640,055	5,738,276	17,399,736
Transfers	0	0	0	0
Balance as at 31 Dec 2020	113,800	487,408,728	97,176,078	584,698,606
Carrying amount				
Balance as at 1 Jan 2020	7,030,624	227,406,507	72,850,599	307,287,730
Balance as at 31 Dec 2020	7,245,990	237,994,631	74,784,204	320,024,825

Balance and changes in electricity infrastructure in 2019

in EUR	Land and rights	Construction facilities	Equipment	Total intangible and tangible fixed assets
Cost				
Balance as at 1 Jan 2019	7,118,035	700,872,084	155,349,597	863,339,715
Increases, of which:	10,216	17,033,843	12,301,433	29,345,492
- 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	0	0	0
Balance as at 31 Dec 2019	7,123,018	713,622,851	167,118,551	887,864,420
Write-offs				
Balance as at 1 Jan 2019	71,045	478,852,905	89,327,826	568,251,776
Decreases	0	4,132,923	478,008	4,610,931
Depreciation	21,350	11,496,362	5,418,134	16,935,846
Transfers	0	0	0	0
Balance as at 31 Dec 2019	92,395	486,216,344	94,267,952	580,576,691
Carrying amount				
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 2020 amounts to EUR 320,024,826.

The Group discloses the right to use funds from long-term leases of office buildings and telecommunication routed at cost of EUR 969,773. As at 31 December 2020, leases in the amount of the current value of EUR 783,777 were eliminated within the Group (in 2019: EUR 884,777).

The depreciation cost for the assets so obtained in 2020, amounted to EUR 95,466 (in 2019: EUR 93,089). The interest charges arising from the right to use the assets amounted to EUR 12,843 for the construction part (in 2019: EUR 13,127).

In 2020, the Group disclosed costs of EUR 520,615 (in 2019: 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 2021. The cash flow from rents in 2020, amounted to EUR 736,573 (in 2019: EUR 739,799).

Right-of-use in 2020

in EUR	Right-of-use	Total
Cost		
Balance as at 1 Jan 2020	969,773	969,773
Increases	*100,514*	100,514
- New purchases	100,514	100,514
- Activation	0	0
Decreases	0	0
Balance as at 31 Dec 2020	1,070,287	1,070,287
Write-offs		
Balance as at 1 Jan 2020	93,089	93,089
Adjustments	0	0
Disposals	0	0
Depreciation	103,449	103,449
Balance as at 31 Dec 2020	196,538	196,538
Carrying amount		
Balance as at 1 Jan 2020	876,684	876,684
Balance as at 31 Dec 2020	873,749	873,749

Right-of-use in 2019

in EUR	Right-of-use	Total
Cost		
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 2020, there was no objective evidence on factors pointing to the need for impairment of investment property. As at 31 December 2020, the Group did not obtain an estimate of the fair value of investment property prepared by a certified real estate valuator.

Balance and changes in investment property in 2020

in EUR	31 Dec 2020
Cost	
Balance as at 1 Jan 2020	1,447,266
Increases	7,929
Disposals	31,401
Balance as at 31 Dec 2020	1,423,794
Write-offs	
Balance as at 1 Jan 2020	812,079
Eliminations	17,269
Depreciation	23,891
Balance as at 31 Dec 2020	818,701
Carrying amount	
Balance as at 1 Jan 2020	635,187
Balance as at 31 Dec 2020	605,093

Balance and changes in investment property in 2019

in EUR	31 Dec 2019
Cost	
Balance as at 1 Jan 2019	1,438,079
Increases	9,187
Balance as at 31 Dec 2019	1,447,266
Write-offs	
Balance as at 1 Jan 2019	788,070
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

Investment property in 2020

in EUR	Value	Revenue	Costs
Holiday facilities	558,881	87,529	128,239
Apartments	46,212	12,966	4,183
Total	**605,093**	**100,495**	**132,422**

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.

Long-term financial investments of the Group

in EUR	31 Dec 2020	31 Dec 2019
Long-term financial investments excluding loans	263,639	263,639
- other long-term financial investments in shares and stakes	56,594	56,594
- long-term financial investments in investment fund	207,045	207,045

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.

Balance and changes in investments in associated companies in 2020

in EUR	Balance 31 Dec 2019	Payment of participation in profit	Attribution of profits/losses	Balance 31 Dec 2020
Investment in Informatika d.d.	252,270	-6,457	49,501	295,315
Investment in Eldom d. o .o.	22,562		3,298	25,860
Investment in Moja energijo d.o.o.	1,086,956		20,576	1,107,532
Total	**1,361,787**	**-6,457**	**73,375**	**1,428,706**

Balance and changes in investments in associated companies in 2019

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 energijo 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 2020, the Group recognized an increase 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 2020, the Group increased its deferred tax assets by EUR 229,523 (in 2019: EUR 175,000). The balance of deferred tax assets, as at 31 December 2020, stood at EUR 2,211,456.

Changes in deferred tax assets in 2020

in EUR	Balance 31 Dec 2019	Decreases	Increases	Balance 31 Dec 2020
Deferred tax assets				
- arising from value adjustments of receivables	1,268,797	22,039	15,399	1,262,157
- arising from provisions for jubilee benefits and termination benefits upon retirement	354,076	0	255,806	609,882
- arising from long-term accrued costs and deferred revenue	359,060	19,642	0	339,417
Total	**1,981,933**	**41,681**	**271,205**	**2,211,456**

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	0	0	359,060	359,060
Total	**1,806,433**	**199,839**	**375,339**	**1,981,933**

Inventories

Note 8

Inventories

in EUR	31 Dec 2020	31 Dec 2019
Raw materials and material	2,248,680	2,604,132
Fuel and lubricants	10,504	11,980
Office supplies	7,880	12,432
Small tools and packaging inventories	71,985	122,005
Products and merchandise	18,107	33,575
Total	**2,357,157**	**2,784,124**

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 2020, the Group disclosed inventories in the amount of EUR 92,970, for which there were no changes in the period from 1 January 2019 to 31 December 2020; they are disclosed as operating reserve inventories. The inventories for which there were no changes in the period from 1 January 2019 to 31 December 2019 amounted to EUR 82,100.

Value of inventories

in EUR	31 Dec 2020	31 Dec 2019
Gross value of inventories of material andmerchandise	2,357,157	2,784,124
Net value of inventories of material and merchandise	2,357,157	2,784,124

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

Trade receivables

in EUR	31 Dec 2020	31 Dec 2019
Current operating trade receivables, of which:	**40,148,556**	**43,969,325**
- receivables for sold energy products	34,071,452	35,637,665
- receivables for lease and services under the SODO d. o.o. contract	4,756,421	7,059,914
- receivables for other charged services	1,273,928	1,230,337
– receivables for accrued interest	46,754	41,409

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.

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.

Value of trade receivables

in EUR	31 Dec 2020	31 Dec 2019
Gross receivables	48,331,137	51,751,072
Value adjustment	8,182,581	7,781,747
Net receivables	**40,148,556**	**43,969,325**

Income tax receivables

Note 10

Receivables for income tax of the Group amount to EUR 271,613 (in 2019: EUR 583,967) and disclose overpayments of income tax advance payments for 2020, particularly with the companies Energiji plus d.o.o. and Oven d.o.o.

Other assets

Note 11

Other assets

in EUR	31 Dec 2020	31 Dec 2019
Other operating receivables	2,397,238	2,099,906
Short-term deferred expenses	173,342	27,347
VAT in advance payments received	75,747	77,654
Total	**2,646,327**	**2,204,907**

Assets under contracts with customers

Note 12

Assets based on contracts with customers are disclosed in the amount of EUR 219,739 (in 2019: EUR 453,525) and represent mainly the amounts of uncharged rents for operating base stations of telecommunications equipment.

Cash and cash equivalents

Note 13

Cash equivalents

in EUR	31 Dec 2020	31 Dec 2019
Cash at banks	1,027,196	1,984,296
Demand deposits	12,900,000	9,540,000
Total	**13,927,196**	**11,524,296**

Equity

Note 14

The share capital of the Company amounts to EUR 203,932,511 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.

Capital reserves disclose a fully paid-in capital surplus.

Equity

in EUR	31.12.2020	31.12.2019
Share capital	203,932,511	139,147,479
Capital reserves	75,384,316	75,384,316
Legal reserves	6,485,990	5,966,575
Other revenue reserves	11,354,219	69,560,653
Fair value reserves	-1,067,467	-985,441
Net profit or loss carried forward	2,273,845	2,890,290
Net profit or loss for the financial year	3,510,560	4,251,900
Total	**301,873,974**	**296,215,772**

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 2020, the Group achieved a net profit of EUR 10,693,866 (in 2019: EUR 14,021,539). Earnings per share in the Group amount to EUR 0.32 (in 2019: EUR 0.42).

The carrying amount of a share in the Group amounts to EUR 9.05 (in 2019: EUR 8.883).

Provisions

Note 15

Provisions in 2020

in EUR	Balance 31 Dec 2019	Use	Increases	Release	Balance 31 Dec 2020
Provisions for jubilee benefits	2,043,386	241,291	178,786	0	1,980,881
Provisions for pensions	4,345,558	301,791	420,051	0	4,463,818
Provisions for guarantees issued	25,285	0	0	0	25,285
Provisions for long-term accrued expenses	355,276	0	120,803	0	476,079
Total	**6,769,504**	**543,082**	**719,640**	**0**	**6,946,062**

Provisions in 2019

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	0	0	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**	**568,608**	**1,016,632**	**880,974**	**6,769,506**

Sensitivity analysis 2020

	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	-263,833	285,844	291,435	-272,021	-528,375	609,173

Sensitivity analysis 2019

	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 476,079 (in 2019: 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.

Changes in long-term deferred revenue in 2020

in EUR	Balance 31 Dec 2019	Decreases	Increases	Balance 31 Dec 2020
Long-term deferred revenue from house connections acquired free of charge	18,217,235	804,147	1,883,008	19,296,096
Long-term deferred revenue from property, plant and equipment acquired free of charge	7,918,840	301,523	-12,267	7,605,050
Long-term deferred revenue from average connection costs	3,308,824	174,357	0	3,134,467
Long-term deferred revenue from co-financing	3,093,875	152,300	0	2,941,575
Long-term deferred revenue from assigned contributions for disabled persons	0	34,441	34,441	0
Long-term deferred revenue - EU projects	1,521,259	107,360	610,294	2,024,193
Total	**34,060,033**	**1,574,129**	**2,515,477**	**35,001,381**

Changes in long-term deferred revenue in 2019

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 2020, the Group took out a long-term loan of EUR 11,000,000 for financing investments.

The maturity of loans received is between 8 and 11 years. The interest rate is between 1- and 6-month EURIBOR, in the range from 0.5% to 1% profit margin or a fixed interest rate in the range from 0.184% 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 18,375,000 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.

Non-current financial liabilities

in EUR	31 Dec 2020	31 Dec 2019
Non-current financial liabilities	50,235,538	45,561,528
Current part of non-current financial liabilities	-6,341,397	-6,454,398
Total	**43,894,141**	**39,107,130**

Operating liabilities

Note 18

The Group's non-current operating liabilities mainly disclose the amounts of the long-term security as supplier's performance guarantee.

Deferred tax liabilities

Deferred tax liabilities in the amount of EUR 98,771 refer to temporary deductible differences for actuarial loss at Elektro Maribor d.d.

Financial liabilities

Note 19

Current financial liabilities amount to EUR 6,341,397 (EUR 6,454,398 in 2019) 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 6,200,000 (in 2019: EUR 6,325,000), and a short-term part of liabilities for the rights to use the assets in the amount of EUR 141,397 (in 2019: EUR 129,398).

Operating liabilities

Note 20

Current operating liabilities

in EUR	31 Dec 2020	31 Dec 2019
Current operating accounts payable for fixed assets	3,572,171	3,908,463
Current operating accounts payable for working capital	14,878,715	13,510,129
Current operating liabilities to SODO d.o.o.	10,069,688	10,517,512
Current operating liabilities to employees	2,892,006	4,608,067
Current operating liabilities to government and other institutions	1,146,683	1,628,510
Current operating liabilities from advance payments	1,006,369	1,043,954
Other current operating liabilities	161,862	202,155
Total	**33,727,493**	**35,418,790**

Income tax liabilities

Note 21

The Group's income tax liability discloses calculated liabilities based on the tax return for 2020, which have already been settled with paid advance payments. The Group also discloses EUR 143,262 (EUR 45,298 in 2019) of corporate income tax liabilities, which fall due in April 2021.

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.

Other liabilities

in EUR	31 Dec 2020	31 Dec 2019
Accrued costs for unused annual leave	902,327	839,689
Short-term accrued costs from legal cases	0	0
Short-term accrued costs of derogations	1,239	143,519
Other accrued costs	35,734	21,005
Total	**939,301**	**1,004,213**

Changes in other liabilities in 2020

in EUR	Balance 31 Dec 2019	Formation	Use	Reversal	Balance 31 Dec 2020
Accrued costs for unused annual leave	839,689	898,662	800,266	35,758	902,327
Short-term accrued costs from legal cases	0	0	0	0	0
Short-term accrued costs of derogations	143,519	1,239	143,519	0	1,239
Other accrued costs	21,005	219,951	205,222	0	35,734
Total	**1,004,213**	**1,119,852**	**1,149,007**	**35,758**	**939,300**

Changes in other liabilities in 2019

in EUR	Balance 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	0	969	0	0
Short-term accrued costs of derogations	323,189	143,519	323,189	0	143,519
Other accrued costs	102,302	25,805	107,102	0	21,005
Total	**1,292,286**	**1,009,013**	**431,259**	**865,827**	**1,004,214**

Contingent liabilities and other off-balance sheet records

Guarantees, bills of exchange, contingent liabilities and other off-balance sheet assets

in EUR	31 Dec 2020	31 Dec 2019
Guarantees, bills of exchange and contingent liabilities	**76,535,229**	**70,292,524**
Securities for securing payments - guarantees	21,760,297	20,122,963
Securities for securing payments – bills of exchange	49,325,000	44,650,000
Bank guarantees issued	3,436,480	3,365,994
Enforcement drafts issued	425,725	435,587
Contingent liabilities for payment of indemnities	224,912	196,080
Small tools in use	1,339,779	1,484,640
Contingent liabilities for lease-based payments	23,037	37,259
Other off-balance sheet record	**4,643,308**	**4,839,476**
Average connection costs of SODO d.o.o., transfer of assets 1 Jul - 31 Dec 2009	3,120,385	3,278,341
Average connection costs of SODO d.o.o., transfer of fixed assets from 1 Jan 2010	911,495	947,966
Assets for holiday facilities – Eldom d.o.o.	184,870	184,870
Other	16,002	17,742
Enforcement drafts received	410,557	410,557

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

Fair values and carrying amounts of assets and liabilities

in EUR	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value
Financial investments at fair value through other comprehensive income	207,044	207,044	207,044	207,044
Financial investments measured at cost	56,594	56,594	56,594	56,594
Long-term operating receivables	65,483	65,483	59,540	59,540
Loans received	49,325,000	49,325,000	44,650,000	44,650,000
Non-current operating liabilities	74,373	74,373	342,872	342,872
Total	**49,728,494**	**49,728,494**	**45,316,050**	**45,316,050**

The table 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.

Assets and liabilities in relation to their fair values

	31 Dec 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments available for sale	207,044			**207,044**	207,044			**207,044**
Financial investments measured at cost			56,594	**56,594**			56,594	**56,594**
Non-current operating receivables			65,483	**65,483**			59,540	**59,540**
Non-current operating liabilities			74,373	**74,373**			342,872	**342,872**
Loans received			49,325,000	**49,325,000**			44,650,000	**44,650,000**

6.2 Notes to items of consolidated income statement

Type of revenue

in EUR	2020	2019
Operating revenue	199,403,632	196,888,514
Financial revenue	267,781	208,243
Other revenue	20,717	30,909
Total	**199,692,130**	**197,127,666**

Net sales revenue

Note 23

Net sales revenue

in EUR	2020	2019
Sale of electricity and other energy products	115,208,199	112,859,133
Rents charged	27,726,336	29,664,000
– SODO d.o.o. – rent	27,353,439	29,212,008
– other	372,897	451,992
SODO d.o.o. services under the contract	26,046,446	26,061,207
Services charged	4,321,654	4,526,701
Sales of waste material	161,443	196,855
Total	**173,464,076**	**173,307,896**

Consideration of reconciliation bills of SODO in regulatory year 2020

in EUR	Revenue achieved in 2020	Preliminary reconciliation bill for 2019	Final reconciliation bill for 2018	Total 2019
Rent	30,261,599	-2,908,160	0	27,353,439
Services	23,268,432	2,698,434	79,580	26,046,446
Total	**53,530,031**	**-209,726**	**79,580**	**53,399,885**

Consideration of reconciliation bills of SODO in regulatory year 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 87% of all operating revenues generated in the Group. Revenue from contracts with customers in Group amount to EUR 145,737,742 (in 2019: EUR 143,643,895).

Capitalized own products and services

Note 24

Capitalized own products and services

in EUR	2020	2019
Capitalized products	21,036,167	18,908,514
Capitalized services	515,688	498,070
Total	**21,551,855**	**19,406,584**

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

Other operating revenues

Note 25

Other operating revenues

in EUR	2020	2019
Reversal of provisions and accruals and deferred income	38,674	940,542
Drawdown of long-term accruals and deferred income	2,380,295	1,849,677
Indemnities received from the insurance company	242,564	573,260
Profit from sales of fixed assets	176,457	216,417
Claims recovered from previous years	466,605	455,096
Other operating revenues	1,083,105	139,043
Total	**4,387,700**	**4,174,034**

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.

Other revenue related to business effects (Covid-19 state aid)

in EUR	I-XII 2020
Revenue from exemption from employee contributions	573,359
Revenue from exemption from employer contributions	326,102
Revenue from compensation – sick pay up to 30 days	52,870
Revenue from crisis bonus - refunds	34,391
Revenue from compensation – force majeure – child care	29,255
Revenue from compensation - Covid-19 quarantine	14,751
Revenue from compensation – short-term sick leave and hospital stay with child	7,500
Total	**1,038,228**

Costs of goods, material and services

Note 26

Costs of goods, material and services

in EUR	2020	2019
Cost of goods sold	105,474,243	103,425,267
Costs of material	14,112,511	10,886,051
Costs of services	10,779,344	10,252,332
Total	**130,366,098**	**124,563,650**

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 2020. Amounts spent for other auditing services amounted to EUR 2,725, the same as in 2019. There were no other transactions with the selected auditor in 2020.

Labour costs

Note 27

Labour costs

in EUR	2020	2019
Costs of wages and salaries	22,578,962	22,961,922
Costs of supplementary pension insurance for employees	1,110,985	1,103,228
Costs of employer's contributions and other charges arising from salaries	3,707,921	3,867,537
Other labour costs	5,094,170	4,708,000
Total	**32,492,038**	**32,640,688**

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.

Gross remuneration for special groups of persons in 2020

in EUR	2020
Members of the Management Boards and managements of the companies	274,996
- Mag. Boris Sovič, President of Elektro Maribor d.d.	122,974
Of which deferred remuneration	-12,988
- Bojan Horvat, Director of Energija plus d.o.o.	112,204
- Neven Lisica, Director of OVEN Elektro Maribor d.o.o.	52,806
Other employees under contract to which the tariff part of the collective agreement does not apply	1,178,976
Members of the SB of companies of the Elektro Maribor d.d. Group	95,944
Audit Committee	17,346
Total	**1,567,262**

Gross remuneration for special groups of persons in 2019

in EUR	2019
Members of the Management Boards and management of the companies	284,911
– Mag. Boris Sovič, President of Elektro Maribor d.d.	115,973
– Bojan Horvat, Director of Energija plus d.o.o.	116,871
– Miroslav Prešern, Director of OVEN Elektro Maribor d.o.o., Jan–Jun 2019	26,525
- Neven Lisica, 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 SB 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 2020.

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 28

Amortization/Depreciation

in EUR	2020	2019
Amortization of intangible assets	1,981,599	1,643,444
Amortization of intangible assets – easements	21,405	21,350
Depreciation of property plant and equipment	20,273,304	19,626,260
Depreciation of investment property	23,891	30,247
Total	**22,300,198**	**21,321,300**

Write-offs and other operating expenses

Note 29

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.

Write-offs and other operating expenses

in EUR	2020	2019
Operating expenses for tangible and intangible fixed assets	309,739	500,386
Operating expenses from receivables, of which:	499,897	675,445
– from network use and sales of electricity	480,624	385,386
– from services rendered	12,546	149,007
– from interest	6,727	141,052
Other operating expenses	111,004	120
Total	**920,640**	**1,175,951**

Other operating expenses

Note 30

Other operating expenses

in EUR	2020	2019
Provisions for guarantees	120,803	0
Provisions for legal proceedings	328,996	68,754
Fee for the use of construction land	26,311	340,676
Co-financing in energy efficiency	383,212	516,096
Other duties and expenditures	54,790	282,011
Total	**914,112**	**1,207,537**

Financial revenues

Note 31

Financial revenues

in EUR	2020	2019
Financial revenue from loans granted	**8**	**75**
Financial revenue from loans granted to others	8	75
Financial revenue from operating receivables	**267,773**	**208,168**
Financial revenue from operating receivables due from others	267,773	208,168
Total	**267,781**	**208,243**

Financial expenses

Note 32

Financial expenses

in EUR	2020	2019
Financial expenses from financial liabilities	**390,615**	**402,756**
Financial expenses from loans received from others	365,757	384,853
Financial expenses from other financial liabilities	24,858	17,903
Financial expenses from operating liabilities	**81,255**	**89,629**
Financial expenses from accounts payable	32,501	3,746
Finance expenses from other operating liabilities	48,754	85,883
Total	**471,870**	**492,385**

Share in profits (losses) of associated companies

Note 33

The Table below shows an attribution of profits of associated companies in the amount of EUR 73,376 thousand.

Share in profits (losses) of associated companies

in EUR	2020	2019
Share in profits (losses) of associated companies	73,376	228,564

Other revenue and expenses

Note 34

Other revenue and expenses

in EUR	2020	2019
Other revenue	20,717	30,909
Other expenses	150,632	128,824

Other expenses in the Group mainly represent the amounts of donations given in the amount of EUR 83,234.

Deferred tax

Note 35

Deferred tax

in EUR	2020	2019
Deferred tax arising from provisions for jubilee benefits and termination benefits upon retirement	128,310	-156,569
Deferred tax arising from formed value adjustments of receivables	22,085	-26,991
Deferred tax arising from long-term accrued costs and deferred reve-nue	-19,642	359,060
Total	**130,753**	**175,500**

In 2020, the Group recognized an increase 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 long-term accruals and deferred income. 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 2020, receivables formed in this way increased the Group's profit in the amount of EUR 130,753.

Presentation of adjustment of the tax actually charged and calculated from accounting profit before taxes

	2020		2019	
	rate	In EUR	rate	In EUR
Profit before taxes		13,225,796		17,778,942
Income tax using the official rate	19.00%	2,512,901	19.00%	3,377,999
Amounts that adversely affect the tax base		391,635		442,657
- amount from decrease of expenses to the level of tax-deductible expenses		391,635		442,657
- amount from increase of expenses to the level of tax-deductible expenses		0		0
Amounts that have a positive effect on the tax base (+)(–)		366,539		649,027
- amount from increase of expenses to the level of tax-deductible expenses		79,374		146,429
- amount from decrease of revenue to the level of tax-deductible revenue		287,165		502,598
- amount from decrease of taxed long-term prov. for jub. and term. ben.				
Tax reliefs		-945,126		-1,185,390
– applied to impact the reduction the tax liability		-945,126		-1,185,390
First recognition of deferred taxes from temporary differences		-15,895		-26,834
Tax base increase		9,827		20,453
Other		0		0
Increase/decrease of deferred tax		130,750		175,500
Tax in income statement	**11.01%**	**1,456,051**	**10.15%**	**1,804,357**

Net profit or loss

Note 36

Profit or loss before taxes

in EUR	2020	2019
Operating result	12,410,544	15,979,388
Financial result	-130,712	-55,578
Result from other revenues and expenses	-129,915	-97,915
Total	**12,149,917**	**15,825,895**

Within the Group, the participations in profit paid in the amount of EUR 1,027,978 were eliminated, as well as the costs/revenue in the amount of EUR 898,774. Elimination of EUR 6,457 arises from the attribution of profits in the share of the companies Informatika d.d. The attribution of profits in the amount of EUR 73,376 refers ot attribution of shares in the profits of 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 37

Cash receipts from operating activities in the amount of EUR 330,399,343 (EUR 338,540,037 in 2019) account for 96% of all cash receipts of the Group, and relate mainly to cash receipts from sales of energy products.

Expenditures from operating activities

Note 38

Expenditures from operating activities in the amount of EUR 314,725,668 (EUR 321,586,474 in 2019) account for 92% of all expenditures of the Group, and relate mainly to expenditures from purchases of material and services.

Cash receipts from investing activities

Note 39

Cash receipts from investing activities in the amount of EUR 2,298,067 (in 2019: EUR 168,569) refer mainly to the proceeds from disposal of property, plant and equipment, especially those sold by Elektro Maribor d.d. to Eles d.o.o. in accordance with the provisions of the EZ-1.

Expenditures from investing activities

Note 40

Expenditures from investing activities in the amount of EUR 14,819,852 (in 2019: EUR 14,393,138) account for 4% of all expenditures of the Group, and relate mainly to expenditures for acquiring property, plant and equipment.

Cash receipts from financing activities

Note 41

Cash receipts from financing activities in the amount of EUR 11,300,000 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 in the amount of EUR 11,000,000 and the received bridging short-term loan in the amount of EUR 300,000 at Oven d.o.o..

Expenditures from financing activities

Note 42

Expenditures from financing activities in the amount of EUR 12,048,990 (in 2019: 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 43

Net cash flow for the period in the group is positive, namely amounting to EUR 2,402,900 (EUR 395,231 in 2019).

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 2020, 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.

Breakdown of current operating receivables by maturity

in EUR	31 Dec 2020	Structure in %	31 Dec 2019	Structure in %
Receivables not yet due	37,429,963	93.2	40,412,138	91.9
Overdue up to 30 days	2,529,641	6.3	3,008,153	6.8
Overdue from 31 to 60 days	98,118	0.2	186,665	0.4
Overdue from 61 to 90 days	85,106	0.2	86,527	0.2
Overdue more than 90 days	5,728	0.0	275,841	0.6
Total	**40,148,556**	**100.0**	**43,969,326**	**100.0**

At the reporting date, current operating receivables were the ones most exposed to credit risk, which decreased by EUR 3,820,770 or 8.7% compared to the previous year. The reason for the decrease in receivables is mainly the lower return on the leased electricity infrastructure and, hence, lower receivables due from SODO d.o.o.

Changes in value adjustments of receivables in 2020

in EUR	Balance 31 Dec 2019	Decreases	Increases	Balance 31 Dec 2020
Value adjustments of current operating receivables:				
- decrease in value adjustments due to payments	0	400,410	0	0
- decrease in value adjustments due to write-offs	0	244,756	0	0
Recalculation pursuant to IFRS	0	35,026	643,422	0
Total	**7,781,747**	**680,192**	**1,081,027**	**8,182,581**

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		
Recalculation pursuant to IFRS		35,026	326,613	
Total	**7,651,005**	**847,410**	**978,152**	**7,781,747**

Credit risk is estimated to have a moderate 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 11.5% 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 2020 and assuming that all other variables remain unchanged, a change in the interest rate by 0.1 percentage point would represent higher expenses in the amount of EUR 1,722, a 0.2 percentage point change in the interest rate would mean EUR 3,445 higher expenses, and a 0.3 percentage point change in the interest rate would mean that expenses would be EUR 5,167 higher.

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.

Maturity of liabilities as at 31 December 2020

in EUR	Carrrying amount as at 31 Dec 2020	up to 1 year	Maturity from 1 year to 5 years	over 5 years
Loans for financing investments	49,325,000	6,200,000	24,750,000	18,375,000
Non-current operating liabilities	74,373	53,377	20,996	0
Long-term lease liabilities	769,141	100,247	417,433	251,461
Current operating liabilities	33,727,493	33,727,493	0	0

Maturity of liabilities as at 31 December 2019

in EUR	Carrrying amount as at 31 Dec 2019	up to 1 year	Maturity 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	0	342,872	0
Long-term lease liabilities	1,427,048	100,192	389,248	937,608
Current operating liabilities	35,418,790	0	0	0

Liquidity risk is managed by monitoring the core indicators of the horizontal financial structure.

Core indicators of liquidity risk

	31 Dec 2020	31 Dec 2019
CORE RATIOS OF HORIZONTAL FINANCIAL STRUCTURE		
Cash ratio (ratio of direct coverage of current liabilities) = liquid assets / current liabilities	0.35	0.27
Quick ratio (ratio of quick coverage of current liabilities) = liquid assets + current receivables / current liabilities	1.41	1.39
Current ratio (ratio of current coverage of current liabilities) = current assets / current liabilities	1.47	1.45

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.

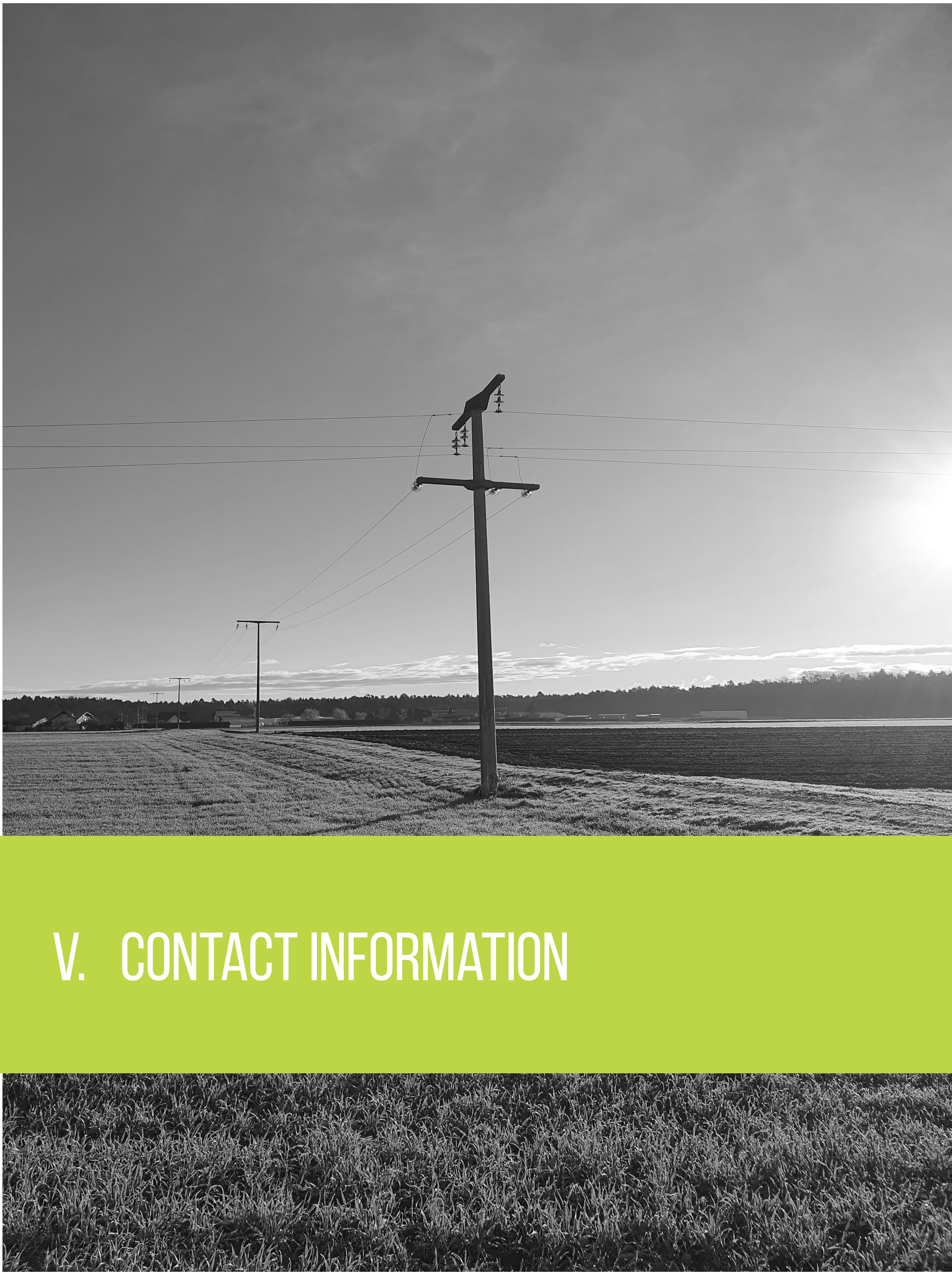
Core indicators of capital risk

	31 Dec 2020	31 Dec 2019
CORE FINANCING RATIOS		
Equity financing ratio in % = equity / liabilities	70.36	70.63
Long-term financing ratio in % = equity + long-term debt + provisions + long-term accruals and deferred income / liabilities	90.41	89.77
CORE RATIOS OF HORIZONTAL FINANCIAL STRUCTURE		
Equity to fixed assets ratio = equity / fixed assets	0.83	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)	3.62	4.88

Creditors demand that the values of financial commitments set forth in loan contracts are met and that failure to do so would result in early maturity of loans. As at 31 December 2020, 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 2020, the Group's ROE was 3.58%.

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 amountsto EUR 10,000.



V. CONTACT INFORMATION

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Toll-free numbers:
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- 080 21 01 – general information

Fax: (02) 22 00 109
Website: http://www.eletro-maribor.si
E-mail: info@elektro-maribor.si

Regional units

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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
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RU Ptuj
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Service units

SU Ljutomer
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SU Maribor
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OVEN Elektro Maribor d.o.o.
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E-mail: info@oven-emb.si

List of abbreviations

AMI	Advanced Metering Infrastructure
GDP	Gross domestic product
CAPEX	Capital Expenditure
VAT	Value Added Tax
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
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
GRI	Global Reporting Initiative
GWh	Gigawatt hours
HPP	Hydroelectric power plant
IEC	International Electrotechnical Commission
IIS	Integrated information system
ICT	Information communication technology
ISO	International Organization for Standardization
KDD	Central Securities Clearing Corporation
kV	Kilovolt
MDMS	Meter Data Management System
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
MVA	Mega Volt Ampere
MW	Mega Watt
MWh	Megawatt hours
LV	Low voltage
LVN	Low voltage network
SB	Supervisory Board
RU	Regional unit
OHSAS	Occupational Health and Safety Advisory Services
OPEX	Operating expense
IFRIC	International Financial Reporting Interpretations Committee
RES	Renewable energy source
PLC	Power Line Carrier
REDOS	Development of the electricity distribution network of Slovenia (project)
RK	Audit Committee
ROA	Return on Assets
ROE	Return on Equity
DS	Distribution substation
RS	Republic of Slovenia
DTS	Distribution transformer substation

SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SSH	Slovenian Sovereign Holding
SU	Service Unit
SIST	Slovenian Institute for Standardization
MV	Medium voltage
SODO	Distribution network system operator
CHP	Cogeneration/combined heat and power
SAS	Slovenian Accounting Standards
TS	Transformer substation
TR	Transformer
TWh	Terawatt hours
UMAR	Office of the Government of the Republic of Slovenia for Macroeconomic Analysis and Development
HV	High voltage
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
GIS	Geographical information system
EIG	Economic Interest Group

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