Elektro Maribor

Annual Report 2016

ELEKTRO MARIBOR

Annual Report of Elektro Maribor d.d. and Elektro Maribor Group

2016

ANNUAL REPORT CONTENTS

CONTENTS ACCORDING TO GRI REPORTING GUIDELINES (G4-32)

INDICATORS		Page in AR
Key aspects		
ECONOMIC IMPACTS		
Economic performance	G4-EC1 - Direct generated and distributed economic value (revenue, operating expenses, salaries and employee benefits, payments to equity holders, payments to government (taxes), donations and other investments in the community)	18, 38, 82
	G4-EC2 – Financial impacts and other risks and opportunities for the organisation's activities associated with climate change	50
	G4-EC3 – Pension plan liabilities	77
Indirect economic impacts	G4-EC7 - Development and impact of major infrastructure investments and services supported by the organisation	60
Purchase practice	G4-EC9 – Share of funds for the purchase used for local suppliers at important production locations	68
ENVIRONMENTAL IMPACTS		
Energy	G4-EN3 – Energy consumption in the organisation	86
	G4-EN6 – Reducing energy consumption	86
Waste water and waste	G4-EN23 – Total weight of waste by type and disposal method	87
SOCIAL IMPACTS		
Labour practices and decent work		
Employment	G4-LA1 – The number and rate of new employees and employee turnover	73
	G4-LA2 – Benefits for full-time employees not available to fixed-term or part-time employees by main activities	79
Safety and health at work	G4-LA6 – Rates of injury at work	79
Training and education	G4-LA9 – Average hours of training per year and employee by gender and by employee category	75
	G4-LA11 – Share of employees receiving regular assessments of their work and personal progress by gender and category	79
Diversity and equal opportunities	G4-LA12 – The structure of governing bodies and the structure of employees by employee categories (by gender, age – under 30 years of age, 30-50 years of age, over 50 years of age, members of minority groups, other relevant diversity indicators)	27
Work-related appeal mechanisms	G4-LA16 – The number of perceived, received, and resolved appeals relating to working practices in the reporting period	73
Human rights		
Non-discrimination	G4-HR3 – The number of discrimination incidents and remedy actions	79
Company		
Anti-corruption conduct	G4-SO3 – The number and share of the activities where corruption-related risks where checked and the activities where such risks were identified	25
	G4-SO4 – Communication and education on anti-corruption policies and practices	25
	G4-SO5 – Confirmed cases of corruption and actions taken	25
Product responsibility		
Product and services labelling	G4-PR4 – The number of cases of incompliance with the laws and voluntary codes in the field of product labelling and informing customers about products and services	47
	G4-PR5 – Results of customer satisfaction monitoring	84

I. Introduction

1 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD (G4 1)*

Dear stakeholders,

Business year 2016 was very successful. We continued with intensive efforts for sustainable development and digital transformation. We systematically invested in increasing the robustness of networks and the introduction of smart grids. We provided a better quality of electricity supply for users, a comprehensive range of energy services, and continued with the ambitious market activity.

In 2016, we generated the highest profit in the last two decades, which after tax amounted to EUR 12.8 million and is 14% more compared to the previous year. In 2016, revenue in regulated activities and rationalisation of operations by lowering costs of material and services had a significant impact on the operating result. In company`s operation, we considered the expectations and recommendations of SDH d.d., the manager of capital assets. We exceeded all the expected indicators, i.e. return on asset (ROA) in the amount of 3.7% (expected: 3.0%) and EBITDA margin in the amount of 40.6% (expected: 40.1%).

We provide infrastructure of a sustainable development through careful and enthusiastic work. We increased robustness of networks and are systematically integrating elements of smart grids. With great efforts we raised the share of underground HV, MV and LV lines, which in 2016 reached 47.7%. The system of remote reading now includes already 61% of users. In 2016, we spent EUR 27.7 million for investments, which is the most in the last decade. We carried out one of the most important investments - the construction of 2 x 110kV power line Murska Sobota-Mačkovci. With the new construction we increased the length of the entire network by 52km. We realized a large part of investments on our own, and for this purpose we employed 106 fixed term employees from the local environment. With a purpose to finance the investments, we raised a long-term loan with the European Investment Bank.

In 2016, we distributed a record 2,208 GWh of electricity over the Elektro Maribor network at 216,292 metering points, which is 1.9% more compared to the previous year and the most in the history of the company. The realisation of the calculated power was 1.1% higher than in the previous year. We improved the quality of electricity supply of customers in the rural area. In 2016, the SAIDI factor for own reasons amounted 53.2 min/consumer for the rural area and 33.5 min/consumer for the urban environment.

Year 2016 was a year of significant changes in the company. The General Meeting of Shareholders adopted the new statute of the company and the decision on the purchase of own shares. We completed the reorganisation and systematisation of jobs to have a more lean organisation and rationalisation of the number of managerial jobs.

A new Act on the methodology determining the regulatory framework and the methodology for charging the network charge for the electricity system operators, which determines the operating framework for the regulatory period of 2016-2018, came into force in 2016. The new regulatory period, the company is required to have the highest rate of the individual effectiveness of operation in the amount of 3% per year. With rational operations in 2016 we were able to reduce the controlled operating and maintenance costs by EUR 2.4 million compared to the regulation. We constantly strive for balanced operations in the regulated and other activities. We are the only company in its field that is constantly achieving positive results, both in the regulated and unregulated activity of the company.

A systematic change took place in 2016, on the basis of which we no longer carry out purchasing of electricity for the needs of the SODO. In this respect, we no longer disclose revenue and costs of purchasing electricity for losses in 2016.

Compared to other power distribution companies (EDP), Elektro Maribor has the features that significantly influence our operations. Namely, we take care of 25.4% of the network of all the EDP with 22.9% consumers connected to it, and 30.2% of production facilities of the EDP. We are distributing 20.4% of electricity and generating 27% of profit, while the share of our new financial debt is the lowest and amounts to 10.1% (data relate to 2015).

* Reporting in accordance with GRI G4 guidelines.

In 2016, we prepared the Plan of developing the distribution network of Elektro Maribor d.d. for 2017-2026 in accordance with the requirements of the Energy Act. The plan identifies the main infrastructure for electricity distribution that needs to be build and upgraded in a ten-year period for a reliable and efficient power supply, safe network operation, network integration of sources, and deployment of advanced network services. The planned investments for the development of the company`s distribution network amount to EUR 357 million for a ten-year period. The realisation of the set plan in the next ten-year period will enable the increase of robustness and looping of grids by increasing the share of underground lines and intensive construction of smart grid elements. Due to the importance of the energy supply for the population and the economy and more effective coordination of needs and interventions in the area, we presented our NRA to the public, the local community and larger economic operators and NGOs.

Despite the demanding conditions in the area of providing services in the market, we achieved the set goals and realised the gross margin in the amount of EUR 1.3 million. We carried out services mainly on the Draženci–Gruškovje highway section. In the construction of the hydroelectric power plant on the lower Sava, we performed a demanding laying of 100kV cable and built and reconstructed a number of MV, LV and TP networks in our supply region.

We continue with sustainable operations and reporting. Therefore, in the context of the Annual Report, this year, for the fourth year in a raw, we are reporting on non-financial operations according to the international sustainability reporting guidelines G4 of GRI, mainly in terms of environmental, social and economic impact on the operations.

We invested a lot of effort and can be rightly proud of the things that we created together. I would like to express my sincere appreciation to all our employees for their devoted and successful implementation of our mission to provide our consumers with reliable and quality energy supply and to carry out demanding electricity investments and services. Many thanks also to our supervisors, network users, business partners, and shareholders, for their correct cooperation.

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

2 REPORT OF THE SUPERVISORY BOARD

Composition

The Supervisory Board of the Elektro Maribor d.d. company worked in 2016 in the following composition:

- Tomaž Orešič – Chairman,
- M. Sc. Mateja Čuk – Deputy Chairperson,
- Ciril Pucko – Member,
- Roman Ferenčak – Member,
- Dušan Kovačič – Member,
- Darko Nemec – Member.

Membership in other bodies

Members of the Supervisory Board do not participate as members in management and supervisory bodies of associated and non-associated companies (Item 8.2. of the Code of corporate governance for companies with capital assets of the state, adopted on 3 February 2016 by the Slovenian Sovereign Holding (SDH - Slovenski državni holding d.d.).

Monitoring company's business operations

The Supervisory Board of the Elektro Maribor d.d. company performed in 2016 their work in the said composition in accordance with the basic function of supervising the management of the company's operations and with a duty of a diligent and prudent management, on the basis of its competences set out by applicable regulations and the company's acts. The Supervisory Board supervised the management and operations of the Elektro Maribor d.d. company based on the provisions of the Companies Act, the Articles of Association of the Elektro Maribor d.d., and the applicable laws.

The work of the Supervisory Board was organized and carried out according to the provisions of the Rules of Procedure of the Supervisory Board. The Supervisory Board prepared itself for the topics discussed, provided constructive suggestions and, based on the materials prepared by the company's Management Board, adopted its decisions in a responsible manner. The company's Management Board was invited to attend all the meetings of the Supervisory Board in 2016 and, in addition to the submitted materials, presented further explanations.

At its twelve regular and four correspondence meetings, the Supervisory Board discussed and adopted the following important decisions:

- Agreed with the Annual Business Plan of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2017, including a projection of operations for 2018 and 2019;
- Approved the Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2015;
- Approved the procedure of the appointment of the President of the Management Board of the Elektro Maribor d.d.company and appointed the President of the Management Board; The Supervisory Board unanimously appointed on the 21st regular session the President of the Management Board; Boris Sovič, M.Sc. on 13 March 2017 for a four-year mandate;
- Took note of the process of harmonizing the contents of Annex No. 5 to the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator, and the associated Arrangement;
- Agreed with the Plan of distribution network development of the electricity for the 2017-2026 period in the territory of the Elektro Maribor company.
- Approved the Rules on a purchase, sale and price of its own shares and agreed with the Proposition of quantity and price limitations for a purchase of its own shares in 2016 and took note on the procedure of a purchase and a report of activities related to obtaining its own shares of the Elektro Maribor company d.d.;
- Approved the materials for the 21st regular General Meeting of the Elektro Maribor d.d. company;
- Approved the proposition of the Audit Committee of the Supervisory Board that the company Rating d.o.o. acts as an auditor of financial statements of the company and the Group.

- Took note of investments of the Elektro Maribor d.d. company;
- Took note of information of collected offers for the liability insurance of the members of the competent authorities and contro,l as well as the process of award of contract for the liability insurance of the management and supervisory bodies of the companies;
- Took note of the investments management in the Group;
- Took note of the approaches related to the initiatives of potential strategy partners;
- Took note of the information about the appointment of an exceptional auditor;
- Took note of the debt for the use of the network;
- Took note of the report of the management coordinator of the risks in Elektro Maribor d.d. company for 2015;
- Carried out the self-assessments of the Supervisory Board for 2015 and analyzed the results of the self-assessments;
- Took note of the Audit Committee report;
- Took note of the report about the work of the internal audit in the Group for 2015;
- Took note of the report of the Human Resources Committee;
- Took note of the procedure of Elektro Maribor d.d. Company in ensuring IT services and plans of the continuous management of the company;
- Took note of the draft of the Management policies of Elektro Maribor d.d. company;
- Agreed, in compliance with the 8th indent of Article 39 of the Articles of the Association, with the internal organization of the company as defined in the Regulation on the organization and human resources statutory in Elektro Maribor d.d. company with appendices and took note of the procedure of carrying out the process or the reorganization in the company;
- Took note of the report and results of the measurement of the organizational condition and satisfaction of employees in 2015 as well as the provided activities in this area in 2016;
- Took note of the procedures of workers the exceptional notice;
- Took note of the signature of the EIB document “Waiver letter”;
- Agreed unanimously with the Annexes in contracts about a successive deposit;
- Took note of a disclosure of a potential interest conflict;
- Took note of the Information about the realization of advice in Elektro Maribor d.d. company/Group in the 2014-2016 period;
- Took note of the process of self-assessment according to a European model of EFQM excellence and the application for PRSPO;
- Took note of the report on the litigation;
- Took note of the report on the limitations and sale of 110kV network;
- Took note of the reports on the situation of the (Interconnector) Daljnovod 2x110kV project Murska Sobota-Mačkovci;
- Agreed with the Regulations on Risk management in the Elektro Maribor company;
- Took note of the information about the intention to cooperate with Elektro Maribor d.d. Company in the Slovenian-Japan development demonstration project;
- And other

Attendance at sessions

Attendance of the Supervisory Board’s members at individual sessions was as follows:

	Regular session	Correspondence session
Tomaž Orešič	20,21,22,23,24,25,26,27,28,29,30,31	20,21,22,23,24,25
Mateja Čuk	20,21,22,23,24,25,27,28,29,30,31	20,21,22,23,24,25
Ciril Pucko	20,21,22,23,24,25,26,27,28,29,30.31	20,21,22,23,24,25
Roman Ferenčak	20,21,22,23,22,25,26,28,29,30	20,21,22,23,24,25
Dušan Kovačič	20,21,22,23,24,25,26,27,28,29,30.31	20,21,22,23,24,25
Darko Nemec	20,21,22,23,24,25,26,27,28,29,30.31	20,21,22,23,24,25

Activities of the Supervisory Board's committees

The Supervisory Board has established two Committees, which held in 2016: a regular Audit Committee and a Human Resource Committee which was established as a support for the Supervisory Board in the implementation of the procedure of the recruitment of candidates for the President of the Management Board.

A Human Resources Committee

The Human resources Committee of the Supervisory Board was established in 2015 and composed of Mateja Čuk, M.Sc., Cirila Pucko and Maja Fesel Kamenik, and ceased its operations in 2016 after six completed regular sessions and one correspondence session. The Human Resources Committee reviewed in 2016 the application letters in compliance with the public tender and it provided an assessment of individual candidates on the basis of interviews of a short-list of candidates and proposed a candidate for the appointment in the Supervisory Board.

Audit Committee

The Supervisory Board has established an Audit Committee of the Supervisory Board, which held in 2016, thirteen regular sessions and one extraordinary session;

	Regular session	Extraordinary session
Ciril Pucko	17,18,19,20,21,22,23,24,25,26,27,28,29	2
Roman Ferenčak	19,20,22,23,21,22,24,25,28,29	2
Ivana Kuhar	17,18,19,20,21,22,23,24,25,26,27,28,29	2

The Audit Committee of the Supervisory Board in its sessions:

- Discussed the draft of the Regulations on Risk management in the Elektro Maribor company;
- Took note of the coordinator’s report on the risk management of Elektro Maribor company for 2015 and of the Report on implementing the plan of the internal audit in Elektro Maribr Group for the period between 1 October 2015 and 31 December 2015;
- Discussed the Final Report on the implementation of the internal audit of the risk management process in Elektro Maribor Energija plus d.o.o.;
- It took note of the letter for the Management Board;
- Took note of the Comprehensive Technical and Financial Report on the implementation of IS SAP;
- Took note of the information about the appointment of an exceptional auditor;
- Carried out the self-assessment of the work of the Audit Committee;
- Performed an interview with an external auditor;
- Took note of the Report on the procedure about the public tender for a construction work in carrying out electricity line and the public tender for the construction work of energy plants.
- Took note of the Information about the realization of advice in Elektro Maribor d.d. company/Group in the 2013-2015 period as at 29 February 2016.
- Required the Management Board to monthly report the Audit Committee about the realization of issued proposals of regular and extraordinary internal audits;
- Took note of the investments of the Elektro Maribor d.d. Company in 2016;
- Took note of the report about the work of the internal audit in the Group for 2015;
- Took note of the Internal Audit reports;
- Carried out the procedure of the appointment of the auditor;
- Discussed the audited Annual report of the Elektro Maribor d.d. company and Group for 2015;
- Took note of all investments of the Elektro Maribor d.d. Company in 2016;

- Discussed the Final Report on the Project of the Introduction of SAP, ERP and IS-U in the Energija plus d.o.o. company;
- Took note of the reports on operations of the management and the implementation of the work plan of the Audit Committee for each individual period and other.

The Audit Committee of the Supervisory Board carried out in February 2017 a self-assessment of the work of the Audit Committee of the Supervisory Board for 2016.

Expectations of the Slovenian Sovereign Holding

The Supervisory Board monitored operations of the Elektro Maribor d.d. company also in terms of expectations of the Slovenian Sovereign Holding (Slovenski državni holding d.d.).

The Chairman of the Supervisory Board regularly participated at briefings made by the company's Management Board and Supervisory Board at the Slovenian Sovereign Holding.

Performance self-assessment

The Supervisory Board’s activity in the past year was mostly focused on the appointment of the President of the Management Board and on monitoring the company's operations compared to the planned results, on the basis of reports prepared by the company's Management Board.

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

Annual Report audit

Audit of the Annual Report of the Elektro Maribor d.d. company for 2016 was carried out by the audit company Rating d.o.o., which issued a favourable opinion of the Elektro Maribor d.d. Annual Report on 21 April 2017.

Proposal on allocation of distributable profit

The Supervisory Board agreed with the proposed distribution of the net profit for the business year 2016 and the distributable profit for 2016 upon the proposal made by the company’s Management Board. The proposal will be forwarded to the General Meeting of Shareholders.

Review and approval of the company’s Annual Report and the Consolidated Annual Report, and the position on the Audit Report, including proposed resolutions for 2016

The company's Management Board provided the Supervisory Board with the audited Annual Report, including the Auditor's Report, in a statutory term. The Supervisory Board discussed the company’s Annual Report for 2016, including the report made by the audit company Rating d.o.o.

In accordance with the provisions of Articles 270 and 294 of the Companies Act (ZGD-1), the Supervisory Board ensured that the entire remuneration of the management is in appropriate proportion to the management assignments and the company's financial position, and in accordance with the policy concerning such remuneration; it also found out that remuneration of the members of the management and supervision bodies was appropriately declared in the Annual Report.

The Supervisory Board established that the contents of the Annual Report and the Consolidated Annual Report show operations of the company in 2016 in realistic terms. The Supervisory Board also took note of the opinion of the approved audit company Rating d.o.o., according to which the company's financial statements present fairly the financial position of the company, and adopted the following decisions:

- The Supervisory Board finds the Annual Report compiled in accordance with the provisions of the Companies Act and the Accounting Standards.
- According to the Supervisory Board, the Annual Report and the information therein are a true representation of the company's operations in the previous business year.
- Upon the final review of the company’s Annual Report, the Supervisory Board has no comments, and approves the company’s Annual Report for 2016.
- The Supervisory Board expresses a favourable opinion of the Auditor’s report on the company’s financial statements and consolidated financial statements for 2016, as it establishes that it was made according to the law and based on a diligent and comprehensive overview of the company's Annual Report and operations.
- Upon the final review of the Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2016, the Supervisory Board approved the Annual Report of the Elektro Maribor d.d. company and the Elektro Maribor Group for 2016.
- The Supervisory Board proposes to the company’s General Meeting to:
  - Adopt a resolution to award a discharge to the Management Board – to the President of the Management Board, Boris Sovič, M.Sc. for 2015; the Supervisory Board believes that the Management Board has managed the company successfully, carefully, and in accordance with regulations and company’s rules.
  - Adopt a resolution to award a discharge to the Supervisory Board for 2016, because it believes that the company operated in accordance with the goals set and the plan for 2016.
- The Supervisory Board adopts the Supervisory Board’s Report on the review of the company’s Annual Report and the Consolidated Annual Report for 2016.
- The Supervisory Board took note of the proposal to convene the General Meeting of Shareholders and of the draft resolutions enclosed to this decision, and fully agrees with the agenda and the proposed resolutions.

Review of the Report on relations with associated companies for the business year 2015 (Article 546a of the Companies Act ZGD-1)

The Supervisory Board checked the Report on relations with associated companies for 2016, in compliance with Article 545 of the Company’s Act ZGD-1 in the 35th session. The Supervisory Board found out that the Report contents comply with the Companies Act. The Report contains legal transactions with the associated company, as well as all performed obligations and all necessary information on completed legal transactions.

The Supervisory Board checked, on the basis of the Report on relations with associated companies, all necessary circumstances and reasons for the conclusion of legal transactions, and found out that no deprivation occurred between companies.

The Supervisory Board adopts the written Supervisory Board's Report on the review of the Report on relations with associated companies, and notifies the company's General Meeting accordingly.

Maribor, 25 May 2017

President of the Supervisory Board:
Tomaž Orešič

3 ABOUT THE ANNUAL REPORT (G4 17–23, G4 28–31)*

In the context of the Annual Report of Elektro Maribor d.d., for the fourth year in a raw, we are reporting on non-financial operations according to the international sustainability reporting guidelines GRI (Global Reporting Initiative), and, consequently, disclosing key aspects of sustainability reporting in accordance with the international sustainability reporting guidelines G4 of GRI, which include the most important economic, environmental and social impacts of the company`s sustainable development and our stakeholders. When selecting indicators and aspects of reporting, we follow the principle of materiality. Indicators and aspects of sustainability reporting, which are not essential for the Elektro Maribor Company, are not included in the report.

In reporting according to the GRI guidelines, we focused on the three-year period (2014-2016). Considering sustainability reporting in the recent years, the company did not detect any significant changes, which would affect the published data.

Reporting according to GRI is an internationally recognised and comparable reporting method, which presents information to stakeholders and a general public in a clear, transparent and measurable way. By this reporting method we allow our stakeholders to obtain sufficient information on company`s socially responsible operations, which facilitates their decision-making.

The Annual Report in Slovenian and English language is published at the website www.elektro-maribor.si.

Contact for information on sustainable development:
Elektro Maribor d.d.
Vetrinjska ulica 2, 2000 Maribor
E-mail address: info@elektro-maribor.si

Economic impacts	**Economic performance**	
	Indirect economic impacts	
	Purchase practice	
Environmental impacts	Energy	
	Waste water and waste	
Social impacts	Labour practices and decent work	Employment Safety and health at work Training and education Diversity and equal opportunities Work-related appeal mechanisms
	Human rights	Non-discrimination
	Company	Anti-corruption conduct
	Product responsibility	Product and services labelling

Figure 1: Key aspects of the sustainability reporting

* Reporting in accordance with GRI G4 guidelines.

II. Business Report of the Elektro Maribor d.d. Company

1 KEY DATA ON COMPANY`S OPERATIONS (G4 9, G4 EC1)*

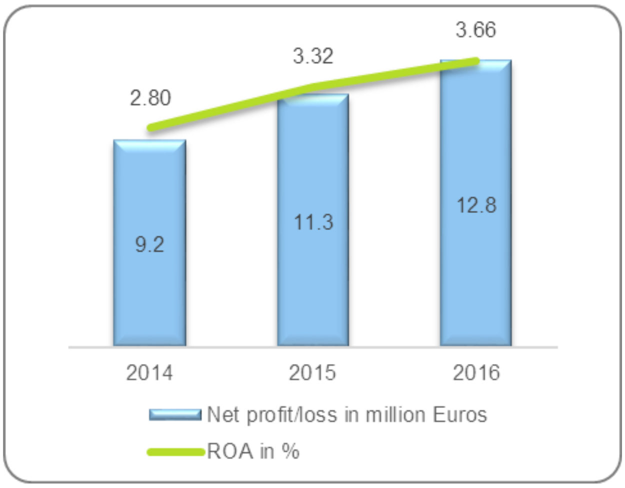

Figure 2: Net profit/loss and ROA

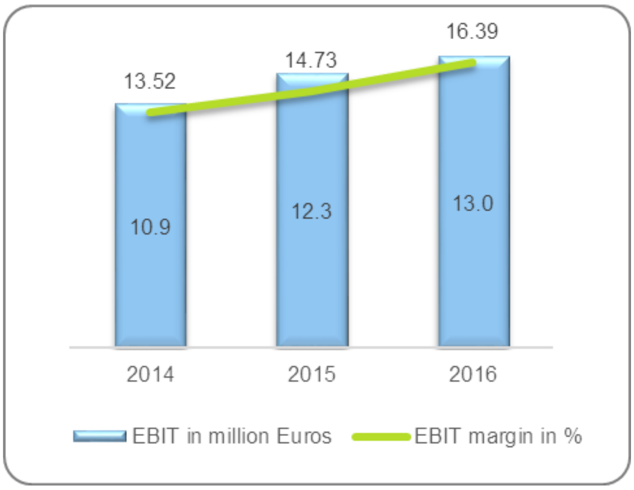

Figure 3: EBIT and EBIT margin

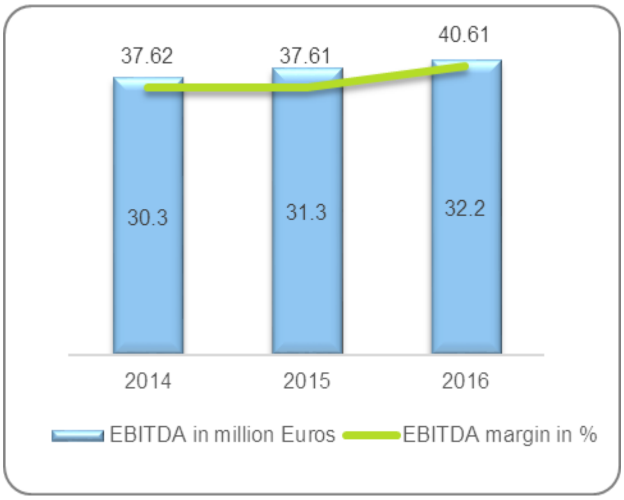

Figure 4: EBITDA and EBITDA margin

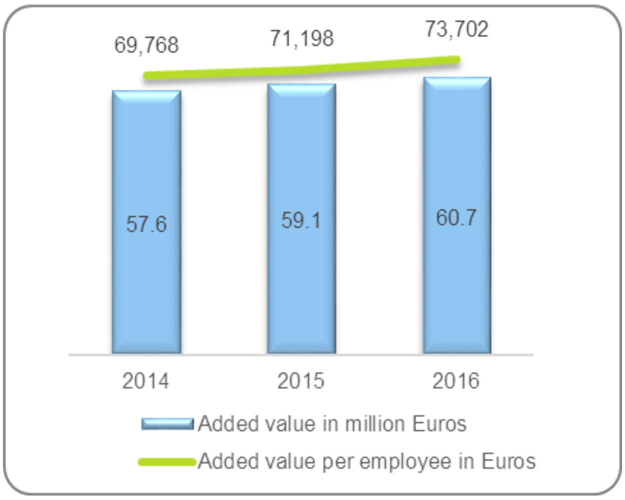

Figure 5: Added value and added value per employee

* Reporting in accordance with GRI G4 guidelines.

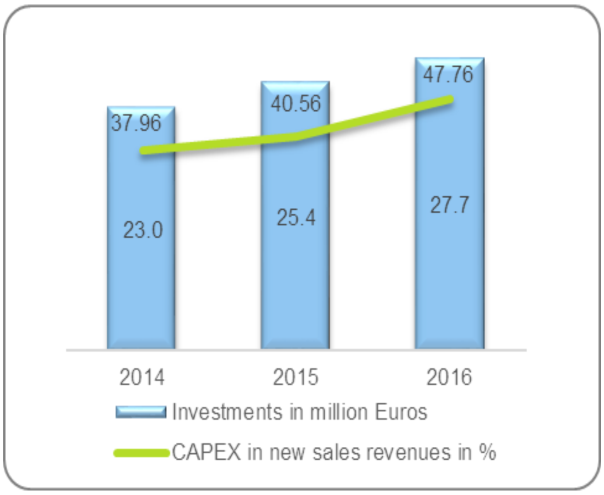

Figure 6: Investments and CAPEX in new sales revenues

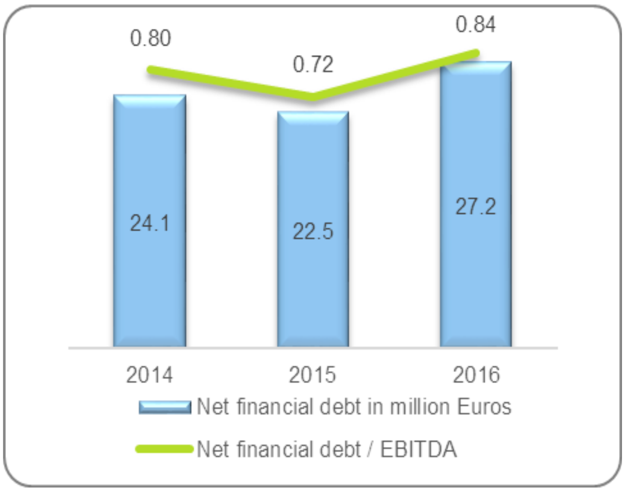

Figure 7: Net financial debt and net financial debt in EBITDA

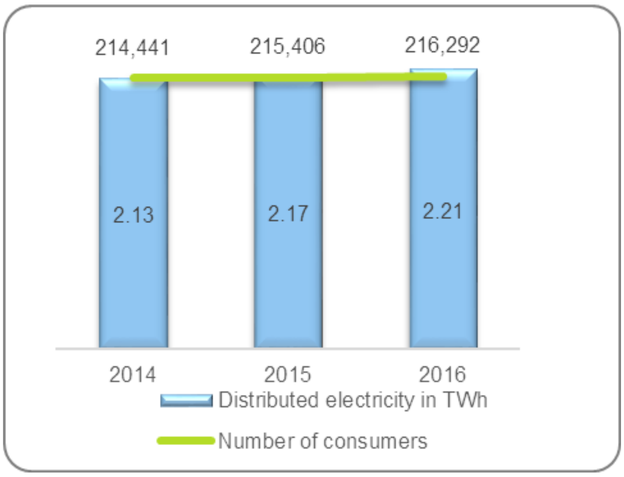

Figure 8: Distributed electricity and number of consumers

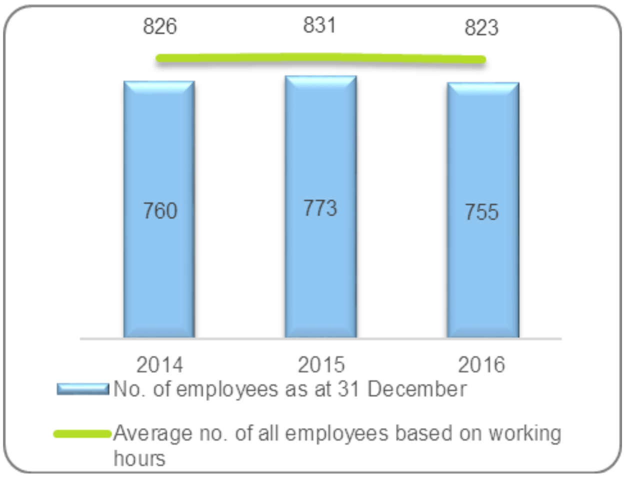

Figure 9: No. of employees as at 31 December and average no. of all employees based on working hours

2 CORPORATE GOVERNANCE STATEMENT

In accordance with the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the Elektro Maribor d.d. Company presents the corporate governance statement for the Elektro Maribor d.d. Company for the period of 1 January 2016 to 31 December 2016, as follows.

The company's Management Board and the company's Supervisory Board declare that the company governance in 2016 complied with applicable laws and the Articles of Association of Elektro Maribor, podjetje za distribucijo električne energije, d.d. as of 12 December 2014 and the Articles of Association of Elektro Maribor, podjetje za distribucijo električne energije, d.d. as of 31 August 2016

Referring to the applicable Code of governance

The company uses the Code of corporate governance with capital assets of the state, which was adopted by the Slovenian Sovereign Holding on 2 March 2016.[1] When managing the company, the Management Board and the Supervisory Board of the company fully take into account recommendations and expectations of the Slovenian Sovereign Holding.[2] The said recommendations were amended on 26 February 2016, which the company consistently respects in managing the company in 2016.

The company complies in its work and operations also with the Corporate governance code for non-listed companies - advanced level[3] and the Corporate governance code for joint stock companies.[4]

The Management Board of the parent company declares that in managing its subsidiaries, Energy plus d.o.o. and OVEN d.o.o., it exercises the same standards of corporate governance that apply to the parent company Elektro Maribor d.d.

Description of main features of internal control and risk management systems in the company in relation to the financial reporting process

The Management Board of the company is responsible for keeping proper accounts and establish and ensure the functioning of the internal control and internal accounting controls, the selection and application of accounting policies and protecting the company`s assets. In relation to the financial reporting process, the Elektro Maribor d.d. Company uses the COCO[5] risk management model and internal control system. When setting up the internal control system based on the Three Lines[6] of Defense Principle, 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 Management Board strives to establish a control system that is both most effective in preventing undesired events and is cost-efficient. The Management Board is aware that any internal control system, no matter how

---

[1] The Code of corporate governance of companies with capital assets of the state is available on the Slovenian Sovereign Holding`s website http://www.sdh.si/.

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

[3] The Corporate governance code for non-listed companies is available on the Chamber of Commerce and Industry of Slovenia` website www.gzs.si.

[4] The Corporate governance code for joint stock companies is published on the Ljubljana Stock Exchange`s website http://www.ljse.si/.

The Corporate governance code for joint stock companies is published on the Ljubljana Stock Exchange`s website http://www.ljse.si/.

model. Its application is recommended by all the relevant international institutions and standards. The risk management and control system is set up in such a way that risks and measures take into account individual activities and regional organisation of the company regarding the achievement of objectives and strategies of the company. The risk management system is implemented in procedures that are constantly repeated, namely:

- Evaluation of the environment, assessment of risks;
- Control system set-up (determining the control method);
- Information and communication, so that the employees assume their responsibility; and
- Controlling the system operation and the introduction of improvements.

[6] Three Lines of Defense: (1) Operational management or risk owners; (2) control functions, including the function of a risk coordinator; (3) internal audit with the function of giving independent assurance.

well it works, has its limitations and cannot fully prevent errors and frauds. However, it has to be set up so that it warns about these events as soon as possible and gives the Management Board a reasonable assurance on achieving the objectives.

To this end, Elektro Maribor maintains and improves:

- Transparent organisational chart of the parent company and the Group;
- Clear and harmonized accounting policies and their consistent application across the Elektro Maribor Group;
- Efficient organisation of the accounting function (functional responsibility) inside 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 requirements of disclosures and explanations;
- Financial reporting, including all requirements of disclosures and explanations;
- Regular internal and external audits of business processes.

The Risk Management section of this Annual Report includes details on the risk management and control mechanisms in relation to the assessment of individual risk types. The Management Board and the Supervisory Board believe that the current system of internal control in the Elektro Maribor d.d. Company and the Elektro Maribor Group 2016 provides effective and efficient achievement of business objectives, operations in accordance with the legal provisions and fair and transparent reporting in all material respects.

Significant direct and indirect ownership of securities of the company in terms of achieving a qualified holding, as defined by the law governing takeovers

Data on direct and indirect ownership of securities of the company in terms of achieving a qualified holding, as defined by the law governing takeovers, is published in annual reports. On 31 December 2016, the Republic of Slovenia has 26,628,806 shares or 79.5%.

Explanations about all holders of securities with special control rights

The company did not issue securities with special control rights.

Explanations about all limitations on voting rights

Stakeholders of the Elektro Maribor d.d. Company have no limitations on exercising voting rights.

Rules of the company on appointing and replacing members of the management and supervisory bodies and changes in the Articles of Association

When appointing and replacing members of management or supervisory bodies and changes in the Articles of Association, the company applies the applicable law and Articles of Association of the company.

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.

Powers of the Management Board members, in particular the power to issue or purchase own shares

The General Meeting of the Elektro Maribor d.d. Company authorized the Management Board of the company to purchase own shares in the period from 1 September 2016 to 31 March 2018.

General Meeting of the company and its key powers

Power of the General Meeting and rights of the stakeholders are set by the law and the company`s Articles of Association. They are implemented in the manner determined by the Rules of Procedure of the General Meeting.

In 2016, the General Meeting of the Stakeholders met once.

Information on the composition and operation of the Management and Supervisory Board and their committees

The composition and operation of the Management and Supervisory Board is described in Chapter 3.4 of this Annual Report.

This Corporate Governance Statement will be published on the Elektro Maribor d.d. Company`s website www.elektro-maribor.si.

Maribor, on 21 April 2017

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

3 COMPANY PRESENTATION

Company`s mission

We operate, maintain and develop efficient electricity distribution system in a sustainable and competitive way.

Through high-quality electricity services, we provide high quality of life and promote economic development.

3.1 Basic information (G4 3, 4, 5, 6, 8)*

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

Name:	ELEKTRO MARIBOR, podjetje za distribucijo električne energije, d.d.
Short name:	Elektro Maribor d.d.
Registered seat:	Vetrinjska ulica 2, 2000 Maribor
Registration number:	5231698
Tax ID no.:	46419853
Bank account:	SI56 0451 5000 0570 965 NOVA KBM d.d. SI56 0294 1025 8087 934 NLB d.d. SI56 3500 1000 0478 316 BKS Bank AG
Share capital:	EUR 139,773,510.27
Entry in the Court register:	Maribor District Court, input 1/00847/00
Main activity code:	D 35.130 Electricity distribution
Number of employees as at 31. 12. 2016:	755
Supply area:	North-east Slovenia
Size of the company according to the ZGD-1:	Large company
President of the Management Board:	Boris Sovič, M.Sc.
Toll-free number:	080 21 05 (24-hour service to report failures and interruptions on the network 080 21 01 (general information)
General e-mail address:	info@elektro-maribor.si
Website:	www.elektro-maribor.si

Figure 10: ID card of the Elektro Maribor Company

We carry out our main activity, i.e. electricity distribution to business and household customers, in the North-eastern part of Slovenia, in the area of 3,992 km^2.

Our basic activities include:

- Operation and technological development: Operation of the electricity distribution system, provision of power and reliable supply of electricity with minimum interruptions due to own reasons.
- Maintenance: Keeping the quality of the electricity distribution system, which enables operational capacities and electricity supply to customers as defined by project parameters at the construction of facilities.
- Distribution network services: Professional relationship with customers in all system services of the public utility service is built on equal, partnership way, and based on transparent, legal and flexible procedures.

* Reporting in accordance with GRI G4 guidelines.

- Electricity installation services and metering laboratory: Providing electricity installation services for external clients and implementation of investments in electricity facilities.

3.2 Organisation

In 2016, a new organisation of the company was adopted, which introduces four areas managed by the directors of the areas:
- Distribution;
- Services;
- Finances and economics; and
- Joint professional services.

The implementation of the prepared reorganisation was needed from several reasons that are very important for the company, among which are carving-out the activity of purchasing and sale of electricity, which dictates the need for a new organisation since 2012, the change in the legislation in the field of primary activity of the company, the change in regulations and a tendency to a more lean process organisation in the organisational units of the company. This has resulted in a more rational number of managerial jobs and facilitates the definition of powers and responsibilities of individuals.

In doing so, we took into account several audit reports that were carried out over the recent years on the basis of internal and external audits in the company, which in its conclusions pointed to some salary disparities and inadequate and non-transparent company`s organisation. The reorganisation considered the carving-out of the activity of purchasing and sale of electricity, the separation of the regulated and market activity. It is very important for the company to take into account the requirements of the regulator and on the other hand, ensures also the highest possible competitiveness in the field of marketing activities.

Throughout the process, the company pursued objectives of establishing a simple, transparent, and more efficient organisational structure and processes that will enable the company`s business performance, optimisation of the number of organisational units and managerial levels, real-time overview of the operations of the individual units and real-time response to improve the situation, the definition of respective powers and responsibilities of directors of units and the basic tasks of organisational units.

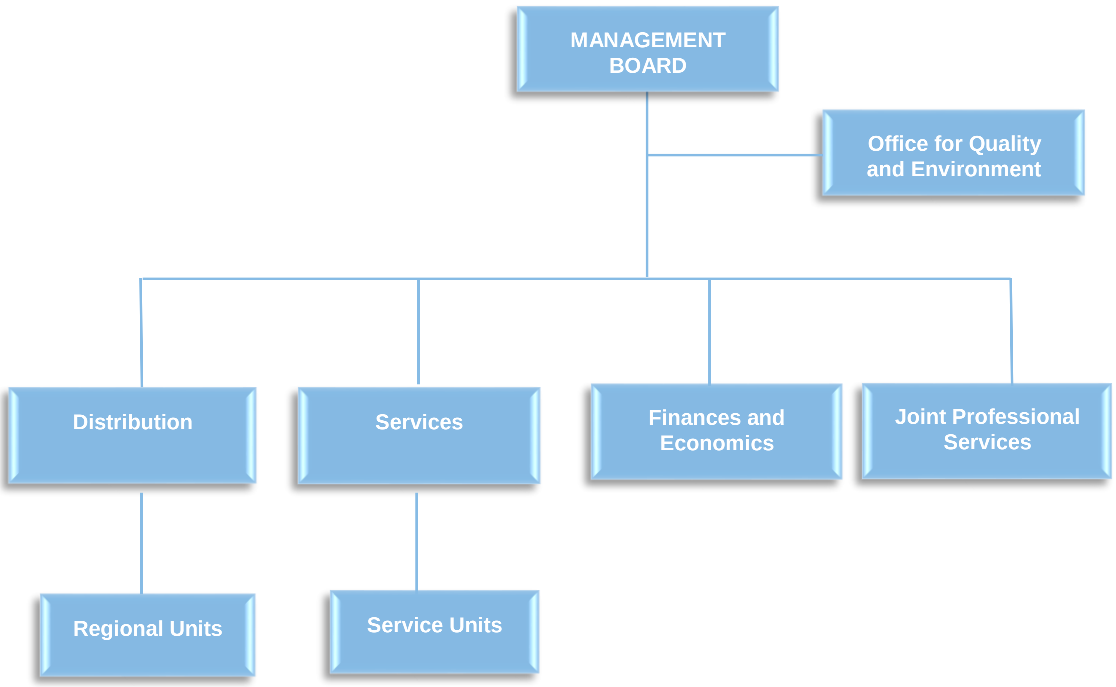

Figure 11: Organisational structure of the Elektro Maribor d.d. Company as at 31 December 2016

Regional and service units managed by the directors of units are:

- Maribor RU,
- Slovenska Bistrica RU,
- Ptuj RU,
- Gornja Radgona RU,
- Murska Sobota RU,
- Maribor SU,
- Ljutomer SU.

3.3 Context of operations (G4 15, 16, SO3, SO4, SO5) *

Corporate governance

In our operations, we comply with the provision of the Code of corporate governance for companies with capital assets of the state and the Recommendations and expectations of the Slovenian Sovereign Holding.

We also adhere to the provisions of the Corporate governance code for non-listed companies - advance level, prepared by the Ministry of Economic Development and Technology of the Republic of Slovenia, the Slovenian Chamber of Commerce and the Slovenian Directors` Association in May 2016. Before adopting this Code, the company applied the Corporate governance code for joint stock companies, which was drawn up and adopted on 18 March 2004 by Ljubljanska borza d.d., the Slovenian Directors` Association and the Managers` Association.

In 2016, the Management Board of the company drawn up a draft of the Governance Policy of the Elektro Maribor d.d. Company, which was also discussed by the Supervisory Board of the company and was presented to the social partners.

* Reporting in accordance with GRI G4 guidelines.

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

Complying with the generally adopted rules on corporate governance and company supervision contributes to encouraging transparent and efficient governance practice, directed to creating long-term value of the company, increasing responsibility of individual interest groups, improving the economic environment, and increasing the competitiveness of the company.

We operate in the context of the associations, such as the Electricity Distribution Economic Interest Grouping (GIZ), Slovenian Chamber of Commerce and Industry, Energy Industry Chamber of Slovenia, Styrian Chamber of Commerce and Industry, Employers' Association of Slovenia, Slovenian Directors' Association, Slovenian Association for Quality and Excellence, and other professional associations related to company's operations.

Integrity

We have signed also the Declaration of Fair Business (in 2013). In 2014, we have signed the Slovenian guidelines for corporate integrity as the first electricity distribution company and are thus included in the Circle of Ambassadors of Corporate Integrity. In this way, the correct perception of the organisation is expected from the business stakeholders.

Figure 12: Slovenian UN Association for Sustainable Development

Figure 13: Slovenian Corporate Integrity

In 2015, we prepared the Integrity Plan of Elektro Maribor d.d., the primary purpose of which is to strengthen the integrity and transparency and to prevent and suppress corruption, conflict of interests, unlawful or other unethical practices. The Integrity Plan includes the following components:

- Risk Register of corrupt, unlawful or other unethical practices;
- Rules on opening boxes and handling notifications sent to the corporate integrity proxy; and
- Rules on handling received gifts.

Management systems

We have introduced the following management systems, which, together with internal and external audit, ensure compliance of our operations with the regulations:

- Quality management system pursuant to the ISO 9001 standard since 2001;
- Environmental management system pursuant to the ISO 14001 standard since 2006;
- Metering laboratory management system pursuant to the ISO/IEC 17020 standard since 2006;
- Health and safety at work management system pursuant to the BS OHSAS 18001 standard since 2008; and
- Information protection system pursuant to the ISO/IEC 27001 standard since 2013.

Family-friendly company

We are a holder of the full Family-Friendly Company Certificate and committed to continue to reconcile work and family life of employees, mainly through the implementation of the existing measures and adoption and implementation of new ones.

Figure 14: Sign for full Family Friendly Company Certificate

Regular payment obligations and fair business

- Credit rating excellence

  Elektro Maribor d.d. meets the credit rating excellence criteria and is entitled to use the AAA status (Bisnode Slovenia), which ranks us in the highest credit rating in Slovenia.
- Credit rating

  Credit rating according to the Basel II rules and to the S.BON AJPES credit rating model as at 18 April 2016 is SB4. Gvin credit rating for 2016 is B1++.

Figure 15: Credit rating excellence certificate

3.4 Corporate governance and management (G4 34, LA12)

There is a two-tier management system in place in the company. The company is managed by the Management Board, which is controlled by the Supervisory Board. Corporate governance is based on legal provisions, the Articles of Association as the basic legal act of the company, and internal regulations, which are prepared according to the standards of the International Standardisation Organisation (ISO). The Management Board shall have one member appointed and dismissed by the Supervisory Board of the company. The Management Board`s term of office is four years with the possibility of reappointment.

President of the Management Board:

Boris Sovič, M.Sc.

Supervisory Board of the company:

- Tomaž Orešič – Chairman,
- Mateja Čuk, M.Sc – Deputy Chairperson,
- Roman Ferenčak – member,
- Ciril Pucko – member,
- Dušan Kovačič – member, representative of employees, and
- Darko Nemec – member, representative of employees.

General Meeting of Shareholders:

At the Annual General Meeting in 2016, the General Meeting decided on the distribution of profit for the financial year 2015, the discharge of the Management Board and the Supervisory Board, the appointment of a certified auditor for 2016, and amendments to the Articles of Association of the Elektro Maribor Company. At this General Meeting, the Management Board received authorisations to purchase own shares, which may be exercised in the period from 1 September 2016 to 31 March 2018.

* Reporting in accordance with GRI G4 guidelines.

3.5 Major events in 2016

Major investments

In terms of sustainable development and digital transformation, we continued with intensive investments aimed at increasing the robustness of the network and the implementation of smart grids.

- 2 x 110-kilovolt power line Murska Sobota -Mačkovci

  High-voltage 2 x 110-kilovolt power line Murska Sobota-Mačkovci significantly improves the reliability and quality of electricity supply for more than 12,000 network users - the population and economy - in Goričko, while provides the necessary energy for the power stations for the Pragersko-Hodoš railway line.

- Increasing the network robustness

  We built 21 new transformer stations and reconstructed 82 ones. We reconstructed and constructed anew 69 km of low-voltage overhead power lines, and laid anew and reconstructed 112 km of low-voltage cable lines.

  We reconstructed and constructed anew 118 km of medium-voltage overhead power lines, and laid anew and reconstructed 29 km of medium-voltage cable lines.

- Systematic construction of smart grid elements

  At the end of 2016, we included new metering points into the advance metering system. Consequently, the advance metering system covers as many as 132,552 metering points, which represents 61% of the total number of metering points in the company`s distribution area.

Employment to carry out own investments

Due to an increased volume of work, we employed 106 new employees (installers, auxiliary workers, drivers - machinists, and masons) from the local environment, who were involved in the implementation of the planned investments in our network.

Use of network

- We distributed a record 2.21 TWh of electricity, which is the highest in the company`s history.
- The highest achieved peak load amounted to 407 MW, which is 5% more than in the previous year.
- The realisation of the calculated power was 1.1% higher than in 2015.
- We are systematically lowering the share of electricity losses in the network, which amounted to 5.1% and is 0.1 percentage points less compared to the previous year.

Purchase of electricity for losses

A systematic change took place in 2016, on the basis of which we no longer carry out purchasing of electricity for losses for the needs of SODO. In this respect, we no longer disclose revenue and costs of purchasing electricity for losses in 2016.

New regulatory framework

A new Act on the methodology determining the regulatory framework and the methodology for charging the network charge for the electricity system operators (hereinafter referred to as: the Network Charge Act) for the regulatory period of 2016-2018, came into force in 2016.

Appointment of the company`s management

The Supervisory Board unanimously appointed in March 2016 Boris Sovič, M.Sc., the President of the Management Board for a new four-year term.

Own share buy-back

The General Meeting authorised the Management Board of the company to buy back own shares from 1 September 2016 to 31 March 2018, at a price that is not lower than EUR 2.07 and not higher than EUR 2.76 per share.

In 2016, we bought 72,753 of own shares, which is 0.217% of the total number of EMAG shares. The buy-back was realised at a price of EUR 2.07 per share, while the total amount of the buy-back amounted to EUR 150,598.71.

The number of shareholders decreased in 2016 from 1,299, as at 31 December 2015, to 815, as at 31 December 2016, or by 37%.

10-year plan for the development of the distribution network

We have prepared the Development Plan for the electricity distribution network in the RS for a 10-year period from 2017 to 2026 for the supply area of Elektro Maribor d.d. (NRA) and sent it to SODO d.o.o., who on the basis of the collected NRA of all distribution companies asks the competent ministry for consent.

Due to the importance of the energy supply for the population and the economy and more effective coordination of needs and interventions in the area, we presented our NRA to the public, the local community and larger economic operators and NGOs.

Humanitarian activities

As a socially responsible company, we are traditionally trying to help those who are in need, and support the work of various non-governmental organisations in our supply area in the implementation of humanitarian, sustainable and creative projects.

EFQM Certificate for business excellence

We have received the internationally valid EFQM Certificate for business excellence. The Award of the Republic of Slovenia for business excellence is the highest national award of the RS for achievements in the field of quality operations as a result of the development of knowledge and innovation. The Elektro Maribor Company received a diploma for classifying among the finalists in the category of organisations with more than 250 employees in the public sector.

EFQM
Recognised for excellence

Figure 16: EFQM Certificate for business excellence

3.6 Realisation of the business goals set in 2016

In 2016, we achieved the following strategic and short-term goals:

Table 1: Realisation of strategic goals

		Realisation 2016	Plan 2016	Realisation 2015
Business and financial performance	Capital dividend yield ≥ 1 %	2.3%	1.6%	1.6%
	Return on equity ROE ≥ 2%	5.0%	4.0%	4.5%
	Annual increase of productivity ≥ 1%	3.5%	5%	2%
	Share of own funds in liabilities ≥ 70%	74%	75%	73%
	Financial liabilities/EBITDA ≤ 3	1.2	1.3	1.2
Market strategy	Revenue from own investments and services on the market ≥ 20%	27%	28%	24%

In 2016, the company successfully attained all the set strategic goals. According to the planned goals for 2016, the company exceeded strategic goals of the dividends, return on equity and financial liability on EBITDA. The share of increased business performance is lower than planned due to 5.3% higher realised productivity in 2015 than planned, which was taken into account in the calculation of the planned amount for 2016. Productivity in

2016 increased by 9% compared to the estimated figures for 2015. The share of own funds is slightly lower than planned, mainly due to an increase in freely acquired fixed assets.

In 2016, the company achieved a record total revenues from own investment and services on the market in the amount of EUR 21.2 million, which is 1% more than planned. Due to the increased own investment in the construction of electricity facilities, the share of services on the market in total revenues was slightly lower than planned, while the share of revenue from own investments was higher than up to now. The share of revenue from own investments and services on the market in operating revenues is according to the planned figures lower, mainly as a result of higher other operating revenues that were not planned and relate primarily to the reversal of provisions and compensation of the insurance company.

Table 2: Realisation of short-term goals

		Realisation 2016	Plan 2016
1	Return on assets ROA in %	3.7	> 3
2	EBITDA margin in %	40.6	> 40.1
3	Controlled operating and maintenance costs in million EUR	21.7	≤ 23.3
4	Margin in the sale of services on electricity facilities and installations in million EUR	1.3	> 1
5	Metering points included in the advanced metering system in %	61	56
6	Proportion of underground network (HV, MV, LV) in %	47.7	47.5
7	Number of replaced pylons	9,010	8,000
8	SAIDI for own reasons in HV and MV networks on annual basis: - urban environment (in min per consumer) - rural environment (in min per consumer)	33.49 53.19	< 30.22 < 72.74
9	Number of measurements of voltage quality	843	500
10	Number of integrated quality analysers in MV	3	26

In 2016, we realised all set short-term goals. We exceeded the planned net profit, which is reflected in the higher return on assets. By the realisation of operations we, based on revenue which increased 3% more than costs and expenses compared to the planned, realised 0.5 percentage point higher EBITDA margin, EUR 1.6 million lower controlled costs and EUR 0.3 million higher margin from sale of services compared to the planned goals. With higher investments in the network, we exceeded set goals in 2016, relating to the share of advanced metering system and share of cable network implementation. The value of the SAIDI factor for urban area was slightly higher in 2016 than planned, mainly because of defects on 20 kV power lines Kamnica and Limbuš. Due to the transition from 3G technology to a newer LTE technology, we installed three analysers in 2016, and the rest will be installed in 2017.

3.7 Business environment of the company

In 2016, the economic growth in Slovenia was 2.5%, which is higher than in 2015 when the gross domestic product (GDP) increased by 2.3%. As in previous years, the economic growth was mainly the result of the growth in exports. The growth of consumption and private investments also increased.

The key factor of economic growth remains the export, boosted by growth in foreign demand and improving competitive position of Slovenian companies. The situation on the labour market continues to improve - the number of employees has already reached levels comparable to those in the years of stable economic growth, salaries grew faster in most activities. The growth of private investments also continued. It is associated with a high capacity utilisation, good business results and corporate deleveraging, and better financing conditions than a few years ago (Source: UMAR).

Table 3: Economic trends in Slovenia (Source: UMAR)

Real growth rates in %	2016	2015	2014
Gross domestic product (GDP)	2.5	2.3	3.1
Employment	2.0	1.1	0.4
Gross salaries per employee	1.9	1.2	0.9
Domestic consumption	2.4	1.4	1.8
Inflation (end of year)	0.5	-0.5	0.2

Distribution activity

In Slovenia, there are five electricity distribution companies besides us: Elektro Primorska d.d., Elektro Gorenjska d.d., Elektro Ljubljana d.d., and Elektro Celje d.d.

The comparison of Elektro Maribor with other electricity distribution companies (hereinafter referred to as: the EDP) in the Republic of Slovenia is made on the basis of publicly available data for 2015. The comparison shows that with 24.9% of the capital in the EDP and 25.7% of employees in the EDP in 2015 we generated 27% of profit in the EDP. The company had only 15.3% of the financial debt of the EDP and only 10.1% of the net financial debt of the EDP.

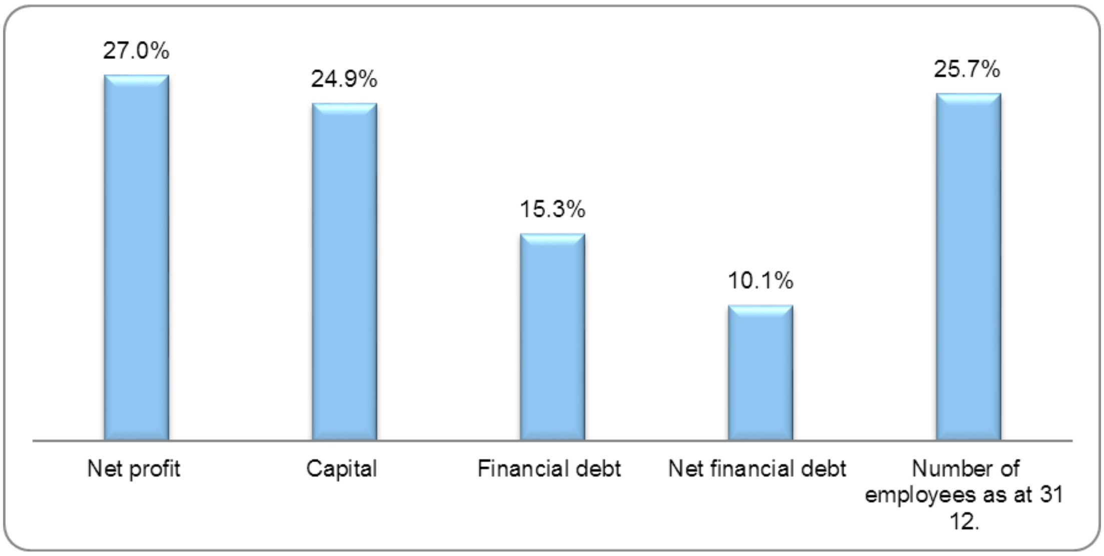

Figure 17: Positioning of Elektro Maribor in 2015

With 23.4% of assets of the EDP from regulated activity in 2015, Elektro Maribor realised 26.8% of all underground lines in the EDP, 31.8% of all metering points in the remote metering system, and 30.2% of all integrated production resources in the EDP.

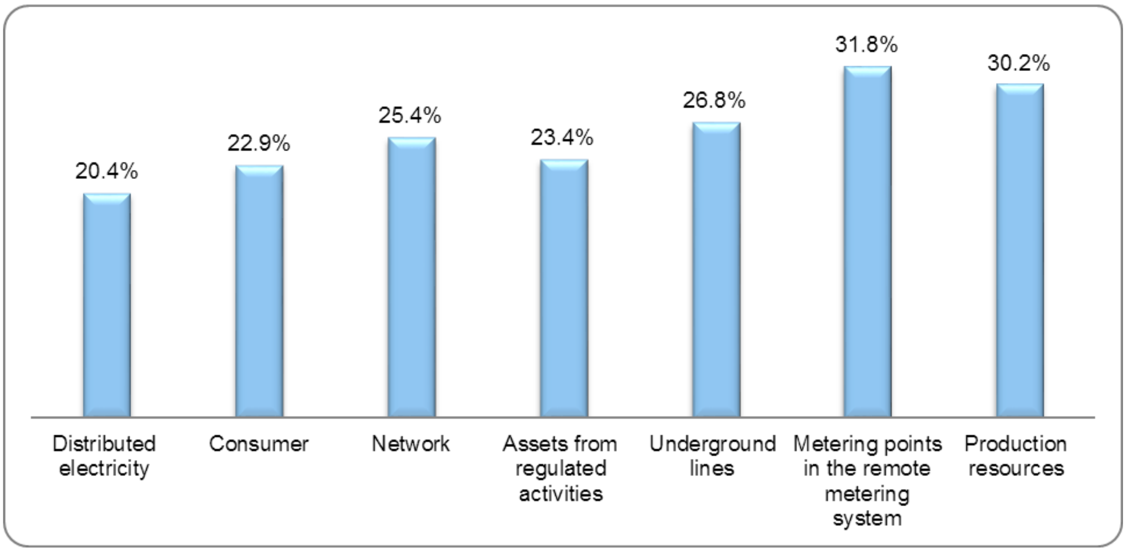

Figure 18: Shares of Elektro Maribor in all distribution companies in 2015

3.8 Reporting in accordance with Article 70 of the ZGD-1

3.8.1 Major events after the business year

Annex no. 5

In February 2017, we signed Annex no. 5 to the Contract on the lease of electricity distribution infrastructure and provision of services for SODO with the company SODO d.o.o. Annex shall apply for the entire regulatory period 2016-2018.

10-year plan for the network development

Before issuing the consent to the Development Plan for the electricity distribution network in the RS for a ten-year period from 2017 to 2026, the Ministry of Infrastructure demanded from the SODO d.o.o. company, which formed the materials, to supplement the documents with information that we last year included in the Development Plan, which was submitted to SODO d.o.o. The company actively cooperates with SODO in the preparation of the requested amendments.

Power line Murska Sobota-Mačkovci

Following the completion of the implementation phase of the construction of the power line Murska Sobota-Mačkovci, a dispute before the Administrative Court of the RS was initiated regarding the acquired easement in the public interests and a building permit. The Supreme Court of the RS granted the application for interim measures, but only for further construction, in which it did not follow the proposal of setting fines. In both disputes, we are expecting the Court`s decision shortly due to the importance of the matters of public interests.

3.8.2 Expected company`s development (G4 56) *

Company`s strategy

The expected development of the company is identified in the following documents: The Strategy of the Elektro Maribor d.d. Company, the Strategy of technical and technological development of the Elektro Maribor electricity distribution system for the period 2015-2030, the Annual Business Plan of the company and the Elektro Maribor Group for 2017, including a projection of operations for 2018 and 2019, and the Development Plan of the Elektro Maribor d.d. distribution network for the period from 2017 to 2026.

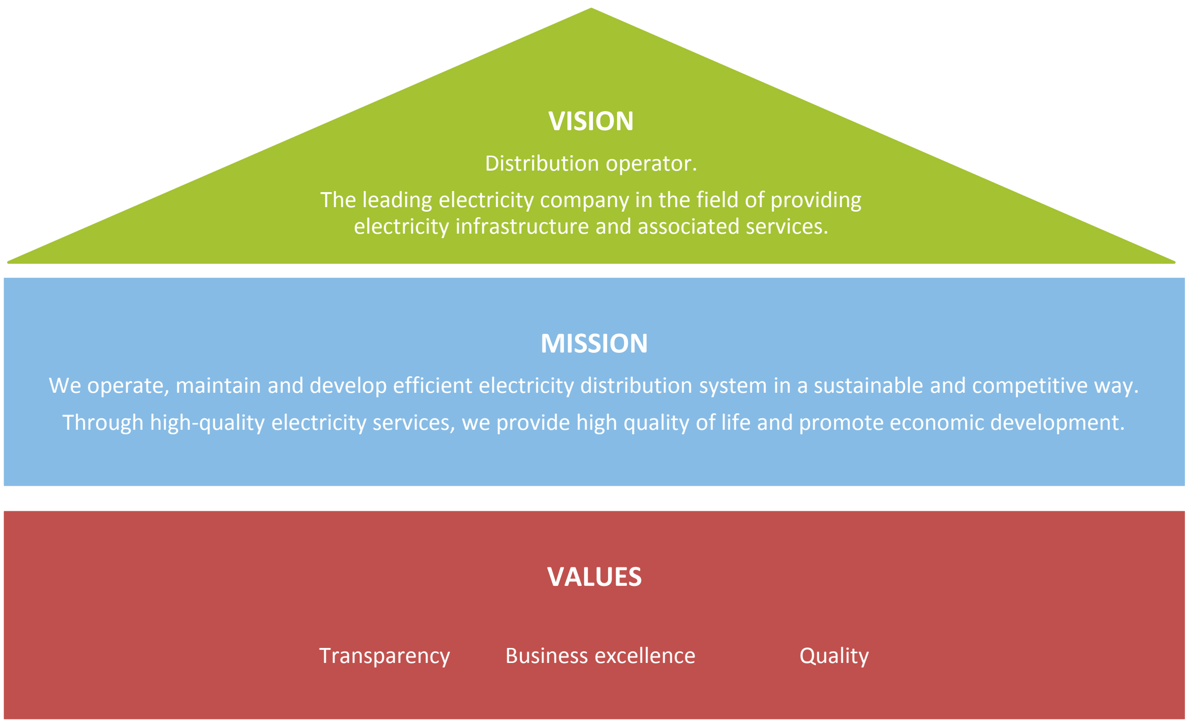

Figure 19: Vision, mission and values

* Reporting in accordance with GRI G4 guidelines.

Strategic goals and short-term business objectives in 2017

In the Annual Business Plan of Operations of the company and the Elektro Maribor Group for 2017, including a projection of operations for 2018 and 2019, we have evaluated strategic goals and key short-term objectives for 2017.

Table 4: Strategic goals

		Plan 2017
Business and financial performance	Capital dividend yield ≥ 1%	1.0%
	Return on equity ROE ≥ 2%	4.5%
	Annual increase of productivity ≥ 1%	2.0%
	Share of own funds in liabilities ≥ 70%	74.5%
	Financial liabilities/EBITDA ≤ 3	1.2
Market strategy	Revenue from own investments and services rendered on the market ≥ 20%	27.4%
Strategy of technical and technological development of the electricity distribution system	Share of net carrying amount of the electricity infrastructure intended to finance investments ≥ 8%	8.9%

Table 5: Key short-term objectives 2017

		Plan 2017
1.	Return on assets ROA in %	3.4
2.	EBITDA margin in %	40.5
3.	Controlled operating and maintenance costs in million EUR	≤ 23.4
4.	Revenue on the market and from own investments in %	27.4
5.	Realisation of investments in % (in million EUR)	100 (25)
6.	SAIDI factor for own reasons in HV and MV networks:	
	- urban environment (min/consumer)	< 28.71
	- rural environment (min/consumer)	< 69.10
7.	Number of replaced pylons in MV and LV networks	9,000
8.	Metering points included in the advanced metering system in %	> 65
9.	Number of employees as at 31 December	≤ 752
10.	Proportion of MV underground lines in %	28.3

Long-term plan of the network development

In 2016, we prepared the Plan of developing the distribution network of Elektro Maribor d.d. for 2017-2026 in accordance with the requirements of the Energy Act. The plan identifies the main infrastructure for electricity distribution that needs to be build and upgraded in a ten-year period for reliable and efficient power supply, safe network operation, network integration of sources and deployment of advanced network services. The planned investments for the development of the company`s distribution network amount to EUR 357 million for a ten-year period.

In the following ten-year period, the realisation of planned investments will enable:

- Increase in the consumption and peak loads in accordance with the needs of the population and the economy.
- Increase of the robustness of the distribution network by increasing the proportion of underground lines in MV and LV networks.
- With the realisation of the planned major MV lines and cross-connections in the MV overhead network, increase in the looping of the MV network.
- Increase in the share of remotely controlled switches (switches in lines and in MV/NV power lines) in the MV network.
- With advanced network service, such as construction of an advanced metering system and installation of system meters (100 percent of users of distribution network until 2024) and installation of voltage quality analysers in MV/LV power lines, we will increase the visibility of the company among users of the distribution network.

- Implementation of the project of voltage regulation and fast error detection with the restoration of the network, the project of balancing peak loads, and the CIM project.

The Plan of network development was sent to SODO d.o.o. in November 2016, which it then submitted for approval to the Minister responsible for energy in accordance with the EZ-1 for the entire national territory.

3.8.3 Activities in the field of research and development

The company is highly development-oriented. We are rapidly developing sustainable infrastructure and services in accordance with the principles of sustainable development and our mission.

Advanced network management

The construction of smart grids, which includes also advanced network management, is expected to ensure long-term rationalisation of investments in the energy infrastructure and the offer of advanced services for users. In this regard, we continued with the activities concerning the preparation of a joint pilot research demonstration project in the field of smart grids and communities in 2016.

We are actively involved in the process of setting up strategic development and innovation partnerships (SRIP). Our focus areas are Smart cities and communities, where we will connect with stakeholders in the Energy and other supply vertical. At the same time, we want to use open innovation to encourage/strengthen creativity and innovation culture, which can only improve our performance and competitiveness.

We completed the construction of the smart MV/LV Radvanje transformer station and the related part of the LV network. The transformer station is ready for the final operational state - remote control at MV and LV levels and testing of new functions for the needs of the company and beyond.

We monitored and were involved in various initiatives for project participation in the field of Smart grids and Smart cities. By investing in robust and smart networks, we provide infrastructure of sustainable development. We provide realisation of concepts of Smart cities and decarbonisation of heating / air conditioning and the electrification of mobility.

We are actively monitoring the development of technologies in the field of protection, management, quality of voltage and communications, which are vital for a successful network management and were, among other things, considered in the preparation of the NRA 2017-2026.

Preparation of technical analysis

We have prepared a detailed report on the eligibility of the installation of devices for reactive power compensation at the MV level in 110/20 Sladki Vrh and 110/10 kV Tezno switching transformer stations. It is economical to install the compensation device at 10-kilovolt level in Tezno switching transformer station, where the estimated payback period of the investment contribution is eight years. Installation of the compensation device in the Sladki Vrh switching transformer station is not economical, since the payback period of the investment would be 20 years. Therefore, it was agreed with the representative of the company, which is the largest consumer connected to the Sladki Vrh switching transformer station and the user of the reactive power, to arrange its compensation device, so that the power factor will be within the prescribed limits.

In the Analysis of including a new Dobrovnik switching transformer station in the MV network, we created a structure map of 20-kilovolt network of the planned Dobrovnik STS, connected with 20-kilovolt network of Murska Sobota and Lendava STS, which meets the criteria of economy, reliability, development flexibility, and transparency.

We prepared analyses to improve the reliability of MV power lines of the distribution transformer stations 110/20 kV with the worst indicators of the number and duration of interruptions per consumer from the area of Maribor RU, Murska Sobota RU and some lines in the area of Slovenska Bistrica RU and Ptuj RU. From the list of 21 MV lines with the worst average indicator in the last three years (SAIDI and SAIFI), we prepared analyses for 12 MV lines.

We analysed and selected the optimal locations of remotely controlled switches in MV lines with the worst factors of reliability to improve the factors, while considering the projected development of MV lines from the long-term studies.

E-business

The company has been consistently and prudently introducing e-business into its work processes for many years. We have introduced e-business in the following processes:

- Complete incoming mail is electronically digitalised and distributed within the company; Outgoing documents and outgoing mail are managed, kept and stored electronically; Internal documents (letters, minutes, reports, etc.) are managed and distributed electronically;
- In the field of administrative procedures; these are fully managed and stored electronically; With some administrative units in our area, we harmonised and introduced electronic exchange of certain types of documents in administrative procedures;
- Recording and archiving contracts are together with originals managed and archived also electronically;
- Received e-invoices are managed through the document management system; and
- In January 2016, we fully implemented electronic liquidation of invoices. For this purpose, we introduced electronic signature and integrated a time stamp at higher organisational levels. All invoices in the liquidation process are processed, approved and confirmed completely electronically, where the confirmation of the invoice is done with an electronic signature.

We revised the eService portal, which allows our users to review data on their metering point and to register the notification of outages. It helps users to obtain data on their metering point, where all communication is done in digital form.

3.8.4 Existence of subsidiaries

The Elektro Maribor Company has no subsidiaries.

3.8.5 Policy of diversity in the management and supervisory bodies

The policy of diversity related to representation in the company`s management bodies is carried out in the process of selecting the Management Board. The policy is also applied in the process of selecting the Supervisory Board members of representatives of the capital. It is also considered in the selection of the directors and heads of departments in the company.

3.8.6 Financial risks management

Management of financial risks, which are important for the assessment of the assets and liabilities of the company, is described in more detail in Chapter 10: Risk management and in individual notes to the financial statements.

3.8.7 Ownership structure and shares (G4 7, 13)*

The Elektro Maribor Company is organised as a public limited company, the share capital of which amounts to EUR 139,773,510 and is divided into 33,495,324 ordinary no-par value shares. Each share represents an equal stake and the corresponding amount in the share capital. The shares of the company were not traded on any regulated market in 2016.

The General Meeting adopted on their 21st regular meeting held on 31 August 2016 a decision with which it authorised the Management Board, for the purpose to maximise the value for stakeholders and increase the value of assets of the company, to purchase own shares from 1 September 2016 to 31 Marc 2018, at a price that is not lower than EUR 2.07 and not higher than EUR 2.76 per share. The authorisation is valid for the

* Reporting in accordance with GRI G4 guidelines.

acquisition of a maximum of 3,349,532 own shares, with the total number of shares acquired under this authorisation together with other own shares that the company already has shall not exceed 10% of the share capital (3,349,532 shares). Based on this decision, the company would be able to acquire a maximum of 1,245,273 own shares in 2016, a maximum of 1,245,273 own shares in 2017, and in 2018 as many shares as is the difference between 3,349,532 shares and the acquired own shares in 2016 and 2017 and other own shares that the company already had before the decision of the General Meeting, but no more than 1,674,766 shares in 2018.

On 21 November 2016, the Supervisory Board adopted the Rules on the purchase and sale and price of own shares, on the basis of which the Management Board issued the Program of buying own shares. In accordance with this Program and the decision of the General Meeting, the company limited the quantity of the purchase of own share and their price.

We bought back own shares on the basis of the General Meeting`s decision in the period from and including 29 November 2016 to and including 23 December 2016 and acquired 72,753 shares, which is 0.217% of the total number of EMAG shares. The buy-back was realised at a price of EUR 2.07 per share, which means that the total amount of the buy-back amounted to EUR 150,598.71.

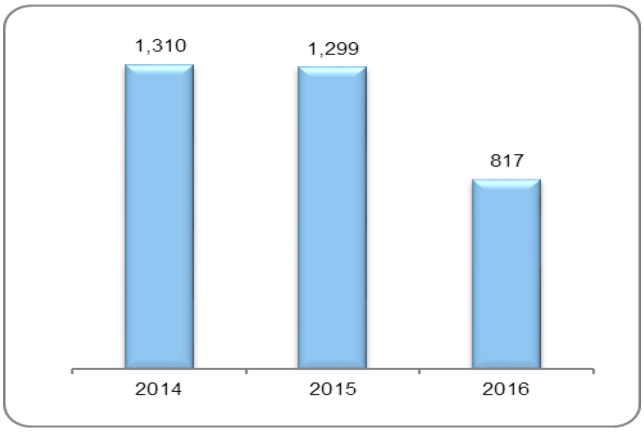

Figure 20: Trends in the number of shareholders of the Elektro Maribor d.d. Company 2014-2016

Capital ownership structure changed in 2016. On 28 November 2016, before the buy-back of own shares, the company had 1,158 shareholders. On 31 December 2016, the company had 817 shareholders. The shares were bought back from 279 shareholders, which is 24.1% of all shareholders as at 28 November 2016. Change in the number of shareholders is the result of own share purchase and other transactions between other shareholders.

Five shareholders have over 1-percent share, which is one more compared to the previous year, since the Addiko Bank d.d. company acquired more than 1-percent share. The largest shareholder is the Republic of Slovenia with 79.5-percent share.

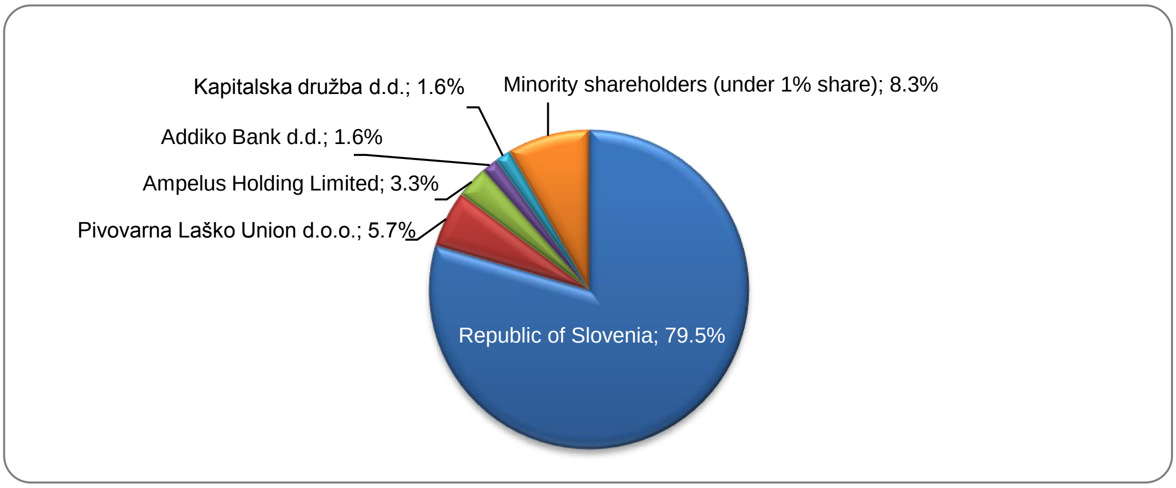

Figure 21: Ownership structure of the share capital (as at 31 December 2016)

Table 6: The largest shareholder of the Elektro Maribor d.d. Company as at 31 December 2016

Shareholder	Address	Number of shares
Republic of Slovenia	Gregorčičeva ulica 2, Ljubljana, Slovenia	26,628,807
Pivovarna Laško Union d.o.o.	Pivovarniška ulica 2, Ljubljana, Slovenia	1,922,321
Ampelus Holding Limited	Lamatinou 13, Limassol, Cyprus	1,096,070
Addiko Bank d.d.	Slavonska avenija 6, Zagreb, Croatia	553,021
Kapitalska družba d.d.	Dunajska cesta 119, Ljubljana, Slovenia	539,745

Table 7: Number of shares owned by members of the Supervisory Board and the Management Board as at 31 December 2016

Name and surname	Function	Number of shares	Capital share
Supervisory Board			
Internal members		**498**	**0.0015%**
1. Dušan Kovačič	Supervisory Board member	200	0.0006%
2. Darko Nemec	Supervisory Board member	298	0.0009%
External members		**0**	**0%**
1. Tomaž Orešič	Chairman of the Supervisory Board	0	0%
2. Mateja Čuk	Supervisory Board member	0	0%
3. Ciril Pucko	Supervisory Board member	0	0%
4. Roman Ferenčak	Supervisory Board member	0	0%
Management Board		**0**	**0%**
1. Boris Sovič	President of the Management Board	0	0%

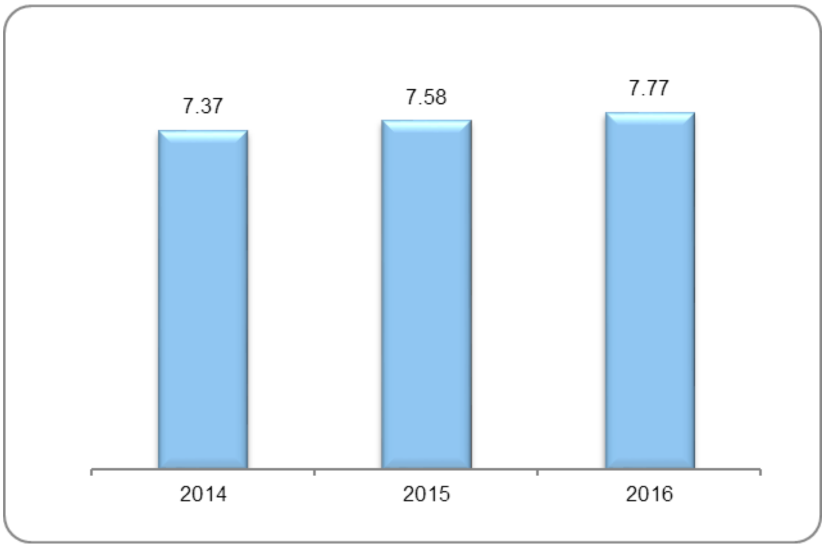

Figure 22: Trends in the share book value per share (in EUR)

4 COMPANY`S PERFORMANCE ANALYSIS (G4 EC1)*

The performance analysis of operations shows financial data of the current year compared to the previous year and the planned data for 2016. Deviations from the previous year are explained in detail in the financial report. Therefore, this chapter includes only comments on deviations in comparison with the planned data.

4.1 Net profit or loss

We concluded our operations in 2016 successfully and generated net profit of EUR 12,786,019, which the most in the last two decades. We exceeded the planned net profit by 24% and the net profit of the previous year by 14%. Net profit has improved mainly due to the fact that revenues, which increased by EUR 4,597,161 or 6% compare to the planned, grew faster than costs, which exceeded the figures of the planned by only EUR 2,227,603 or 3%.

Profit before tax increased by EUR 2,369,558 or 21% compared to the planned in 2016 and amounted to EUR 13,803,849.

Table 8: Net profit or loss

in EUR	2016	Plan 2016	2015	Index	Index
	1	2	3	1/2	1/3
Profit and loss from operating activities	13,004,950	10,981,333	12,253,850	118	106
Net financial revenue	888,981	535,594	607,805	166	146
Results from other operating activities	-90,083	-82,636	-77,991	109	116
Taxes	-1,017,829	-1,123,428	-1,523,557	91	67
Net profit or loss	**12,786,019**	**10,310,863**	**11,260,107**	**124**	**114**

4.2 Company revenue

Higher operating revenue in 2016 compared to plans is the result of higher revenues from controlled revenues under the SODO Contract, which were influenced by the new regulation for the period 2016-2018, which was not evaluated during the planning of operations for 2016.

The operating revenues decreased by 5% compared to the previous year, because we did not sell electricity for losses due to system changes in 2016. If we reduce revenue in 2015 by revenues from the purchase of electricity for losses, the revenues in 2016 increased by 3%.

Compared to the planned figures, financial revenue in 2016 increased by EUR 260,882 or 22%, mainly due to the higher financial revenue from stake in companies in the Group.

Table 9: Company revenue

in EUR	2016	Plan 2016	2015	Index	Index
	1	2	3	1/2	1/3
Operating revenues	79,345,897	75,026,558	83,181,582	106	95
Financial revenue	1,428,422	1,167,540	1,459,204	122	98
Other revenues	16,940	0	14,991	-	113
Total revenue	**80,791,259**	**76,194,098**	**84,655,777**	**106**	**95**

* Reporting in accordance with GRI G4 guidelines.

4.3 Costs and expenditures

Total costs and expenses of the company increased in 2016 by EUR 2,227,603 or 3%, where operating costs and expenses increased the most.

Compared to the previous year, costs and expenses decreased by EUR 4,884,702 or 7%, mostly due to operating costs that relate to the purchase of electricity for losses, which was not carried out in 2016. If we reduce costs and expenses in 2015 by costs from the purchase of electricity for losses, the revenues in 2016 increased by 1%.

Table 10: Costs and expenditures

in EUR	2016	Plan 2016	2015	Index	Index
	1	2	3	1/2	1/3
Operating costs and expenses	66,340,947	64,045,225	70,927,732	104	94
Financial expenses	539,441	631,946	851,399	85	63
Other expenses	107,023	82,636	92,982	130	115
Total costs and expenses	**66,987,411**	**64,759,807**	**71,872,113**	**103**	**93**

Operating costs and expenses refer to the costs of material and services, write-offs, labour costs, and other expenses. In 2016, the operating costs increased by EUR 2,295,722 or 4% compared to the panned figures, mainly from higher costs of material used for the rehabilitation of damages which is not planned and the material used for the provision of services and rental charges. The proportion of the increase in these costs is 50%.

There were no significant deviations in the structure of operating costs compared to planned figures. The company is engaged in a labour-intensive activity, and consequently the share of labour costs represents 43% of all operating costs and expenditures.

Compared to the previous year, costs of material decreased, which is a result of the system change, on the basis of which the company no longer purchase electricity for losses. Meanwhile, the share of write-offs and labour costs increased, which is a result of a larger number of project employees and costs of annual leave payments for 2016 in accordance with the Corporate Collective Agreement.

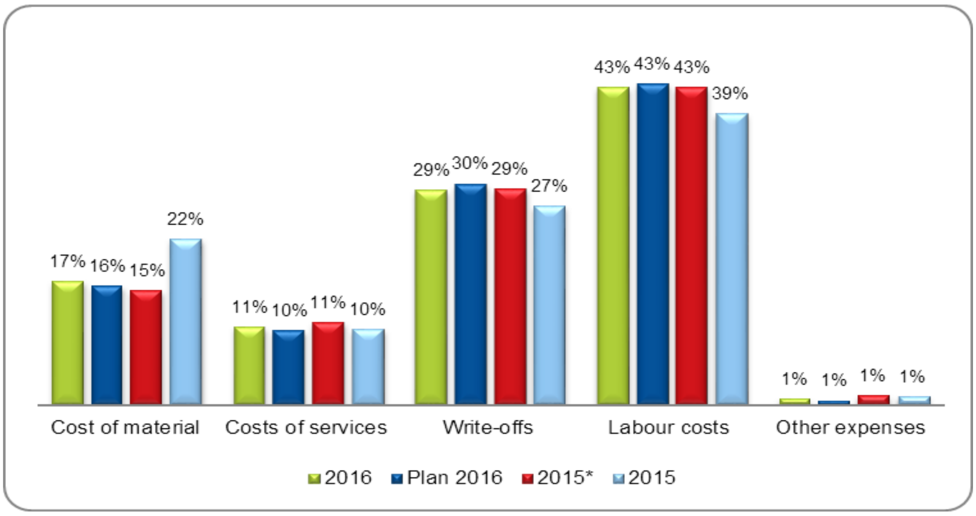

Figure 23: Structure of operating costs and expenses
(2015* without taking into account costs of purchasing electricity for losses)

Financial expenses decreased compared to planned figures in 2016 by EUR 92,505 or 15%. Compared to the previous year, financial expenses decreased by EUR 311,958 or 37%, mostly as a result of lower expenses from credit interest on long-term loans and financial expenses from impairments of financial investments.

Other expenses in 2016 exceeded the planned figures by EUR 24,387 or 30%, mostly as a result of expenses from lawsuits.

4.4 Controlled operating and maintenance expenses

Controlled operating and maintenance expenses (NSDV) are in accordance with Article 18 of the Network Charge Act costs that can be influenced by the electricity operator with its operations and are dependent on investments which are reflected in the change of the line lengths, the number of stations, and the number of users. Taking all this into account, the regulation (RO), as determined by the Energy Agency as the regulator, includes the required efficiency of the operations, which consists of overall efficiency in the proportion of 1.5% for 2016 and the individual efficiency that amounts 3% per year for Elektro Maribor and is determined for each distribution area based on a non-peer-reviewed "Comparative analysis of the efficiency of electricity distribution in the period 2004-2013" of the Faculty of Economics, University of Ljubljana.

We warned the Energy Agency in 2015 that the said study does not show the real picture of the efficiency of each distribution company as a whole, because apart from the rest it sums the output as the distributed electricity to the extent of which the companies have no influence. The direct application of such study in determining the individual performance factor is definitely wrong and can cause economic damage to an individual company. For an objective calculation of efficiency factor, the specifics of the activity of electricity operators should be considered, regardless of the volume of the distributed electricity in the supply area.

The amount of NSDV, set out in the regulation, is calculated on the basis of the average realised NSDV in 2011-2013. In 2016, NSDV includes also costs of insurance premiums in accordance with the new regulatory framework, which impacts on higher NSDV compared to the previous years. Regardless of the controversy of the grounds on which the decision of the regulator on the amount of individual efficiency is based, the company pays a lot of attention to the cost management due to due diligence and corporate responsibility. In the realised amount of NSDV we consider the amount specified in the regulation. We succeeded this in 2016 with appropriate engagement. Realised NSDV are lower than the regulation by EUR 2.4 million or 10%.

The graph includes NSDV for 2014 and 2015, presented in accordance with the methodology of regulatory framework for 2013-2015, while for 2016 they are presented in accordance with the methodology which applies to the new regulatory framework 2016-2018.

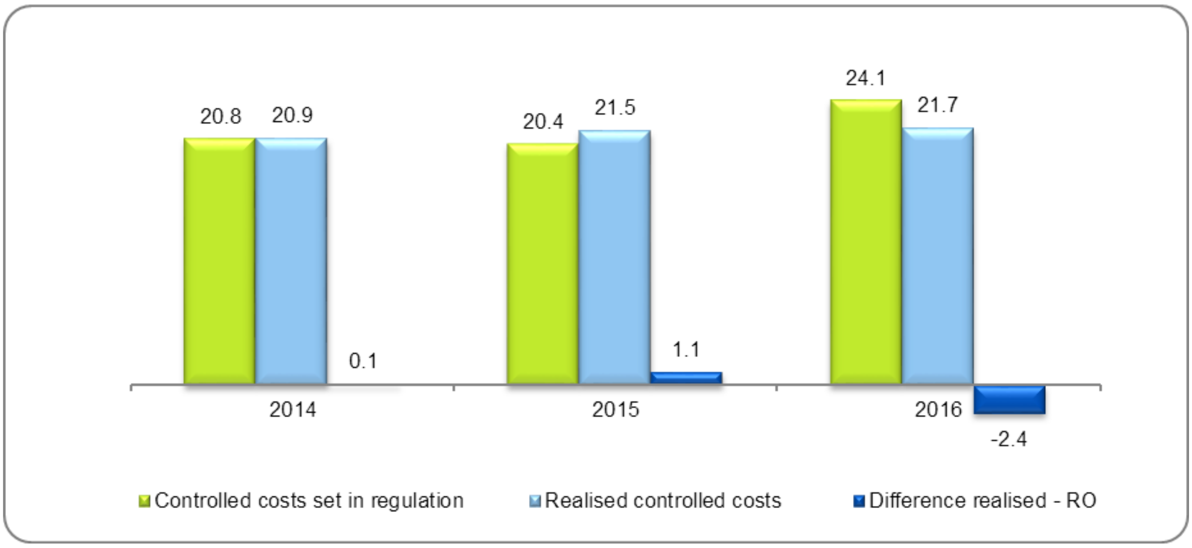

Figure 24: Controlled operating and maintenance costs (in million EUR)

4.5 Financial condition

Total assets of the company as at 31 December 2016 amounted to EUR 352,584,706. It exceeded the planned figures by EUR 9,784,384 or 3%.

Table 11: Total assets

in EUR	31 Dec 2016	Plan 31 Dec. 2016	31 Dec 2015	Index	Index
	1	2	3	1/2	1/3
Assets	**352,584,706**	**342,800,321**	**345,428,428**	**103**	**102**
Non-current assets	329,174,537	320,035,270	317,441,895	103	104
Short-term assets	23,164,378	22,701,562	27,683,356	102	84
Short-term deferred items	245,790	63,489	303,177	387	81
Liabilities	**352,584,706**	**342,800,321**	**345,428,428**	**103**	**102**
Capital	260,251,694	258,637,955	253,826,936	101	103
Provisions and long-term accrued items	39,159,423	34,214,697	37,191,418	114	105
Long-term liabilities	29,239,605	28,478,092	29,996,748	103	97
Short-term liabilities	22,969,641	20,576,347	23,592,165	112	97
Short-term accrued items	964,342	893,230	821,161	108	117

The structure of assets in 2016 includes mainly non-current assets (95%). The proportion increased compared to the previous year, mainly due to a higher balance of tangible fixed assets.

Table 12: Structure of assets

Item in %	31 Dec 2016	Plan 31 Dec 2016	31 Dec 2015
	1	2	3
Non-current assets	93.36	93.36	91.90
Short-term assets	6.57	6.62	8.01
Deferred items	0.07	0.02	0.09
Total	**100**	**100**	**100**

The company allocated EUR 4,450,366 more for investments in fixed assets compared to the planned investments, which is a result of restructuring investments and provided additional funding. Additional funds were invested largely in the increase of the robustness of medium- and low-voltage networks.

Table 13: Investments in fixed assets

	31 Dec 2016	Plan 31 Dec 2016	31 Dec 2015	Index	Index
	1	2	3	1/2	1/3
Value of assets - in EUR	310,561,980	301,914,023	298,855,327	103	104
Investment in the company`s fixed assets - in EUR	27,673,982	23,223,616	25,428,152	119	109
Share of investment in value of assets - in %	8.91	7.69	8.51		

Short-term assets of the company amounted as at 31 December 2016 to EUR 23,164,378. They exceed the planned figures by EUR 468,816 or 2%, mainly due to a higher balance of short-term operating receivables.

Table 14: Short-term assets

in EUR	31 Dec 2016	Plan 31 Dec 2016	31 Dec 2015	Index	Index
	1	2	3	1/2	1/3
Inventories	1,390,498	1,400,000	1,371,197	99	101
Short-term operating receivables	11,010,736	9,670,074	10,057,754	114	109
Cash and cash equivalents	10,763,144	11,631,488	16,254,405	93	66
Total	**23,164,378**	**22,701,562**	**27,683,356**	**102**	**84**

Liabilities as at 31 December 2016 present resources to finance assets at disposal of the company. The largest share of company`s assets (74%) is financed with capital.

Table 15: Structure of company`s liabilities as at 31 December

Item in %	31 Dec 2016	Plan 31 Dec 2016	31 Dec 2015
	1	2	3
Capital	73.81	75.45	73.48
Provisions and long-term accrued items	11.11	9.98	10.77
Long-term liabilities	8.29	8.31	8.68
Short-term liabilities	6.51	6.00	6.83
Short-term accrued items	0.27	0.26	0.24
Total	**100**	**100**	**100**

Capital of the company amounted as at 31 December 2016 to EUR 260,251,694, which exceeded the planned figures by EUR 1,613,739 or 1%, mainly as a result of achieved profit for 2015 exceeding the planned figures.

Provisions and long-term accrued items exceeded the planned figures by EUR 4,944,726, mainly as a result of higher freely acquired fixed assets from costumers, which are treated as long-term deferred items in accordance with the SRS.

In 2016, the company borrowed EUR 8,000,000, which is the same as planned figures. Compared to the previous year, the company decreased its borrowings by EUR 757,143 or 2%.

Table 16: Borrowing

in EUR	31 Dec 2016	Plan 31 Dec 2016	31 Dec 2015	Index	Index
	1	3	2	1/2	1/3
Loans (short-term + long-term items)	37,942,857	37,942,857	38,700,000	100	98

Compared to the planned figures, short-term liabilities increased by EUR 2,393,301 or 12%, as a result of exceeding the planned investments and, consequently, higher operating liabilities to suppliers for fixed assets.

Table 17: Short-term liabilities

in EUR	31 Dec 2016	Plan 31 Dec 2016	31 Dec 2015	Index	Index
	1	3	2	1/2	1/3
Short-term operating liabilities	14,170,067	11,039,976	14,807,950	128	96
Short-term financial liabilities	8,799,574	9,536,370	8,784,215	92	100
Total	**22,969,641**	**20,576,347**	**23,592,165**	**112**	**97**

4.6 Cash flow and financial operation

In 2016, we achieved negative cash flow equalling EUR 4,221,910. This is a result of higher expenses from liabilities to suppliers due to higher investments and higher dividend payments.

Table 18: Financial operations

in EUR	2016	Plan 2016	2015	Index	Index
	1	2	3	1/2	1/3
Cash flow from operations	**10,147,646**	**14,845,754**	**13,486,045**	**68**	**75**
- operating revenues	105,051,043	102,965,159	111,496,348	102	94
- operating expenses	-94,903,397	-88,119,405	-98,010,303	108	97
Cash flow from investments	**-8,397,032**	**-10,217,465**	**-7,302,632**	**82**	**115**
- cash receipts from investment activities	1,467,218	1,143,400	1,476,990	128	99
- cash disbursements from investment activities	-9,864,250	-11,360,865	-8,779,622	87	112
Cash flow from financing	**-7,241,875**	**-5,897,640**	**-2,060,690**	**123**	**351**
- cash receipts from financing activities	8,000,000	8,000,000	10,000,000	100	80
- cash disbursements from financing activities	-15,241,875	-13,897,640	-12,060,690	110	126
Cash flow for the period	**-5,491,261**	**-1,269,351**	**4,122,723**	**433**	**-133**
Closing balance of cash	**10,763,144**	**11,631,488**	**16,254,405**	**93**	**66**
Opening balance of cash	**16,254,405**	**12,900,839**	**12,131,682**	**126**	**134**

Total financial liabilities of the company at the end of 2016 equalled EUR 37,942,857 and were 2% lower than figures from the previous year, mostly as a result of decreased borrowing compared to the previous years.

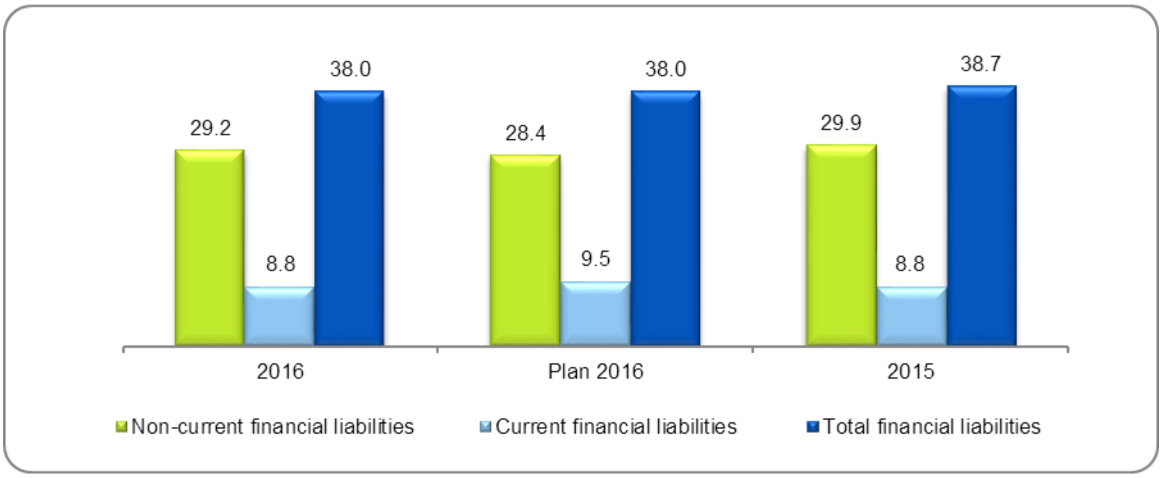

Figure 25: Financial liabilities (in EUR million)

As at 31 December 2016, net financial debt equalled EUR 27,222,144, which is by 21% more than at the end of 2015, resulting mainly from a lower cash balance at the end of 2016.

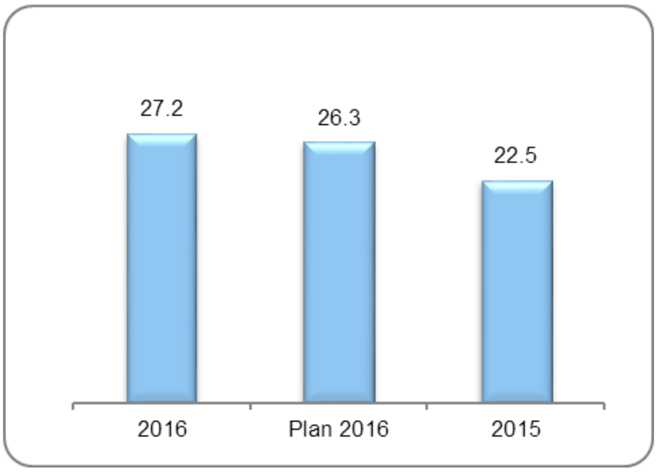

Figure 26: Net financial debt (in EUR million)

Net financial debt = Financial liabilities – Short-term financial investments – Cash

Increase in the net financial debt to EBITDA ration in 2016 results from higher net financial debt compared to the previous year.

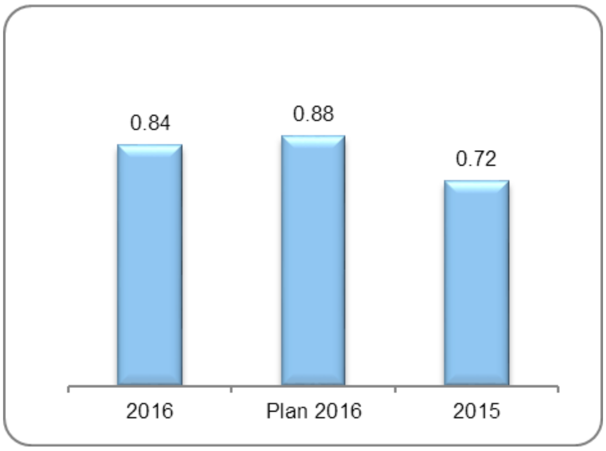

Figure 27: Net financial debt/EBITDA

For the period 2015-2017, the company raised a long-term loan with EIB for investment financing in the amount of EUR 27 million. From the total amount of the loan, we already used EUR 10 million in 2015 and EUR 8 million in 2016.

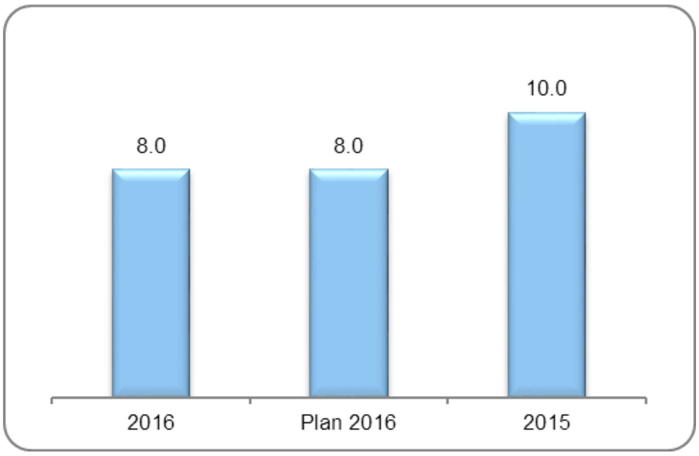

Figure 28: Borrowing with long-term loans (in EUR million)

The company`s debt level decreased in 2016 by 0.4 percentage points compared to 2015, which resulted from lowering loan in 2016.

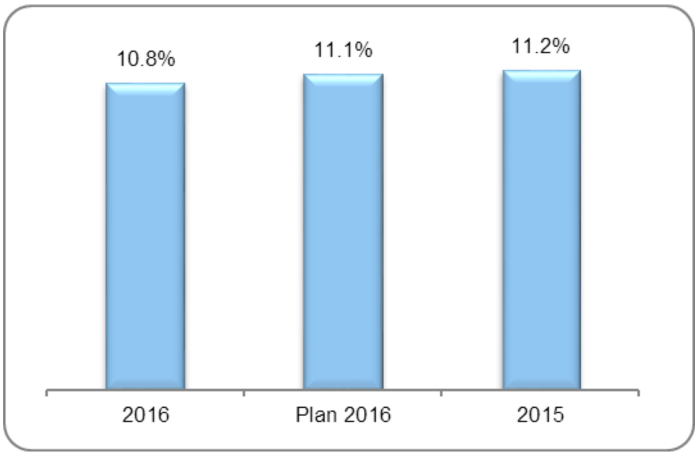

Figure 29: Debt level

4.7 Performance indicators

Performance of the company is measured by different performance indicators:
- Financial indicators;
- Shares;
- Employees; and
- Company`s principal activity

In 2016, we fulfilled all expectations of SDH for measuring investment performance, resulting from the Ordinance on state asset management relating to:

- Return on assets (ROA) in the proportion of 3.0%; and
- EBITDA margin in the proportion of 40.1%.

We exceeded the values of both indicators in 2016, as shown in the table below.

In the OPEX indicator, the importance of the correct understanding should be noted. Calculation of the OPEX indicator on the distributed energy is not appropriate because it compares operating expenses of the entire company depending on the quantities of distributed electricity, which apply only to the regulated activity of the company. More appropriate is the OPEX indicator of the regulated activity of the company reduced to the quantities of distributed electricity, the number of consumers and the length of the network, where operating expenses in the regulated activity are compared according to the physical indicators that also relate to the regulated activity. Therefore, the company calculates such indicator.

Table 19: Performance indicators for the Elektro Maribor Company

Financial indicators	2016	2015	2014
Net profit and loss in EUR	12,786,019	11,260,107	9,238,901
Return on assets (ROA) in %	3.7	3.3	2.8
Return on equity (ROE) in %	5.0	4.5	3.8
EBIT (profit and loss from operating activities) in EUR	13,004,950	12,253,850	10,892,662
EBIT margin (EBIT/operating revenue) in %	16.4	14.7	13.5
EBITDA (EBIT + write-offs) in EUR	32,220,715	31,283,403	30,303,382
EBITDA margin (EBITDA/operating revenue) in %	40.6	37.6	37.6
Total revenue in EUR	80,791,259	84,655,777	81,161,201
Operating revenue (gross operating return) in EUR	79,345,897	83,181,582	80,551,933
Net sales in EUR	57,941,225	62,696,245	60,518,030
Added value in EUR	60,665,087	59,136,921	57,613,993
Added value per employee from hours in EUR	73,702	71,198	69,768
Total costs and expenses in EUR	66,987,411	71,872,113	70,650,411
Operating costs and expenses in EUR	66,340,947	70,927,732	69,659,271
Assets as at 31 December in EUR	352,584,706	345,428,428	332,656,097
Capital as at 31 December in EUR	260,251,694	253,826,936	246,910,062
Share of own funds in liabilities in %	73.8	73.5	74.2
Financial liabilities/EBITDA	1.18	1.24	1.20
Net financial debt in EUR	27,222,144	22,472,667	24,107,796
Net financial debt/EBITDA	0.84	0.72	0.80
Investments in EUR	27,673,982	25,428,152	22,971,243
CAPEX in net sales in %	47.8	40.6	38.0

Shares	2016	2015	2014
Number of all shares	33,495,324	33,495,324	33,495,324
Own shares	72,753		
Number of shares	33,422,571	33,495,324	33,495,324
Total capital dividend yield in %	2.3	1.6	1.2
Dividend to share capital in %	4.2	2.9	2.1
Gross dividend per share in EUR	0.12	0.16	0.14
Dividend paid for the year in EUR (*distributable profit)	4,069,836*	5,453,039	4,536,670

Employees	2016	2015	2014
Number of employees as at 31 12.	755	773	760
Average no. of all employees based on working hours	823.11	830.6	825.8
Average no. of regularly employees based on working hours	742.47	749.6	757.3
Average costs of salary per employee from hours	2,026	1,951	2,010

Principal activity	2016	2015	2014
Distributed electricity in MWh	2,208,308	2,167,003	2,133,961
Number of consumers connected to the distribution network	216,292	215,406	214,441
Distributed MWh per number of consumers	10.21	10.06	9.95
SAIDI (own reasons) (no. of minutes/consumer)	44.7	48.90	77.00
SAIFI (own reasons) (no. of minutes/consumer)	1.3	1.8	2.6
MAIFI	10.1	7.6	8.6
Share of losses per distributed energy in %	5.06	5.23	4.95
OPEX per distributed energy (EUR/MWh)	21.3	23.9	23.5
OPEX regulated activities per distributed energy (EUR/MWh)	11.5	14.9	14.9
OPEX regulated activities per number of consumers (EUR/consumer)	117.7	150.1	148.1
OPEX regulated activities per network length (EUR/km)	1,549.6	1,987.3	1,956.5

5 ELECTRICITY DISTRIBUTION

5.1 Regulation of distribution

Regulation of the Slovenian energy market is in the domain of the Energy Agency, which monitors, directs and supervises the providers of energy activities. In 2016, the new regulatory framework for the period 2016-2018 came into effect, i.e. on the basis of the Act on the methodology for determining the regulatory framework and the methodology for charging network charges for electricity operators (Official Gazette, no. 66/2015). The decision of the Energy Agency no. 211-58/2015-121/452 (hereinafter referred to as the Decision) determined the value of the regulatory framework for the period 2016-2018.

We received the Decision on the regulatory framework of the Energy Agency in December 2015. On the basis of the information referred to in this Decision, we experienced positive deviations regarding the eligible income from rent and services on the basis of regulation compared to the planned figures in the Annual Business Plan. During the preparation of the Annual Business Plan for 2016, we did not have information for the new regulatory period. The main reason for the increase is taking into account network charges for the connection power as a source to cover eligible costs of Elektro Maribor. In the previous regulatory period (2013-2015), the network charge for power was source of financing SODO investments.

In accordance with the Energy Act EZ-1, as the owner of the electricity infrastructure, we perform a regulated activity. We work with the SODO Company, which holds the concession to perform the public utility service of an electricity distribution network system operator, on the basis of the Contract on the lease of electricity distribution infrastructure and provision of services for the electricity distribution network system operator (hereinafter referred as: SODO Contract). Based on this contract, the SODO Company and each owner of the electricity infrastructure enter into annual annexes to the contract, which determine the method of charging the network use, lease for infrastructure and provision of services. In 2017, we signed Annex no. 5 to the CODO Contract with the SODO Company for the period of 2016-2018.

5.2 Operation of the distribution network (G4 PR4)*

Power supply quality indicators, especially those resulting from own reasons, indirectly show the condition of our network. They are improved if the network is reconstructed or cables are placed in the ground. In 2016, the quality of supplying customers with electricity improved in our supply area. It is measured with SAIDI, SAIFI and MAIFI Factors.

The improvement of network quality factors on the basis of additional investments in network operation in 2016 are best shown in the area of Podvelka STS, where we included a new switching transformer station in the operation and also rebuilt a part of the distribution network. In 2012-2015, the average SAIDI supply quality factor was 0.2534 min/consumer, and in 2016 the SAIDI Factor was 0.0033 min/consumer. On this basis, we can say that the quality of electricity supply in the area of Podvelka switching transformer station has improved considerably in 2016.

SAIDI and SAIFI Factors are two key parameters of uninterrupted supply, which are prescribed by the Energy Agency of the RS. By 2016, SAIDI and SAIFI Factors were monitored uniformly for the entire supply area. Since 2016, the Energy Agency of the RS specified separate monitoring of SAIDI and SAIFI Factor for own reasons, i.e. separately for urban and rural area, and also set their target values, which are the basis for the annual supply performance assessment.

* Reporting in accordance with GRI G4 guidelines.

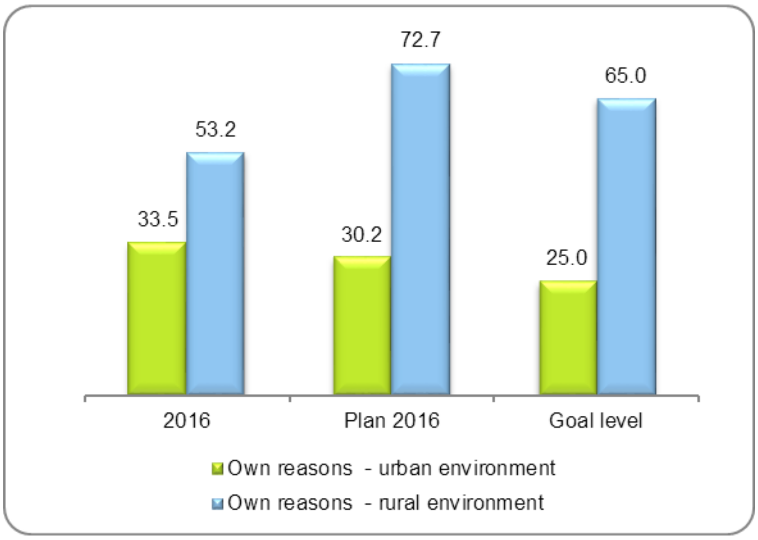

Figure 30: SAIDI own reasons - average time of unplanned interruptions, i.e. longer than three minutes, per consumer

The value of the SAIDI Factor for urban area was slightly higher in 2016 than planned, mainly because of defects on 20 kV power lines Kamnica and Limbuš.

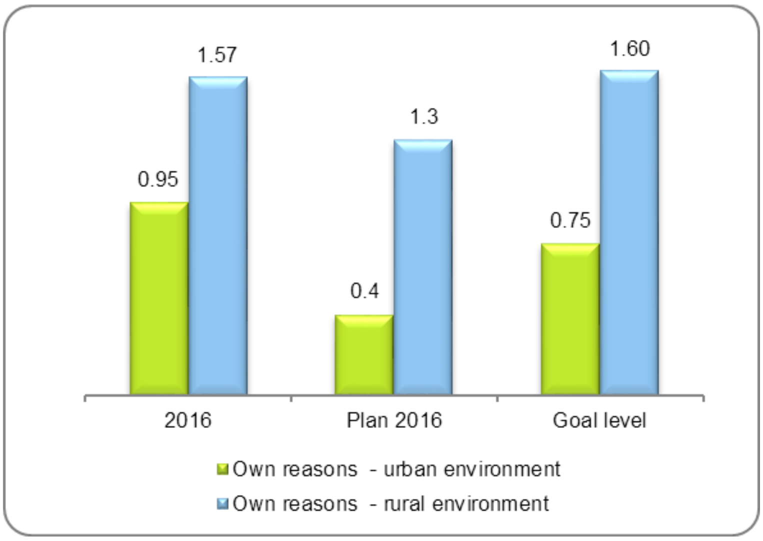

Figure 31: SAIFI own reasons - average number of interruptions, i.e. longer than three minutes, per consumer

The target values of indicators are set out in the Act on the methodology for determining the regulatory framework and the methodology for charging network charges for electricity operators. The value of the realised SAIFI Factor in the rural area in 2016 was lower than the target value, while the target value in the urban area was exceeded, mainly as a result of unplanned interruptions on the MV power lines Kamnica and Limbuš. With proper maintenance and fault resolution, the company strives to maximize the values of quality indicators of supplying consumers.

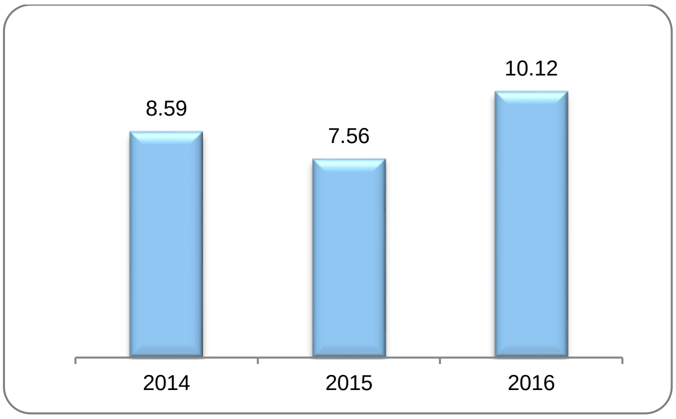

Figure 32: MAIFI - average number of short-term interruptions, i.e. less than three minutes, per consumer

The MAIFI Factor shows short-term interruptions, which are common during storms when the number of automatic restarts increases.

Parameters, which measure the quality of power supply, were calculated separately regarding the cause in 2015 (own reason, external reason and force majeur); whereby the sum of all three reasons represents a total factor.

In 2016, the SAIDI Factor was 44.72 min/consumer in the entire Elektro Maribor supply area, which is 9% lower compared to 2015.

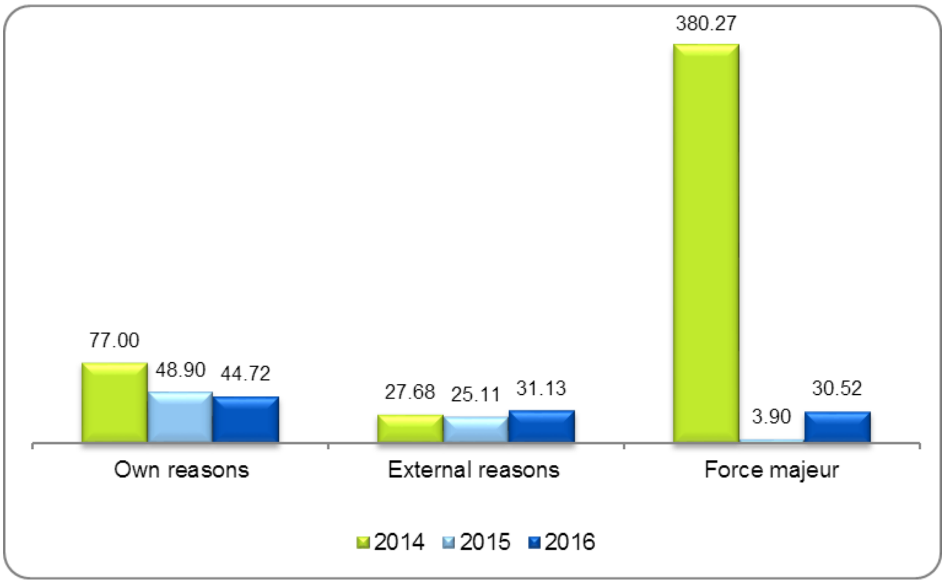

Figure 33: SAIDI - average time of unplanned interruptions, i.e. longer than three minutes, per consumer depending on the cause (measurement methodology until 2015)

We improved the reliability of supply regarding own reasons. The supply reliability depending on external reasons has deteriorated slightly due to falling of trees on medium-voltage power lines. The supply reliability due to force majeur has deteriorated in 2016, mainly as a result of increased number of storms during the summer. Longer duration of interruptions due to force majeure in 2014 is a result of ice in February 2014.

The realised SAIFI Factor in 2016 was 1.30 interruption/consumer, which is 29% better compared to 2015.

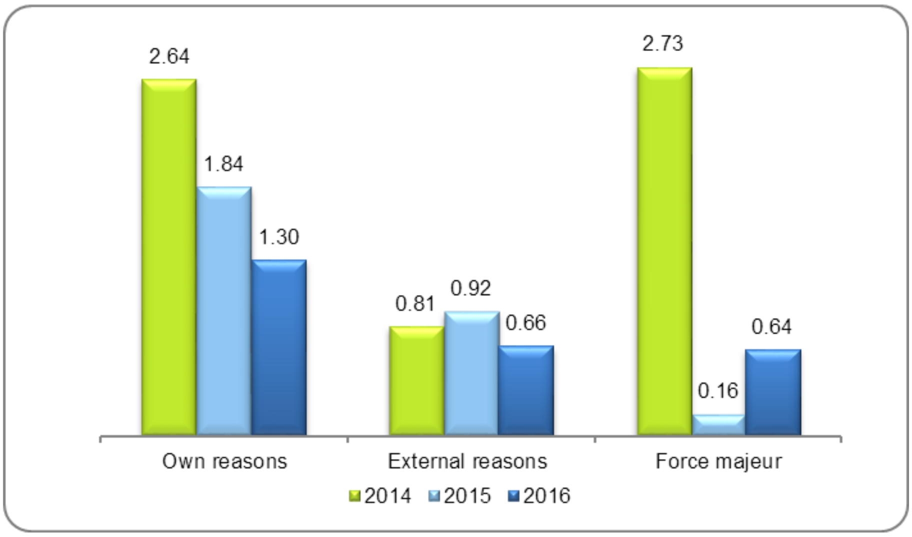

Figure 34: SAIFI - average number of interruptions, i.e. longer than three minutes, per consumer depending on the cause (measurement methodology until 2015)

5.3 Minimum supply quality standards and commercial quality

Commercial quality indicators, which are specified by minimum supply quality standards set out in the acts of the Energy Agency of the RS, improved compared to 2015.

In 2015, two of the key legal acts of the Energy Agency were renewed:

- the Act on the rules for monitoring the quality of electricity supply (Official Gazette of the RS, no. 59/2015) and
- the Act on the methodology for determining the regulatory framework and methodology for charging the network charge for electricity operators (Official Gazette of the RS, no. 66/2015).

The acts additionally tighten the criteria of minimum power supply quality standards and commercial indicators. To this end, we introduced several activities and, among other things, prepared, adopted and implemented the Action Plan for the implementation of the required power supply quality in 2015 and 2016, which we used in 2016 to ensure the implementation and recording of minimum quality standards and commercial indicators in accordance with the adopted acts.

5.4 The impact of climate change on company performance (G4 EC2) *

Climate change is one of the key factors affecting the company performance. The fact is that the results of climate change are extreme weather conditions that adversely affect the power supply quality and company operations. In recent decades, the annual number of extreme weather conditions and their volume increased significantly.

The solution, which we intensely carry out in the recent years, is the reliability-oriented maintenance, construction of robust networks and smart grids. This is also stated in the acts of the company - Strategy of the Elektro Maribor d.d. Company. For fast and effective rescue of supply during interruptions due to extreme weather conditions, we have the Rescue Plan in place to protect and rescue in case of natural and other disasters, which helps us provide timely activation of a sufficient number of own teams and, if necessary, teams of external contractors.

* Reporting in accordance with GRI G4 guidelines.

5.5 Maintenance

Maintenance of electricity facility (EF) is performed according to the rules for electricity distribution network (EDN) maintenance. Maintenance is carried out by the rules and manual, which are attached to the rules for EDN maintenance.

Compared to the previous year, we increased the quantities and physical volume of maintained facilities in:
- Overhead HV-lines by 27.0 km;
- Underground HV-lines by 1.5 km;
- Underground MV-lines by 37.2 km;
- Transformer stations MV/0.4 kV, MV/0.95 kV and 0.95/0.4 kV by 15 transformer stations.

Compared to the previous year, we increased the length of underground lines and cables by 334.8 km and reduced the length of overhead lines by 172.6 km.

Table 20: Quantities and physical volume of distribution network facilities

	2016	2015	2014
HV- and MV-network (in km)			
Overhead power lines HV	231.9	205.0	205.0
Overhead power lines MV	2,909.5	2,925.2	2,947.4
Cable lines HV	8.2	6.7	6.7
Cable lines MV	1,095.1	1,057.7	1,017.7
Total HV network	**240.2**	**211.7**	**211.7**
Total MV network	**4,004.7**	**3,982.9**	**3,965.1**
LVN 1 kV + 0.4 kV + 0.2 kV (in km)			
Overhead lines LV	5,454.1	5,637.9	5,807.1
Underground lines LV	6,734.7	6,438.8	6,249.5
Total LV network	**12,188.7**	**12,076.7**	**12,056.6**
Total network (in km)	**16,433.6**	**16,271.3**	**16,233.4**
STS and TP (in pcs.)			
STS 110/MV kV, TS 110 kV	20	20	19
STS MV/MV, TS MV (with controls and protection)	20	21	20
TS MV/0.4 kV, TS MV/o.95 kV, TS 0.95/0.4 kV	3,471	3,456	3,449

The proportion of each maintenance group shows how much financial resources we use by each group.
- Strategic maintenance represents maintenance of HV-networks with a part of MV-network. The proportion varies according to the periodicity of the necessary works in accordance with the Instructions for maintenance of the SODO d.o.o. electricity distribution system.
- A major part of network maintenance works represent MV- and LV-networks. In this group, we increased the share of resources by 4 percentage points compared to 2015.
- We were also able to decrease the share of costs for maintenance of non-energy facilities by 3 percentage points.

Table 21: Percentage of individual maintenance groups

	2016	2015	2014
Strategic maintenance	7%	8%	9%
MV and LV maintenance	42%	38%	46%
Maintenance of non-energy facilities	52%	55%	45%
Total	**100%**	**100%**	**100%**

We carry out replacement of pylons at MV- and LV-network, where we replace mainly wooden pylons. The planned rehabilitation of pylons was exceeded by 12.6%. In 2016, we replaced 286 more pylons compared to the previous year.

Table 22: Replacement of pylons at MV- and LV-networks

	2016	2015	2014
Plan (in pcs.)	8,000	8,000	8,000
Realisation (in pcs.)	9,010	8,724	9,242
Realisation of plan (in %)	12.6%	9.1%	15.5%

We exceed the carried out reviews of transformer stations on critically important TS in order to increase the reliability and robustness of the electricity system. We exceeded the TS review plan by 11.7%.

Table 23: Reviews of transformer stations

	2016	2015	2014
Plan (in pcs.)	864	861	914
Realisation (in pcs.)	965	990	914
Realisation of plan (in %)	11.7%	15.0%	100.0%

We carry out tree removals on the entire overheat electricity network on our own and with an external contractor. Tree removal is one of the indicators of reliability of the electricity system. Under the electricity network, we exceeded tree removals by 47.3%. In 2016, we carried out 14 km more tree removals than in 2015.

Table 24: Tree removal at HV-, MV- and LV-network

	2016	2015	2014
Plan (in km)	230	244	257
Realisation (in km)	338	324	302
Realisation of plan (in %)	47.3 %	32.8 %	17.5 %

5.6 Preparing and issuing documents in the process of connecting users

The amount of documents issued in 2016 under the process of connecting consumers to the electricity distribution network, and the documents, which we are obliged to issue as an owner of the distribution network in accordance with the Spatial Planning Act and the Construction Act, is shown in the table below:

Table 25: Amount of documents issued

Title	2016	2015	2014
Guidelines to spatial planning documents	75	55	53
Opinions to spatial planning documents	52	57	57
Project conditions	1,523	1,469	1,350
Approvals to project solutions	2,187	1,773	1,686
Approvals to connections	3,498	3,065	2,751
Contracts for connections	3,020	2,697	2,468
Analyses for dispersed sources	193	57	139
Total	**10,548**	**9,173**	**8,504**

Compared to the previous year, the total amount of documents issued increased by 15%. The realisation increased in issuing connection approvals, contracts, project conditions, approvals to projects, and guidelines. Realisation in analyses for dispersed sources is by 238% higher compared to the previous year, which is due to the introduction of self-sufficiency at the beginning of 2016. We issued 14% more connection approvals than in 2015. In approvals to production sources, we issued 413% more connection approvals than in 2015, which is a result of the introduction of self-sufficiency at the beginning of 2016. We issued 10% more approvals to consumers than in the previous year, which is due to the installation of meters with power limiters and a slow recovery of the economy.

5.7 Access to network

5.7.1 Network use

In 2016, we distributed a record 2,208 GWh of electricity over Elektro Maribor network at 216,292 metering points, which is the highest amount in the history of the company. The electricity distributed was the highest among business and household consumers.

Total electricity distributed was 2.9% higher than the planned and 1.9% higher compared to 2015.

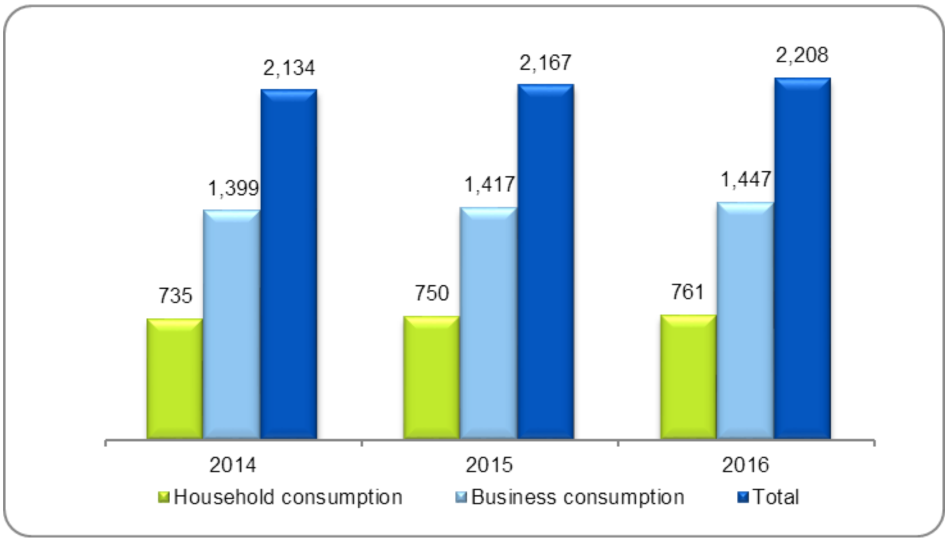

Figure 35: Amounts of distributed electricity for business and household consumption (in GWh)

Realisation of calculated power was 1.4 % higher than the planned and 1.1 % higher compared to 2015. Household consumption was by 1.4 % higher than in 2015. The consumption of customers at MV increased by 2%, while the consumption of business customers at LV increased by 2.4 compared to 2015. 2016 was marked by higher consumption of business customers, which is a result of increased economic activity.

Table 26: Trends of billing power and energy compared to 2015

	Billing power	Energy
Medium voltage (MV)	3.1%	2.0%
Low voltage (LV) - business consumption	2.5%	2.4%
Households	0.5%	1.4%
Total	**1.1%**	**1.9%**

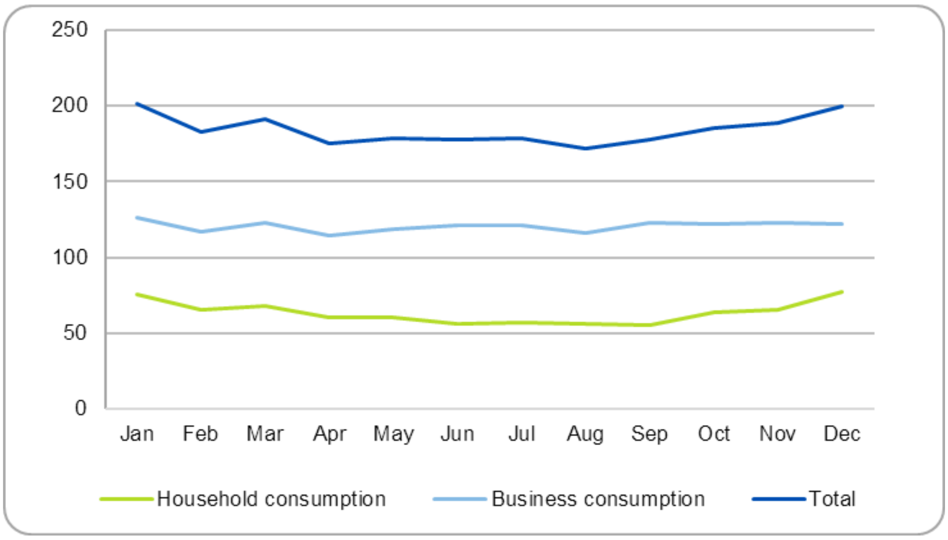

Figure 36: Monthly trends in distributed electricity for business and household consumption (in GWh)

The number of consumers increased in 2016 by 886 consumers or 0.4% compared to the previous year, which is 0.1 percentage point less than the increase in 2015. In the period 2014-2016, the number of consumers increased by 1,851 or 0.9%, which is mainly a result of new metering points in household consumption, followed by the consumption at LV without measured power. The number of consumers at the end of 2016 is record high.

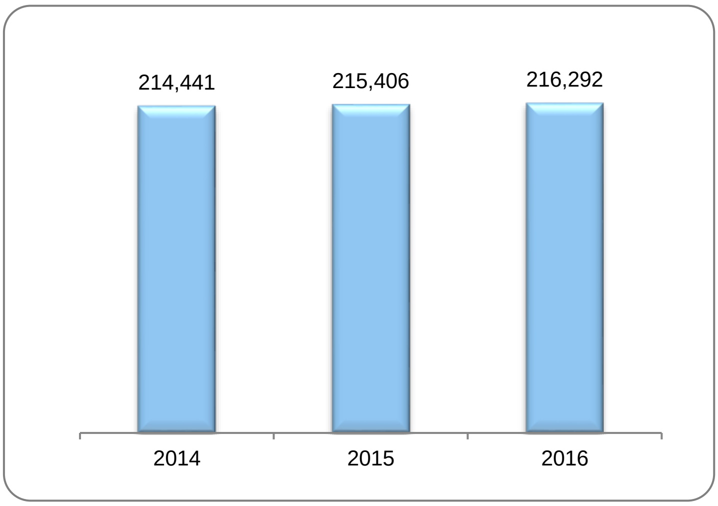

Figure 37: Number of consumers connected to the distribution network

The relation between energy from transmission network and production facilities was 85:15, which is the same as in 2015. The share of production facilities is increasing through the years, but the growth is slower than in the previous years. Dispersed production facilities have multi-layer effects. They also require additional investments in the existing electricity distribution infrastructure, additional measures and activities in their integration into the network and monitoring of the operation, but they can adversely affect the voltage quality and reliability of the network operation. We will continue with investments in the network development and ongoing implementation of all the necessary measures to ensure reliable and quality supply of the population and the economy in the coming years.

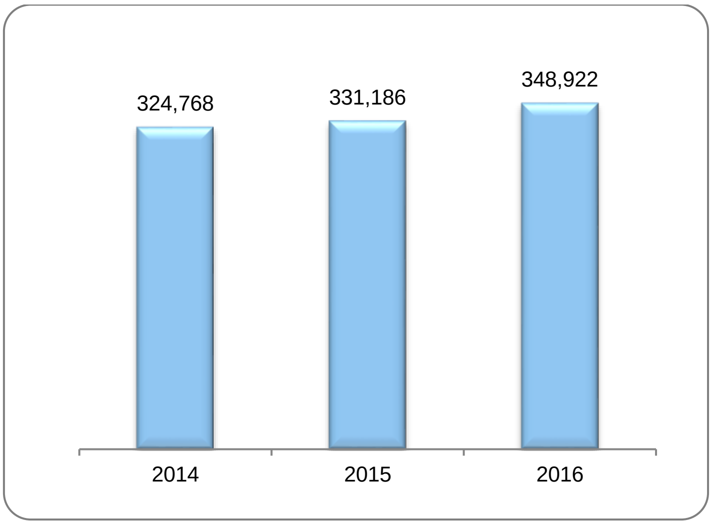

Figure 38: Changes in electricity collection from production facilities (in MWh)

Total energy in the system, i.e. collected from the transmission network and production facilities, increased in the previous year by 1.7% compared to 2015.

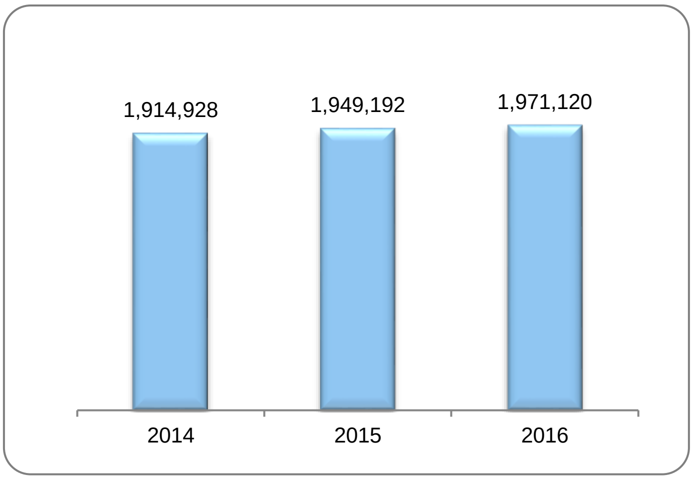

Figure 39: Changes in electricity collection from the transmission network (in MWh)

Peak load of the system was the highest in December 2016 and amounted to 407 MW. In 2015, peak load was the highest in February, amounting to 388 MW. Climatic factors, the extent and dynamics of economic activities and the needs of the population affect the height of peak load. It is a case of increasing loads of the existing and the connecting of new consumers and producers. Maximum loads occur in the winter months due to the effects of temperature. The information about the peak load is particularly important when planning the development of the electricity distribution network, which must also be dimensioned in terms of peak load. If the latter is increasing, the network must be additionally strengthened. Our efforts are also focused on this.

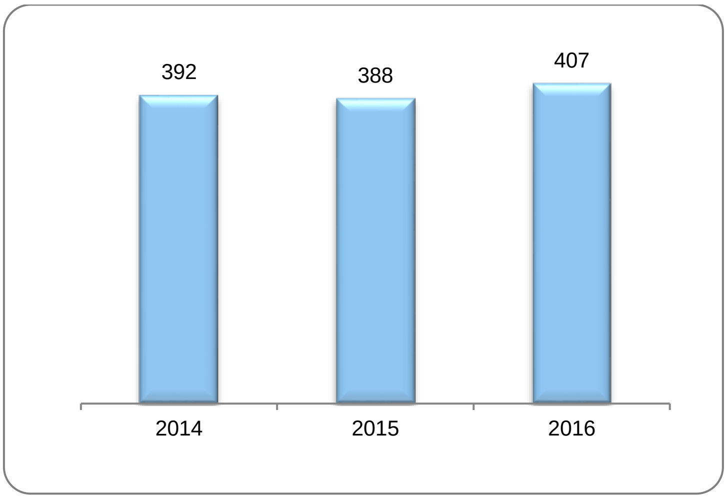

Figure 40: Peak load (in MW)

The billing power was by 1.1% higher than in 2015, because of increased economic activities attributable to the consumers on the MV and consumers on the LV without the power measured.

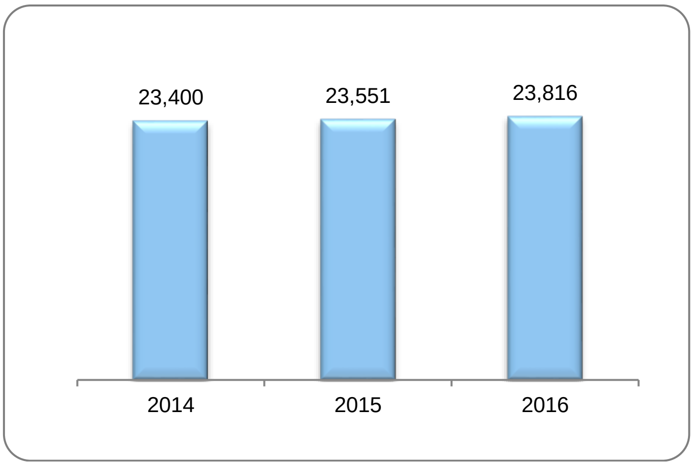

Figure 41: Billing power (in MW)

In 2016, the losses in network amounted to 111,729 MWh, which constitutes 5.06% with regard to the distributed electricity and is less than the share of losses prescribed by the Energy Agency (5.25%). For the purposes of effective management of technical losses in the electricity system of the company, we initiated the implementation of an appropriate action plan.

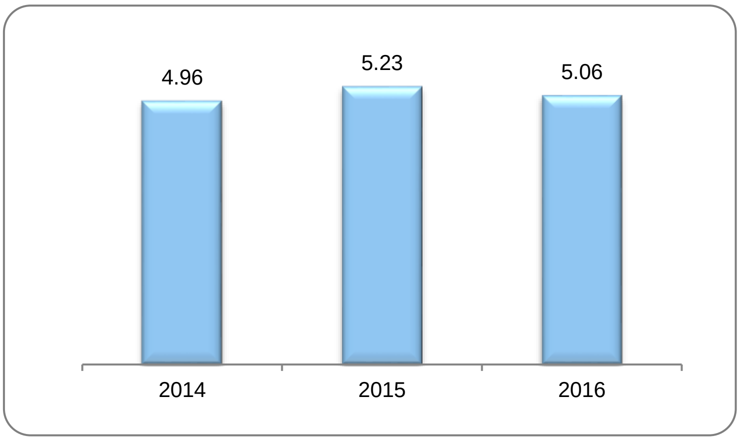

Figure 42: Changes in loss percentage in the network according to distributed energy (in %)

5.7.2 Changes in electricity suppliers

The distributor is responsible for the changes in electricity suppliers. In 2016, electricity suppliers were changed at 17,146 metering points in the Elektro Maribor's distribution area, of which 12,662 were households and 4,484 business consumers, which constitutes 8% of all metering points. The number of changes in suppliers is the largest so far. In the same period last year, 11,390 metering points changed their supplier.

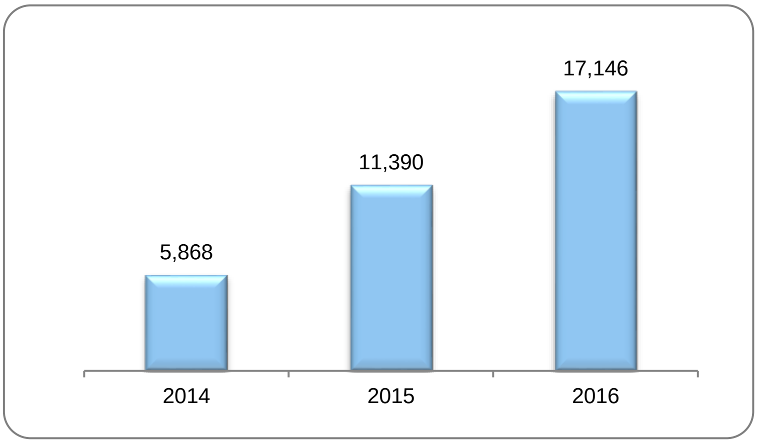

Figure 43: Trends in the number of electricity supplier changes

5.8 Billing network use

In 2016, we have:

- implemented billing network charges, surcharges to network charges, and contributions for 216,292 metering points connected to the Elektro Maribor network;
- issued separate bills for network use;
- continued system maintenance for billing network use by remote readings according to the actual state for the period from the first to the last day of the month;
- made adjustments to the billing system in order to support the charging of excise duties in accordance with the new Excise Duty Act;
- made adjustments to the billing system in order to support the metering points included in the self-supply, in accordance with the Decree on self-supply of electricity from the renewable energy sources.

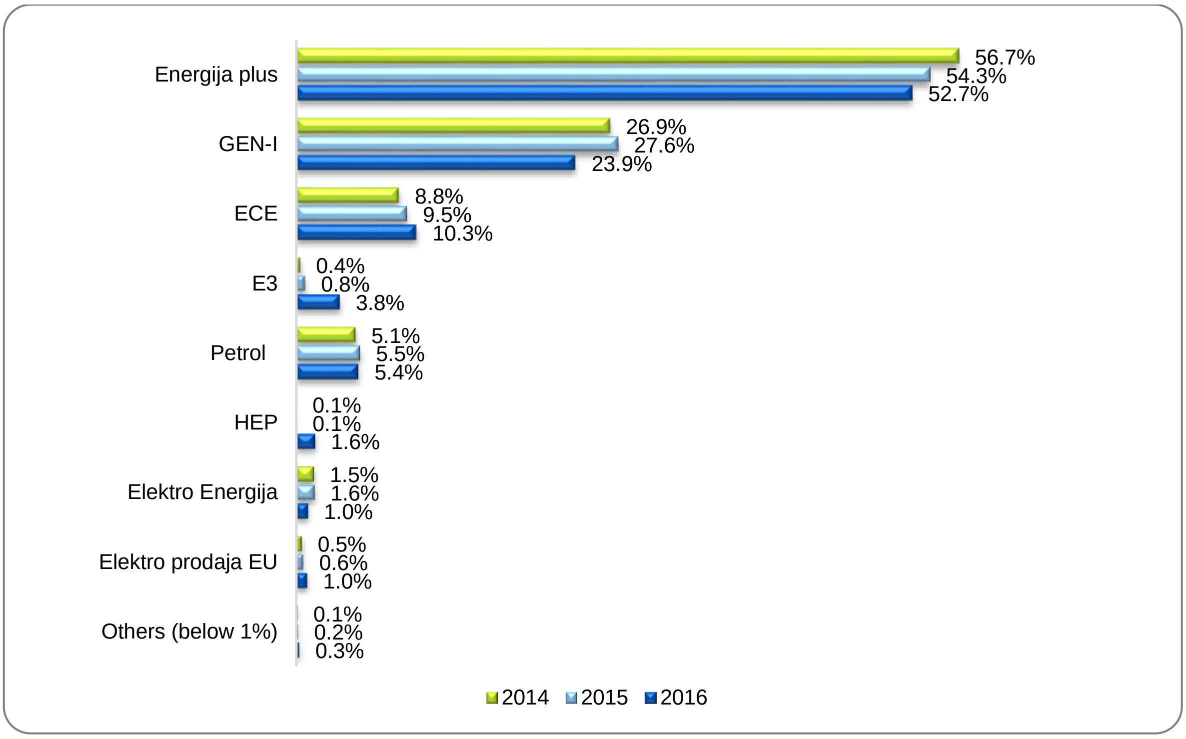

Figure 44: Distributed electricity in the area of SODO contractor Elektro Maribor by suppliers

5.9 Electricity metering and data provision

- In compliance with the decision of the Metrology Institute of RS, we replaced 5,616 Mx351-type meters and protected them from harmful impacts of „whiskers" or replaced them with other relevant ones. There are still 342 Mx351 meters installed, which we shall replace and protect by the end of 2017.
- In 2016, we included new network users into the advanced metering system. The total number of metering points included in the advanced metering system, thus already amounts to 132,552, which constitutes 61% of the total number of metering points on distribution area of Elektro Maribor.

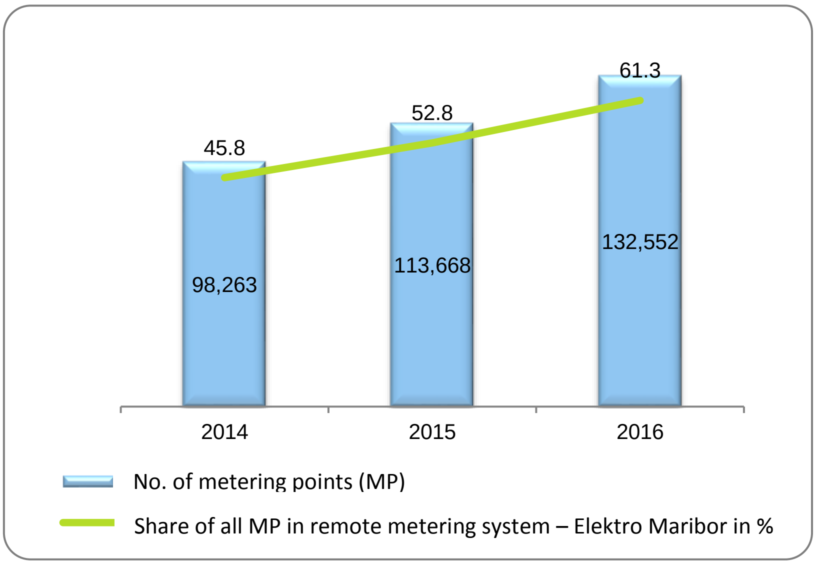

Figure 45: Metering points included in the advanced metering system

- In accordance with the Metrology Act and its implementing regulations, we replaced 6,062 metering devices, the certification of which expired in 2016. Meters whose life span according to the Rules determining the period of use of measuring equipment did not expire, were properly serviced, calibrated and recertified.

- In accordance with SONDO provisions, we carried out a detailed control of metering devices in 12,245 metering points.
- We included two new metering points on the border between the system and distribution operator at SST 110/20 kV Podvelka and SST 110/20 kV Mačkovci into the advanced metering system.
- At the SST 110/20 kV Slovenska Bistrica and SST 110/20 kV Murska Sobota all control metering, points in MV cells were equipped with system meters and included into the single advanced metering system.
- For the purposes of network planning, issuing of electricity permits and other development tasks, we have set up a new data storage of metering data. The data on the flows of electricity, power and voltage profiles of all control metering points in the distribution network and from all metering points of production facilities connected to the distribution network of Elektro Maribor, are being transcribed into this storage from the metering centre on a daily basis.
- We prepared a conceptual design for the construction of a laboratory test environment for verifying the compliance of the SAT tests requirements with the SIST EN 62381 requirements, and test procedures prescribed by the document Minimum requirements for metering and communications equipment that can be used in the construction of a single advanced metering system in the Republic of Slovenia, and the conformity assessment procedures. The next phase is followed by the development of laboratory "Band Stop" filters for complete separation of sources of interference from the network, and the preparation of tender documentation.
- In accordance with the guidelines that we received from the Energy Agency on 23 December 2016 in connection with the 2nd of January as being work-free day, we have successfully carried out the adjustment of the metering device in the last few days in December 2016 on more than 124 thousand metering points, which are included in the advanced metering system.
- For the purposes of network use billing, contributions, electricity supply, and control calculations, we provided 1,426,088 readings of electricity meters from the metering centre.
- For the purposes of more efficient management of technical losses in the electricity system of Elektro Maribor, we prepared an action plan of monitoring the flows of energy and power, and voltage profiles along the entire network, which has already been launched in the last quarter of the year.

5.10 Measurements and protection

In the area of maintenance in 2016, we performed 184 measurements, of which 52 trials and 132 measurements of defects at cable lines. Completed 561 revisions of protective devices for protection and management (relays). In 2016, new system operational instructions for the transmission network SONPO have been adopted, which define the performance of revisions of protective devices on 110-kilovolt power lines once in eight years. Herewith, the volume of revising protection devices was reduced from the initial number of 621 to 584. In 2016, we also carried out 44 measurements of grounding of all 110-kilovolt pylons on the 110 kV Murska Sobota–Radenci power line.

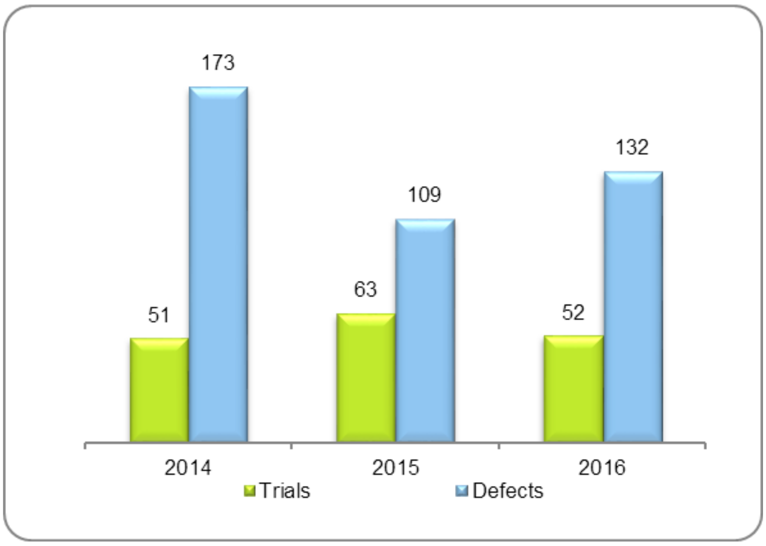

Figure 46: Number of performed metering services

We have analysed the failures of several MV conduits, where there was a simultaneous failure of the two conduits. All detailed analyses showed the correct functioning of protections, the cause in the majority of cases were double ground faults in the network.

In the area of investments, we completed all works for the integration of the 110-kilovolt power line Murska Sobota–Mačkovci. The Mačkovci STS was successfully connected to the 110-kilovolt network.

6 COMPANY'S INVESTING ACTIVITIES (G4 EC7) *

In 2016, the realisation of investments amounted to 27,673,982 Euros, and is by 19% higher in relation to the planned investments, and by 9% higher compared to the previous year. In 2016, we provided additional own resources to finance investments in the amount of 1.8 million Euros. We activated additional contractors, restructured investments, and above all strengthened the implementation of the investment groups MV conduits and LV conduits. We also additionally restored part of the construction machinery, tools and means of transport.

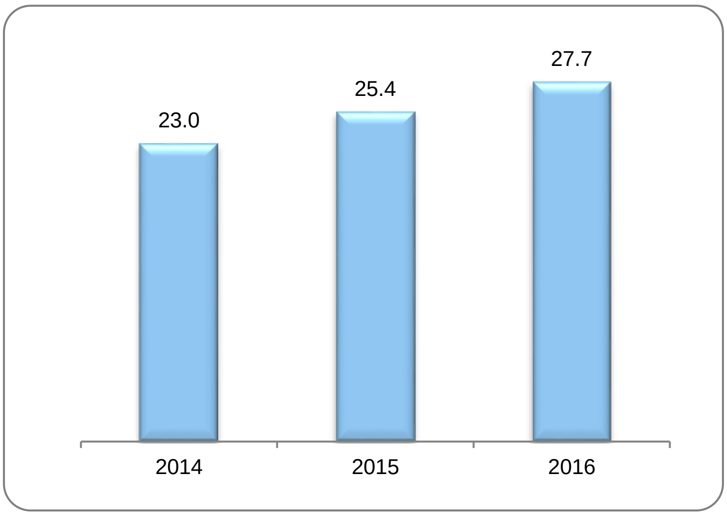

Figure 47: Investment trend (in EUR million)

The company earmarks the most resources to investments in energy facilities, and the attention is also given to the preparation of documentation.

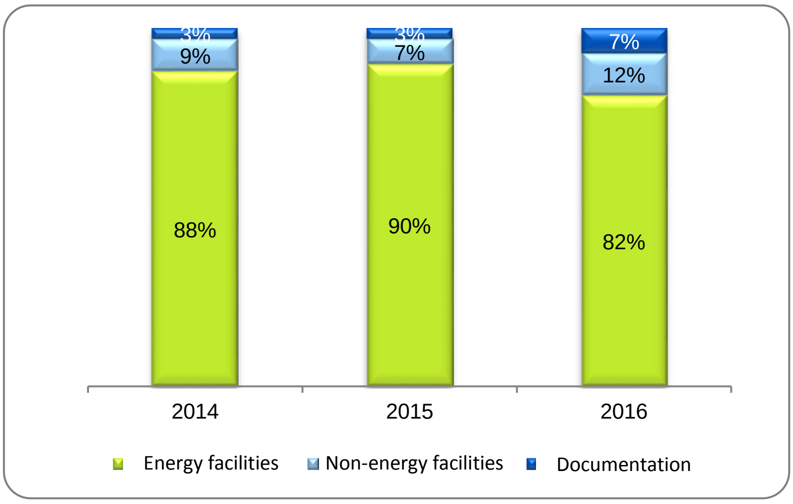

Figure 48: Structure of investments in 2016

*Reporting in accordance with GRI G4 guidelines.

Due to the needs, we increased investments in MVN and LVN. By doing so, we want to reverse the trend of curative investments to increase preventive investments in MVN and LVN.

Table 27: Investment activities in 2016

No.		Volume	in Euros
1	New HV power lines		1,987,452
2	Renewed HV power lines		3,160
3	New MV power lines	1 km	84,367
4	Renewed MV power lines	117.47 km	3,680,122
5	New underground MV cables	25.77 km	2,156,008
6	Renewed underground MV cables	3.49 km	362,533
7	New LV overhead lines	0.98 km	90,907
8	Renewed LV overhead lines	67.68 km	2,355,250
9	New LV cable lines	18.73 km	969,323
10	Renewed LV cable lines	93.54 km	3,586,722
11	MV/LV transformer stations		
	- new	21 pcs	1,938,452
	- renewed	82 pcs	
12	New HV/LV switching transformer stations		25,910
13	HV/LV switching transformer stations		1,362,131
14	Automation and remote control		373,746
15	Maintenance and operational reserve		289,327
16	Telecommunications		527,244
17	Metering equipment and instruments		2,669,667
18	Tools and machinery		169,183
19	Means of transport		1,491,941
20	Small tools		22,122
21	Work premises		378,656
22	Studies, development, projects		1,876,528
23	Computer equipment		1,154,366
24	Infrastructure purchase		24,785
25	Investment projects		94,078
	Total		**27,673,982**

6.1 Strategic company's investments in 2016

2 x 110-kV Murska Sobota–Mačkovci power line

The bases for a new 2 x 110-kilovolt kV connection between Murska Sobota and Mačkovci are closely related to the new switching transformer station 110/20 kV Mačkovci STS. The electric power situation on the territory of Goričko, which is being powered from the 35/20 kV Mačkovci STS station, has not reached the statutory criteria. The load capacities were exploited to the maximum and do not allow the connection of additional major consumers into the network. The electrification of the Pragersko–Hodoš railway line and the subsequent power supply of electric power stations sets out additional requirements. In 2016, the implementation phase of the power line was completed, and the professional technical inspection was successfully performed at the end of 2016.

Figure 49: 2 x 110-kV Murska Sobota–Mačkovci power line

Investments in STS

We completed the reconstruction of the 110/20 kV Slovenska Bistrica STS and the first phase of replacing the cells in the 110/20 kV Murska Sobota STS, and the replacement of power transformers in the 110/20 kV Ljutomer STS and the 110/20 kV Ormož STS. We commenced the second phase of reconstruction of the Murska Sobota STS.

Figure 50: 110/20 kV Slovenska Bistrica STS - 20-kilovolt switchyard

Figure 51: 110/20 kV Ormož STS

Figure 52: 110/20 kV Ljutomer STS

Increasing the length of the network

With new construction, we increased the length of the whole network by 52 km, namely the HV-networks by 5.5 km, the MV-networks by 26.77 km and the LV-networks by 19.73 km. The share of underground LV lines amounts to 55.3%, while the underground MV lines to 27.3%. The share of underground MV and LV lines amounts to 48.4% (in 2015, 46.7% and in 2014, 43.7%).

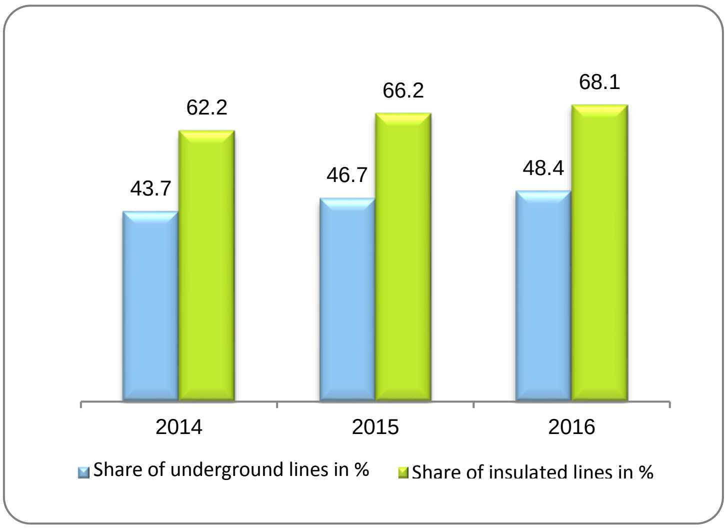

Figure 53: Share of the length of underground and insulated lines in MVN and LVN

6.2 Other company's investments in 2016

Energy facilities

In addition to strategic investments, we made investments also in:

- MV lines: Physical output was lower than planned due to restructuring of investment activities in LV lines. We reconstructed and built anew 118.47 km of overhead lines, and newly laid and reconstructed 29.26 km of cable lines.

Figure 54: Reconstruction of the Cirkovce–Pongrce–Gaj power line

- Transformer stations (TS): In order to improve the voltage profile and follow the demands of electricity consumption, we built 21 new transformer stations and reconstructed 82 transformer stations. On the territory of the Slovenska Bistrica RU, there are 5 new TSs, on Gornja Radgona RU 8 new TSs, on Maribor RU 5 new TSs, on Murska Sobota RU 1 new TS and on Ptuj RU 2 new TSs.

Figure 55: New TS Mestni Vrh–Štok

Figure 56: TS Moša Pijade, Maribor before reconstruction

Figure 57: TS Moša Pijade, Maribor after reconstruction

- LV lines: The realisation on cable lines exceeded the planned figures by 60% and on overhead lines by 66%. We reconstructed and built anew 68.66 km of overhead lines, and newly laid and reconstructed 112.27 km of cable lines.

Table 28: Physical output in MV, TS and LV facility construction

Elements		Measure unit	2016	2015	2014
MV lines	power line	km	118.47	89.08	92.19
	cable line	km	29.26	33.87	19.41
TS MV/LV	new facility	pcs	21	20	12
	renewal	pcs	82	90	57
LVN	overhead line	km	68.66	94.25	203.62
	cable line	km	112.27	130.61	115.01

Figure 58: LV-integration TS Mestni Vrh–Štok

- Metering equipment and instruments: We have installed metering equipment and actively carried out the AMI project, so that now already 61% of all metering points are integrated into the advanced metering system.

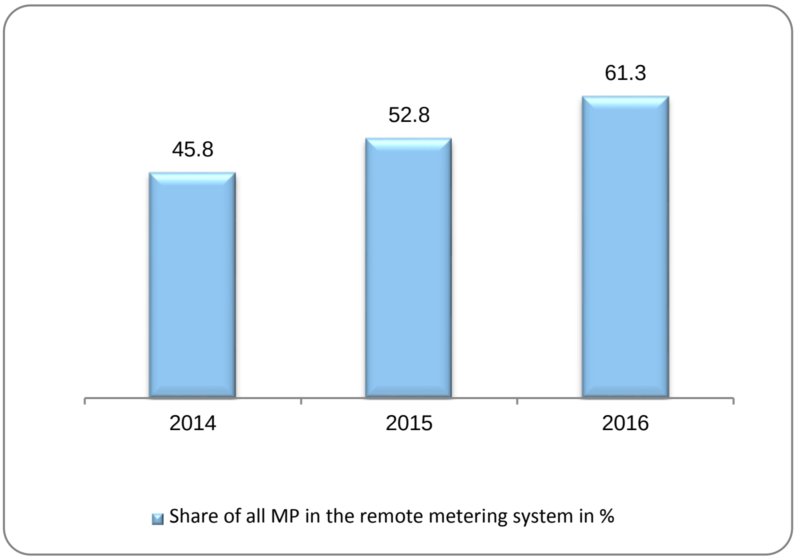

Figure 59: Share of metering points (MP) in the remote metering system

- Infrastructure purchase: we purchased the MV 20-kilovolt connecting power line for MHPP Podvršnik TS and Ljutomer PGP TS.

- Regulating real rights: Real rights are an ongoing process in the company and are regulated in accordance with the applicable legislation. Thus, the company has settled all the documentation for business buildings and switching transformer stations (STS). In the forefront of regulating real rights on older facilities is a comprehensive real rights regulation of transformer stations (TS). There are more than 3,500 such facilities in the company. The company also has 16,000 km of line facilities, of which the real rights situation is being regulated by the placement of facilities in space in compliance with the provisions of the Law of Property Code (SPZ, Official Gazette of the Republic of Slovenia, no.: 87/2002 and 91/2013) and the provisions of the Energy Act (EZ-1, Official Gazette of the Republic of Slovenia, no.: 17/2014).

Non-energy facilities

- Information technology: The major part of investments was devoted to licences for IBM software. Other investments were intended to replace outdated hardware, extending disk capacities and software upgrades.
- Telecommunications: We built a highly secure system space, for which the equipment has yet to be installed and functional testing performed. We carried out optical links between the Maribor RU and the Radvanje STS and so connected the optical ring between STSs in the city of Maribor and the optical link

Slovenske Konjice STS-TS Lovnik (link to Elektro Celje) for the needs of electricity network management, to ensure patrol routes, for preliminary preparation for the construction of smart grids and also for the marketing of information and communication services provided for us by the company Stelkom. On the territory of Oplotnica, we connected five new TSs into the ring with active equipment.

Documentation

We carried out mainly the activities necessary to acquire the rights for the construction of the corridor and pylons for planned power lines, and to develop the building permit project and obtaining the building permit for planned energy facilities; 2x 110 kV Murska Sobota–Lendava power line and 2x 110 kV Lenart–Radenci power line.

We also intensively obtained the investment documentation for the implementation of electricity facilities of medium- and low voltage, which are planned for the period 2016–2018.

6.3 Implementation of self-managed investments in 2016

The company puts great emphasis on the implementation of self-managed investments. Due to the difficulties in public procurement in recent years, we adopted a business decisions that the building installation works on new constructions and reconstructions of power plants should be self-managed by employing construction workers. With greater personal involvement and project employment with own resources, in particular in the field of performance of construction works for investments, we reduced the proportion of external services (outsourcing) and avoided the risk of non-realisation of investments due to lengthy and uncertain public procurement procedures.

In 2016, the value of capitalized own products and own services amounted to 18.1 million Euros, and was by 8% or 1.4 million Euros higher compared to the previous year. The share of self-managed investments amounted to 65% in 2016, which is at the level of the previous year.

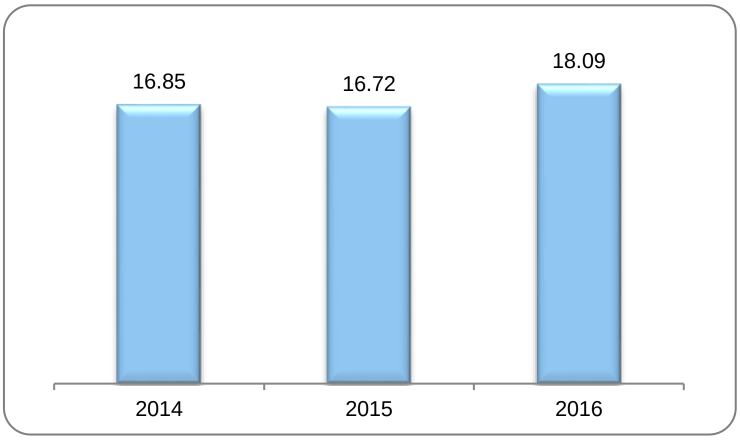

Figure 60: Self-managed investment activities in million Euros

7 COMPANY SERVICES ON THE MARKET

In 2016, our revenues from the sales of services in consulting, project engineering, construction and maintenance of electricity facilities amounted to 3,113,405 Euros, which is by 2 % lower compared to the previous year and by 19% less than planned. The reason for lower realisation than planned is in reduced demand on the market, since less investment and demand for the construction of electric power facilities was noted with legal entities and natural persons.

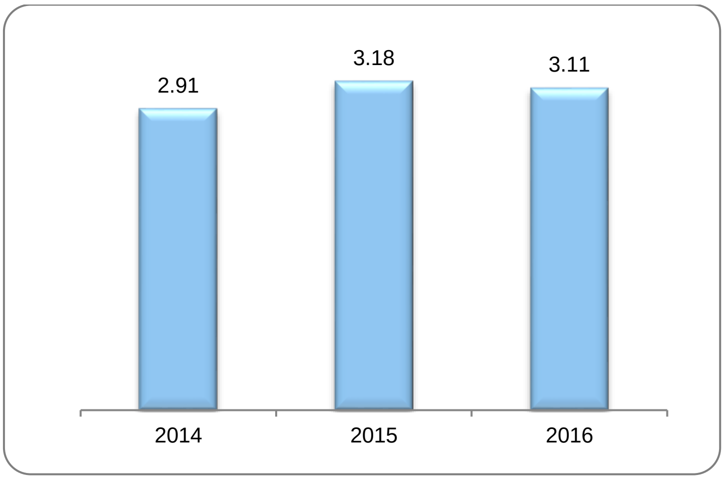

Figure 61: Changes in revenues from the sale of services (in EUR million)

In 2016, our largest facilities built for the market were related to government investments in traffic infrastructure on our supply area. We performed extensive electrical installation works on the Draženci-Gruškovje motorway route, which included the crossing of MV lines and the relocation of MV lines due to the motorway route and public lighting along the motorway. For a foreign client, we also carried out a demanding laying of 110-kilovolt cable in the construction of a hydroelectric power plant on the lower Sava. We built and reconstructed numerous MV, LV and TS networks on our supply area, which were ordered by larger companies.

Figure 62: Execution of works on the 110 kV cable lines for the needs of the hydroelectric power plant on the lower Sava

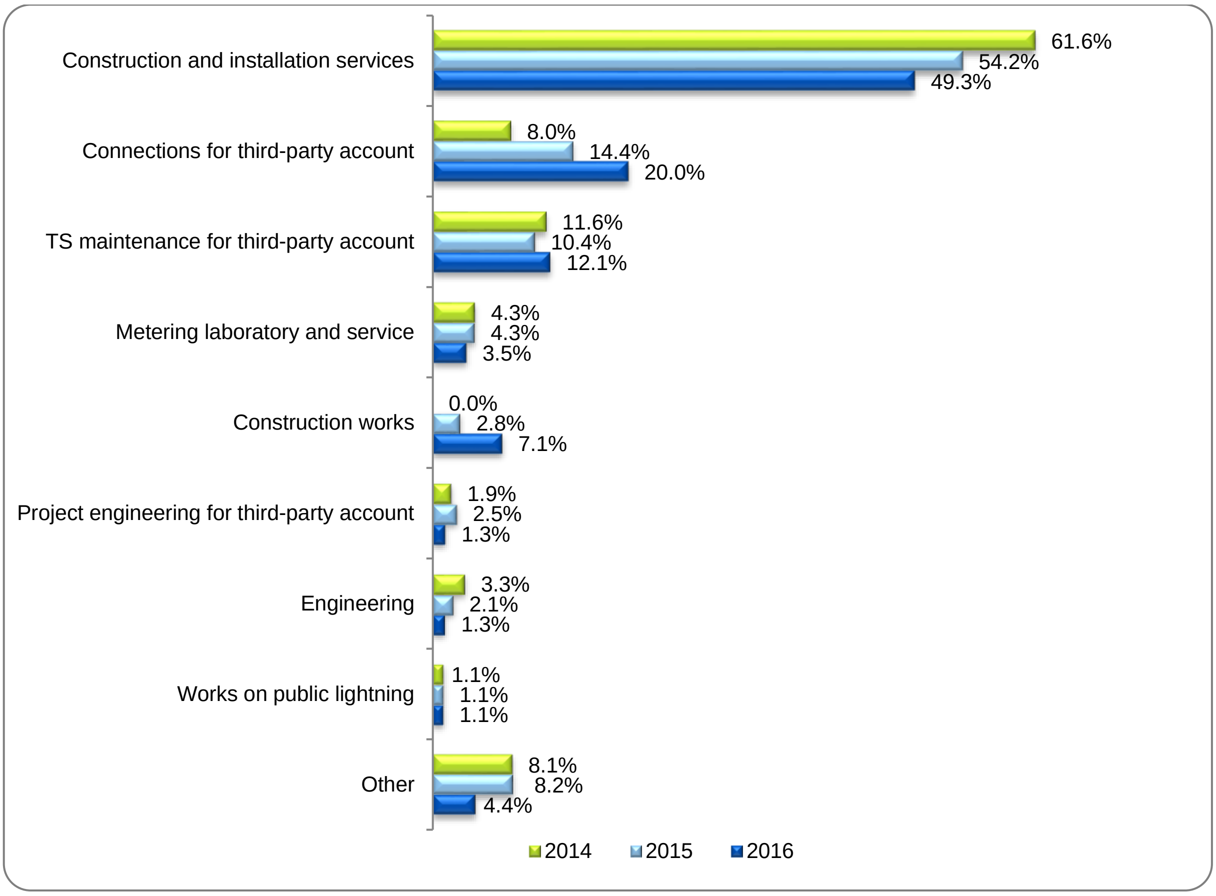

Figure 63: Structure of revenues from the sale of services for the 2014 -2016 period

The realisation of building installation services was lower in 2016 than in the previous two years. The major planned and ordered building installation works moved forward to 2017. The amount of realised revenues was also strongly affected by the factor that we carried out individual services with material purchased by the clients themselves. In the metering laboratory and service centre one of the major clients postponed the implementation of works ordered into the next financial year, which resulted in lower realised revenues in this area. By our own involvement with potential clients, we increased the revenues from connections for the account of third parties.

We were able to obtain favourable rates from suppliers for the built-in material, which further increased our competitive advantage. We increased the revenues from maintenance of foreign transformer stations. While maintaining the stations, we try to offer the owners more than just basic maintenance, since we give advice on requirements of the new Rules on the maintenance of electricity installations and also on effectiveness of investments into their energy facilities. We want to provide them with reliable and qualitative supply of electricity. We increased the revenues from construction works significantly due to own employed construction workers and we have not been looking for contractors for these works on the market.

We create positive business effects with works for the market and with regulated activities. We are also the only company, which in its field constantly achieves a positive result in both regulated and unregulated activities.

8 PURCHASE IN THE COMPANY (G4 12, EC9)*

The purchase in the company is centralised. The main task of the purchasing process is to supply the main warehouse and all other depots in regional units and service units with the material. The material is usually ordered for the main warehouse, which is responsible for further distribution of the material to depots of regional and service units by means of inter-warehouse issue of material. As we are liable to public procurement, we carry out uniform aggregated public procurement for the needs of the whole company.

*Reporting in accordance with GRI G4 guidelines.

In accordance with the applicable legislation on public procurement (ZJN-3) and in line with the monthly time schedule for the implementation of public procurement, we carried out 51 procurement procedures in 2016 as a person liable to public procurement, of which 36 were completed, while 15 were still in progress at the end of the year.

In 2016, we adopted the Rules on public procurements. Implemented public procurements are based on the principles of economy, efficiency, effectiveness, ensuring competition among providers, transparency, proportionality, and equal treatment of bidders. In carrying out public procurement, we consider various criteria, such as the lowest price, the economically most advantageous bid taking into account various criteria, calculation of life-cycle cost, etc. An important factor in the supplier selection policy is compliance with the Regulation on green public procurement, where we only consider the bids that fully take into account technical requirements set out by the Regulation.

According to transparent and open policy of the company and the applicable Rules on purchase of goods, services and construction of smaller values, all the orders exceeding the amount of EUR 1,000 are posted at the company's website. In this way, the company enables a very large number of bidders to submit a bid, which results in a very large range of different suppliers. The company does not perceive a greater share of local suppliers, since all the purchasing process are run in transparent way through public procurement or through inventory procedures published on our website.

According to the recommendations of the Slovenian Sovereign Holding, we promptly publish on the company's website information about all contracts concluded under public procurement processes, small value purchase orders, and invitations to tender procedures. The table provides information about the subject of the contract, the contract value and the name of the business partner, namely from 2010 until 2016, and ongoing onwards.

In accordance with the objectives, the company achieved significant savings in purchase of goods and materials in the amount of 205,103 Euros, in terms of lower prices of the same or technically comparable materials, which constitutes approximately 2% of the cost of purchased material in 2016.

By installing the material into the electricity network, we reduced supplies of material. The trend in the amount of supplies between 2010 and 2015 has been decreasing. The stock level as at 31 December 2016 amounted to 1,390,490 Euros, which is at the level of the previous year and the planned stock level.

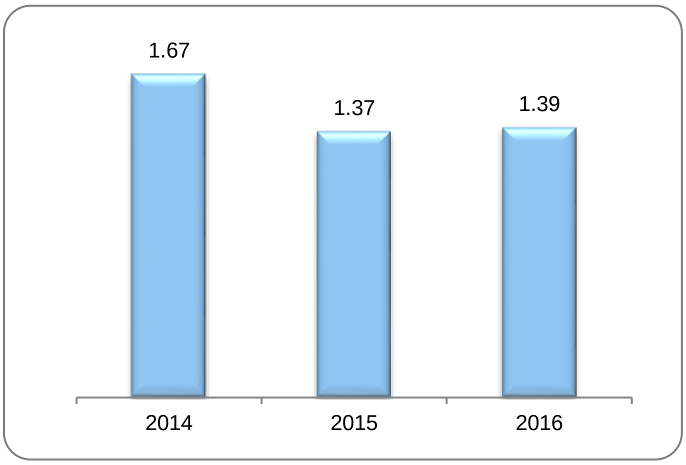

Figure 64: Changes in supplies as at 31 December (in EUR million)

9 INFORMATION SUPPORT IN THE COMPANY

Uninterrupted IT support in the company is provided by using the integrated information system (IIS) and the revised information system (eIS), which is developed and planned by the Informatika d.d. company, while Elektro Maribor develops also its own IT solutions.

The main systems in IIS or eOS are aimed at:

- Managing the technical database (electricity facilities);
- Managing investments and maintenance;
- Managing fixed assets;
- Service monitoring;
- Managing billing of network and energy charges;
- Managing the general ledger;
- Managing inventory management;
- Managing storage operations;
- Managing personal incomes;
- Human resources management;
- Consumer's life cycle (with numerical metering);
- Accounting system;
- Mass balance accounts and recovery;

In 2016, we signed a contract on provision of IT services with the company Informatika d.d. for the period from 1 October 2016 to 31 December 2018, which shall continue to enable the company with adequate IT support of the work processes. For the same period, we concluded a contract on the purchase of licenses for the products, which allows the use of these IT services on platforms that are in use in the company Information d.d. and the company Elektro Maribor.

In 2016, we allocated 2.7 million Euros for IT support, which is by 34% more with regard to the past year and is a result of concluding a licence agreement in 2016.

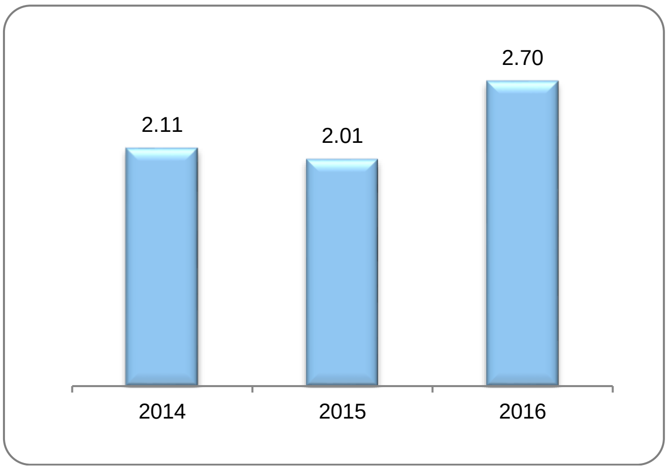

Figure 65: Changes in investments in IT support (v EUR million)

10 RISK MANAGEMENT IN THE COMPANY

The company defines the term risk as the possibility of an event or a series of events, which may have a favourable or unfavourable impact on achieving the company’s objectives, such as strategic, financial and operational.

By implementing the risk management system in the company, we define the company’s objectives, define risks, adopt the guidelines for risk management, evaluate risks and organise them according to importance, determine actions for individual risks, define measures for their management, monitor risks and report on them. By risk management, the company timely recognises potential risks and take appropriate actions to reduce the amount of damage a certain risk may cause.

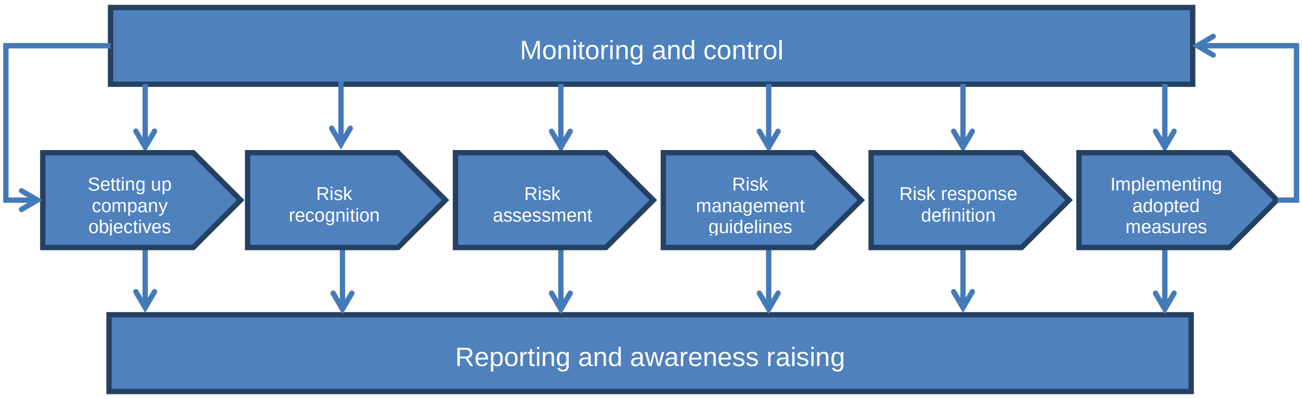

Figure 66: Risk management process

Since 2012, the company has been applying the Rules on risk management. The risk register recognises risks according to importance. We established the method for regular updates, evaluation and distribution of risks, risk response and persons in charge for responses, as well as internal control as the key risk response.

The risk register is updated on a quarterly basis. Special attention is devoted to exposed risks, which are defined with the assessment:

- "extremely high risk", which with its results may affect the revenues and expenses of the company in the amount of over 700,000 Euros, and
- "high risk", which with its results may affect the revenues and expenses of the company in the amount from 100,000 to 700,000 Euros.

Risks, to which the company is exposed according to the adopted risk register, are divided into:

- strategic,
- operational and
- financial risks.

10.1 Strategic risks

Strategic risks are potential events, which may have an (un)favourable effect on achieving mid-term or long-term goals of the company's or the Group's operations.

In the field of strategic risks, we primarily monitored the risks in the field of:

- strategies and management, where risk associated to shareholders' guidelines is exposed. For stable operation of the company, we adapt to potential changes in guidelines with corresponding objectives,
- human resources risks, where we devoted the attention to training of employees, setting personal goals, motivation and management,
- integrity or reputation, where we define the guidelines for the conduct of employees to ensure the reputation of the entire company,
- external environment, where we recognise the impact of the demands of interested parties.

In the field of strategic risk, a very slight trend of growth is noticeable, therefore in 2017; we shall approach to the implementation of measures to reduce such risks.

10.2 Operational risks

Operational risks are potential events, which may have an (un)favourable effect on attaining annual goals of the company's or the Group's operations, and include the risks of loss (of benefits), together with legal risks resulting from:

- Inappropriate or irregular internal procedures,
- Other inappropriate conduct of personnel that belong to internal operation of each company in the Group,
- Inappropriate or irregular operation of systems, which belong to internal operation of each company in the Group or external events or actions.

In the field of operational risks, we primarily monitored the risks referring to:

- conduct of employees in complying with the internal procedures by planning and implementation of investments and their monitoring, by the purchase of goods and services, by health and safety at work and monitoring of derivative works of external contractors,
- operation of systems, where we examined the risks in the field of IT,
- external events, mainly due to the increasing intensity of weather conditions.

In the field of operational risks, a moderate trend of growth is noticeable, therefore in the following years; the company shall devote special attention to this part of risks.

10.3 Financial risks

Financial risks are potential events, which may have an (un)favourable effect on achieving strategic and annual financing goals of the company or the Group, and include:

- Credit risk in terms of losses (benefits) due to (non)settlement of receivables from a debtor to each company in the Group,
- Market risk in terms of losses (benefits) due to changes in prices of goods, currencies or financial instruments, or changes in interest rates,
- Liquidity risk in terms of losses (benefits) due to current (in)solvency,
- Capital risk in terms of the risk that a company of the Group does (not) always have at disposal sufficient long-term funding sources regarding the amount and type of business it performs, and risks, which it faces in operation.

In the field of financial risks, we monitored the following risks:

- credit risk, with which the company ensures adequacy of sources,
- market risk, where with the provision of services on the market, we are competitive to other providers.

In the field of financial risks, a downward trend is noticeable, which is a result of correct company policy regarding indebtedness, and stability of interest rates.

11 INTERNAL AUDIT IN THE COMPANY

Internal audit is responsible for the implementation of continuous and comprehensive supervision of the operations of the Elektro Maribor company and both subsidiary companies, Energija plus and OVEN Elektro Maribor, which together form the Elektro Maribor Group.

Based on recognised risks recorded in the risk register, the areas of audit for 2016 were specified with the internal audit plan. With the plan it was planned that the internal auditor shall conduct six regular audits in 2016 (one audit was brought forward from 2015).

In compliance with the work plan, in 2016, the internal auditor completed the started internal audit from 2015, and commenced implementation of all planned regular internal audits referred to in the work plan for 2016. In 2016, the internal auditor has not performed any extraordinary audits.

In 2016, the internal auditor also carried out formal and informal consulting activities, monitored the implementation of recommendations made by internal and external auditors, developed periodical reports on work of the internal audit for the Management Board, the Audit Committee and the Supervisory Board of the company. She also attended educations for the purposes of provision of professional internal audit works.

12 EMPLOYEES IN THE COMPANY

12.1 Human resources policy (G4 LA16)*

The human resources policy in the company pursues the objective of placing adequate staff to appropriate job positions in compliance with applicable regulations. The company employs according to this principle. Competences of our employees are also taken into account in employee transfers and replacements within the company in order to cover the work of employees during their long-term absence. Operational teams on the field are being renewed with new colleagues. Through the system of job training and job evaluation, the best colleagues remain in the company and build their career development in it.

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

At placement of employees to job positions, the company also pursues the policy of diversity and takes the utmost account of prohibition of discrimination against workers, as defined by applicable legislation.

An important activity of the company is to motivate employees, which is implemented through appropriate communication, commendations, recognitions and cash awards. We have carried out the selection of the best employee and the best working group for three years now, where all employees can vote. By establishing and realisation of annual personal business objectives, the superiors are enabled to monitor the work performance their employees. In the context of annual development interviews, targeted management is conducted aimed at discussions between the superior and an employee on the work process, organisation, proposals of changes and interpersonal relations.

In the company, we offer trainings for work or future professions to secondary- or tertiary-level students by allowing them to perform mandatory practical work, and at the same time, we also publish invitations for annual holiday practical work. Every year, we publish calls for applications and grant scholarships for young people involved in education for professions in the electric energy sector.

The annual survey of the organisational climate and satisfaction of employees is one of the important tools for identifying organisational climate and employee satisfaction in the company. In 2016, we enabled the survey to all employees.

12.2 Changes in employees (G4 10,11, LA1)*

As at the end of 2016, the company had a total of 755 employees, of which 88.1% were men and 11.9% women. In 2016, the number of employees was lower by 18 employees compared to the year 2015. At the end of 2015, we had 12 more employees, mainly because of the works in the investment in 110-kV Murska Sobota–Mačkovci power line.

*Reporting in accordance with GRI G4 guidelines.

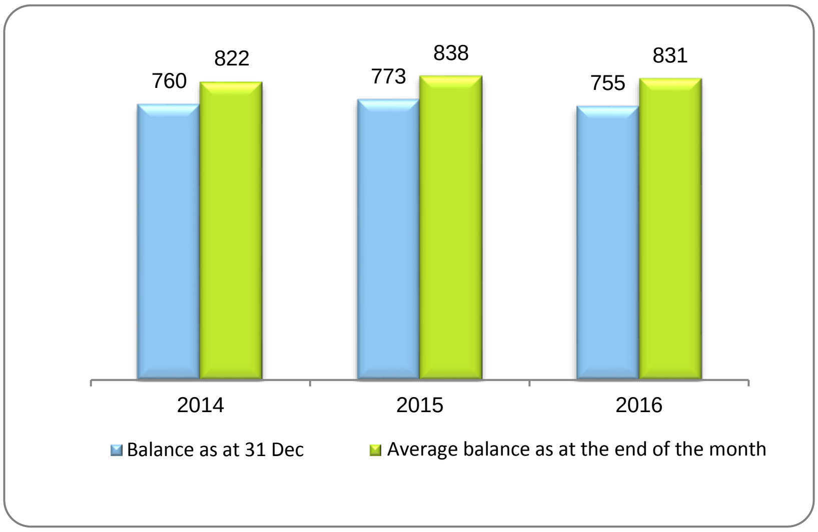

Figure 67: Number of employees

Table 29: Number of employees by gender, period of employment, and type of employment, as at the end of the year

	2016	2015	2014
Number of employees – men	665	678	666
Number of employees – women	90	95	94
Permanent employment	731	731	743
Fixed-term employment	24	42	17
Full-time employment	737	754	743
Part-time employment	18	19	17

In 2016, 107 employees came into the company, and 125 of them left. Among arrivals and departures in 2016, they were mainly employed for a fixed-term in the context of project employment. 12 employees had retired.

Table 30: Number of employee turnover by gender and age group

	2016	2015	2014
Number of arrivals	107	118	103
– men	107	117	102
– women	0	1	1
- up to 30 years of age	53	35	45
- 30-50 years of age	47	67	49
- over 50 years of age	7	3	9
Number of departures	125	105	105
– men	120	105	103
– women	5	0	2
- up to 30 years of age	52	25	42
- 30-50 years of age	52	61	51
- over 50 years of age	21	19	12

The average age of employees was 44.4 years, and has somewhat increased with regard to previous years.

Table 31: Average age

	2016	2015	2014
Average age of employees (in years)	44.4	43.9	43.6
Average period of employment (in years)	23.3	24.2	23.7

Percentage of employees covered by provisions of collective agreements was 99 % in 2016, which is at the level of previous years

Percentage of employees with recognised disability was in 2016 equal to the previous year.

Table 32: Number of employees with recognised disability

	2016	2015	2014
Number of employees with recognised disability	80	80	79

In September 2016, we carried out a call for scholarships, based on which we selected four secondary-level students and one tertiary-level student, who were granted a scholarship. Two tertiary-level students already received a scholarship. At the end of 2016, we thus had seven scholarship holders, of which four were for secondary-vocational programme, one for a higher-educational programme, and two for a 2nd level Bologna study programme (master's programme).

Table 33: Number of scholarship holders at the end of the year

	2016	2015	2014
Number of scholarship holders	7	5	9

12.3 Employment due to increased volume of work

In 2016, due to increased volume of work, we employed 106 employees for a fixed period. We employed 54 installers, 28 auxiliary workers, 15 drivers– machinists, 4 masons, and 5 carpenters.

Table 34: Number of recruited employees

	2016	2015	2014
Period of employment	Jan-Dec	Feb-Dec	Apr-Dec
No. of employees	**106**	**100**	**90**
Installer	54	37	47
Auxiliary worker	28	43	30
Driver engineer	15	10	11
Mason	4	6	2
Carpenter	5	4	0

Table 35: Number of employees by hours

	2016	2015	2014
Number of employees according to hours	**823.11**	**830.60**	**825.79**
Number of employees by hours – permanent employment	742.47	749.64	757.26
Number of employees by hours – employment due to increased volume of works	80.64	80.96	68.53

12.4 Education of employees (G4 LA9)*

In 2016, employees were trained throughout the year at various seminars, workshops and conferences.

In the field of safety and health at work, the employees completed the training of workers in health and safety at work, fire protection, environmental protection, and protection of information. Since it is a periodic training every two years, the information is not taken into account in the table below Education of employees and the percentage of employees involved in education. Employees also participated in training for particularly

*Reporting in accordance with GRI G4 guidelines.

hazardous works, training in first aid and training of persons for initial fire extinguishing. For a larger group of employees, we also carried out education on the topic of Communication for telephone operators.

Employees in the company are also involved in education at work, namely 22 employees are involved in education to obtain the qualification of a foreman in the electricity sector. The project runs from 2015 and shall be completed in 2017. The education is organised in co-operation with external contractors. By completing the education, 22 employees shall obtain the title of a foreman in the electricity sector and thus higher level of education.

Table 36: Education of employees

	2016	2015	2014
Total employees	755	773	760
Number of participants in education	200	551	397
Number of hours in education	1,892	4,946	3,176
Percentage of employees included in education	26%	71%	52%
Average number of hours of training per employee	2.5	6.4	4.2

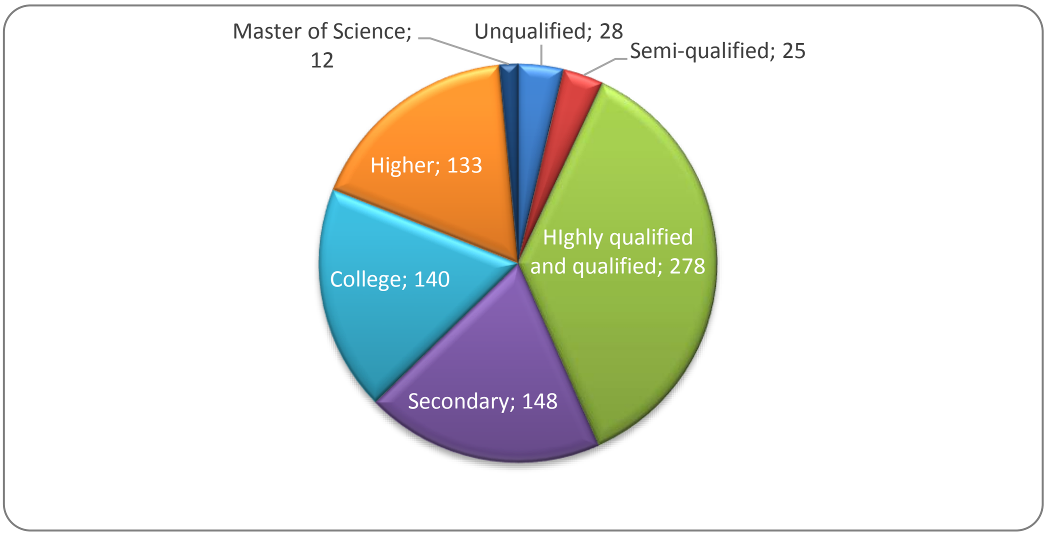

Figure 68: Average number of employees according to the educational structure in 2016

In 2016, five employees obtained a higher education of Master of Science. This is among other things the result of the amendment of the Higher Education Act of 2004, which set a deadline for completion of education not later than the end of the academic year 2015/2016, i.e. until 30 September 2016.

12.5 Employee innovation

With innovative approaches of the company when introducing new technologies, we also encourage employees to express their creativity by making innovative suggestions. The suggestions are being systematically gathered (recorded), assessed, evaluated and awarded.

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

Table 37: Number of suggestions Useful suggestions/Fresh ideas/Striking projects

	2016	2015	2014
Number of suggestions	50	32	46

In 2016, the most successful among received suggestions were the following:

- transformer station 50 kVA on a treenail pole,
- production of IT support for fixed asset inventory.

Both suggestions are in the phase of implementation.

Figure 69: Granting awards for the most successful striking project

12.6 Motivation and care for employees

12.6.1 Additional pension insurance of employees (G4 EC3) *

Employees are included in the second pension pillar. The company pays premiums for this insurance to a certain amount from the maximum premium. The employees have the possibility to decide, whether they wish to additionally pay in a portion of the premium.

Table 38: Average annual number of employees included in additional pension insurance

	2016	2015	2014
Number of employees	785	806	771

12.6.2 Use of parental leave

According to the Parental Protection Act, the employees may use parental leave. In 2016, several employees used parental leave, which is mainly the result of amended legislation in 2016, which recognises the right to additional five days of paid paternity leave to fathers of children under the age of three, who have not yet exercised or not fully used the unpaid paternity leave.

Table 39: Number of employees (by gender) using parental leave

	2016	2015	2014
Number of employees	63	26	31
Employees – men	59	24	29
Employees – women	4	2	2

12.6.3 Family friendly company

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

*Reporting in accordance with GRI G4 guidelines.

- We perform periodic working meetings with senior management employees / area directors. The company's management regularly visits all organisational units of the company, presents to the employees business operations of the past year, plans for the current year, and allows employees to ask questions at hand. At the end of the year, the company executives attended working meetings and awarded recognitions to the best employees and teams, selected by employees.
- We enable flexible working hours and child time bonus (additional free weekday). The trend of using child time bonus is increasing. In 2016, 109 employees have used the option of additional free day.
- When planning annual leave, we also take into account the possibilities of use of the annual leave of immediate family members.
- We provide free anonymous expert assistance in the field of psychological counselling. In 2016, we continued the implementation of the Fast anonymous psychological counselling for employees and their family members. More employees decided to take up counselling than in the previous year.

In order to keep employees well informed in the context of a Family Friendly Company, we gathered all contents on one spot online on the Elektro Maribor's intranet site.

12.6.4 Communication with employees

Communication with employees and between employees is conducted in the company through channels selected according to contents being communicated. Mass communication is used when communicating information about work, events and information directly related to work or the company. Personal communication is used when information is more important in perspective of the company as well as the individual employee.

Channels of mass communication:

- Work meetings – with the President of the Management Board, with the superior of the regional or service units, or with superior of individual areas at the company's headquarters,
- Electronic mail – fast communication with employees, sending and coordinating contents,
- Website www.elektro-maribor.si – wide range of information about the company
- Intranet – common contents, documents and notices, calls for tenders, rules...,
- DNA – the application to manage conducting meetings, tasks, memos …,
- e-Infotok – e-newsletter, bimonthly, includes short and current news about developments in the company;
- Infotok - internal newsletter, issued twice, includes a summary of developments in the company,
- Bulletin boards – notifications, calls for tenders, rules, ...,
- Facebook, Twitter, Instagram, LinkedIn and YouTube social networks – quick information on developments in the company and the situation in the network, option of posting photographs and videos,
- Sports and social events – networking and making acquaintance among employees, for closer links and loyalty to the company.

Channels of personal communication:

- Interviews with employees (annual development interviews, daily communication) – the superiors and their subordinates have determined personal development goals harmonised with the company goals and evaluated the work implemented,
- Monthly scheduled interviews with the management – personal conversation,
- Personal e-mail intended for only one recipient;
- Call via phone or mobile phone.

The social partners, the Trade Union and the Workers' Council, who represent the interests of employees in the company, have communicated their current topics to employees through their communication channels.

12.6.5 Satisfaction of employees (G4 LA2, LA11)*

The company guarantees the equality of all employees irrespective of the type of employment.

We have been monitoring the satisfaction of employees and the organisational climate in the company since 2005. In 2016, all employees had the opportunity to participate in measuring of organisational climate and satisfaction of employees.

In 2016, the employee satisfaction index was 3.58 and is comparable to the Slovene average. The highest scores were given to satisfaction with working hours, co-workers, stability of employment, the work, and a line manager. The lowest scores were given to satisfaction with salary and promotion possibilities. All scores, other than satisfaction with continuity of employment have improved in 2016 compared to the previous year, mostly the satisfaction with the salary, career advancement opportunity and company's management.

The organisational climate index in 2016 was 3.29. The highest scores in the field of organisational climate were achieved in attitude to the quality, loyalty to the company, innovation and initiative, and in the field of motivation and commitment. The key challenges are express in particular in the field of remuneration and career development. Compared to the previous year, the scores of all categories of organisational climate have increased, mostly in career development, remuneration and knowledge of the mission, vision and objectives of the company.

In 2016, we conducted annual development interviews, in which all employees took part.

Table 40: Employee satisfaction and organisational climate indexes

	2016	2015	2014
Employee satisfaction index	3.58	3.38	3.42
Organisational climate index	3.29	3.07	3.06

12.6.6 Code of Ethics (G4 56, HR3)*

The company Elektro Maribor has the Code of Business Ethics adopted since 2010. The company strives to continuously raise awareness of employees on ethical business operations and conduct of employees in accordance with the Code of Ethics. The efforts of each individual for mutual co-operation, respect, consideration and ethical operation means creating a favourable climate and culture within the company itself and externally. In accordance with the Code and based on written notices, there are hearings performed where the four-eye principle (confrontation of the applicant and the offender) is taken into account.

In 2016, we addressed 14 applications for approval to participate in the management and supervisory boards, additional work and a notification on unethical business situation in mutual relations. There was no case of discrimination. In 2015, employed were involved in awareness raising of the practice in line the Code of Ethics by e-Infotok.

13 SAFETY AND HEALTH AT WORK IN THE COMPANY (G4 LA6)*

The purpose and objective of ensuring safety and health at work is to achieve and keep such a level of working environment that provides employees with the maximum possible safety level in terms of health and psychophysical conditions.

We encourage responsibility of employees for their own safety by appropriate work equipment, personal protective equipment, adequate education and training courses. Workers were provided with required personal protective equipment and we performed control over its use.

*Reporting in accordance with GRI G4 guidelines.

The company follows the principles and guidelines of the OHSAS 18001 standard, which defines health and safety at work requirements. This and other standards are integrated in a unified management system, and we have complied with the requirements since 2008.

As the first electricity distribution company in Slovenia, we started carrying out work under voltage several years ago. Conditions for health and safety at work were accommodated by preparing appropriate operating procedures, documentation and training courses for employees.

Due to precaution and in order to reduce absenteeism, we systematically conducted preventive medical examinations, flu vaccination and vaccination against tick-borne meningoencephalitis, and by promoting health at workplace.

Table 41: Number of medical examinations

	2016	2015	2014
Number of medical examinations	381	407	484

The company records all work-related accidents and dangerous events that have occurred to employees. Compared to 2015, the number of work-related accidents decreased, although we had newly employed workers in the field, where the exposure to work-related accidents is at its highest. Most work-related accidents were minor and resulted from mechanical factors. One accident resulted from electric shock and was considered a serious accident. The company regularly conducts preventive examinations of working groups for the purpose of conformity assessment of the implementation of work processes, the use of work and personal protective equipment.

Table 42: Number of work-related accidents

	2016	2015	2014
Number of accidents	21	32	30
– women	0	0	1
– men	21	32	29

Lost workdays due to work-related accidents and other absenteeism are shown in the table below. The percentage of lost days is shown by total number of working days for the period.

Table43: Number of workdays lost due to work-related accidents

	2016	2015	2014
Total number of lost work days (work-related accidents, sick leaves)	782	704	776
Percentage of lost days due to work-related accidents (in %)	0.37	0.33	0.37
Percentage of lost days due to sick leave (in %)	4.84	5.00	4.78

Despite the lowest number of work-related accidents, the percentage of days lost on the account of an individual work-related accident increased, which depend on the consequences of an individual work-related accident. The percentage of lost days due to other absenteeism is lower compared to the previous year, and is comparable with the Slovenian average (4.7%).

14 SOCIAL RESPONSIBILITY OF THE COMPANY

14.1 Elektro Maribor company's stakeholders (G4 24-27)*

We have strengthened the participation with stakeholders that are relevant for the activity, which we perform in the social and natural environment, due to the placement and operation in the local environment, the ownership and the laws, and due to the plans on direction of development of the company, its services and the whole sector.

*Reporting in accordance with GRI G4 guidelines.

Employees: Together with social partners, we considered an inclusive method of work. This also reflects in adopting key decisions, such as company strategy, reorganisation and classification. We regularly organise consultations with social partners, including the implementation of annual strategic conference of the company. We have been striving to keep our employees well informed, motivated, successful, and oriented in attaining strategic goals of the company in all areas of work. This is how we achieved the objectives and generated expected results.

Communities: We have complied with the expectations of shareholders through timely and regular information, by increasing the security and value of their investments, and by appropriate dividend yield. The company took into account recommendations of the manager of direct and indirect holdings of the Republic of Slovenia.

We cooperated intensively with competent government institutions and local communities, in particular in co-ordinating development plans of the network and the company, since these significantly contribute to sustainable infrastructure. We measured the satisfaction of local communities with the operation of our company. Their opinion was taken into account as a guideline to better business operations.

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

We were aware of the fact that the participation of all electricity distribution companies is important, including in the Economic Interest Grouping (GIZ); therefore, we have been effectively involved in harmonising standardisation of types in electricity elements of equipment and facilities, joint purchasing, exchange of good practice, and preparation of professional positions that take into account in the creation of national strategy papers, both the electricity distribution profession and customer benefits. For this purpose, we are also the initiator and in the context of GIZ, the co-organiser of the strategic electricity distribution conference.

We have been encouraging the development of the network and services of the system regulator, which have to take place in a harmonised way among all stakeholders, on professional bases, with a uniform standardisation of types, and with taking into account the advanced and stable regulation.

Investments of the company: As part of managing investments of the company, we have been striving for maintaining the performance of the investment portfolio, the balance of operating, and maintaining capital adequacy.

Customers: Through building robust and smart grids, we strive to provide network users with a higher quality of electricity supply, and by developing smart grid enable users to sustainable energy solutions. Active users are enabled integration of production resources and modern equipment.

We have been striving for a high quality and financially efficient implementation of works on our own, and to place ourselves on the market properly in terms of competitiveness. Service subscribers were offered the opportunity to evaluate these with a survey questionnaire. The satisfaction with the cooperation with the company was highly valuated, as well as the quality of the offers. The challenge is the competitiveness of prices and terms of payment. The quality of implementation and the deadlines of provision of services were highly valuated, and also the correctness in resolving potential complaints and claims.

In addition to informing customers and, depending on the target audience of each medium, also other stakeholders, media create the image of the company in public, which affects the name and hence the value of the company. Recognising their influence, we have been trying, also through a local approach, to develop good relationships with journalists and the media. In a responsive and proactive manner, we have informed them about our activities, and responded to their questions and co-operated with them correctly.

Professional public: We continued our good practice of cooperation with scientific-research and educational institutions. We have been involved in research assignments in the areas of our company's activities, training of our employees including them into the emergence of network development plan, supported the excellence in the educational process, and participated in recognition and popularisation of professions belonging to the professions of the company's core business.

Suppliers: We have been pointing out the importance of transparent and proper relations with suppliers on the market. Based on internal evaluation of suppliers, we developed one of the key criteria for further cooperation.

Business public: In business community, we have been active in associations that support the development of the economy at all levels, with a view to strengthen cooperation, exchange of experience and good practice, and develop new partnerships.

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

14.2 Sponsorships and donations (G4 EC1)*

We demonstrate social responsibility for several years through sponsorships and donations, where we consider the principles of transparency, balance, economy and dispersal. We strive to support charitable organisations. We support also a number of fire-fighting organisations that often come to help us during weather disasters to facilitate our work, which often takes place in difficult and inaccessible areas.

For several years now, we have been encouraging young people who show its excellence already during education. In such a manner, we have been encouraging students of electro-engineering secondary schools from our supply area for many years, and together with the University of Maribor through the best student award, we encourage and reward excellence of students in academic work.

Figure 70: Discussion upon delivery of funds to Maribor's charitable organisations

In accordance with the SDH recommendations, we established the system to ensure transparency in making business deals that involve company expenditure; therefore, we promptly publish on the website all required data from the recommendations.

According to the provisions of Paragraph 11 Article 10a of the Public Information Access Act, we publish also information on sponsorships and donations. Granting sponsorships and donations is regulated by the Rules governing the conditions and the method of granting sponsorships and donations.

In 2016, due to the coverage of the event the Lent Festival, we allocated more funds to culture. In the field of sport in 2016, we supported the Golden Fox event, which took place on a smaller scale, so the proportion of funds allocated for sports was lower than the year before.

*Reporting in accordance with GRI G4 guidelines.

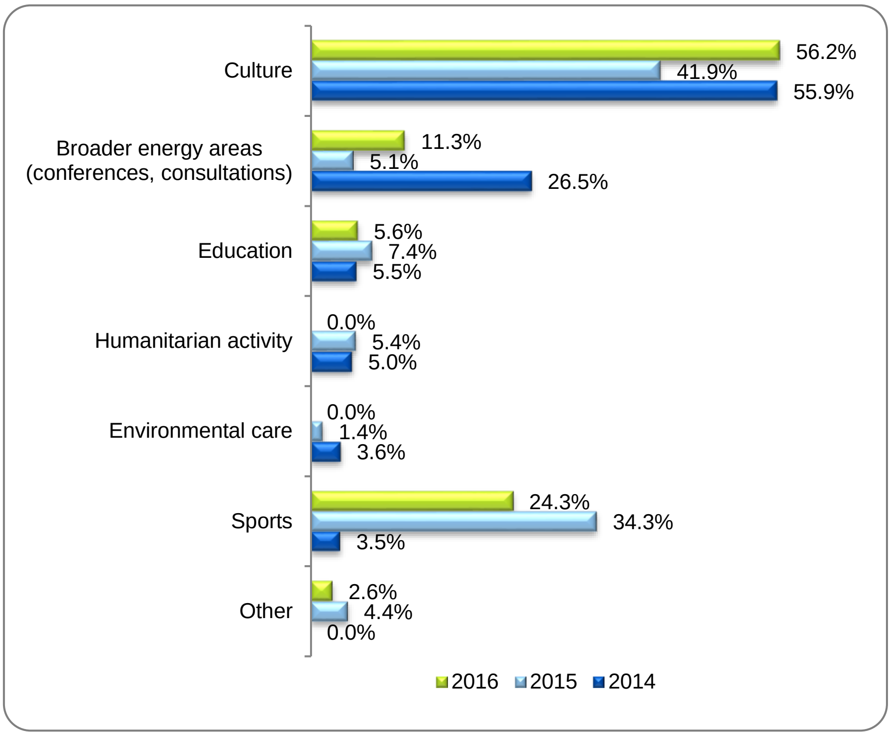

Figure 71: Distribution of sponsorship by purpose

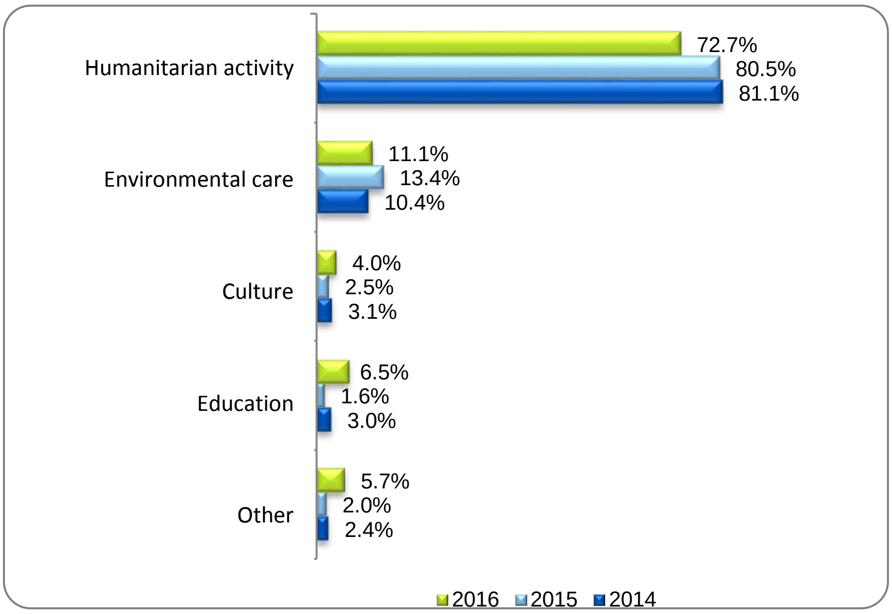

Figure 72: Distribution of donations by purpose

14.3 Corporate communication activities

The company Elektro Maribor and subsequently the Elektro Maribor trademark are in the environment recognised as responsible towards its owners, consumer, employees and the environment, in which we operate. We wish to preserve and strengthen this role also in the future.

With corporate communication activities and the use of modern communication skills and tools, we supported business decision of the company's management. They were mainly related to the promotion of existing services of the company, the promotion of the mobile metering laboratory, electric mobility, and many others.

14.4 Communication with external public (G4 PR5)*

When communicating with external public, especially journalists and customers, we strive to provide properly prepared substantive answers with verified and correct information and in as soon as possible. We carried out a survey of customer satisfaction with our services. In 2016, we performed the survey on the satisfaction of our customer service for the first time. The objective of the survey was to establish:

- satisfaction of consumers with co-operation with the Elektro Maribor company in full;
- satisfaction with the quality of offer, services;
- assessment of contact persons from the Elektro Maribor company;
- satisfaction with resolving complaints, competitiveness of prices and payment terms;
- other opinions, recommendations and suggestions.

The survey showed that as many as 78.1% of consumers were satisfied with the co-operation with the Elektro Maribor Company in full (of which 41.9% of users were very satisfied, whereas 36.2% satisfied). Only 1.9% of the respondents were dissatisfied with co-operation with the Elektro Maribor Company in full;

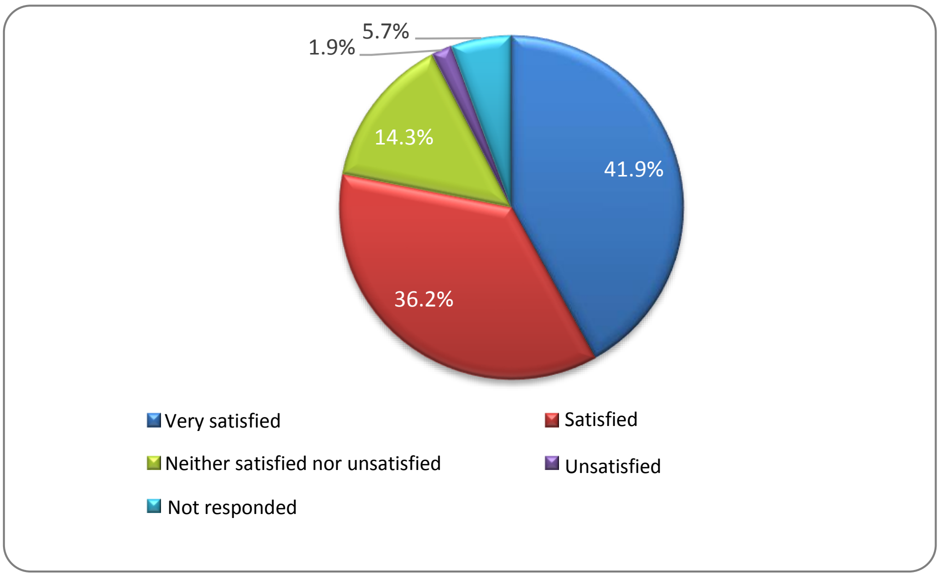

Figure 73: Results of surveying satisfaction of company's consumers in 2016

The survey showed no major deviations in terms of dissatisfaction of any of the issues raised. The satisfaction with the contact persons of the company Elektro Maribor was evaluated very well, and the suggestions for improvements relate to competitiveness of prices, more favourable payment terms, reduction of bureaucratic steps, shortening the procedures and deadlines for obtaining approvals. In general, the opinions of service users that responded to the survey questionnaire is positive, and mutual co-operation is rated as good.

Communication channels with external public:

- The call centre – we were accessible to consumers at two toll-free numbers, i.e. 080 21 05 for a 24-hour service to report failures and interruptions in the network, and 080 21 01 for general information for consumers.
- Answers to journalists and statements – journalists' questions were answered by contextually relevant answers. Answers were in writing or in the form of audio or video statement.
- Press conferences – we announced key plans and activities.
- Press releases – were prepared them when major topics were communicated.

---

*Reporting in accordance with GRI G4 guidelines.

- Publications and leaflets – in order to present the Elektro Maribor Company to the public, we issued an updated short brochure entitled *Presentation* once again. It contains updated key company data. On the 25th anniversary of our country, the Republic of Slovenia, we marked the event by issuing a publication *Elektro Maribor 1991-2016; 25 years of development in the Republic of Slovenia,* in which we presented the milestones in the field of operation of the Elektro Maribor company, in particular the changes and trends in supply of electricity, which reflect the dynamics of the economy and the needs of population on the supply area of Elektro Maribor in the first 25 years of a new country. The brochures are also available on the company's webpage. We also issued a leaflet titled *Information for network users*, in which we published the information on planned power supply outages and the information centre.

Figure 74: Headlines of issued publications in 2016

- Facebook, Twitter, Instagram, LinkedIn and YouTube social networks – we kept network users and journalists informed about current news on developments in the company, network conditions and major outages. Customers used these channels also to ask questions about the recovery from failures and for reporting on the network status.
- Website – public information, information about the company and current events are always available at the company’s websitewww.elektro-maribor.si

14.5 Relations with network users

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

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

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

In 2016, we recorded at the blue free-toll line used to report failures and interruptions (080 21 05) 47,324 calls, while the indicator of the service level showed 75 %, which means that the said percentage of customers reached the operator in less than 1 minute. The number of calls mainly depend on weather conditions and shut downs due to urgent maintenance works.

In 2016, we recorded at the blue free-toll line used for general information (080 21 01) 17,119 calls, while the indicator of the service level showed 90 %, which means that the said percentage of customers reached the operator in less than 1 minute

In accordance to the requirements set out by the laws, we kept our customers informed on planned supply interruptions, including through the website www.elektro-maribor.si. Network users have also a web application available for notifications about planned power supply interruptions (through SMS, e-mail). Currently, the number of applications to SMS-information amounts to 1,117 metering points, which is by 29% higher than the previous year. Currently, the number of applications by e-mail amounts to 2,532 metering points, which is by 15% higher than the previous year. In 2016, we upgraded the online application, which in addition to informing about planned power supply interruptions also enables application to notifications about unplanned interruptions on the MV network (e-mail, SMS).

Table 44: Contacts with network users

Types of contact	2016	2015	2014
Number of total calls to 080 21 05 – reporting failures and interruptions	47,324	42,557	59,750
Number of total calls to 080 21 01 – general information	17,119	18,668	18,714
Number of subscribers to SMS-notification	1,117	863	587
Number of subscribers to e-mail notifications	2,532	2,197	1,856

15 ENVIRONMENTAL PROTECTION IN THE COMPANY (G4 EN3)*

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

Table 45: Consumption of energy products

Energy product	Unit	2016	2015	2014
Fuel	l	605,671	616,442	599,830
Electricity	kWh	2,982,480	2,982,092	2,900,460
Fuel oil	l	1,860	1,700	1,842
Natural gas	m^3	86,950	83,381	97,025
Remote heating	kWh	718,550	644,508	825,918

In 2016, 1.56% less kilometres were driven with the vehicles, and 4.42% less working hours were performed with the machinery than in 2015, which resulted in 1.75% lesser fuel consumption, which is also assessed as a result of optimisation of working processes.

Lower average air temperatures in winter months in 2016 compared to 2015 are reflected in higher consumption of energy products: fuel oil by 9.41%, natural gas by 4.28% and remote heating by 11.49%.

15.1 Carbon footprint (G4 EN6)*

The calculation of the carbon footprint, with which we continued in 2016 as well, includes the following sources of greenhouse gas emissions:

- Direct greenhouse gas emissions from sources owned or managed by the organisation, e.g. burning of fossil fuels in heating plants or in using company vehicles and construction machinery,

*Reporting in accordance with GRI G4 guidelines.

- Indirect greenhouse gas emissions due to electricity consumption and the use of purchased heat or steam,
- Other indirect greenhouse gas emissions occurring as a result of purchased products and services, which the company procured, such as purchase of materials and fuels, business transfers by vehicles not owned by the company, etc.

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

Table 46: Carbon footprint (kg CO2/employee)

	2016	2015	2014
Transport	2,871	2,875	2,855
Electricity	0	1,240	2,363
Heating	421	387	482
Paper	24	26	26
Total	**3,316**	**4,528**	**5,726**

Significant reduction of produced carbon dioxide in 2016 is a result of a decision on the purchase of electricity solely from renewable sources. In acquiring “green energy”, there are no emissions of carbon dioxide or the carbon footprint of this energy equals 0 kg/kWh.

15.2 Total weight of waste by type and disposal method (G4 EN23)*

Mostly when carrying out the activities, we encounter waste resulting from distribution network maintenance and investments (construction waste, various metals, conduits and cables, wood, packaging, meters). We separate waste and hand it over to waste managers authorised to keep the record of collected waste in the IS waste system.

Increased quantity of hazardous waste is a result of selling two energy transformers, transformer oil and a large quantity of cables, which include oil and are classified as hazardous waste.

Last year much more construction waste was generated, which is a result of increased volume of earth works.

Table 47: Weight of waste (Source: System of electronic record keeping of collected waste in the Republic of Slovenia “IS waste”)

in kg	2016	2015	2014
Hazardous waste	116,368	2,434	4,834
Polluted water	83,000	99,000	43,500
Packaging	22,725	17,332	19,381
Paper, cardboard	20,550	25,615	28,217
Construction waste	2,301,946	1,226,822	2,242,950
Municipal waste	50,978	61,074	62,374
Non-ferrous metals	32,460	19,920	24,657
Other metals	193,915	150,971	125,664
Waste electric and electronic equipment	17,000	18,510	16,905
Other	120,249	105,031	140,045
Total	**2,959,191**	**1,726,709**	**2,708,527**

*Reporting in accordance with GRI G4 guidelines.

16 QUALITY SYSTEM

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

The requirements of the ISO 9001 standard define the area of quality, where in 2016, we introduced process mode of quality management, with which we mainly cover the information for internal users. In 2016, we have also undertaken the introduction of requirements for the new edition of the standard, which shall be finally introduced in 2017.

While performing business operations, we comply with the requirements of the ISO 14001 standard for environmental protection, based on which we were able to reduce our impacts on the environment, both in the field of waste and protection of waters, air and soil, and the remaining indirect and direct impacts caused by us. Active work in this field is also upgraded with energy efficiency, when with different measures we reduce the need for energy. In 2016, we have also undertaken the introduction of requirements for the new edition of the standard.

In the field of safety and health at work, we operate in compliance with the requirements of the OHSAS 18001 standard, where changes are expected in the future, because in 2017 requirements of the new edition of the standard shall change.

The company has implemented a metering laboratory, which is accredited according to the requirements of the ISO 17020 standard. Thus, we provided users with a comprehensive solution in the field of control metering equipment. We have established the bases for implementing the requirements of the ISO 17025 standards, which will enable us to measure electromagnetic radiation, covering thus our own needs, and the needs of the market.

With the introduction of the ISO 27001 standard, we upgraded the management of information of key importance.

In the desire to be compared with other companies inside and outside the industry, we in the company decided to introduce the business excellence model. In 2015, taking the first steps in the direction of self-assessment according to the EFQM model, we submitted the first application to the tender of the Republic of Slovenia for the Slovenian Business Excellence Prize. In the assessment, conducted by the Ministry of Economic Development and Technology, we were ranked into the final round.

All activities in the field of system management are managed by various approaches. Through regular consideration of individual areas, we establish actual status and correct them by relevant measures. This area includes also the implementation of regular and extraordinary internal audits, external audits, reviews by independent organizations, and completing system documentation.

III. Financial report of the Elektro Maribor d.d. company

1 INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the company
ELEKTRO MARIBOR d.d.

Opinion

We have audited the accompanying financial statements of the company Elektro Maribor d.d., which comprise the statement of financial position as at 31 December 2016, and the income statement, statement of changes in equity, statement of other comprehensive income and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. We also reviewed the business report.

In our opinion, the financial statements in all material aspects present a true and fair financial position of the company Elektro Maribor d d.d., as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Basis for the opinion

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

We believe that obtained audit evidence is sufficient and adequate as a basis for our audit opinion.

Other information

Other information include the business report, which is an integral part of Elektro Maribor d.d.'s Annual Report, however it does not include financial statements and our auditor's report on them. These other information are the responsibility of the management.

Our opinion on financial statements does not refer to other information and we do not express any form of guarantee about them.

In connection with the performed audit of financial statements, it is our responsibility to read other information and thus assess, whether other information are significantly non-compliant with financial statements, statutory requirements or our knowledge obtained in auditing, or they prove to be significantly false in any other way. In addition, it is our responsibility to assess, whether the other information was prepared in all significant aspects in compliance with the applicable law and above all if these other information are in significant aspect compliant with the law and if non-compliance with these requirements could affect assessments based on these other information. Based on procedures performed, we report, as far as we can assess that:

- Other information describing facts presented in financial statements are in all significant aspects compliant with financial statements; and
- That these other information were prepared in accordance with the applicable law.

Moreover, it is our responsibility that based on our knowledge and understanding of the company that we obtained during the audit, we report about the fact, whether other information include a significantly false statement. Based on procedures performed in relation to other information, we have not established any significantly false statements.

Responsibility of the management and those in charge of management for the financial statements

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

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

The Audit Committee and the Supervisory Board are responsible to supervise the preparation of financial statements and to confirm the audited Annual Report.

Auditor's responsibility for the audit of financial statements

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

During the implementation of the audit in compliance with the International Standards on Auditing, we apply professional discretion and maintain occupational distrust. In addition, we:

- Recognize and assess risks of a significantly false statement in financial standards, either due to error or fraud, create and implement audit procedures as responses to assessed risks and obtain sufficient and adequate audit evidence that provide the basis for our opinion. The risk that we shall not detect a false statement originating from fraud is higher than the one related to an error, since fraud may include secret agreements, forgery, intentional omission, false interpretation or avoidance of internal controls;

- Carry out procedures of verification and comprehension of internal controls significant for the audit with the purpose to create audit procedures that are appropriate to the circumstance, however not with the intention to express an opinion about the effectiveness of internal controls of the company;

- Assess adequacy of applied accounting guidelines and acceptability of accounting prices and related disclosures of the management;

- Based on obtained audit evidence about the existence of significant uncertainty with regard to events or circumstances that raise doubt in the ability of the organisation to continue on a going concern basis, we adopt a decision on the adequacy of management's use of the going concern assumption as the basis of accounting. If we adopt a decision on the existence of significant uncertainty, we are obliged to draw the attention in the auditor's report to corresponding disclosures in financial statements or if such disclosures are inadequate, to adjust the opinion. The auditor's decisions are based on audit evidence obtained up to the date of the issue of the auditor's report. However, later events or circumstances may cause termination of organisation as a going concern.

- Evaluate general presentation, structure, contents of financial statements including disclosures and, whether financial statements present relevant business transactions and events in a way that a fair presentation is achieved;

- Those in charge of management are among other things informed about the planned scope and time of auditing and significant audit findings including deficiencies of internal controls that we detected during our audit.

Paragraph on other affairs

A different auditor, who issued an unmodified opinion on 15 April 2016, audited the financial statements for the financial year that ended as at 31 December 2015.

Celje, 21 April 2017

Certified Auditor
Marija Kozums Pusar, M.Sc.

Rating d.o.o. Celje
Družba za revizijske storitve
in ekonomsko sodelovanje
3000 CELJE, Gosposka 7

2 MANAGEMENT BOARD'S STATEMENT OF RESPONSIBILITY

The Management Board of Elektro Maribor d.d. endorses the financial statements presented in this Annual Report, as well as all other integral parts of this Annual Report for the financial year 2016.

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

The Management Board hereby declares that:

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

Maribor, 11 April 2017

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

3 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Conformity statement

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

Management Board's statement of responsibility

The Management Board approved and adopted the financial statements and notes, as well as the accounting policies to the financial statements and the presented Annual Report for 2016 on 11 April 2016.

Functional currency

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

Changes in accounting policies

There were no changes in accounting policies in 2016.

Fundamental accounting assumptions and quality features of financial statements

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

- Accrual, and
- Going concern,

in addition, the following required quality features:

- Comprehensibility,
- Relevance,
- Reliability,
- Comparability.

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

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

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

Elektro Maribor d.d. is liable to make monthly VAT calculations in accordance with the Value Added Tax Act, as well as for corporate income tax in accordance with the Corporate Income Tax Act.

Bases for the preparation of financial statements

The bases for the preparation of financial statements are the legislative and professional accounting rules and the guidelines, policies and rules mentioned below, which have been applied consistently in all reporting periods.

In 2016, the value of investment in the Alfa investment fund did not change by more than 10%; therefore, the changes are not presented in the comprehensive income statement.

The information presented refers to the current business year and the previous business year.

Relevance of disclosures

The company has adopted internal acts to determine the significance of disclosures to financial statements, for each category of assets and liabilities and revenue and expenditure items separately.

Accounting standards

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

In line with the principle of prudence, the preparation of the financial statements for the year included all potential liabilities, which are anticipated with more than 50 % certainty to be settled in the future.

Comparability of information

The information in the financial statements for the reporting business year is comparable with the information from the previous business year. Due to the changed chart of accounts, the information for the previous business year has been adjusted to be comparable with the current business year.

Events after the balance sheet date

Events after the balance sheet date have no significant effect on the financial statements for 2016 and do not require additional disclosures in the financial report.

As at the completion of financial statements, the final settlement for the regulatory years 2015 and 2016 that will be based on the audited data for 2015 and 2016 was not available; however when preparing financial statement for 2015, we have taken into account the final settlement of 2015, which shows a deficit of received assets over the recognised contractual values of lease and services in the amount of 41,624 Euros. The estimate of the preliminary settlement for the regulatory year 2016 has been taken into account, and it shows a deficit of received assets over the recognised contractual values of lease and services in the amount of 720,305 Euros, mostly from services, and accrued final settlement of 2016 in the amount of 10,208 Euros and accrued final settlement in terms of quality supply of 2014 in the amount of 704,806 Euros.

Those values are treated 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 the electricity distribution system operator, and therefore shall have an impact on cash flow in the next regulatory period.

Relations with affiliated companies

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

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

Table48: Operations of affiliates in 2016

in Euros	Capital	Total assets	Net profit or loss	Total revenue
Energija plus d.o.o., Vetrinjska ul. 2, Maribor	30,344,460	40,190,319	3,182,124	90,114,125
OVEN Elektro Maribor d.o.o., Vetrinjska ul. 2, Maribor	4,783,886	4,866,463	355,641	1,489,296
Moja energija d.o.o., Jadranska cesta 28, Maribor	3,850,856	4,584,346	355,197	3,821,053
Eldom d.o.o., Obrežna ulica 170, Maribor	297,512	458,273	28,597	723,452
Informatika d.d., Vetrinjska ulica 2, Maribor	1,383,961	5,894,661	59,344	12,765,161

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

4 RELEVANT ACCOUNTING POLICIES

Intangible assets

Intangible assets are stated at cost less the accumulated amortisation.

On initial recognition, an item of intangible assets is measured at cost, which comprises its purchase duties and directly attributable costs until they are made available for use.

Long-term property rights are amortised individually using the straight-line amortisation method. The amortisation begins as soon as they are made available for use. Items of long-term property rights are amortised by amortisation rates in accordance with their respective expected useful lives.

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

Property, plant and equipment

Property, plant and equipment are parts of the company's fixed assets used to carry out the activities of the company.

Items of property, plant and equipment are stated at cost less the accumulated depreciation. The cost comprises the purchase price, duties and costs directly attributable to bringing the asset to the condition necessary for the intended use. The cost of those items of property, plant and equipment for which the period until their availability for use is longer than one year and the amounts of which are significant, is increased by interest on loans raised in order to bring such items of property, plant and equipment to the condition necessary for their availability for us. The cost does not include the costs of removal and renovation, since the management believes that they are of no significant value. The significance is determined in the Rules on Accounting.

The company performs the activity of the construction of facilities and equipment and records it in its books after they have been constructed. Assets are recorded in the books at the value that corresponds to SAS 1.12. The cost of purchase of a self-constructed item of property, plant and equipment includes costs that are directly related to it, as well as the share of the company's general overhead expenses incurred during construction or manufacture that are directly associated with it. It does not include the expenditures that are not related to its construction or manufacture, or expenditures that the market is not willing to recognise as such; it is, however, possible to include the cost related to borrowings made to finance the construction or manufacture of an item of property, plant and equipment incurred and its bringing to the condition necessary for the intended use. The cost of such item of property, plant and equipment cannot exceed the cost determined in the SAS 1.10.

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

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

Subsequent expenditures related to an item of property, plant and equipment increase its cost if the future benefits from such item of property, plant and equipment increase beyond their previously assessed benefits.

Investments in items of property, plant and equipment are accrued based on systemic instruction on the accrual of investments in property, plant and equipment and maintenance costs, forming an appendix to the Rules on Property, Plant and Equipment and Depreciation.

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

The company has no items of property, plant and equipment that were acquired under finance lease. All property, plant and equipment are owned by the company and are not pledged as collateral for debts.

The Management Board of the company has actively monitored the events on the market. It has estimated that there was no objective evidence on factors pointing to the need for the impairment of fixed assets in 2016.

Investment property

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

Investment property is stated at cost less the accumulated depreciation. Holiday homes and owned apartments are disclosed in investment property.

The depreciation is applied individually using the straight-line depreciation method. The estimated useful life is 50 years.

The Management Board of the company has actively monitored the events on the market. It has estimated that there was no objective evidence on factors that would point to the need for the impairment of investment property in 2016.

Amortisation/Depreciation

The carrying amount of an item of property, plant and equipment, intangible assets and investment property is amortised/depreciated.

All of the company's fixed assets are classified in amortisation/depreciation groups. The company applies amortisation/depreciation rates that are harmonised with other distribution companies in Slovenia. Items of property, plant and equipment are depreciated individually using the straight-line depreciation method.

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

The company independently determines useful life periods for individual tangible assets that are harmonised with other electricity distribution companies in Slovenia. The company defines useful lives of individual fixed assets shown in the table below.

Table 49: Useful lives of fixed assets

	2016	2015
Buildings	50 years	50 years
Cable underground system, HV overhead power lines, HV cable lines, MV overhead power lines	40 years	40 years
Construction part of STS, SS and TS	40 years	40 years
MV cable lines with XHP and EHP, LV overhead power line and CR with wooden poles, TS on wooden pole	33 years	33 years
STS and secondary SS equipment	15 years	15 years
STS, SS and primary DCS equipment	30 years	30 years
Energy transformer HV/MV	35 years	35 years
Energy transformer MV/LV	30 years	30 years
Measuring and control devices (meters)	5-24 years	5-24 years
Motor vehicles	7-12 years	7-12 years
Computer equipment	2-5 years	3 years
Intangible assets (application software)	2-10 years	3 years
Servitude	1-100 years	1-100 years

Changes in accounting estimates

The company in 2016 acceded to the verification of the useful lives of fixed assets. The verification was performed by the expert group in the context of the Economic Interest Grouping (GIZ) of electricity and set out different useful lives to some groups of fixed assets.

Table 50: Changes in useful lives of fixed assets in 2016

	2016	2015
Optical telecommunication lines	33 years	40 years
Electronic meters, timers	16 years	15 years
Remotely controlled switches	15 years	20 years
Equipment of TC-junctions and HF-devices	7 years	10 years
Mobile phones	2 years	4 years

Financial investments

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

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

In financial statements, non-current financial investments in subsidiaries and affiliated companies are stated at cost.

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

On each balance sheet date, the company assesses whether there is objective evidence on potential impairment of a financial investment. Should such evidence exist, the revaluation of a financial investment is required.

Changes in the fair value of financial investments resulting from revaluation are recognised in the company's equity as increases or decreases in revaluation surplus.

Inventories

An inventory unit of materials is measured at cost, which comprises the purchase price, import duties and direct cost of purchase reduced by any discounts.

Inventories of material are carried at the floating average prices method.

Inventories of material are revaluated due to impairment if the carrying amount exceeds the net market value.

Receivables

Initially, all types of receivables are recognised at amounts recorded in the relevant documents under the assumption that the amounts owed will also be collected. Original receivables can subsequently be directly increased by or, outside the payment received or another form of collection, decreased by each amount justified by a contract.

The company regularly checks the suitability of disclosed receivables. The amounts of receivables that are believed to be uncollectible by their due date should be recorded as doubtful receivables or as disputable receivables.

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

Due to impairment, the company adjusts the value of receivables when there is objective evidence that a current carrying amount of a receivable exceeds the present value of expected future cash flows. In forming revaluation adjustments for doubtful or disputable receivables, the company uses the approach of a 100 % value adjustment of a receivable due from a client, no matter the degree of recoverability, namely for receivables, for which an insolvency proceeding or a civil action has been instituted, and for receivables, which are not settled within 90 days from the maturity date. The value adjustment of receivables is being formed individually per individual business partner.

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

Cash and cash equivalents

Cash is the company's cash in transaction accounts with banks, and cash equivalents – investments, which may quickly be transformed into a predetermined cash amount.

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

Short-term accrued revenues and deferred expenses

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

Initially, these are amounts that do not affect the company's activity nor do they affect its result. In the balance sheet, these items are shown in real amounts without any hidden reserves.

Short-term accrued expenses and deferred revenue include all costs calculated in advance (expenses) and short-term deferred revenue. These may only be used for items, which have been initially recognised. In the balance sheet, they are presented in amounts assessed reliably without any hidden reserves.

Capital

The total equity of the company is represented by the amounts invested by owners, and amounts from operations, which belong to the owner.

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

Own shares shall be acquired based on the authorisation of the General Meeting.

Reserves for own shares are being formed in the amounts, which were paid for their acquisition.

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

Reserves arising from the valuation at fair value, recognised based on the revaluation of investments at the end of the financial year and based on recording of actuarial gains/losses arising from the actuarial calculation of provisions for service awards and severance payments.

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

The company records changes in equity items in equity changes statement.

Provisions and long- term accrued expenses and deferred revenues

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

Provisions are made for severance payments and service awards for employees. They are based on the calculation of a certified actuary as at the start and end of a business year. The actuarial calculation is based on the provisions of SAS10, International Accounting Standards (hereinafter referred to as the IAS) IAS 19 and IAS 26, and performed at the end of each financial year when the company adjusts the value and balance of provisions. They were calculated by the Projected Unit Credit method based on a multiple decrement model taking into account the following decrements: mortality probability, retirement probability, employee turnover probability, and disability probability. The most important assumptions used in the actuarial calculation are:

- Mortality probability (SLO2002x, SLO2002y);
- Disability probability (in accordance with the model based on BUZ/BV1990x, BUZ/BV1990y);
- Retirement in accordance with the model based on Pension and Disability Insurance Act (ZPIZ-2A; Official Gazette of the Republic of Slovenia, no. 39/2013);
- Staff turnover:
  - 5.0 % in the interval to 35 years;
  - 4.0 % in the interval from 36 to 45 years;
  - 3.0 % in the interval to 46 years;
- Discount rate 1.3%;
- Growth of salaries and wages in the Republic of Slovenia 2.0 %;
- Growth of wages in the company 2.0 %;
- Growth of wages in electricity sector 2.0 %;
- Employer's contribution rate: 16.1 % (in case of payments higher than amounts as stipulated by the Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base (Official Gazette of the Republic of Slovenia, no. 76/08));
- Growth of amounts in the Decree 0.5%;
- provisions of the Corporate collective agreement.

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

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

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

Debts

In terms of the content, liabilities are categorised in financial and operating, and in terms of maturity, they are classified as current and long-term.

All liabilities are initially recognised in amounts arising from the relevant documents based on the assumption that the creditors require these to be repaid. Liabilities are later increased by attributed returns (interest, other compensation), for which there is an agreement with the creditor. They are decreased by the amounts paid and any other settlements in agreement with the creditor.

The carrying amount of liabilities equals their original value decreased by their repayments.

In the balance sheet, long-term liabilities and short-term liabilities are presented separately, and they are further broken down to financial and operating liabilities.

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

Off-balance sheet records

Commitments and contingent liabilities show the amounts of bills of exchange given for loans received, guarantees given and received, potential payment liabilities, amounts pertaining to small tools in use, and values of fixed assets transferred to SODO d.o.o.

Recognition of revenue

Revenue is recognised if the increase of economic benefits in an accounting period is connected with the increased value of an asset or decreased liability, and if such increase can be measured reliably. Revenue is recognised when it is reasonable to expect it to result in receipts, if these are not already realised at inception.

Revenue comprises of operating, financial, and other revenue.

Operating revenue is revenue from sales and it represents the sales values of products, services and material sold in an accounting period. It is measured based on sales prices stated in invoices or other documents, decreased by amounts that the company charges for a third party account (duties), discounts granted at the sale, and subsequently also by the value of returned quantities and any subsequent discounts.

The revenue from rendered services is measured at sales prices of performed services considering the level of their completion, indicated in invoices or other documents.

Revaluation operating revenue is generated upon the disposal of property, plant and equipment and intangible assets, and also after the payment of receivables, which were revaluated in previous years.

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

This income is recognised at settlement, regardless of the receipts, if there is no reasonable doubt as to its size, maturity and probability to be paid. Interest is attributed in proportion to the elapsed period and in relation to the unpaid part of the principal and the applicable interest rate.

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

Recognition of expenses

Expenses are recognised if the decrease in economic benefits in an accounting period is connected with the decreased value of an asset or increased liability, and if such decrease can be measured reliably.

Expenses include operating, finance and other expenses.

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

Revaluation operating expenses are recognised when an adequate revaluation is completed and they appear in connection with items of property, plant and equipment, intangible non-current and current assets due to their impairment.

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

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

Labour costs and costs of reimbursements to employees

The company includes the following items in labour costs:

- Salaries and wages;
- Salary and wage compensation;
- Additional pension insurance costs;
- Contributions and other taxes;
- Other costs such as pay for annual leave, reimbursement of material costs, solidarity aid and other.

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

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

Taxes

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

The corporate income tax is calculated based on revenue and expenses such as stated in the income statement, taking into account the provisions of the Corporate Income Tax Act.

The tax calculated this way is the tax paid by the company from the taxable profit for the year, using tax rates applicable on the date of the statement of financial position, taking into consideration any adjustments to tax liabilities arising from previous business years.

The company discloses deferred tax using the method of liabilities in accordance with the balance sheet based on temporary differences between book and tax values of individual assets and liabilities. The amount of deferred tax is based on the expected method of return or settlement of the book value of assets and liabilities, using the tax rates applicable on the balance sheet date.

Deferred tax assets are recognised 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.

Cash flow statement

The cash flow statement has been prepared using the direct method. In the cash flow statement, cash and cash equivalents are represented by cash in accounts and deposits with maturity up to three months.

Segment reporting

The company is in accordance with the Energy Act-1 bound to report by activities (segments). Two activities are defined for that purpose:

- The contract with SODO which sets forth 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
- The services, which include other market activities performed by the company.

5 FINANCIAL STATEMENTS OF THE ELEKTRO MARIBOR COMPANY

Table 51: Balance sheet

in Euros

	Item	Note	31 Dec 2016	31 Dec 2015
A.	**Long-term assets**		**329,174,538**	**317,441,895**
I.	**Intangible assets and long-term accrued revenues and deferred expenses**	**1**	**1,117,515**	**1,411,039**
	1. Long-term property rights		1,117,515	1,411,039
II.	**Property, plant and equipment**	**2**	**308,797,468**	**296,780,077**
	1. Land and buildings		231,476,544	219,113,660
	a. Land		9,320,587	7,717,383
	b. Buildings		222,155,957	211,396,277
	2. Production equipment and machinery		72,301,463	71,506,837
	4. Property, plant and equipment under acquisition		5,019,461	6,159,580
	a. Property, plant and equipment under construction		5,008,831	6,146,906
	b. Advances for acquisition of property, plant and equipment		10,630	12,674
III.	**Investment property**	**3**	**646,998**	**664,211**
IV.	**Non-current financial investments**	**4**	**17,541,680**	**17,541,681**
	1. Non-current financial investments excluding loans		17,541,680	17,541,681
	a. Shares and stakes of companies in the Group		16,983,478	16,983,479
	b. Shares and stakes of associated companies		349,854	349,854
	c. Other shares and stakes		56,594	56,594
	č. Other non-current financial investments		151,754	151,754
V.	**Long-term operating receivables**	**5**	**330,447**	**591,077**
	3. Long-term operating receivables due from others		330,447	591,077
VI.	**Deferred tax assets**	**6**	**740,430**	**453,810**
B.	**Current assets**		**23,164,378**	**27,683,356**
II.	**Inventories**	**7**	**1,390,498**	**1,371,197**
	1. Material		1,390,498	1,371,197
IV.	**Current operating receivables**	**8**	**11,010,736**	**10,057,754**
	1. Current operating receivables due from companies in the Group		23,232	26,311
	2. Current operating receivables due from clients		10,482,518	8,865,676
	3. Current operating receivables due from others		504,986	1,165,767
V.	**Cash and cash equivalents**	**9**	**10,763,144**	**16,254,405**
C.	**Short-term deferred items**	**10**	**245,790**	**303,177**
	ASSETS		**352,584,706**	**345,428,428**
	Off-balance sheet assets		48,345,355	50,168,366

in Euros

	Item	Note	31 Dec 2016	31 Dec 2015
A.	**Capital**	**11**	**260,251,694**	**253,826,936**
I.	**Called-up capital**		**139,773,510**	**139,773,510**
	1. Share capital		139,773,510	139,773,510
II.	**Capital reserves**		**75,121,586**	**75,121,586**
III.	**Revenue reserves**		**41,830,071**	**33,806,617**
	1. Legal reserves		3,836,913	3,198,981
	2. Reserves for treasury shares and own business shares		150,599	
	3. Treasury shares and own business shares		-150,599	0
	5. Other revenue reserves		37,993,158	30,607,636
V.	**Reserves arising from valuation at fair value**		**-543,309**	**-330,299**
VII.	**Net profit or loss for the financial year**		**4,069,836**	**5,455,522**
B.	**Provisions and long-term accrued expenses and deferred revenues**	**12**	**39,159,423**	**37,191,418**
	1. Provisions for pensions and similar liabilities		4,923,751	5,534,627
	2. Other provisions		1,269,830	498,762
	3. Long-term accrued expenses and deferred revenue		32,965,842	31,158,029
C.	**Non-current liabilities**	**13**	**29,239,605**	**29,996,748**
I.	**Non-current financial liabilities**		**29,185,714**	**29,942,857**
	2. Long-term financial liabilities to banks		29,185,714	29,942,857
II.	**Non-current operating liabilities**		**53,891**	**53,891**
	2. Long-term operating liabilities to suppliers		53,891	53,891
Č.	**Current liabilities**	**14**	**22,969,641**	**23,592,165**
II.	**Current financial liabilities**		**8,799,574**	**8,784,215**
	2. Current financial liabilities to banks		8,757,143	8,757,143
	4. Other current financial liabilities		42,431	27,072
III.	**Current operating liabilities**		**14,170,067**	**14,807,950**
	1. Current operating liabilities to companies in the Group		60,411	1,185,412
	2. Current operating liabilities to suppliers		6,418,466	5,931,312
	3. Other current financial liabilities		7,691,190	7,691,226
D.	**Short-term accrued items**	**15**	**964,342**	**821,161**
	LIABILITIES		**352,584,705**	**345,428,428**
	Off-balance-sheet liabilities	16	48,345,355	50,168,366

Table 52: Income statement

in Euros

	Item	Note	I–XII 2016	I–XII 2015
1.	**Net sales revenues**	**17**	**57,941,225**	**62,696,245**
3.	**Capitalized own products and services**	**18**	**18,090,408**	**16,721,270**
4.	**Other operating revenues (with revaluated operating revenues)**	**19**	**3,314,265**	**3,764,068**
5.	**Costs of goods, material and services**	**20**	**18,054,933**	**23,160,337**
	a. Cost of goods and material sold and costs of material used		11,084,414	15,865,109
	b. Costs of services		6,970,519	7,295,228
6.	**Labour costs**	**21**	**28,444,372**	**27,853,518**
	a. Costs of wages and salaries		20,010,833	19,445,633
	b. Costs of social insurances		4,304,004	4,176,498
	- of which costs of additional pension insurance		981,992	1,003,676
	- of which costs of pension insurance		1,860,339	1,774,917
	c. Other labour costs		4,129,535	4,231,387
7.	**Write-offs**	**22**	**19,215,765**	**19,029,553**
	a. Depreciation		18,633,737	18,394,092
	b. Revaluation operating expenses for intangible assets and property, plant and equipment		411,332	458,956
	c. Revaluation operating expenses for current assets		170,696	176,504
8.	**Other operating expenses**	**23**	**625,877**	**884,324**
9.	**Financial revenues from stakes**	**24**	**1,370,000**	**1,370,000**
	a) Financial income from stakes in companies of the Group		1,270,000	1,070,000
	b) Financial revenues from stakes in associated companies		100,000	300,000
10.	**Financial revenues from loans granted**	**25**	**4,481**	**19,617**
	b. Financial revenues from loans granted to others		4,481	19,617
11.	**Financial revenues from operating receivables**	**26**	**53,940**	**69,588**
	b. Financial revenues from operating receivables due from others		53,940	69,588
12.	**Financial expenses from impairments and write-offs of financial investments**		**0**	**138,053**
13.	**Financial expenses from financial liabilities**	**27**	**434,613**	**561,359**
	b. Financial expenses from loans received from banks		431,977	560,522
	č. Financial expenses from other financial liabilities		2,636	837
14.	**Financial expenses from operating liabilities**	**28**	**104,828**	**151,987**
	b. Financial expenses from liabilities to suppliers and liabilities pertaining to bills of exchange		149	543
	c. Financial expenses from other operating liabilities		104,679	151,445
15.	**Other revenue**	**29**	**16,940**	**14,991**
16.	**Other expenses**	**30**	**107,023**	**92,982**
17.	**Corporate income tax**		**1,304,449**	**1,562,606**
18.	**Deferred taxes**		**286,620**	**39,049**
19.	**NET PROFIT/LOSS FOR THE PERIOD (1 ± 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 17 + 18)**	**31**	**12,786,019**	**11,260,107**

Table 53: Statement of other comprehensive income

in Euros

	Item	Note	I–XII 2016	I–XII 2015
19.	Net profit/loss for the period		12,786,019	11,260,107
23.	Other items of comprehensive income		-213,010	-323,794
24.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (19 + 20 + 21 + 22 + 23)**		**12,573,009**	**10,936,313**

Table 54: Cash Flow Statement

in EUR

Item	Note	I–XII 2016	I–XII 2015
A. Cash flows from operating activities			
a) Cash receipts from operating activities	*32*	***105,051,043***	***111,496,348***
Cash receipts from sales of products and services		102,786,098	109,579,606
Other cash receipts from operating activities		2,264,945	1,916,742
b) Cash disbursements from operating activities	*33*	***-94,903,397***	***-98,010,303***
Cash disbursements from the purchase of material and services		-57,845,354	-62,050,083
Cash disbursements from salaries and employees' participation in profit		-27,662,741	-26,560,946
Cash disbursements from taxes		-7,573,491	-7,701,073
Other cash disbursements from operating activities		-1,821,811	-1,698,201
c) Positive cash result in operating activities (a + b)		***10,147,646***	***13,486,045***
B. Cash flows from investing activities			
a) Cash receipts from investing activities	*34*	***1,467,218***	***1,476,990***
Interest received and shares in profit received, relating to investment activities		1,375,110	1,391,661
Cash receipts from disposal of tangible fixed assets		92,108	85,329
b) Cash disbursements from investing activities	*35*	***-9,864,250***	***-8,779,622***
Cash disbursements from acquisition of intangible assets		-1,297,265	-385,991
Cash disbursements from acquisition of property, plant and equipment		-8,566,985	-8,393,631
c) Negative cash result in investing activities (a + b)		***-8,397,032***	***-7,302,632***
C. Cash flows from financing activities			
a) Cash receipts from financing activities	*36*	***8,000,000***	***10,000,000***
Cash receipts from increase of financial liabilities		8,000,000	10,000,000
b) Cash disbursements from financing activities	*37*	***-15,241,875***	***-12,060,690***
Cash disbursements from interest paid on financing		-423,244	-564,401
Cash repayments of equity		-150,599	0
Cash disbursements from repayment of financial liabilities		-8,757,142	-7,507,143
Cash disbursements from dividends and other participation in profit		-5,910,890	-3,989,146
c) Negative cash result in financing activities (a + b)		***-7,241,875***	***-2,060,690***
Č. Closing balance of cash and cash equivalents		**10,763,144**	**16,254,405**
x) Cash flow result for the period (sum of cash results Ac, Bc and Cc)		**-5,491,261**	**4,122,723**
+			
y) Opening balance of cash and cash equivalents		**16,254,405**	**12,131,682**

Table 55: Statement of changes in equity 2016

in EUR

	Item	Called-up capital	Capital reserves	Revenue reserves				Fair value reserves	Retained net profit or loss	Net profit/loss for the period	Total
		Share		Legal reserves	Reserve for own shares	Own shares	Other revenue reserves		Net profit brought forward	Net profit	
		I/1	II	III/1	III/2	III/3	III/5	IV	V/1	VI/1	
A.1.	**Closing balance as at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**3,198,981**	**0**	**0**	**30,607,636**	**-330,299**	**0**	**5,455,522**	**253,826,936**
	a) Retroactive adjustments								**-27,383**		**-27,383**
A.2	**Opening balance for the reporting period**	**139,773,510**	**75,121,586**	**3,198,981**	**0**	**0**	**30,607,636**	**-330,299**	**-27,383**	**5,455,522**	**253,799,553**
B.1	**Changes in equity – transactions with owners**	**0**	**0**	**0**		**-150,599**	**-517,231**	**0**	**-5,453,039**	**0**	**-6,120,869**
d.	Purchase of own shares					-150,599					-150,599
g.	Payment of dividend						-517,231		-5,453,039		-5,970,270
B.2	**Total comprehensive income for the reporting period**							**-213,010**		**12,786,019**	**12,573,009**
a.	Entry of net profit/loss for the period									12,786,019	12,786,019
d.	Other items of comprehensive income							-213,010			-213,010
B.3	**Changes in equity**	**0**	**0**	**637,932**	**150,599**	**0**	**7,902,753**	**0**	**5,480,422**	**-14,171,705**	**0**
a.	Allocation of the remaining part of the net profit for the compared reporting period to other items of equity								**5,453,039**	**-5,453,039**	**0**
b.	Allocation of the remaining part of the net profit for the compared reporting period pursuant to the decision by the Management and Supervisory Boards			637,932			7,900,270			-8,538,202	**0**
c.	Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting resolution						2,483			-2,483	**0**
č.	Settlement of loss as a deduction component of equity								27,383	-27,383	**0**
d.	Building up reserves for own shares				150,599					-150,599	**0**
C.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**-150,599**	**37,993,158**	**-543,309**	**0**	**4,069,836**	**260,251,694**
	DISTRIBUTABLE PROFIT								**0**	**4,069,836**	

Table 56: Statement of changes in equity 2015

in EUR

	Item	Called-up capital	Capital reserves	Revenue reserves		Fair value reserves	Retained net profit or loss	Net profit/loss for the period	Total
		Share capital		Legal reserves	Other revenue reserves		Retained net profit from previous years	Undistributed profit for the financial year	
		I/1	II	III/1	III/5	V	VI/1	VII/1	
A.1.	**Closing balance as at the end of the previous reporting period**	**139,773,510**	**75,121,586**	**2,635,976**	**24,848,824**	**-6,505**	**148,193**	**4,388,478**	**246,910,062**
A.2	**Opening balance for the reporting period**	**139,773,510**	**75,121,586**	**2,635,976**	**24,848,824**	**-6,505**	**148,193**	**4,388,478**	**246,910,062**
B.1	**Changes in equity – transactions with shareholders**						**-4,019,439**		-4,019,439
g.	Payment of dividend						-4,019,439		-4,019,439
B.2	**Total comprehensive income for the reporting period**					**-323,794**		**11,260,107**	**10,936,313**
a.	Entry of net profit/loss for the period							11,260,107	11,260,107
d.	Other items of comprehensive income					-323,794			-323,794
B.3	**Changes in equity**			**563,005**	**5,758,812**	**0**	**3,871,246**	**-10,193,063**	**0**
a.	Allocation of the remaining part of the net profit for the compared reporting period to other items of equity						**4,388,478**	**-4,388,478**	**0**
b.	Allocation of the remaining part of the net profit for the compared reporting period pursuant to the decision by the Management and Supervisory Boards			563,005	5,241,580			-5,804,585	0
c.	Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting's resolution				517,232		-517,232		0
C.	**Closing balance for the reporting period**	**139,773,510**	**75,121,586**	**3,198,981**	**30,607,636**	**-330,299**	**0**	**5,455,522**	**253,826,936**
	DISTRIBUTABLE PROFIT						**0**	**5,455,522**	

Table 57: Appendices to the financial statements – performance indicators in compliance with the Good accounting practices (PSR)

Item	2016	2015
I. CORE FINANCING INDICATORS (PSR 8.26)		
Participation rate of capital in % = capital/liabilities	73.81	73.48
Long-term financing ratio in % = assets + long-term debt + provisions + long-term accrued items/liabilities	93.60	93.17
II. CORE INVESTMNENT INDICATORS (PSR 8.27)		
Fixed assets investment ratio in % = fixed assets/assets	87.90	86.33
Long-term investment ratio in % = fixed assets and long-term deferred items + long-term financial investment + investment property + long-term operating receivables/assets	93.15	91.77
III. HORIZONTAL FINANCIAL STRUCTURE INDICATORS (PSR 8.28)		
Equity to fixed assets ratio = equity/fixed assets	0.84	0.85
Quick ratio = liquid assets/short-term liabilities	0.48	0.69
Accelerated liquidity ratio = liquid assets + short-term receivables/short-term liabilities	0.96	1.12
Short-term ratio = current assets/short-term liabilities	1.03	1.17
IV. CORE EFFICIENCY INDICATORS (PSR 8.30)		
Operating efficiency ratio = operating revenues/operating expenses	1.20	1.18
I. CORE PROFITABILITY INDICATORS (PSR 8.31)		
Net return on equity in % = net profit or loss/average assets (excluding net profit or loss)	5.07	4.59
Payout ratio = dividend for the financial year (*accumulated profits)/net profit/loss	0.32*	0.48

6 NOTES AND DISCLOSURES TO STATEMENTS

6.1 Notes to the balance sheet

The balance sheet is the basic financial statement presenting the assets and liabilities that refer to the company's operations.

In accordance with SAS 20.4 it is drawn up in the running form with values shown for the current and past periods.

Items in the balance sheet are presented at their carrying amounts as the difference between the cost and the deducted value adjustment. The balance sheet has been prepared taking account of the principle of individual asset and liability valuation.

The company is not possession of any additional information significant for a fair presentation of the company's financial position; such items are not mandatory parts of the balance sheet.

Information constituting the basis for the preparation of the balance sheet and information about special accounting policies and methods used in recording the company's business events are presented in the following notes to individual balance sheet items.

The notes constitute an integral part of the financial statements and should be read in conjunction with them.

Intangible assets

Note 1

Intangible assets comprise of property rights from the use of licenses, and application software, which are classified as assets with the finite useful life between 2 and 10 years. The depreciation rates used range between 10 and 50%, and they are subject to straight-line method of depreciation.

The intangible assets also include servitudes, which in accordance with the provisions of the Companies Act (ZGD-1) are shown in the balance sheet between items land and buildings.

Intangible assets are not pledged for the repayment of debts and the company does not dispose with assets acquired through state aid.

At the end of financial year, the company shows EUR 386,613 of financial liabilities regarding the acquisition of licences for the use of information technology. The company has been settling its obligations monthly based on the invoices received.

Major acquisitions of intangible assets relate to the acquisition of licenses for information technology use.

Table 58: Changes in intangible assets in 2016

in EUR	Intangible assets	Current investments	Total
Purchase value			
As at 1 January 2016	5,610,455		5,610,455
Increase	*1,050,389*	*0*	1,050,389
- New purchases		1,050,389	1,050,389
- Activation	1,050,389	-1,050,389	0
Disposals	31,826		31,826
Transfers	-943,794		-943,794
As at 31 December 2016	5,685,224	0	5,685,224
Write-offs			
As at 1 January 2016	4,199,417		4,199,417
Disposals	50,948		50,948
Depreciation	439,121		439,121
Transfers	-19,879		-19,879
As at 31 December 2016	4,567,710	0	4,567,710
Carrying amount			
As at 1 January 2016	1,411,039	0	1,411,039
As at 31 December 2016	1,117,515	0	1,117,515

Property, plant and equipment

Note 2

Table 59: Changes in property, plant and equipment in 2016

in EUR	Land	Buildings	Easements	Equipment	Current investments	Advances	Total property, plant and equipment
Purchase value							
As at 1 January 2016	7,717,383	688,606,169	0	172,006,818	6,146,906	12,674	874,489,950
Additions, of which:					29,685,517	0	29,685,517
- Additions (new acquisitions)					26,614,972		26,614,972
- Additions (free of charge acquisition)					3,070,545		3,070,545
Activation	35,864	22,961,262	671,386	7,149,861	-30,818,373	0	0
- Activation (new acquisitions)	35,864	19,933,695	671,386	7,106,884			27,747,829
- Activation (free of charge acquisition)		3,027,568		42,977			3,070,545
Decrease	15,007	7,621,980		3,430,657	5,219	2,044	11,074,907
Transfers			943,794				943,794
As at 31 December 2016	7,738,239	703,945,451	1,615,180	175,726,022	5,008,831	10,630	894,044,354
Write-offs							
As at 1 January 2016	0	477,209,892	0	100,499,981	0	0	577,709,873
Disposals		7,338,366		3,315,110			10,653,475
Depreciation		11,917,968	12,954	6,239,687			18,170,609
Transfers			19,879				19,879
As at 31 December 2016	0	481,789,494	32,833	103,424,559	0	0	585,246,886
Carrying amount							
As at 1 January 2016	7,717,383	211,396,277	0	71,506,837	6,146,906	12,674	296,780,077
As at 31 December 2016	7,738,239	222,155,957	1,582,347	72,301,463	5,008,831	10,630	308,797,468

Major acquisitions of items of property, plant and equipment in 2016 refer particularly to:

Table 60: Major acquisitions of items of property, plant and equipment in 2016

in EUR	2016	2015
LV power lines	7,002,202	7,513,436
Metering equipment and instruments	2,650,123	2,146,376
TS MV/HV	1,938,452	1,787,938
MV power lines (connecting)	4,936,409	3,752,939
DL HV new	1,987,452	3,475,483
MV power lines (joining)	1,346,621	1,277,368

Major decrease in property, plant and equipment refers to buildings in the amount of EUR 7,621,980 and equipment in the amount of EUR 3,430,657, mostly due to write-offs resulting from destruction and replacement.

The items of property, plant and equipment not yet available for use (current investment) totalled at EUR 5,008,831.

No items of property, plant and equipment were acquired under finance lease. All assets are owned by the company and have not been pledged as collateral for debts. The company also has no assets acquired through state aid.

The company still has some contractual commitments for the acquisition of tangible fixed assets, but these are concluded for successive supply of equipment by the contract in accordance with the time schedule.

All long-term borrowings are intended to finance investments in property, plant and equipment of the company.

The company signed Annex No. 4 to the Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator for the period 2016–2018 with the SODO d.o.o. company, which defines the amount of rent and the services supplied to SODO.

The amounts of future leases cannot be presented reliably, since the price and scope of the lease change over the years. The rent for the financial year 2016 amounts to EUR 28,322,032.

The book value for the leased electricity distribution infrastructure as at 31 December 2016 amounts to EUR 279,427,597.

Table 61: Changes in electricity distribution infrastructure in 2016

in EUR	Intangible fixed assets	Land	Buildings	Easements	Equipment	Total property, plant and equipment and intangible fixed assets
Purchase value						
As at 1 January 2016	943,794	4,913,292	661,808,952	0	147,387,544	815,053,582
Transfers						
As at 1 January 2016	943,794	4,913,292	661,808,952	0	147,387,544	815,053,582
Additions, of which:	0	31,332	22,710,251	671,386	5,001,585	28,414,555
- Activation		31,332	22,710,251	671,386	5,001,585	28,414,555
Disposals		-15,007	-7,559,527		-1,280,817	-8,855,351
Transfers	-943,794			943,794		0
As at 31 December 2016	0	4,929,617	676,959,676	1,615,180	151,108,312	834,612,784
Write-offs						
As at 1 January 2016	19,879	0	464,932,374	0	82,314,956	547,267,209
Transfers						
As at 1 January 2016	19,879	0	464,932,374	0	82,314,956	547,267,209
Decrease			7,308,266		1,186,946	8,495,213
Depreciation			11,399,466	12,954	5,000,771	16,413,191
Transfers	-19,879			19,879		0
As at 31 December 2016	0	0	469,023,574	32,833	86,128,781	555,185,187
Carrying amount						
As at 1 January 2016	923,915	4,913,292	196,876,578	0	65,072,588	267,786,373
As at 31 December 2016	0	4,929,617	207,936,102	1,582,347	64,979,531	279,427,597

Investment Property

Note 3

The Management Board of the company has actively monitored the events on the market. It has estimated that there was no objective evidence on factors pointing to the need for the impairment of fixed assets in 2016.

Table 62: Changes in investment property in 2016

in EUR	31 Dec. 2016
Purchase value	
As at 1 January 2016	1,467,176
Increase	8,621
Decrease	21,627
As at 31 December 2016	1,454,170
Write-offs	
As at 1 January 2016	802,965
Disposals	19,801
Depreciation	24,007
As at 31 December 2016	807,171
Carrying amount	
As at 1 January 2016	664,211
As at 31 December 2016	646,998

Table 63: Investment property in 2016

in EUR	Value	Revenue	Cost
Holiday capacities	628,301	106,812	117,677
Apartments	18,697	8,776	2,109
Total	**646,998**	**115,588**	**119,786**

All the investment property is owned by the company and is not pledged as collateral for debts.

Non-current financial investments

Note 4

Table 64: Non-current financial investments

in EUR	As at 31 Dec. 2016	As at 31 Dec. 2015
investments in stakes of the companies in the group:	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 shares and stakes 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 non-current financial investment in stakes	56,594	56,594
Other non-current financial investments	151,754	151,754
Total	**17,541,680**	**17,541,680**

Table 65: Changes in non-current financial investments

in EUR	Investments in stakes of the companies in the group	Investments in shares and stakes of associated companies	Other non-current financial investment in stakes	Other non-current investments	Total
As at 1 January 2016	16,983,478	349,854	56,594	151,754	17,541,680
Decrease					
As at 31 December 2016	**16,983,478**	**349,854**	**56,594**	**151,754**	**17,541,680**

In 2016, the company has not impaired any investments in the associated companies.

The Management Board estimates, that non-current financial investments as at 31 December 2016 are not exposed to risks or they are exposed to risk equal to the amount of the investments in the capital of these companies.

The company has all long-term investments, other than investments in subsidiaries and associated companies, classified as available for sale.

Other long-term investments primarily reflect the investment in the Alfa financial fund.

Non-current operating receivables

Note 5

Long-term operating receivables due from buyers show mainly receivables from the final cost estimates of the regulatory framework for 2013 and 2014 and the preliminary cost estimates for 2014 in the amount of EUR 292,295. The part, which falls due in the current financial year, is transferred to short-term receivables.

Other long-term operating receivables include receivables from the collection of assets to the reserve fund of owner-occupied residential buildings.

Receivable due from SODO d.o.o. is secured with bills of exchange. Non-current receivables are not pledged as collateral for liabilities.

Deferred tax receivables

Note 6

In 2016, the Company recognised the increase in deferred receivables for taxes for temporary deductible tax differences based on past and current formed provisions for service awards and severance pays.

The tax rate used in the calculation of deferred tax assets was 19%. The same rate is also expected to be applied in the future business years.

In 2016, the Company increased such deferred receivables for taxes by EUR 286,620. For the same amount the net profit increased in 2016. The balance of deferred tax assets as at 31 December 2016 amounted to EUR 740,430.

Table 66: Changes in deferred tax receivables

in EUR	As at 31 Dec. 2015	Decrease	Increase	As at 31 Dec. 2016
Deferred tax receivables				
- from adjustments of receivables	*0*	*0*	*272,674*	*272,674*
- for provisions for service awards and severance pays	*453,810*	*0*	*13,946*	*467,756*
Total	**453,810**	**0**	**286,620**	**740,430**

Increase in tax receivables resulting from the increased tax rate (from 17% to 19%) amounts to EUR 77,940.

Inventories

Note 7

Inventory is comprised predominantly of inventory of material for use in own investments, material for the provision of services on the market, and spare parts for the maintenance of tangible fixed assets.

The Management Board of the company estimates that the carrying amount of the inventory is below the level of the net realisable value, except the inventory determined as inventory of operating reserves for which the company made an adjustment to the level of the net realisable value.

Table 67: Inventories

in EUR	31 Dec. 2016	31 Dec. 2015
Raw material and material	1,350,903	1,336,284
Fuel and lubricants	11,978	14,326
Stationery	5,924	9,104
Small tools and packaging inventories	21,693	11,483
Total	**1,390,498**	**1,371,197**

As at 31 December 2016, the company showed inventories valued at EUR 97,342; there were no changes in the period from 1 January 2014 to 31 December 2016; however, the inventory is determined as current reserve inventory. The Management Board of the company estimates that the net realisable value was lower, thus the company made a value adjustment of the inventory in 2016 in the amount of EUR 4,898.

The Management Board estimates that the net realisable value of obsolete inventories amounted to 50%, therefore, these inventories were impaired in the same proportion.

Table 68: The value of inventory

in EUR	31 Dec. 2016	31 Dec. 2015
Gross value of inventory	1,439,169	1,414,970
Value adjustment	48,671	43,773
Net value of inventory	**1,390,498**	**1,371,197**

During the regular annual inventorying, the company found no deficit nor surplus. EUR 11,922 in material was written off in 2016 due to damage, destruction and obsolescence and the same amount was recognised in the company's expenses.

All items of inventory are owned by the company and not pledged as collateral for debts.

Current operating receivables

Note 8

Table 69: Current operating receivables

in EUR	31 Dec. 2016	31 Dec. 2015
Current operating receivables due from Group companies, of which:	23,232	26,311
- receivables due from Energija plus d.o.o.	17,248	25,457
- receivables due from OVEN Elektro Maribor d.o.o.	5,984	854
Current operating receivables due from customers for network use	3,474,638	3,940,389
Current operating receivables due from customers for services	7,001,142	4,924,958
Current operating receivables for interest	6,738	329
Current operating receivables from operations for third party account	0	668,055
Other current receivables	504,986	497,712
Total	**11,010,736**	**10,057,754**

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

The company made a value adjustment in 2016 for disputable and doubtful receivables and for receivables that were more than 90 days in arrears, in accordance with the rules on the management of receivables.

Table 70: Value of receivables

in EUR	31 Dec. 2016	31 Dec. 2015
Gross receivables	13,179,038	12,184,762
Value adjustment	2,168,302	2,127,009
Net receivables	**11,010,736**	**10,057,754**

Table 71: Changes in the adjustments of receivables

in EUR	As at 1 January 2016	Decrease	Increase	As at 31 December 2016
Value adjustments of current operating receivables:				
- Decrease in value adjustments due to payments		58,247		
- Decrease in value adjustments due to write-offs		54,336		
Total	**2,127,009**	**112,583**	**153,876**	**2,168,302**

Receivables from customers for network use amount to EUR 3,474,638 and mostly are not secured by instruments for insurance of payments, as this is not foreseen in the Decree on general conditions and the supply of electricity.

The company's receivables due from SODO d.o.o. for the lease of the electricity distribution infrastructure are secured with bills of exchange. The balance of current receivables due from SODO as at 31 December 2016 stood at EUR 2,624,965 for lease and EUR 3,847,625 for services.

As at the end of 2016, the company had no receivables due from the Management Board or the members of the Supervisory Board.

Table 72: Breakdown of current operating receivables by maturity

in EUR	31 Dec. 2016	Structure in %	31 Dec. 2015	Structure in %
Non-mature receivables	10,285,469	93.41	9,380,221	93.26
Past due up to 30 days	471,652	4.28	428,230	4.26
Past due from 31 to 60 days	96,112	0.87	110,496	1.10
Past due from 61 to 90 days	21,333	0.19	8,989	0.09
Past due over 90 days	136,170	1.24	129,819	1.29
Total	**11,010,736**	**100**	**10,057,754**	**100**

Cash and cash equivalents

Note 9

Table 73: Cash and cash equivalents

in EUR	31 Dec. 2016	31 Dec. 2015
Assets on accounts	673,144	304,405
Call deposits	10,090,000	15,950,000
Total	**10,763,144**	**16,254,405**

Deposits held at call represent cash and cash equivalents becoming due within maximum three months.

Current deferred items

Note 10

Table 74: Current deferred items

in EUR	31 Dec. 2016	31 Dec. 2015
Current non-accrued revenue	240,266	297,378
Current deferred expenses	5,524	5,799
Total	**245,790**	**303,177**

Current accrued revenues and deferred expenses include mostly the amounts of current non-accrued revenues resulting from damage in network and lease of bases.

Table 75: Changes in current deferred items

in EUR	As at 1 Jan. 2016	Increase	Decrease	As at 31 Dec. 2016
Current non-accrued revenue	297,378	196,854	253,966	240,266
Current deferred expenses	5,799	1,447,219	1,447,494	5,524
Total	**303,177**	**1,644,073**	**1,701,460**	**245,790**

Capital/equity

Note 11

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

Table 76: Capital/equity

in EUR	31 Dec. 2016	31 Dec. 2015
Share capital	139,773,510	139,773,510
Capital reserves	75,121,586	75,121,586
Legal reserves	3,836,913	3,198,981
Reserves for treasury shares and participating interests	150,599	0
Treasury shares and own participating interests	-150,599	0
Other reserves from profit	37,993,158	30,607,636
Fair value reserves	-543,309	-330,299
Net profit brought forward	4,069,836	5,455,522
Total	**260,251,694**	**253,826,936**

Capital reserves result entirely from the general equity revaluation adjustment.

In accordance with the powers of the Assembly the company obtained 72,753 own shares in the amount of EUR 150,599 in 2016. In the same amount, it formed reserves for own shares.

Legal reserves, reserves for own shares and other revenue reserves have formed from net profit/loss of the current years since 2003.

Reserves from fair value include the value of non-current financial investments and the amount of actuarial loss arising from the actuarial calculation of provisions for severance pays.

Table 77: Changes in fair value reserves

in EUR	As at 31 Dec. 2015	Formation	Spent	As at 31 Dec. 2016
Reserves from revaluation of non-current financial investments	105,184	0	0	105,184
Actuarial gains/losses from severance pays	-435,483	-240,393	27,383	-648,492
Total	**-330,299**	**-240,393**	**27,383**	**-543,309**

In 2016, the company generated a net profit of EUR 12,786,019. In accordance with the responsibilities defined in the Companies Act-1, the Management Board used part of net profit in the amount of EUR 637,932 for legal reserves, part in the amount of EUR 150,599 for the formation of own shares reserve and part in the amount of 7,900,270 for the formation of other revenue reserve.

The distributable profit thus amounted to EUR 4,069,836; and is presented in the appendix to the statement of changes in equity and is subject to distribution at the General Meeting of shareholders in 2017.

As at 31 December 2016, the book value of one share totalled at EUR 7.77; while the book value of one share as at 31 December 2015 totalled at EUR 7.58.

The net profit per share in 2016 amounted to EUR 0.38.

Provisions and non-current accrued costs and deferred revenues

Note 12

Table 78: Provisions

in EUR	As at 31 Dec. 2016	As at 31 Dec. 2015
Provisions for service awards	1,482,552	2,439,666
Provisions for pensions	3,441,199	3,094,961
Provisions for securities	22,654	20,169
Provisions for non-current accrued costs	1,247,176	478,594
Total	**6,193,581**	**6,033,389**

Provisions for retirement benefits and service awards were formed based on the calculation of a certified actuary. The methodology underlying their calculation is presented in the chapter Relevant accounting policies.

Provisions for guarantees given are formed for cases when the company grants a warranty period for the elimination of errors in the construction of buildings to foreign clients, and this period lasts about five years. The Group formed these provisions in the estimated amount of 10% of the total exposed contractual value.

The amount of provisions based on legal obligations totals at EUR 542,370 and is the best estimate of expenses needed for their settlement.

The amount of provisions based on obligations stemming from the cost estimates of the regulatory framework for 2014 totals at EUR 704,806.

In making the best estimate, we observed risks and uncertainties which inevitably accompany the legal proceedings for which provisions were formed.

The company estimates that no provision type is exposed to risks.

The amount of provisions equals the current value of expenses, which are expected to be needed for the settlement of such commitments.

Table 79: Changes in provisions

in EUR	As at 31 Dec. 2015	Formation	Spent	Removed	As at 31 Dec. 2016
Provisions for service awards	2,439,666	291,354	202,169	1,046,299	1,482,552
Provisions for pensions	3,094,961	444,742	98,505	0	3,441,199
Provisions for securities	20,169	2,485	0	0	22,654
Provisions for non-current accrued costs	478,594	833,126	15,769	48,775	1,247,176
Total	**6,033,389**	**1,571,707**	**316,442**	**1,095,073**	**6,193,581**

Non-current accrued costs and deferred revenues are formed from fixed assets acquired free of charge and from co-financing. The company uses these non-current accrued costs and deferred revenues to cover the cost of their depreciation using the annual depreciation rate of 3%.

Since 2010, the amounts used to cover the depreciation costs for the formed non-current accrued costs and deferred revenue are those that match the actual depreciation rate of an individual fixed asset.

The company uses the total non-current accrued costs and deferred revenue from contributions for disabled employees to settle the cost of their salaries and wages.

Table 80: Changes in non-current accrued costs and deferred revenue

in EUR	As at 31 Dec. 2015	Decrease	Increase	As at 31 Dec. 2016
Non-current deferred revenues from house connections acquired free of charge	16,895,476	702,288	1,108,771	17,301,959
Non-current deferred revenues from fixed assets acquired free of charge	6,667,058	259,353	1,961,774	8,369,478
Non-current deferred revenues from average connection costs	4,010,420	178,523	0	3,831,897
Non-current deferred revenues from co-financing	3,562,233	152,027	29,461	3,439,666
Non-current deferred revenues from contributions for disabled employees	0	178,866	178,866	0
Non-current deferred revenues from EU projects	22,843	0	0	22,843
Total	**31,158,029**	**1,471,058**	**3,278,872**	**32,965,842**

Non-current liabilities

Note 13

Non-current financial liabilities completely refer to received non-current loans from banks.

The company raised in 2016 a non-current loan in the amount of EUR 8,000,000; the loan is entirely intended to finance investments.

The maturity of loans is 5 to 10 years. Interest rate is between 1-and 6-month EURIBOR, with 1.45 to 1.9% profit margin or a fixed interest rate with a 0.721 to 1.072% annually.

The carrying amount of non-current liabilities equals their fair value. Non-current liabilities of the company are not exposed to any special exchange and credit risks. Exposure to interest rate risk represents a potential negative change in EURIBOR, whereby the company has the option to prematurely repay non-current debts at any time.

All loans are secured with bills of exchange.

Principals in the amount of EUR29,942,857 fall due within five years from the balance sheet date. The company duly pays the matured instalments of the principal and interest.

Table 81: Non-current financial liabilities to banks

in EUR	31 Dec. 2016	31 Dec. 2015
Non-current financial liabilities to banks	37,942,857	38,700,000
Current part of non-current financial liabilities to banks	-8,757,143	-8,757,143
Total	**29,185,714**	**29,942,857**

Non-current operating liabilities include non-current securities received as a supplier's performance bond.

As at the end of 2016, the company had no non-current liabilities to the Management Board or the members of the Supervisory Board of the company.

Current liabilities

Note 14

Current financial liabilities stood at EUR 8,799,574 and included amounts of the current part of non-current borrowings in the amount of EUR 8,757,143, falling due within one year from the balancing date, and liabilities to shareholders regarding the distribution of profit in the amount of EUR 42,431.

Current operating liabilities totalled EUR 14,170,067 and indicate the amount as shown in the table below.

Table 82: Current operating liabilities

in EUR	31 Dec. 2016	31 Dec. 2015
Current operating liabilities to companies in the Group, of which:	60,411	1,185,412
- liabilities to Energija plus d.o.o.	60,411	1,185,412
Current operating liabilities to associated companies	189,819	361,510
Current operating liabilities to suppliers for fixed assets	3,941,398	3,883,344
Current operating liabilities to suppliers for current assets	2,287,249	1,686,456
Current operating liabilities to SODO d.o.o.	3,223,512	3,343,013
Current operating liabilities to employees	3,246,453	3,085,240
Current operating liabilities to state and other institutions	187,231	534,877
Current operating liabilities from advance payments	818,915	507,258
Other current operating liabilities	215,080	220,838
Total	**14,170,067**	**14,807,950**

The company duly settles its current liabilities on maturity dates.

As at 31 December 2016, the company has a liability to the President of the Management Board for the salary and reimbursement of travel cost of December 2016 in gross amount of EUR 7,905.

Current accrued costs and deferred revenue

Note 15

Current accrued costs and deferred revenues include current accrued expenses and current deferred revenue. They include receivables and liabilities, which are assumed to appear within a year and are probable, with their size assessed reliably.

Table 83: Current accrued costs and deferred revenue

in EUR	31 Dec. 2016	31 Dec. 2015
Calculated costs for unused annual leave	843,276	741,344
Current accrued costs for legal matters	79,817	79,817
Current accrued depreciation costs	19,122	0
Current accrued costs for interests from non-current borrowings	22,127	0
Total	**964,342**	**821,161**

Table 84: Changes in current accrued costs and deferred revenue

in EUR	As at 31 Dec. 2015	Formation	Spent	Removed	As at 31 Dec. 2016
Calculated costs for unused annual leave	741,344	843,276	696,959	44,385	843,276
Current accrued costs for legal matters	79,817	0	0	0	79,817
Current accrued depreciation costs	0	19,122	0	0	19,122
Current accrued costs for interests from non-current borrowings	0	22,127	0	0	22,127
Total	**821,161**	**884,525**	**696,959**	**44,385**	**964,342**

Off-balance sheet assets/liabilities

Note 16

Table 85: Off-balance sheet assets/liabilities

in EUR	31 Dec. 2016	31 Dec. 2015
Securities for insurance of payments – guarantees	236,878	183,530
Securities for insurance of payments – bills of exchange	37,942,857	38,700,000
Receivables for provided bank guarantees	3,405,778	4,312,397
Enforcement drafts received	113,512	7,029
Enforcement drafts given	132,082	22,899
Potential liabilities for damages	9,631	99,681
Small tools in use	1,510,319	1,654,185
Average cost of connection SODO d.o.o. transfer of assets 1 July to 31 Dec. 2009	3,751,974	3,909,812
Average cost of connection SODO d.o.o. transfer of property, plant and equipment 1 Jan. 2010	1,057,453	1,093,961
Assets for holiday capacities – Eldom d.o.o.	184,870	184,870
Total	**48,345,355**	**50,168,366**

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

6.2 Notes to the Statement of changes in equity

The statement of changes in equity presents changes in individual items of equity in a business year. The statement is broken down into items, showing changes in items of equity and trends that would cause changes in items of equity.

Table 86: Distributable profit and proposal for its allocation

in EUR	2016	2015
Net profit/loss for the financial year	12,786,019	11,260,107
b) Net loss brought forward	-27,383	
č) Increase in revenue reserves as decided by the Management Board	**788,531**	**563,005**
Legal reserves	637,932	563,005
Reserve for own shares	150,599	
d) Increase in revenue reserves as decided by the Management Board	**7,900,270**	**5,241,580**
Other reserves from profit	7,900,270	5,241,580
DISTRIBUTABLE PROFIT (a + b - č - d)	**4,069,836**	**5,455,522**

At its session held on 31 August 2016, the General Meeting of Elektro Maribor decided on the allocation of the distributable profit for 2015. It was decided to allocate EUR 5,453,038.75 as dividend to shareholders. The rest of the distributable profit in the amount of EUR 2,483.03, the General Meeting allocated to other revenue reserves.

The Management Board and the Supervisory Board proposed to the Annual General Meeting to allocate the distributable profit for 2016, amounting to EUR 4,069,836.02, for the payment of a dividend in the amount of EUR 0.121769 gross per share, which amounts to a total of EUR 4,069,833.05; the rest of the distributable profit in the amount of EUR 2.97 shall be allocated to other revenue reserves.

6.3 Notes to the Income statement

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

The income statement has been compiled using version I determined in point 21.6 of SAS.

Information concerning the basis for compilation of the income statement and about special accounting policies applied by the company is presented in disclosures to individual significant items.

Revenue

The amount of revenue is affected by methods, policies and estimates explained in notes to the balance sheet.

The company did not change the methods and accounting estimates in 2016.

Table 87: Revenue

in EUR	2016	2015
Operating Revenue	79,345,897	83,181,582
Financial revenue	1,428,422	1,459,204
Other revenue	16,940	14,991
Total	**80,791,259**	**84,655,777**

Table 88: Revenue generated in relation to companies in the Group

in EUR	Energija plus d.o.o.	OVEN d.o.o.
Revenues from the sale of services	102,546	5,714
Revenues from the rent of office buildings	79,314	9,084
Total	**181,860**	**14,798**

The revenue from the sale of services to Energija plus d.o.o. refers primarily to the charged accounting services and IT services.

Net sales revenue

Note 17

Table 89: Net sales revenue

in EUR	2016	2015
Sale of electricity for losses - SODO d.o.o.	0	6,341,477
Charged rents	28,788,331	28,657,845
- SODO d.o.o. – rent	28,322,032	28,027,577
- Other	466,299	630,268
SODO d.o.o. services as per contract	25,822,675	24,351,648
Charged services	3,220,217	3,278,066
Sale of waste material	110,001	67,208
Total	**57,941,225**	**62,696,245**

Net sales revenues accounted for 73% of total operating revenues generated by the company. Net sales revenues include settlements for the regulatory periods 2016 and 2014.

Table 90: Considered settlements in regulatory years 2016 and 2014

in EUR	Revenues in 2016	Preliminary balance 2016	Accrued final settlement 2016	Accrued settlement as regards supply quality in 2016	Total 2016
Rent	28,535,676	-213,644			28,322,032
Services	25,583,324	933,949	10,208	-704,806	25,822,675
Total	**54,119,000**	**720,305**	**10,208**	**-704,806**	**54,144,707**

Capitalised own products and services

Note 18

Capitalised own products and services include own construction of investments and revenues from internal services (finalisation of equipment).

Table 91: Capitalised own products and services

in EUR	2016	2015
Capitalised products	17,723,798	16,321,025
Capitalised services	366,610	400,245
Total	**18,090,408**	**16,721,270**

Other operating revenue

Note 19

Table 92: Other operating revenue

in EUR	2016	2015
Derecognition of provisions	1,163,609	945,335
Derecognition of non-current accrued costs and deferred revenue	1,549,147	1,385,816
Indemnifications received from the insurance company	421,200	1,171,084
Profit from sale of fixed assets	78,785	36,028
Recovered receivables from previous years	101,523	128,487
Other operating revenue	0	97,317
Total	**3,314,265**	**3,764,068**

Expenses by functional groups

Table 93: Expenses by functional groups

in EUR	2016	2015
Production costs of products sold	60,020,437	64,482,607
Sales costs	1,912,957	1,771,476
General and administr. activities cost	3,825,525	4,038,188
Total	**65,758,919**	**70,292,271**

Costs of goods, materials and services

Note 20

Table 94: Costs of materials

in EUR	2016	2015
Cost of material, of which:	8,900,931	13,410,532
- purchase of electricity for losses	0	5,811,049
- material for investments	7,501,792	6,342,166
- material for damage remedy	283,441	303,040
- material for services	1,103,384	940,995
- other cost of material	12,314	13,283
Cost of spare parts for fixed assets	846,717	926,966
Cost of energy	865,063	926,250
Write-offs of small tools and packaging	264,603	388,737
Cost of office material and professional literature	204,752	209,147
Other cost of material	2,348	3,476
Total	**11,084,414**	**15,865,109**

In transactions with companies in the Group, the company recorded the cost of electricity purchase for own use in the amount of EUR 51,552 and the cost of gas purchase in the amount of EUR 26,565. All the costs were incurred in transactions with Energija plus d.o.o.

Table 95: Costs of services

in EUR	2016	2015
Cost of services for further settlement	455,088	487,955
Cost of maintenance-related services	1,848,692	1,964,105
Cost of rents	480,435	462,617
Reimbursement of costs to employees	79,138	115,808
Cost of insurance and bank services and payment transact.	1,608,654	1,708,400
Cost of intellectual and personal services	339,026	332,364
Cost of fairs, advertisements and entertainment costs	42,972	59,668
Cost of services by natural persons	203,249	187,809
Postal, telecommunications and internet services	143,826	158,622
IT services	1,381,274	1,417,306
Other cost of services	388,165	400,575
Total	**6,970,519**	**7,295,228**

Labour costs

Note 21

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

Labour costs include accrued costs in the amount of EUR 1,993,980, and they refer to:

- Unused holiday leave,
- Additional liabilities to employees based on the Corporate Collective Agreement.

Table 96: Labour costs

in EUR	2016	2015
Costs of wages and salaries	20,010,833	19,445,633
Cost of additional pension insurance for employees	981,992	1,003,676
Employer contributions and other salary duties	3,322,011	3,172,822
Other labour costs	4,129,536	4,231,386
- Holiday allowances	1,454,844	669,024
- Travel allowances	996,676	1,005,429
- Meal allowances	1,072,355	1,079,171
- Collective accident insurance	109,373	110,113
- Provisions for jubilee awards and severance pays	391,024	1,278,737
- Other employee cash receipts	105,265	88,912
Total	**28,444,372**	**27,853,518**

Data by groups of persons – Management Board

The cost of salaries is represented by the salary of the President of the Management Board.

As at 31 December 2016, the company had a liability to the President of the Management Board for the December 2016 salary in the net amount of EUR 4,412.

Table 97: Paid assets – Management Board

in EUR	Gross
Gross salaries	94,949
- base gross salary – fixed amount	*94,949*
Reimbursement of travel expenses	128
Reimbursement of other material costs	1,855
Voluntary additional pension insurance	2,819
Holiday allowance	1,735
Total	**101,486**

The President of the Management Board received perks in the net amount of EUR 266 from collective accident insurance and liability insurance. The President of the Management Board received in 2016 no payment from variable part of his salary.

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

In 2016, a total of eight employees were employed based on individual employment contracts up to 29 April 2016 and seven employees up to 30 April 2016. The cost of their salaries including material costs amounted in 2016 to EUR 512,827. Those expenses are composed of the following costs:

Table 98: Calculated assets – other employees with individual employment contracts

	2016	2015
Gross salaries to other employees on individual employment contracts	467,076	496,705
- base gross salary	*399,354*	*441,017*
- bonus for years of service	*42,509*	*44,144*
- Christmas bonus or „13th salary“	*17,673*	*11,544*
- performance bonus	*7,539*	*0*
Reimbursement of travel expenses	342	861
Reimbursement of other material costs	13,473	14,011
Voluntary additional pension insurance	17,854	19,733
Holiday allowance	10,991	5,535
Jubilee awards	3,092	0
Total	**512,827**	**536,846**

The employees under the individual contract received perks in the net amount of EUR 1,885, namely for collective accident insurance, liability insurance and vaccinations.

Employees on individual contracts have been paid rewards at the end of the financial year in total amount of EUR 11,440, salary based on performance in total amount of EUR 6,233, and the holiday allowance in total amount of EUR 10,991.

The company has a liability to this group of persons for their December salaries and rewards at the end of the year.

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

In accordance with the resolution of General Meeting of the limited company Elektro Maribor d.d. of 31 August 2011, the Supervisory Board is entitled to attendance fees at sessions and to the pay for the performance of their function.

Table 99: Attendance fees and payments for the performance of Supervisory Board function

in EUR	2016 gross	2015 gross
Regular and extraordinary session		
Attendance fee for the President of the Supervisory Board	275	275
Attendance fee for members of the Supervisory Board	275	275
Correspondence session		
Attendance fee for the President of the Supervisory Board	220	220
Attendance fee for members of the Supervisory Board	220	220
Payment for the performance of function		
To the President of the Supervisory Board	16,950	16,950
To the Deputy President of the Supervisory Board	12,430	12,430
To the members of the Supervisory Board	11,300	11,300

Table 100: Gross receipts of the members of the Supervisory Board from sessions and other expenses

in EUR

Name and surname	Gross	10%	6.36% health insurance contribution	Base for personal income tax 90%	25%	Payment	8.85% contribution for pension and disability insurance	0.53% flat rate cont. for injury at work or occupational diseases
Tomaž Orešič	3,842	384	244	3,213	803	2,794	340	20
Mateja Čuk	3,682	368	234	3,080	770	2,678	326	20
Roman Ferenčak	2,288	229	145	1,913	478	1,664	202	12
Ciril Pucko	4,189	419	266	3,504	876	3,047	371	22
Darko Nemec	3,310	331	211	2,768	692	2,407	293	18
Dušan Kovačič	3,025	303	192	2,530	633	2,200	268	16
Total	**20,336**	**2,034**	**1,293**	**17,009**	**4,252**	**14,790**	**1,800**	**108**

Gross receipts of the members of the Supervisory Board from sessions and attendance fees amounted to EUR 20,336, from which the gross receipts from sessions amount to EUR 16,775 and additional cost of travel to meetings and educational events were recorded in the gross amount of EUR 3,561.

Remunerations from employment of Supervisory Board members, who are representatives of employees amounted to EUR 76,631.

Table 101: Payment for the performance of the function of the Supervisory Board

Name and surname	Gross in EUR
Tomaž Orešič (SB Chairman)	16,950
Mateja Čuk (SB Deputy Chairperson)	12,430
Roman Ferenčak (SB member)	11,300
Ciril Pucko (SB member)	11,300
Dušan Kovačič (SB member – staff representative)	11,300
Darko Nemec (SB member – staff representative)	11,300
Total	**74,580**

The Audit Committee (AC) works as a committee of the Supervisory Board

Table 102: Attendance fees and payments for the performance of Supervisory Board's Audit Committee function

in EUR	2016 Gross in EUR	2015 Gross in EUR
Regular and extraordinary session		
Attendance fee for the President of the AC	220	220
Attendance fee for members of the AC	220	220
Correspondence session		
Attendance fee for the President of the AC	176	176
Attendance fee for members of the AC	176	176
Payment for the performance of function		
To the President of AC	4,238	4,238
To the Deputy President of AC	2,825	2,825
To the members of AC	2,825	2,825

Table 103: Calculated and paid attendance fees and reimbursement of costs to the members of the Audit Committee in 2016

Name and surname	Gross in EUR
Ciril Pucko	4,236
Roman Ferenčak	2,174
Ivana Kuhar	2,860
Total	**9,270**

Table 104: Calculated and paid cost for performance of function to the members of the Audit Committee in 2016

Name and surname	Gross in EUR
Ciril Pucko (President of the SB Committee)	4,238
Roman Ferenčak (SB Committee member)	2,825
Ivana Kuhar (external SB Committee member)	2,825
Total	**9,888**

In 2016, a Human Resource Committee was appointed in the Supervisory Board.

Table 105: Payment to the Supervisory Board's Human Resources Committee

in EUR

Name and surname	Gross	10%	6.36% health insurance contribution	Base for personal income tax 90%	25%	Payment	8.85% contribution for pension and disability insurance	0.53% flat rate cont. for injury at work or occupational diseases
Mateja Čuk	1,267	127	81	1,060	265	922	112	7
Ciril Pucko	1,312	131	83	1,097	274	954	116	7
Maja Fesl Kamenik (SB Committee member)	1,100	110	70	920	230	800	97	6
Total	**3,679**	**368**	**234**	**3,077**	**769**	**2,676**	**326**	**20**

Table 106: Payment to the Supervisory Board's Human Resources Committee – external Committee member

in EUR

Name and surname	Gross	10%	6.36% health insurance contribution	Base for personal income tax 90%	25%	Payment	8.85% contribution for pension and disability insurance	0.53% flat rate cont. for injury at work or occupational diseases
Maja Fesl Kamenik (SB Committee member)	828	83	53	692	173	602	73	4
Total	**828**	**83**	**53**	**692**	**173**	**602**	**73**	**4**

The company did not give any advances or loans to employees under individual contracts, the Management Board or the members of the Supervisory Board and its committees.

Write-offs

Note 22

Table 107: Depreciation

in EUR	2016	2015
Depreciation of intangible assets	439,121	542,703
Depreciation of property, plant and equipment, of which:	18,170,608	17,826,773
- building part	11,930,921	11,824,761
- equipment	6,239,687	6,002,012
Depreciation of investment property	24,007	24,616
Total	**18,633,737**	**18,394,092**

In 2016, the company verified the useful life periods for assets. It has established, that the useful life period for certain assets changed fundamentally, which is why it has started introducing changes in the depreciation rates, which in accordance with SAS are treated as a change of the accounting estimates. The effect of the change of the accounting estimates represents a higher cost of depreciation in the amount of EUR 50,281.

Table 108: Effect depreciation rates change

Name of depreciation group	Old rate in %	New rate in %	Depreciation by old rates in EUR	Depreciation by new rates in EUR	Difference in EUR
Telecommunication lines – optical	2.5	3	34,767	41,720	6,953
Electronic meters, timer switches	6.67	6.25	1,319,203	1,236,138	-83,065
Remote control switches	5	6.67	71,114	93,112	21,998
Equipment for TK hubs and VF devices	10	14.29	258,870	360,341	101,470
Mobile phones	25	50	2,096	5,019	2,924
TOTAL			**1,686,049**	**1,736,330**	**50,281**

The revaluation operating expenses totalled at EUR 582,082.

Table 109: Revaluation operating expenses

in EUR	2016	2015
Revaluation operating expenses in tangible assets and property, plant and equipment	411,332	458,956
Revaluation operating expenses pertaining to inventories	11,922	30,206
Revaluation operating expenses pertaining to receivables, of which:	153,516	142,127
- from the use of network	117,326	96,852
- from rendered services	10,738	27,616
- from interest	25,452	17,659
Other revaluation operating expenses	5,258	4,171
Total	**582,028**	**635,460**

Operating expenses from revaluation of tangible fixed assets relate primarily to write-offs of damaged and destroyed parts of buildings and equipment due to renovation or compensations.

The company makes value adjustments of receivables in accordance with the adopted accounting policy, individually for each business partner.

Other operating expenses

Note 23

Table 110: Other operating expenses

in EUR	2016	2015
Provisions for securities	2,485	300
Provisions for legal proceedings	128,320	362,068
Construction land compensation	273,812	266,700
Other duties and expenses	221,260	255,256
Total	**625,877**	**884,324**

Financial revenue from participating interests

Note 24

Based on the owners' resolutions, in 2016, the company received profit from the associated company Moja energija d.o.o. in the amount of EUR 100,000, and from companies in the Group, i.e. from Energija Plus the amount of EUR 950,000, and from OVEN Elektro Maribor the amount EUR 300,000.

Financial revenue from loans granted

Note 25

Financial revenues from loans granted were recorded in the amount of EUR 4,481 relating to revenues from deposited cash in commercial banks.

Financial revenue from operating receivables

Note 26

Table 111: Financial revenues from operating receivables

in EUR	2016	2015
Interest income for the use of network	25,705	34,376
Interest income from services	3,878	4,437
Interest income from lawsuits	24,358	30,775
Total	**53,940**	**69,588**

Financial expenses from financial liabilities

Note 27

Table 112: Financial expenses from financial liabilities

in EUR	2016	2015
Financial expenses from borrowings from banks	431,977	560,522
Financial expenses from other financial liabilities	2,636	837
Total	**434,613**	**561,359**

Financial expenses from operating liabilities

Note 28

Table 113: Financial expenses from operating liabilities

in EUR	2016	2015
Financial expenses from liabilities to suppliers and liabilities pertaining to bills of exchange	149	543
Financial expenses from other operating liabilities	104,679	151,445
Total	**104,828**	**151,987**

Financial expenses from other operating liabilities amounted to EUR 104,679 and included the amount of default interest from the actuarial measurement of provisions for jubilee awards and retirement benefits.

Other revenue

Note 29

Other revenue in the amount of EUR 16,940 include mostly the amounts of the calculated contractual penalties.

Other expenses

Note 30

Table 114: Other expenses

in EUR	2016	2015
Fines	3,622	0
Damages from annuity	11,716	12,665
Deductibles and other expenses	19,758	24,543
Donations	41,380	40,250
Other expenses	30,547	15,524
Total	**107,023**	**92,982**

Net profit or loss for the accounting period

Note 31

The net profit for the period before tax stood at EUR13,803,849.

Table 115: Net profit/loss

in EUR	2016	2015
Operating profit	13,004,950	12,253,850
Financing profit	888,981	607,805
Loss from other revenues and expenses	-90,083	-77,991
Total	**13,803,849**	**12,783,664**

Income Tax

The company's liability for the payment of corporate income tax in 2016 was established based on the tax return and totalled at EUR 1,304,449.

Adjustment of expenses for tax calculated based on reported profit before taxation is shown in the table below.

Table 116: Adjustment of levied tax with tax calculated based on reported profit before taxation

	2016	
	Rate	Amount in EUR
Profit before taxation		13,803,849
Income tax (official rate)	17.00%	2,346,654
Amounts that have negative impact on tax base		262,438
- amount for reducing expenses to the level of taxable expenses		262,438
- amount for increasing revenues to the level of taxable revenues		
Amounts that have positive impact on tax base (+)(-)		506,333
- amount for increasing expenses to the level of taxable expenses		238,197
- amount for decreasing revenues to the level of taxable revenues		268,136
Tax relief		791,850
- used to impact the reduction of tax		791,850
Change in tax base		-18,106
Increase in tax base		11,645
Calculated tax for the period	**9.45%**	**1,304,449**
Increase/decrease of deferred tax		-286,620
Tax in the Income statement	**7.37%**	**1,017,829**

6.4 Notes to the Cash flow statement

The cash flow statement has been prepared in accordance with SAS 22.2 under the direct method - Variant I. The data used to prepare the cash flow statement were obtained from records on receipts and disbursements of cash from the company's transaction accounts.

In 2016, the company generated EUR 114,518,261 in receipts and EUR 120,009,522 in disbursements. Cash flow in this period was negative and totalled EUR 5,491,261, mostly due to increased expenses from liabilities to suppliers because of increased investments and increased dividend payout. The final balance of cash and cash equivalents in the company's accounts as at 31 December 2016 amounted to EUR 10,763,144 and it is harmonised with the amounts on the balance sheet.

Cash receipts from operating activities

Note 32

Cash receipts from operating activities amounted in 2016 to EUR 105,051,043, which is by EUR 6,445,305 or 6% lower than in 2015.

Table 117: Cash receipts from operating activities

in EUR	2016	2015
Receipts from lease and services according to SODO contract	62,399,453	61,660,061
Receipts from billed network charge and contributions	32,955,509	32,057,381
Receipts from operating for third-party account – SODO	668,055	7,730,246
Cash receipts from other service buyers	3,700,536	4,086,384
Other cash receipts from operating activities	3,062,545	4,045,534
Other cash receipts from operating activities	2,264,945	1,916,742
Total	**105,051,043**	**111,496,348**

Cash disbursements from operating activities

Note 33

Cash disbursements from operating activities amounted in 2016 to EUR 94,903,397, which is by EUR 3,106,906 or 3% lower than in 2015.

Table 118: Cash disbursements from the purchase of material and services

in EUR	2016	2015
Cash disbursements from liabilities to SODO d.o.o.	-32,786,510	-32,215,996
Cash disbursements from liabilities to suppliers	-18,413,007	-17,566,272
Disbursements form current liabilities to companies in the Group	-4,078,719	-8,430,510
Other cash disbursements	-2,567,118	-3,837,305
Total	**-57,845,354**	**-62,050,083**

Cash disbursements for employees' salaries and contributions in 2016 amounted to EUR 27,662,741.

Table 119: Cash disbursements for charges of all kinds

in EUR	2016	2015
Liabilities for charged VAT	-5,309,261	-5,511,391
Liabilities for taxes and contributions from and on salaries	-1,849,912	-1,775,982
Other liabilities to the state	-414,318	-413,700
Total	**-7,573,491**	**-7,701,073**

Other cash disbursements from operating activities amounted to EUR 1,821,811, which is by EUR 123,610 or 7% more than in the previous year.

Surplus of cash receipts from operating activities in the amount of EUR 10,147,946 was lower from the figures for 2015 by EUR 3,338,399 or 25%

Cash receipts from investing activities

Note 34

Cash receipts from investing activities amounted to EUR 1,467,218, which is by EUR 9,772 or 1% lower compared to 2015. Receipts for 2016 are lower mostly due to lower receipts from inflow from interest.

Cash disbursements from investing activities

Note 35

Cash disbursements from investing activities amounted in 2016 to EUR 9,864,250, which is by EUR 1,084,628 or 12% more than in the previous year. The major share of these disbursements includes liabilities to suppliers for fixed assets.

Cash proceeds from financing activities

Note 36

Cash receipts from financing activities represent a long-term loan in the amount of EUR 8,000,000, which the company raised for a period of 8 years for financing the construction of electricity facilities.

Cash payments from financing activities

Note 37

Cash disbursements from financing activities amounted in 2016 to EUR 15,241,875, which is by EUR 3,181,185 or 26% higher than in 2015. Higher disbursements result mainly from higher liabilities related to distribution of profit. In 2016, we paid dividends in the amount of EUR 5,910,890, while in 2015, in the net amount of EUR 3,989,146.

The largest share of disbursements from financing activities represents expenditure for repayment of principals from long-term loans, amounting in 2016 to EUR 8,757,142, which is by EUR 1,249,999 or 17% more than in 2015.

In 2016, we reduced cash disbursements from financing paid for long-term loans to the amount of EUR 423,244, which is by EUR 141,157 or 25% less than in the previous year. Lower interest results from lower EURIBOR and lower margins achieved by the company through negotiations with banks.

6.5 Segment reporting in accordance with SAS and with provisions of the Energy Act (EZ-1)

6.5.1 Segment reporting

Table 120: Balance sheet by segments

in EUR	As at 31 December 2016			As at 31 December 2015		
	Distribution	Services	Total Elektro Maribor	Distribution	Services	Total Elektro Maribor
A. Non-current assets	**318,353,500**	**10,821,038**	**329,174,538**	**307,532,588**	**9,909,306**	**317,441,894**
I. Intangible assets and long-term accrued revenues and deferred expenses	1,072,647	44,868	**1,117,515**	1,394,099	16,940	**1,411,039**
II. Property, plant and equipment	303,774,488	5,022,980	**308,797,468**	291,993,515	4,786,561	**296,780,076**
III. Investment Property		646,998	**646,998**		664,211	**664,211**
IV. Non-current financial investments	12,735,259	4,806,421	**17,541,680**	13,257,573	4,284,108	**17,541,681**
V. Non-current operating receivables	320,925	9,522	**330,447**	583,989	7,088	**591,077**
VI. Deferred tax receivables	450,181	290,249	**740,430**	303,412	150,398	**453,810**
B. Current assets	**21,481,700**	**1,682,678**	**23,164,378**	**25,969,591**	**1,713,765**	**27,683,356**
II. Inventories	568,468	822,030	**1,390,498**	561,060	810,137	**1,371,197**
IV. Current operating receivables	10,522,885	487,851	**11,010,736**	9,456,579	601,175	**10,057,754**
V. Cash and cash equivalents	10,390,347	372,797	**10,763,144**	15,951,952	302,453	**16,254,405**
C. Current accrued revenues and deferred expenses	**221,641**	**24,149**	**245,790**	**266,746**	**36,432**	**303,178**
A S S E T S (A + B + C)	**340,056,841**	**12,527,865**	**352,584,706**	**333,768,925**	**11,659,503**	**345,428,428**
Off-balance sheet assets	46,071,757	2,273,598	**48,345,355**	47,869,810	2,298,556	50,168,366
A. Capital/equity	**253,216,041**	**7,035,653**	**260,251,694**	**246,809,657**	**7,017,277**	**253,826,934**
I. Called-up capital	137,766,397	2,007,113	**139,773,510**	137,836,755	1,936,755	**139,773,510**
II. Capital reserves	74,042,858	1,078,728	**75,121,586**	74,080,672	1,040,913	**75,121,585**
III. Reserves from profit	37,499,625	4,330,446	**41,830,071**	29,644,931	4,161,685	**33,806,616**
V. Fair value reserves	-48,249	-495,060	**-543,309**	36,093	-366,392	**-330,299**
VII. Net profit/loss for the financial year	3,955,410	114,426	**4,069,836**	5,211,206	244,316	**5,455,522**
Provisions and non-current accrued revenues and deferred expenses	**37,282,158**	**1,877,265**	**39,159,423**	**35,323,778**	**1,867,641**	**37,191,419**
C. Non-current liabilities	**29,185,714**	**53,891**	**29,239,605**	**29,942,857**	**53,891**	**29,996,748**
I. Non-current financial liabilities	29,185,714		**29,185,714**	29,942,857		**29,942,857**
II. Non-current operating liabilities		53,891	**53,891**		53,891	**53,891**
Č. Current liabilities	**19,742,913**	**3,226,729**	**22,969,642**	**21,155,258**	**2,436,907**	**23,592,165**
II. Current financial liabilities	8,798,428	1,146	**8,799,574**	8,782,930	1,285	**8,784,215**
III. Current operating liabilities	10,944,485	3,225,583	**14,170,068**	12,372,328	2,435,622	**14,807,950**
D. Current accrued costs and deferred revenues	**630,015**	**334,327**	**964,342**	**537,376**	**283,785**	**821,161**
LIABILITIES (A + B + C + Č + D)	**340,056,841**	**12,527,865**	**352,584,706**	**333,768,926**	**11,659,501**	**345,428,427**
Off-balance sheet assets	46,071,757	2,273,598	**48,345,355**	47,869,810	2,298,556	50,168,366

Table 121: Income statement

in EUR	2016			2015		
	Distribution	Services	Total Elektro Maribor	Distribution	Services	Total Elektro Maribor
Net sales revenue	54,762,292	3,178,933	**57,941,225**	59,563,373	3,132,872	**62,696,245**
Capitalised own products and services	0	18,090,408	**18,090,408**	0	16,721,270	**16,721,270**
Other operating revenue (including operating revenue from revaluation)	2,847,862	466,403	**3,314,265**	3,339,149	424,918	**3,764,068**
Costs of goods, materials and services	7,431,370	10,623,563	**18,054,933**	13,854,936	9,305,401	**23,160,337**
Labour costs	17,823,473	10,620,899	**28,444,372**	17,870,885	9,982,633	**27,853,518**
Writedowns	18,745,654	470,111	**19,215,765**	18,606,674	422,878	**19,029,553**
Other operating expenses	411,810	214,067	**625,877**	610,275	274,050	**884,324**
Financial revenue from participating interests	1,048,050	321,950	**1,370,000**	1,087,349	282,651	**1,370,000**
Financial revenue from loans granted	3,428	1,053	**4,481**	15,569	4,047	**19,617**
Financial revenue from operating receivables	46,953	6,987	**53,940**	61,653	7,935	**69,588**
Financial expenses from write-offs and the impairment of investments			**0**	109,570	28,482	**138,053**
Financial expenses from financial liabilities	433,039	1,574	**434,613**	561,203	156	**561,359**
Financial expenses from operating liabilities	72,524	32,304	**104,828**	108,014	43,973	**151,987**
Other revenue	13,543	3,397	**16,940**	13,360	1,630	**14,991**
Other expenses	66,164	40,859	**107,023**	68,715	24,267	**92,982**
Income Tax	1,535,427	-230,978	**1,304,449**	1,590,727	-28,121	**1,562,606**
Deferred taxes	233,588	53,032	**286,620**	26,108	12,941	**39,049**
NET PROFIT/LOSS FOR THE PERIOD	**12,436,256**	**349,763**	**12,786,019**	**10,725,562**	**534,545**	**11,260,107**

Table 122: Cash Flow Statement

in EUR	2016			2015		
	Distribution	Services	Total Elektro Maribor	Distribution	Services	Total Elektro Maribor
A. Cash flows from operating activities						
a) Cash receipts from operating activities	***100,968,308***	***4,082,735***	***105,051,043***	***107,909,021***	***3,587,327***	***111,496,348***
Cash receipts from sales of products and services	99,316,858	3,469,240	**102,786,098**	106,285,966	3,293,640	***109,579,606***
Other cash receipts from operating activities	1,651,450	613,495	**2,264,945**	1,623,055	293,687	***1,916,742***
b) Cash disbursements from operating activities	***-90,828,661***	***-4,074,736***	***-94,903,397***	***-91,761,676***	***-6,248,626***	***-98,010,302***
Cash disbursements from the purchase of material and services	-56,867,002	-978,352	**-57,845,354**	-59,046,571	-3,003,513	***-62,050,084***
Cash disbursements from salaries and employees' participation in profit	-24,635,657	-3,027,084	**-27,662,741**	-23,979,075	-2,581,869	***-26,560,944***
Cash disbursements for charges of all kinds	-7,858,695	285,204	**-7,573,491**	-7,524,947	-176,126	***-7,701,073***
Other cash disbursements from operating activities	-1,467,307	-354,504	**-1,821,811**	-1,211,083	-487,118	***-1,698,201***
c) Positive cash result in operating activities (a + b)	***10,139,647***	***7,999***	***10,147,646***	***16,147,345***	***-2,661,299***	***13,486,046***
B. Cash flows from investing activities						
a) Cash receipts from investing activities	***1,090,438***	***376,780***	***1,467,218***	***1,137,047***	***339,943***	***1,476,990***
Interest received and shares in profit received, relating to investment activities	998,330	376,780	**1,375,110**	1,051,818	339,843	***1,391,661***
Cash proceeds from disposal of tangible fixed assets	92,108	0	**92,108**	85,229	100	***85,329***
b) Cash disbursements from investing activities	***-9,710,915***	***-153,335***	***-9,864,250***	***-8,615,443***	***-164,179***	***-8,779,621***
Cash disbursements to acquire intangible assets	-1,289,569	-7,696	**-1,297,265**	-378,772	-7,218	***-385,990***
Cash disbursements to acquire tangible fixed assets	-8,421,346	-145,639	**-8,566,985**	-8,236,671	-156,961	***-8,393,631***
c) Negative cash result in investing activities (a + b)	***-8,620,477***	***223,445***	***-8,397,032***	***-7,478,396***	***175,764***	***-7,302,631***
C. Cash flows from financing activities						
a) Cash receipts from financing activities	***8,000,000***	***0***	***8,000,000***	***10,000,000***	***0***	***10,000,000***
Cash receipts from increase of financial liabilities	8,000,000	0	**8,000,000**	10,000,000		***10,000,000***
b) Cash disbursements from financing activities	***-15,080,775***	***-161,100***	***-15,241,875***	***-11,871,206***	***-189,484***	***-12,060,690***
Interest paid on financing activities	-423,244	0	**-423,244**	-564,401		***-564,401***
Cash repayments of equity	-149,093	-1,506	**-150,599**			***0***
Cash disbursements from repayment of financial liabilities	-8,757,142	0	**-8,757,142**	-7,507,143		***-7,507,143***
Dividends and other profit shares paid	-5,751,296	-159,594	**-5,910,890**	-3,799,662	-189,484	***-3,989,146***
c) Negative cash result in financing activities (a + b)	***-7,080,775***	***-161,100***	***-7,241,875***	***-1,871,206***	***-189,484***	***-2,060,690***
Č. Closing balance of cash	**10,390,347**	**372,797**	**10,763,144**	**15,951,952**	**302,453**	**16,254,405**
x) Cash flow result for the period (sum of cash results Ac, Bc and Cc)	**-5,561,605**	**70,344**	**-5,491,261**	**6,797,743**	**-2,675,020**	**4,122,723**
+						
y) Opening balance of cash and cash equivalents	**15,951,952**	**302,453**	**16,254,405**	**9,154,209**	**2,977,473**	***12,131,682***

Table 123: Net sales revenue in segments

in EUR	2016			2015		
	Distribution	Services	Total Elektro Maribor	Distribution	Services	Total Elektro Maribor
Sale of electricity for losses	0	0	**0**	6,341,477		**6,341,477**
Charged rents	28,751,266	37,065	**28,788,331**	28,624,776	33,069	**28,657,845**
- SODO d.o.o. – rent	28,322,032	0	**28,322,032**	28,027,577		**28,027,577**
- Other	429,234	37,065	**466,299**	597,199	33,069	**630,268**
SODO d.o.o. services as per contract	25,822,675	0	**25,822,675**	24,351,648	0	**24,351,648**
Charged services	100,432	3,119,786	**3,220,218**	188,008	3,089,639	**3,277,647**
Sale of waste material	87,919	22,082	**110,001**	57,464	10,164	**67,627**
Total	**54,762,292**	**3,178,933**	**57,941,225**	**59,563,373**	**3,132,872**	**62,696,245**

Table 124: Net profit/loss in segments

in EUR	2016			2015		
	Distribution	Services	Total Elektro Maribor	Distribution	Services	Total Elektro Maribor
Operating profit	13,197,848	-192,898	**13,004,950**	11,959,752	294,098	**12,253,850**
Financing profit	592,868	296,113	**888,981**	385,784	222,022	**607,805**
Loss from other revenues and expenses	-52,621	-37,462	**-90,083**	-55,355	-22,637	**-77,991**
Total	**13,738,095**	**65,753**	**13,803,848**	**12,290,181**	**493,483**	**12,783,664**

Table 125: Expenses by functional groups

in EUR	2016			2015		
	Distribution	Services	Total Elektro Maribor	Distribution	Services	Total Elektro Maribor
Production costs of products sold	40,280,134	19,740,303	60,020,437	46,498,909	17,983,697	64,482,607
Sales costs	0	1,912,957	1,912,957	0	1,771,476	1,771,476
Costs of general and administr. activities	3,575,586	249,939	3,825,525	3,826,035	212,153	4,038,188
Total	**43,855,720**	**21,903,199**	**65,758,919**	**50,324,944**	**19,967,327**	**70,292,271**

The company keeps in accordance with Article 109 of the EZ-1 separate accounts for distribution activities and other activities. In accordance with Article 110 of the EZ-1, the company in defined in its Rules on the criteria for separate accounting monitoring and reporting of the Elektro Maribor d.d. company the criteria for the allocation of assets, liabilities, revenue, costs and expenses, inflows and outflow.

The following activities were defined for the requirements of segment reporting:

- Distribution (which mostly includes the tasks performed by the company in accordance with the Contract on the lease of electricity distribution infrastructure and provision of services for SODO) and
- Services (which include other services provided by the company).

The financial statements for individual activities are, therefore, compiled based on the following assumptions:

- Business events for which it can, beyond any doubt, be determined which activity they refer to, are recorded to the relevant activity already at the time when they occur;
- Business events with common character or which cannot be properly defined at the moment of recording, are recorded at the level of support processes;
- Balance of assets and liabilities, and revenue, expenses and costs, which are recorded at the level of support processes, are broken down to activities in accordance with the criteria determined in the Rules on separate business accounts and reporting of the Elektro Maribor d.d. company;
- Sub-balance sheets are subject to the selection of suitable criteria and their limited scope.

6.5.1.1 Criteria for distribution of assets and liabilities

K-1 Percentage of employees at the balance sheet date by each activity is used for allocation of non-current accrued costs, intangible assets, non-current financial investments, non-current receivables, deferred tax assets, receivables for reimbursement and advance payment of subsistence allowances, health insurance, liabilities to suppliers for intangible assets, small tolls inventory, liabilities from salaries and wages, liabilities to government and other institutions, liabilities relating to employees' deductions, revaluation surplus, provisions for pensions and similar liabilities, other provisions, and long-term operating liabilities and small tools in use. In terms of their contents and volume, these assets and liabilities are associated with the number of employees.

K-3 Share of the current value of fixed assets by individual activity is used for the distribution of tangible fixed assets, receivables for tangible fixed assets sold, advance payments given, and for liabilities to suppliers for fixed assets. Fixed assets that are used within the scope of Support processes used by several activities are proportionately charged to each individual activity based on the volume of tangible fixed assets used by that activity.

K-4 Share of total revenues in the accounting period by individual activity is used to distribute current receivables, current financial investments, and deferred and accrued items. The state of these assets is conditioned by invoicing and related total revenues.

K-6 Share of material consumption by individual activity is used to distribute inventories of material. Since there is no data on the procurement of materials by each activity, this is based on material consumption and the assumption that increased consumption of material is conditioned by increased purchase of material and, consequently larger stock. This takes into account costs of material transferred to consumption through warehouse of materials.

K-7 Share of operating revenues in the accounting period is used to distribute current advance payments and securities received.

K-8 Share of net profit/loss in the accounting period is used to distribute current liabilities related to distribution of profit/loss.

K-9 Share of costs of material and services (excluding the cost of electricity purchase for losses and material consumption) is used to distribute current advance payments given for material supplies and for services not yet rendered and other operating liabilities.

K-12 Share of costs of material and services, excluding material for investment, is used to distribute input VAT receivables, since these receivables are directly related to costs incurred.

K–14 Share of cost of material and services is used to distribute liabilities to suppliers for current assets. Since these liabilities result from incoming invoices for material and services, which are recorded at the level of Support processes upon occurrence and then distributed in accordance with the criterion of the material and services used by individual activity that are reasonably assumed to have caused those liabilities.

6.5.1.2 Criteria for distribution of revenue, costs and expenses

The criteria apply to the distribution of revenues, costs and expenses of business support processes regarding the distribution activity and services activity:

K-1 Percentage of employees at the balance sheet date by individual activity is used to distribute revenues, costs and expenses of the Human Resources department, legal department, organisation, and public procurement and purchasing department. Regarding their work content and volume, these services depend on the number of employees in each activity.

K-2 Share of computer-equipped workplaces by each activity is used for the distribution of revenues, costs and expenses of the IT and telecommunications services, which are a part of Finance, controlling and IT services. The number of computer-equipped workplaces conditions the workload of the IT and Telecommunications Department.

K-3 Share of the current value of fixed assets at the balance sheet date by individual activity is used for the distribution of revenues, costs and expenses of the Finance, controlling and IT services (except for the IT and telecommunications service, to which K-2 applies).

K-4 Share of total revenue in the accounting period by individual activity is used to distribute revenues, costs and expenses in the area of administration.

K-5 Share of costs for marketing activities by individual activity is used for the distribution of costs and expenses of the marketing and public relations departments.

Based on these criteria, individual shares for the distribution are calculated based on which the average proportion for the distribution is calculated, which presents a foundation for attribution of revenues, costs and expenses of the support processes to individual activity.

Depreciation costs of the support processes are distributed by the same criterion that is applied for the preparation of the balance sheet by activities, namely for the distribution of tangible and intangible fixed assets.

6.5.1.3 Criteria for distribution of inflows and outflows

The company prepares the cash flow statement by segments using the direct method.

Cash disbursements relating to employees (cash disbursements for salaries, contributions and taxes on salaries, health insurance receivables and obligations for additional pension insurance ...) and which are recorded at the level of the services activity, but their content corresponds to the distribution activity, are allocated to divided the distribution activity as the share of revenues from the sale of services in all operating revenues of the service activity.

Inflows and outflows recorded in the support processes that in terms of their content cannot be classified in any activity, are the subject to distribution based on the following criteria:

K-1 Percentage of employees at the balance sheet date by individual activity is used to distribute cash disbursements and receipts relating to employees (liabilities from salaries and deductions, health insurance, reimbursements, liabilities to Kapitalska družba, advance payment of subsistence allowances).

K-3 Share of the current value of tangible fixed assets by individual activity is used for the distribution of cash receipts from disposal of intangible non-current assets and tangible fixed assets, and cash disbursements to acquire intangible non-current assets and tangible fixed assets, and for advance payments given for tangible fixed assets.

K-4 Share of total revenue in the accounting period is used to distribute receipts from buyers of other services, receivables associated with financial revenue, customers abroad, and other receipts from operations, such as receivables from damage compensations, short-term security received, income from received donations, subsidies, enforcements, revenue from participation in profit of others.

K-7 Share of operating revenues in the accounting period is used to distribute advance payments received for current assets, short-term securities received, and liabilities from erroneous payments.

K-8 Share of net profit by individual activity is used for distribution of cash disbursements on the payment of dividends and other shares of net profit.

K-10 Share of cost of material and services (excluding the cost of electricity purchase for losses and material costs for investments) is used to distribute receipts from various receivables, to distribute disbursements for short-term advance payments given for supplies and services not yet rendered, current liabilities to suppliers, other disbursements from operations.

K-11 Share of cost of material and services (excluding the cost of electricity purchase for losses) is used for the distribution of unexplained and erroneous payments, fees, court costs, other unusual items, interest on arrears to suppliers.

6.5.2 Transactions with associated persons

In 2016, the Elektro Maribor company conducted business with its subsidiaries Energija plus d.o.o. and OVEN Elektro Maribor d.o.o. and with associate companies Eldom d.o.o., Moja energija d.o.o. and Informatika d.d.

Contractual prices have been formed in accordance with the conditions applying to business with non-associated entities.

Table 126: Transactions with associated persons

in EUR	Eldom d.o.o.	Energija plus d.o.o.	Informatika d.d.	Moja energija d.o.o.	OVEN Elektro Maribor d.o.o.	Total associated companies
REVENUES	**1,919**	**1,132,461**	**8,008**	**104,399**	**334,798**	**1,581,585**
Net sales revenue	1,919	182,461	8,008	4,399	14,798	211,585
Financial revenue from stakes	0	950,000	0	100,000	320,000	1,370,000
COSTS AND EXPENDITURE	**212,013**	**90,342**	**1,514,237**	**0**	**0**	**1,816,592**
Costs of materials	71,381	78,117	7,432	0	0	156,930
Costs of services	134,336	12,225	1,506,805	0	0	1,653,366
Other operating expenses	6,296	0	0	0	0	6,296
ASSETS	**709**	**17,248**	**607**	**0**	**5,984**	**24,548**
Current operating receivables	709	17,248	607	0	5,984	24,548
TOTAL LIABILITIES	**56,830**	**60,411**	**148,394**	**0**	**0**	**265,635**
Current operating liabilities	56,830	60,411	148,394	0	0	265,635

6.5.3 Reporting in accordance with provisions of the Companies Act (ZGD-1)

The Elektro Maribor d.d. company as the parent company prepares the consolidated accounting statements and the consolidated annual report. Both subsidiary companies Energija Plus d.o.o. and OVEN Elektro Maribor d.o.o. are included in the consolidation.

The consolidated annual report of the group is an integral part of the Annual Report of the parent company and can be obtained at the headquarters of the Elektro Maribor company, Vetrinjska ul. 2, 2000 Maribor, and at the company's website.

The explanations in the appendix to the Financial Statements are shown in the same order as the items in the statements.

The adopted accounting guidelines are presented in the accounting report.

The company also included any contingent financial liabilities in the Financial Statements and liabilities to the group companies are shown separately. The company has no liabilities from the payments of pensions.

The company has no liabilities which would be insured by security.

The company has not authorised any advances or loans to the Management Board, other workers and contractual employees, for which the tariff part of the collective agreement does not apply.

Revenue and expenses of great importance or scope are shown between individual types.

In the period of over 5 years, EUR 8,000,000 liabilities become due.

The data on the employees is specified in the business section of the annual report.

On 31 12 2016, the company had 72.753 own shares. The total number of own shares acquired by the company in 2016, amounts to EUR 150,598.71 or EUR 2.07 per share, which is 0.22 percent share of the share capital. From the total number of shares, which the company could obtain based on a decision, the share of the redeemed shares would amount to 5.84% of share capital. The lowest issue price amounted to EUR 2.07 per share. Redemption of own shares took place via the Ilirika d.d. brokerage house by days as shown in the table below.

Table 127: Redemption of own shares

Date of redemption	No. of shares	Value in EUR	Payment date	Purchase price in EUR
30 Nov. 2016	512	1,059.84	6 Dec 2016	2.07
1 Dec. 2016	6,573	13,606.11	7 Dec. 2016	2.07
2 Dec. 2016	4,525	9,366.75	8. 12. 2016	2.07
5 Dec. 2016	5,437	11,254.59	9. 12. 2016	2.07
6 Dec. 2016	9,791	20,267.37	12. 12. 2016	2.07
7 Dec. 2016	3,761	7,785.27	13. 12. 2016	2.07
8 Dec. 2016	5,176	10,714.32	14. 12. 2016	2.07
9 Dec. 2016	2,298	4,756.86	15. 12. 2016	2.07
12 Dec. 2016	1,688	3,494.16	16. 12. 2016	2.07
13 Dec. 2016	2,211	4,576.77	19. 12. 2016	2.07
14 Dec. 2016	5,384	11,144.88	20. 12. 2016	2.07
15 Dec. 2016	336	695.52	21. 12. 2016	2.07
16 Dec. 2016	707	1,463.49	22. 12. 2016	2.07
19 Dec. 2016	3,864	7,998.48	23. 12. 2016	2.07
20 Dec. 2016	3,613	7,478.91	27. 12. 2016	2.07
21 Dec. 2016	3,068	6,350.76	28. 12. 2016	2.07
22. 12. 2016	1,484	3,071.88	29. 12. 2016	2.07
23. 12. 2016	12,325	25,512.75	30. 12. 2016	2.07
Total	**72,753**	**150,598.71**		

The value of all the revenue of the Management Board and other employees, for which the tariff part of the collective agreement does not apply, has been disclosed within the framework of the notes on labour costs.

The Management Board suggested the profit to be distributed as shown in the notes to the statement of changes.

The data on the company's business, in the capital of which the company has at least 20%, have shown within the framework of the chapter Bases for the Composition of Financial Statements.

There have been no significant business events after the end of the business year which were not included in the financial statements.

All the transactions between the undertakings are shown in a special chapter of the accounting part of the report. All the transactions have been done under normal market conditions.

All the amounts of the reservations shown in the financial statements are detailed in the framework of the notes to the balance sheet.

Capital reserves result entirely from the general equity revaluation adjustment.

Deferred tax assets and changes in these are presented in the notes to the balance sheet.

Net income breakdown by individual business areas is shown in chapter Segment reporting.

An audit contract for the Annual Report in the amount of EUR 10,300 was concluded for the business year 2015. This amount also includes the cost of the consolidated Annual Report audit in the amount of EUR 1500.00. In 2016, the Company performed and produced a report on the agreed procedures, in accordance with the provisions of the Energy Act (EZ-1), the costs of which amounted to EUR 1,300. In 2016, we had no other jobs for the selected auditor.

IV. Business Report of the Elektro Maribor Group

1 KEY DATA ON THE GROUP'S OPERATIONS

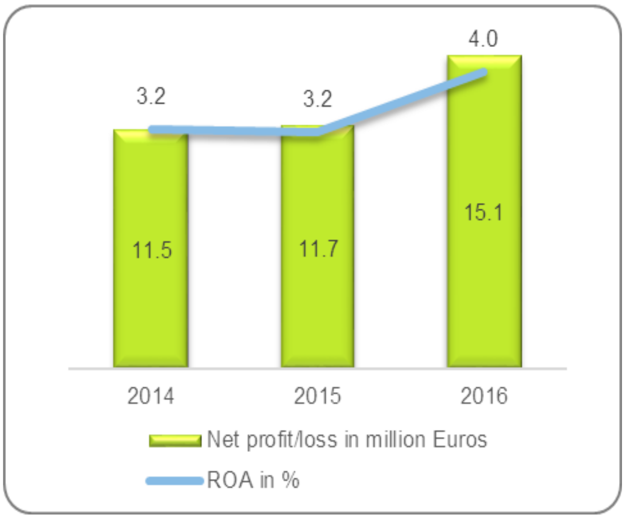

Figure 75: Net profit/loss for the period in ROA

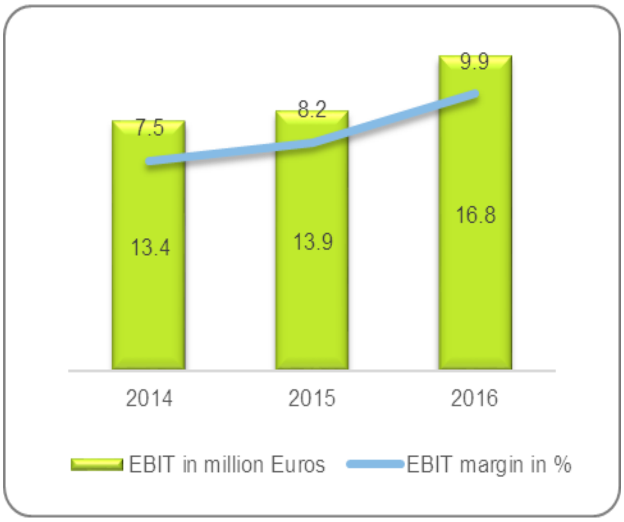

Figure 76: EBIT and EBIT margin

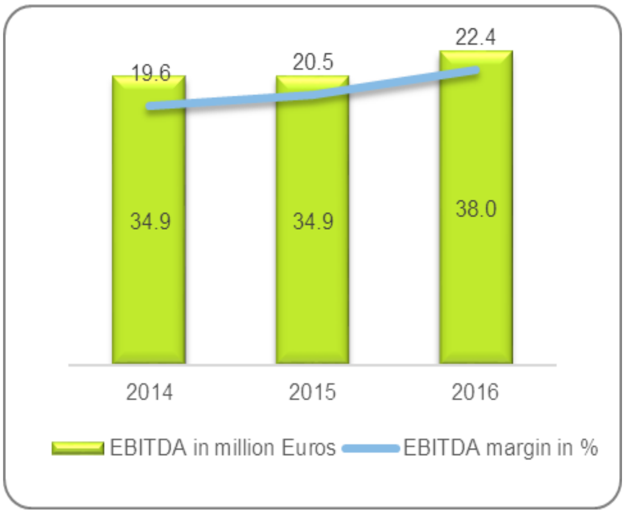

Figure 77: EBITDA and EBITDA margin

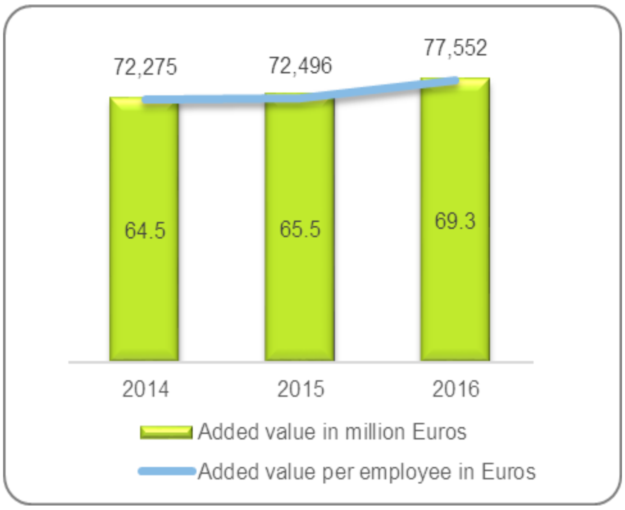

Figure 78: Added value and added value per employee

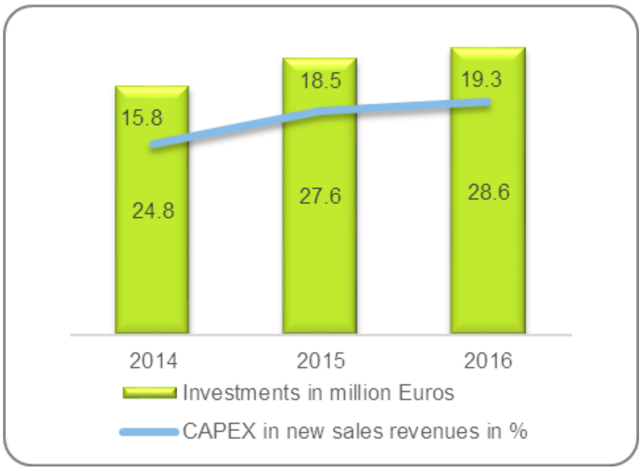

Figure 79: Investment in CAPEX in net sales revenues

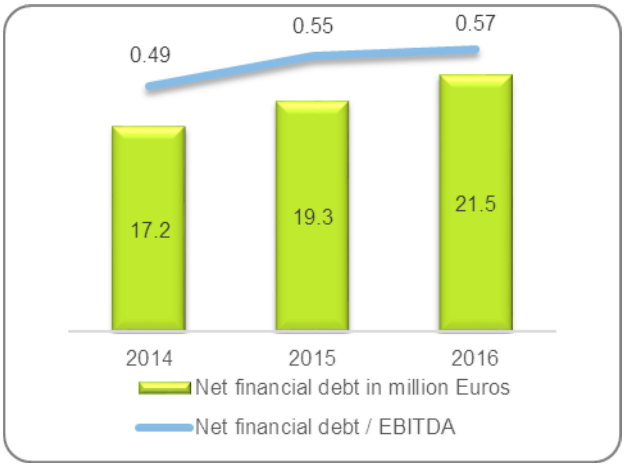

Figure 80: Net financial debt and net financial debt /EBITDA

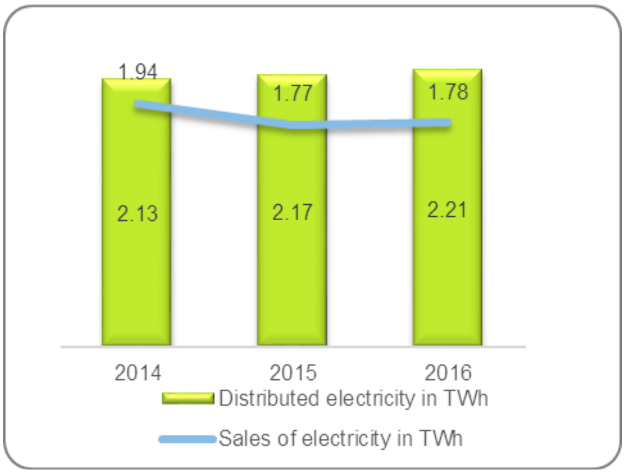

Figure 81: Distributed electricity and sales of electricity

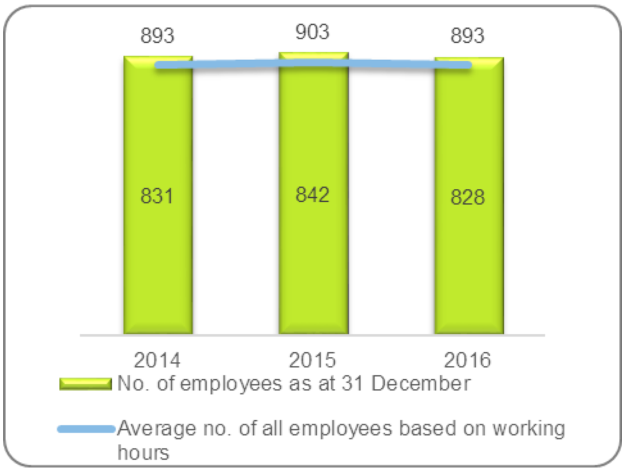

Figure 82: No. of employees as at 31 December and average no. of all employees based on working hours

2 COMPANIES IN THE GROUP

The Elektro Maribor Group, which was founded in 2011 by the spin-off of the Elektro Maribor d.d. company consists of the parent company Elektro Maribor d.d. and two subsidiaries, 100% owned by the parent company:

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

The Elektro Maribor company as the parent company prepares the consolidated accounting statements and the consolidated annual report. Both subsidiary companies Energija Plus and OVEN Elektro Maribor 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 can be obtained at the headquarters of the Elektro Maribor company, Vetrinjska ul. 2, 2000 Maribor, and at the company's website.

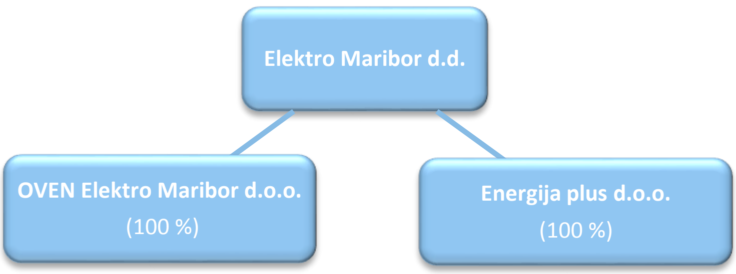

Figure 83: Organisational structure of the Elektro Maribor Group

The Elektro Maribor Group operates on the following markets:

- Electricity (purchasing, sales, distribution, efficient energy use and other services),
- Natural gas supply,
- Remote heat supply,
- Pellet supply,
- Electricity production (from renewable sources and high-efficiency facilities).

2.1 Presentation of the parent company Elektro Maribor

Presentation of the Elektro Maribor d.d. company is described in detail in Chapter II. Business Report of the Elektro Maribor d.d. company.

2.2 Presentation of the subsidiary company Energija plus

2.2.1 Basic information

Name:	Elektro Maribor Energija plus, podjetje za trženje energije in storitev d.o.o.
Abbreviated name:	Energija plus d.o.o.
Address:	Vetrinjska ulica 2, 2000 Maribor
Registration number:	3991008000
Tax number:	88157598
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:	District Court of Maribor, No. 2011/23297 20 June 2011, No. 2011/36929 1 December 2011
Main activity code:	D 35.140 Trade of electricity
Number of employees on 31 December 2016:	68
Company size according to ZGD-1:	large company
Founder:	Elektro Maribor d.d.
Company Director:	Bojan Horvat
Call centre toll-free number:	080 21 15
General email address:	info@energijaplus.si
Website:	www.energijaplus.si

Figure 84: Energija plus d.o.o. company profile

The company's mission is comprehensive supply of energy products for clients. The main activities of the company are purchase and sale of energy products (electricity, heat energy, gas and pellet sale) both for households and large business systems.

2.2.2 Organisation

At the macro level, the company is divided into three organisational areas:

- The area of purchasing energy products, services and goods,
- The area of sales, marketing, development and public relations (PR),
- The area of support functions.

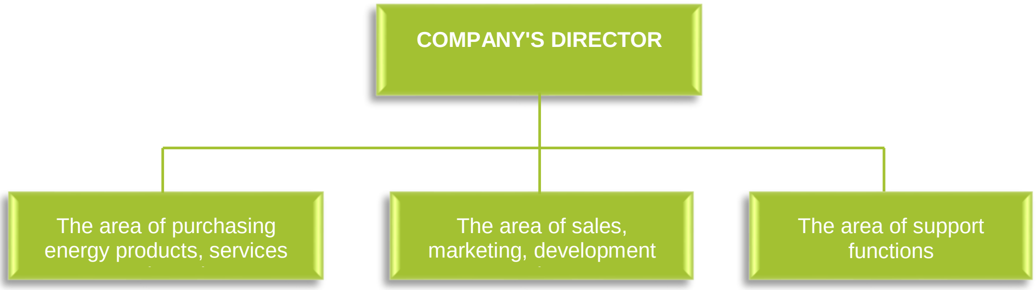

Figure 85: Organisational structure of Energija plus d.o.o.

In order to achieve the objectives, organisational units are organised as services and departments with defined tasks, powers, responsibilities and goals, which are reflected in the annual business plan.

2.2.3 Vision, mission, values and strategy

In its operations, the company pursues four strategic guidelines:
- Openness,
- Credibility,
- Continuity, and
- Equal treatment of all customers.

Vision

To be a trusted partner to users, organisations and employees in developing and achieving a sustainable future.

Mission

- To create the best value for its customers through provision of products and services.
- To provide its customers with the best service by professional and motivated employees.
- To provide returns for a shareholder by the growth and efficient operations.
- To contribute to a better quality of life and sustainable development by its operations.

Company's values
- Responsibility – Everyone is responsible for their work.
- Honesty – We are honest in everything we do.
- Respect – Everybody is an important member and worth of respect.
- Collaboration – What an individual cannot do, we can accomplish together.
- Learning – We build on knowledge and experience.
- Responsiveness – Creativity and diversity are our strengths.

2.2.4 Ownership structure

The Energija plus company was founded as an independent legal entity in 2011 by the Elektro Maribor d.d. company. It is organised as a limited liability company 100-percent owned by the parent company Elektro Maribor.

2.2.5 Governance and management of the Energija plus company

The company has a one-tier management system in place. The supervisory function is performed by the President of the Management Board of Elektro Maribor, who also represents the company's General Meeting.

The Director manages the Energija plus company according to the Memorandum of Association independently and with full responsibility.

Director of the company is Bojan Horvat, B.E.E.

2.2.6 Business goals and their realisation

In 2016, Energija plus exceeded the planned business result. A net profit of EUR 3,182,124 was realised, which is 76% more than the planned for 2016.

Table 128: Business goals and their realisation

	Realisation 2016	Plan 2016
1. Increase in the market share in electricity sale in percentage points.	0.8	0.69
2. Sales of natural gas in million Sm^3	7.511	8
3. Sales of wood pellets in tonnes	103	500
4. Reduction of the number of outstanding receivables in %	17	7
5. Reduction of costs for legal services and recovery in %	61	9
6. Reduction of the expenses for stationary in %	65.8	5

We increased the market share in 2016 by 0.8 percentage points, i.e. from 11.97% to 12.76%. Sales to business customers importantly contributed to the increase, as it exceeded the planned by 19%.

We realised the ambitious goal for natural gas sales in the amount of 7,511 million Sm^3, which means that the realisation reached 94 percent. We also increased the market share on the whole retail market for natural gas to 0.80%. In comparison to 2015, we increased sales volumes by 53%.

Because of mild winters, pellet stocks remained to the buyers, which was reflected on less sales than expected. Despite various benefits for the customers, we sold only 103 tonnes of wood pellets, which is 57% less than in 2015.

In comparison with 2015, we decreased outstanding receivables, which the company may still influence through its activities (without bankruptcy, compulsory settlements and lawsuits) by 17% in 2016.

In 2016, we planned lawyer's fees and bailiffs in the amount of EUR 108,000. Because the greater part of the legal proceedings was performed by our own staff, we managed to decrease the expenses by no less than 61%.

Through informed business operations and digitalisation, we significantly decreased the clerical support operations, which is related to the use of office material in 2016, namely for 65.8%.

2.2.7 Major events in Energija plus company in 2016

- As the most favourable electricity provider, we successfully applied for the job relating to the Community Slovenian Municipalities in the annual amount of 66.1 GWh, which lasts until 31 March 2018.
- By co-funding Energy efficiency (EE) measures/projects (the obligation arising from Article 318 of the Energy Act EZ-1), we generated 20.9 GWh of savings and, consequently, met the legal obligations already for 2019.

- At the end of the year, we concluded a 10-year contract for the supply of thermal energy in the municipality of Zavrč.
- We actively participate in the development projects, taking place in the frame of SRIP[7] "Smart towns and communities" and "smart buildings and a home with a wood chain. In this area, we cooperate with the partners from the economy, scientific research institutions and local communities.

2.2.8 Major events after the end of the 2016 business year

Economic and political situation caused price growth for energy products at the end of 2016. The upward trend is also preserved in 2017; however, it is based on weather conditions.

The projects of the introduction of self-assessment according to the EFQM business excellence model and the optimisation of business processes. The results of both will form the basis for the adjustment of the organisational structure and the award system.

2.2.9 Planned activities in 2017

The planned activities of the Energija plus company for 2016 are defined in the Annual Business Plan for 2017 with business projections for 2018 and 2019, where the following key business goals are set:

- active acquisition of new customers and with the formation of an appropriate offers, maintenance of the existing buyers of electricity and natural gas,
- active decrease of operational expenses, including the energy products' expenses,
- establishment of lean organisation with process optimisation and modern information support.

The defined objectives of Energija plus for financial year 2017 represent a substantive business challenge, particularly because of the influence of other competitive market players as well as changes in prices and customer reactions.

2.3 Presentation of the subsidiary company OVEN Elektro Maribor

2.3.1 Basic information

Name:	OVEN Elektro Maribor d.o.o.
Registered office:	Vetrinjska ulica 2, P.O. Box 1553, 2001 Maribor
Registration number:	1708503
Tax number:	SI22034412
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 No. 1/11291/00
Main activity code:	D 35.111 Production of electricity in HE generation facilities
Number of employees on 31 December 2016:	5
Company size according to ZGD-1:	micro company
Founder:	Elektro Maribor d.d.
Director:	Miroslav Prešern
Phone:	02/22 00 782
Website:	www.oven-em.si

Figure 86: OVEN Elektro Maribor d.o.o. company profile

[7] SRIP – Strategic partnership for development and innovation in the framework of the development policies of smart specialisation.

The OVEN Elektro Maribor d.o.o. company operates four small hydroelectric power plants (SHPP), one medium hydroelectric power plant (MHPP) and 18 small solar power plants (SSP). The owner and a sole shareholder is the Elektro Maribor company.

Basic activities of the company are:

- Electricity production in small hydroelectric power plants.
- Electricity production in solar power plants.
- Maintenance of hydroelectric and solar power plants.
- Marketing related products in renewable energy sources (marketing in its own name for account of third parties).

2.3.2 Organisation

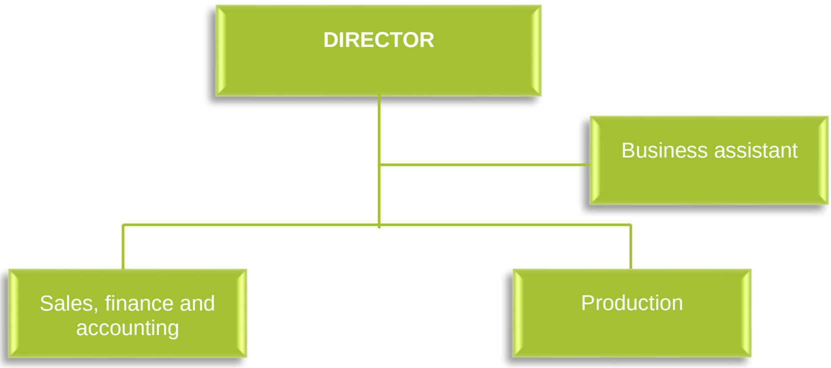

Figure 87: Organisational structure of OVEN Elektro Maribor d.o.o.

2.3.3 Vision, mission, values and strategy

Vision

- To keep the current market position in the area of renewable energy sources.
- To increase production installed capacity by 2 MW and introduce new activities.
- To act in the field raising awareness of the public in relation to renewable energy sources and energy efficiency.
- To carry out the activity in accordance with the highest environmental standards.
- To decrease business and social risks with quality development and operations.

Company's mission

- To provide generated electricity from renewable sources at an environmentally acceptable, reliable and safe way directly to buyers and indirectly to end users.
- To promote renewable energy sources and energy efficiency.
- To protect the environment.
- To fulfil the recommendations and expectations of the owner.

Values

We operate on the basis of respecting ethic and legal standards, integrity, quality and business excellence. We strive for an appropriate attitude to:

- Natural environment,

- Social environment based on responsibility, legitimacy and transparency,
- Employees based on respect, ensuring suitable work environment, enabling professional and personal growth,
- Business partners based on responsible relationships,
- Owners based on stability and generated returns.

Key strategies:

- Construction or purchase of a small hydroelectric power plant of up to 2 MW installed capacity.
- Investment maintenance and modernisation of small hydroelectric power plants with the objective of increasing production efficiency.
- Sustainable production of electricity and provision of smooth island operation in extreme situations or wars.
- Achieving key target financial and operational performance indicators (ROA, ROE, EBITDA margin in %, added value per employee and payment to the company member).
- Maximising the sales price for generated electricity.
- Marketing related products.

2.3.4 Ownership structure

The OVEN Elektro Maribor company was founded as a limited liability company in 2002 by a spin-off of the activity of electricity production from the Elektro Maribor company. The company is 100% owned by the founding company and its share capital amounts to EUR 38,792.

2.3.5 Governance and management of the OVEN Elektro Maribor company

The company has a one-tier management system in place. The supervisory function is performed by the President of the Management Board of the founder, who also represents the company's General Meeting.

The director of OVEN Elektro Maribor runs the company independently and on his own responsibility.

The director of the company is Miroslav Prešern.

2.3.6 Operating goals and their realisation – OVEN Elektro Maribor

In 2016, OVEN Elektro Maribor exceeded the planned business result. We generated a net profit in the amount of EUR 355,641, which is 10.5% higher than that planned for 2016. Realised electricity production exceeded the planned figures by 11%.

Table 129: Business goals and their realisation

	Realisation 2016	Plan 2016
1. Net return on equity (ROE) in %	8.1	between 5 and 8
2. Net return on assets (ROA) in %	7.3	between 5 and 8
3. Renovation of small hydroelectric power plant Činžat II.	renovated	to renew
4. Construction of a solar power plant of 50 kW power	not realised	construction
5. Same number of employees	5	5

As at 31 December 2016, the value of ROE indicator (net return on equity) stood at 8.1%. As at 31 December 2016, the value of ROA indicator (net return on assets) stood at 7.3%. In 2016, we successfully renovated the deteriorated Činžat II small hydroelectric power plant.

The construction of photovoltaic power plant was not carried out on the ground of economic viability, as no support scheme for photovoltaic power stations (Borzen d.o.o.) was established.

As at 31 December 2016, the company had 5 employees. In 2016, no new employees were recruited.

2.3.7 Major events in OVEN Elektro Maribor company in 2016

With favourable rainfall, the company produced 13,619 MWh electricity in 2016. The produced quantity of electricity exceeds the planned value by 11.1%. We successfully renovated the deteriorated Činžat II small hydroelectric power plant.

2.3.8 Major events after the end of the 2016 business year

There were no major events after the end of 2016, which would influence the company's operation in 2016.

2.3.9 Planned activities for 2017 in the OVEN Elektro Maribor company

In 2017, the planned activities include the renovation of the Oplotnica medium hydroelectric power plant (electrical part) and the reconstruction of the artificial lake of the small hydroelectric power plant Josipdol.

3 BUSINESS ENVIRONMENT OF THE GROUP

3.1 Economic environment

Economic and socio-political situation at home and in some parts of the European union significantly influenced the developments in our business environment. Last year, economic recovery continued in Slovenia. Gross domestic product in 2016 exceeded the previous one by 2.5%, which is due to the continuation of favourable export trends and the strengthening of private consumption. With the improvement of the situation on labour market, consumer confidence is increasing. In the last year, this is mostly reflected in the growth of purchases of those goods which stagnated the most during the crisis. The continuation of the positive trends in the area of consumption is also expected in the future. This will be particularly influenced by the favourable conditions on the labour market. With the transition to the new financial perspective in 2016, the drawing of the EU funds decreased considerably, which contributed to significantly lower investment by the state in 2016.

3.2 Changes in prices of electricity and natural gas in 2016

The prices of electricity on the market for short-term and long-term products on individual markets are influenced by the available electricity production by production sources, the available cross-border transmission capacities and electricity consumption. Increasing share of renewable sources in the production structure has an extremely significant influence on the reduction of electricity prices in the recent years. In Slovenia, the wholesale market is largely influenced by the neighbouring markets such as Hungary, Germany, Italy and other countries of the south-eastern Europe. The main factors influencing the formation of the wholesale prices in Slovenia are the wholesale prices on these markets and the quantity and price of the cross-border transmission capacity between countries.

On the Slovenian market, the average real-time electricity price in 2016 amounted to EUR 35.62/MWh, on the German market it amounted to EUR 28.94/MWh and on the Hungarian market EUR 35.37/MWh. The reason for the difference in the prices of electricity on the real-time market of Slovenia and Germany lies in the too small transmission capacities from the North to the South, because these are mostly too occupied. In comparison with the Hungarian market, the electricity price on the real-time market of Slovenia in 2016 was almost identical. The growth of electricity price on the real-time market has begun in October 2016 because of the downtime of the French nuclear power plants. Because of urgent safety inspections these were disconnected from the network. The suspense during the re-activation caused high growth of the electricity prices for the supply during winter 2016/2017 on all European stock markets.

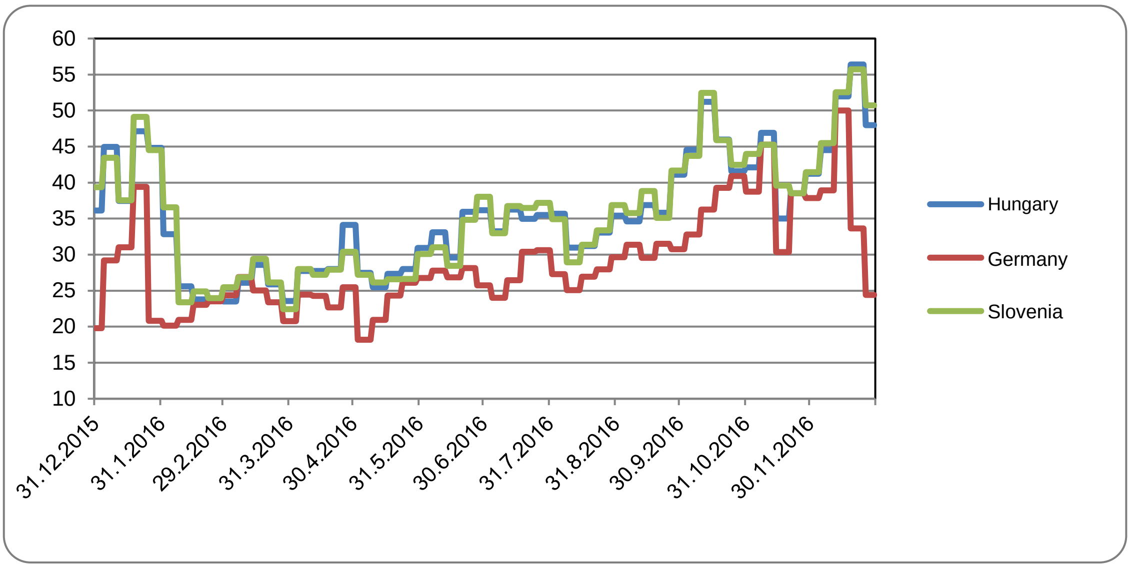

Figure 88: Weekly electricity price on the real-time market in Slovenia, Germany and Hungary in 2016 in EUR/MWh (source: Montel)

The price of the natural gas on the real-time market in Austria (reference natural gas price for Slovenia) reached the lowest value in mid-April 2016. The main reasons for this included low oil prices, increasing importation of liquefied natural gas in the EU and mild winter. In the last quarter of 2016, the prices on the real-time market of Austria recorded strong increases (almost 40%). The main reasons for such growth included the downtime of the French nuclear power plants, the agreement of the member states of the OPEC on the limitation on oil production in 2017 and decrease in the supply of the liquefied natural gas. Annually, the real-time market price in Austria increased by almost 20% and end of December 20106 it ended at EUR 19.51/MWh.

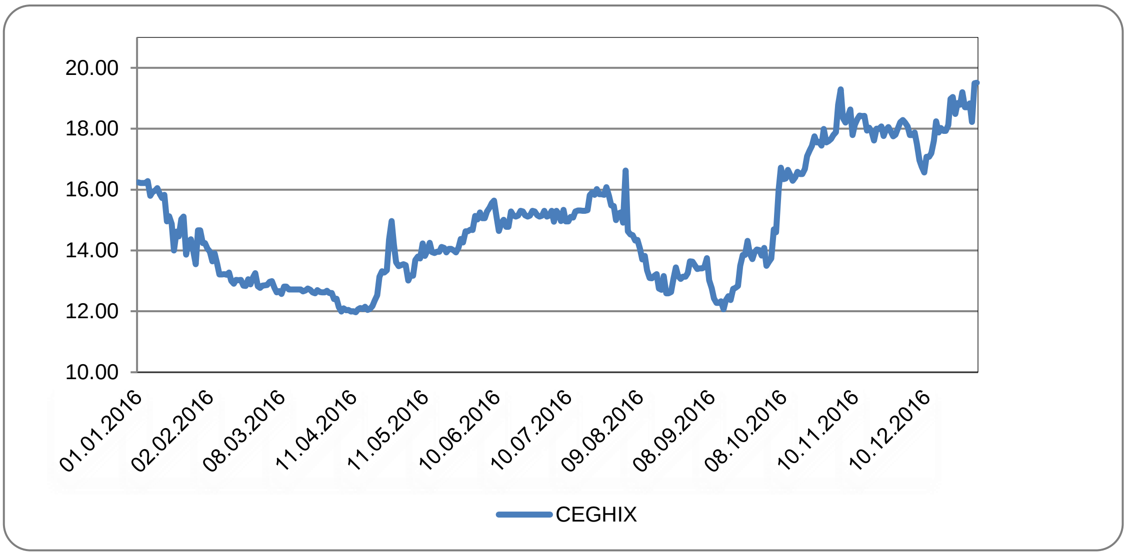

Figure 89: Daily price of liquefied natural gas on the real-time market in Austria in EUR/MWh

4 TRADEMARKS IN THE GROUP

The companies in the Elektro Maribor Group offer their services to legal entities and natural persons in the territory of Slovenia under the following trademarks:

The trademark of the Elektro Maribor company is positioned in the environment in line with the company's vision, values and mission. It is recognised in the Slovenian space as a large company for electricity distribution, which provides its network users with reliable supply of high-quality electricity and energy services. The company's trademark is a synonym for professional, credible, reliable and respectable partner in the business environment. In the past year, numerous endeavours and activities were focused on providing reliable supply to network users, which was a special challenge for the entire company due to removing the consequences of the devastating weather disaster; however, it has additionally strengthened the company’s position as a reliable partner in the environment that provides electricity supply for the population and economy. The important role of the company is strengthened also in the social environment by socially responsible activities. We are the company with a hundred-year tradition and one of larger employers in the region.

Figure 90: Logo of the Elektro Maribor d.d. company.

In 2011, the company introduced the trademark E-Mobil. Its basic aim is to bring the technology of electric vehicles closer to future users, enabling them to acquire their own experience and knowledge on the use of electric vehicles.

Figure 91: Logo of E-Mobil

The Energija plus company provides customers with a comprehensive energy supply under the Energija plus trademark registered with the relevant institution.

Figure 92: Logo of Energija plus

In marketing of individual energy products, we use the following product lines:

Figure 93: Logos of individual sales products of Energija plus

Other supply includes pellets, LED lamps, electric convection heaters, vouchers, tools, items for children and other commodities.

Figure 94: Vouchers of Energija plus

The OVEN Elektro Maribor Company, the major activity of which is the production of energy from renewable sources, uses the trademark OVEN.

OVEN

Figure 95: The logo of the OVEN Company

5 PERFORMANCE ANALYSISOF THE GROUP

5.1 Net profit

We concluded our operations in 2016 successfully and generated net profit of EUR 15,092,354. Compared to the previous year, the net profit is higher by EUR 3,419,025 or 29%. Net profit has improved mainly due to lower costs of the material compared to the previous year.

Table 130: Net profit

Item in EUR	2016	2015	2014
Results from the operating activities	16,846,974	13,899,943	13,373,404
Net finance revenue	-138,736	-437,026	-140,430
Results from other operating activities	-116,016	-101,318	-104,535
Taxes	-1,499,868	-1,688,270	-1,635,758
Net profit	**15,092,354**	**11,673,330**	**11,492,681**

5.2 Company revenues

Total company revenues amounted in 2016 to EUR 170.330.135 and decreased by 0,5 % compared to the previous year. Especially lower are operating revenues.

Table 131: Revenue

Item in EUR	2016	2015	2014
Operating revenue	169,895,716	170,520,908	177,718,201
Financial revenue	410,740	543,697	858,088
Other revenue	23,679	39,390	42,309
Total revenue	**170,330,135**	**171,103,995**	**178,618,598**

Compared to the previous year, operating revenues decreased by EUR 625.192 or 0,4 %. They include primarily:

- Revenues of the electrical energy sale and other energy products amounted to UER 89,811,151, which represent 53 % of the operating revenue.

- Revenues from SODO (revenues based on the contract on the lease of infrastructure and provision of services for SODO), in total amount of EUR 54,144,707. These revenues represent 32 % of total operating revenues.
- Revenues from capitalized own products and services in the amount of EUR 18,090,408 which stands for a 11 % share of operating revenue.
- Revenues from charged services in the amount of EUR 3,542,786 which stands for a 2 % share of operating revenue.
- Other business revenues in the amount of EUR 4,298,984 which is 3 % of total operating revenues resulting mostly from received insurance claims, revenue from longterm passive accrual principle, the elimination of provisions and recovered claims.

Financial revenues decreased compared to the previous year by EUR 132,957 including mostly revenues from stakes in the associated company.

Compared to the previous year, other revenues decreased by EUR 15.711.

5.3 Costs and expenditure

Total costs and expenses of the company amounted in 2016 to EUR 153,737,913 and decreased by EUR 4,004,483 or 3% compared to the previous year.

Table 132: Costs and expenditure

Item in EUR	2016	2015	2014
Operating costs and expenses	153,048,742	156,620,965	164,344,797
- costs of material	88,490,323	93,125,893	102,269,365
- costs of services	10,532,648	10,409,746	10,152,472
- write-offs	21,165,515	21,048,046	21,497,127
- labour costs	31,258,272	30,504,106	29,675,592
- other expenses	1,601,984	1,533,174	750,241
Financial expenses	549,476	980,723	998,518
Other expenses	139,695	140,708	146,844
Total costs and expenses	**153,737,913**	**157,742,396**	**165,490,159**

Compared to the previous year, costs of material decreased by EUR 4,635,570 or 5 %. They include primarily the costs of purchasing electricity in the amount of EUR 76,240,873 which represent 86 % of total material costs.

Compared to the previous year, costs of services increased by EUR 122,902 or 1 %. The largest share of these includes service costs in maintenance, insurance premium costs and information technology costs.

Write-offs increased compared to the previous year by EUR 117,469 or 1 %.

Compared to the previous year, labour costs increased by EUR 754,166 or 2 %, due to employment of employees employed on fixed-term contracts and an increased volume of work.

Other operating expenses increased compared to the previous year by EUR 68,810 or 4 %.

Financial revenues decreased compared to the previous year by EUR 431,247 or 44%. Lower costs result from lower expenses from the depreciation and the write-off of financial investments.

Other expenses increased compared to the previous year by EUR 1,013 or 1 %.

5.4 Financial condition

The financial condition of the company is presented in the balance sheet. Total balance sheet of the company as at 31 December amounted to EUR 381,664,254. Compared to the previous year, it is higher by EUR 12,265,583 or 3 %.

Table 133: The annual trend in size of the balance sheet

Item in EUR	31 December 2016	31 December 2015	31 December 2014
Assets	**381,664,254**	**369,398,672**	**358,929,747**
Non-current assets	321,887,342	310,017,812	300,376,219
Current assets	59,776,912	59,380,859	58,553,528
Liabilities	**381,664,254**	**369,398,672**	**358,929,747**
Capital	269,533,189	260,841,874	253,508,924
Long-term liabilities	68,989,105	67,804,588	64,610,162
Short-term liabilities	43,141,960	40,752,210	40,810,661

The structure of assets includes mainly non-current assets. The proportion has not substantially changed over the years.

Table 134: Structure of company's assets as at 31 December

Item in EUR	31 December 2016	31 December 2015	31 December 2014
Non-current assets	84.34	83.92	83.69
Current assets	15.66	16.08	16.31
The total amount	**100.00**	**100.00**	**100.00**

Structure of company's liabilities as at 31 December present resources to finance assets at disposal of the company. The proportion has not substantially changed over the years.

Table 135: Structure of company's liabilities as at 31 December

Item in EUR	31 December 2016	31 December 2015	31 December 2014
Capital	70.62	70.61	70.63
Long-term liabilities	18.08	18.36	18.00
Short-term liabilities	11.30	11.03	11.37
Total	**100.00**	**100.00**	**100.00**

5.5 Cash flow and financial operation

In 2016, we achieved negative cash flow equaled EUR 2,955,855. The cash flow in 2016 is lower than the previous year which is the result of higher expenses of funding.

Table 136: Financial operations

	2016	2015	2014
Cash flows from operations	**15,130,655**	**13,129,195**	**15,742,945**
- operating revenues	306,949,841	300,848,990	308,187,325
- operating expenses	-291,819,186	-287,719,795	-292,444,380
Cash flows from operations	**-10,844,635**	**-10,666,514**	**-8,136,315**
- cash receipts from investment activities	266,128	433,622	626,542
- cash disbursements from investment activities	-11,110,763	-11,100,136	-8,762,857
Cash flows from financing	**-7,241,875**	**-2,060,690**	**-5,026,353**
- cash receipts from financing activities	8,000,000	10,000,000	6,500,000
- cash disbursements from financing activities	-15,241,875	-12,060,690	-11,526,353
Cash flow for the period	**-2,955,855**	**401,991**	**2,580,277**
Closing balance of cash	**16,506,199**	**19,462,054**	**19,060,063**

Total financial liabilities of the company at the end of 2016 equaled EUR 37,985,288 and increased the figures for the previous year by 2 %, mostly as a result of increased long-term financial liabilities.

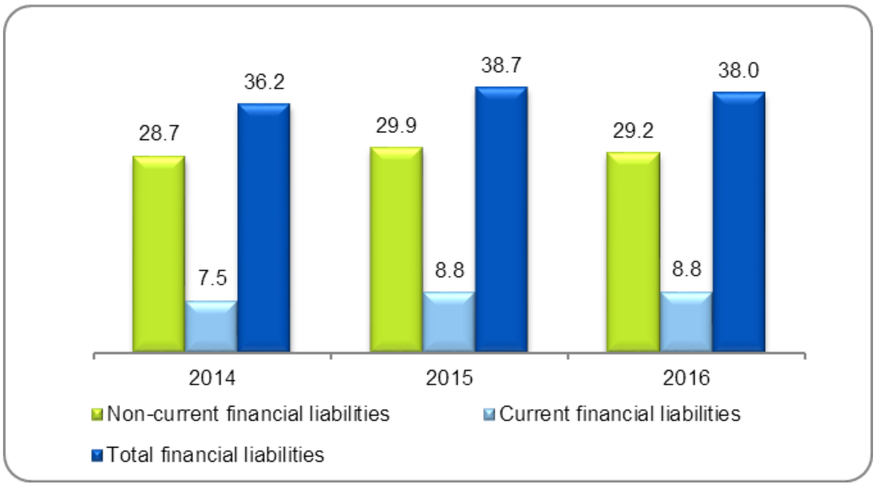

Figure 96: Financial liabilities (in EUR million)

Net financial debt as at 31 December equaled EUR 21,479,091 which is by 11,5 % more than the previous year, resulting mainly from a lower cash balance at the end of 2016.

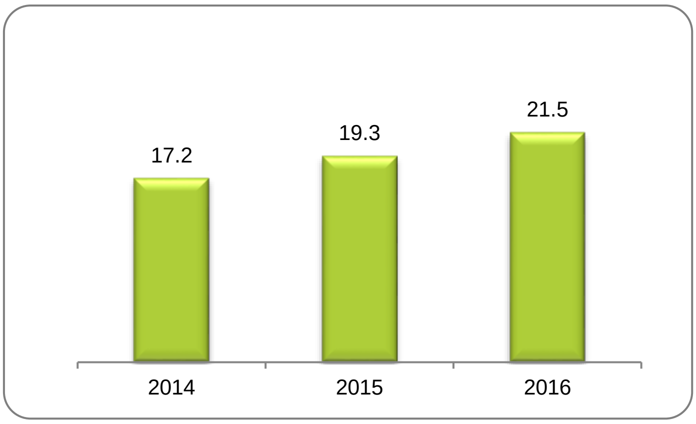

Figure 97: Net financial debt (in EUR million)

Net financial debt = Financial liabilities – Short-term financial investments – Cash

Increase in the net financial debt to EBITDA ratio in 2016 results from higher net financial debt compared to the previous year.

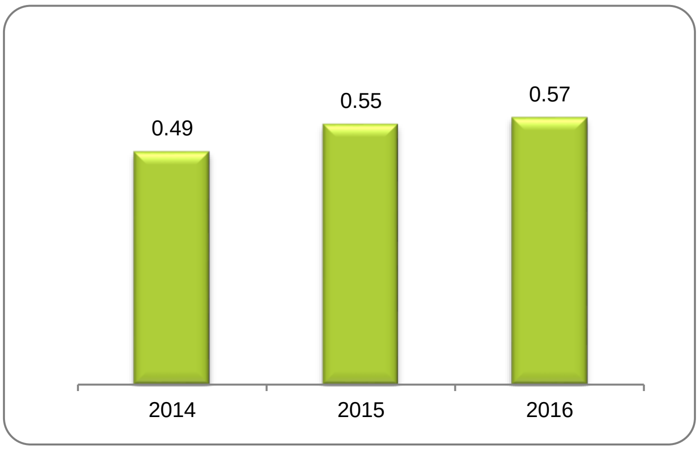

Figure 98: Net financial debt/EBITDA

5.6 Performance indicators

Table 137: Performance indicators of the Elektro Maribor company

Item in EUR	I-XII 2016	I-XII 2015	I-XII 2014
I. FINANCING INDICATORS			
Net profit in EUR	15,092,354	11,673,330	11,492,681
Return on assets (ROA) in %	4.0	3.2	3.2
Net return on equity (ROE) in %	5.7	4.5	4.6
EBIT (profit from operations) in EUR	16,846,974	13,899,943	13,373,404
EBIT margin (EBIT/operating revenue) in %	9.9	8.2	7.5
EBITDA (EBIT + write-offs) in EUR	38,012,489	34,947,989	34,870,531
EBITDA margin (EBIT/operating revenue) in %	22.4	20.5	19.6
All revenues in total amount of EUR	170,330,135	171,103,995	178,618,598
Operating revenues in EUR	169,895,716	170,520,908	177,718,201
Balance sheet total of EUR	147,986,222	149,246,239	157,037,660
Added value of EUR	69,270,761	65,452,095	64,546,123
Added value per employee in EUR	77,552	72,496	72,275
All costs and expenses in total amount of EUR	153,737,913	157,742,396	165,490,159
All operating costs and expenses in EUR	153,048,742	156,620,965	164,344,797
Assets as at 31 December Item in EUR	381,664,254	369,398,672	358,929,747
Capital as at 31 December Item in EUR	269,533,189	260,841,874	253,508,924
Amount of recapitalization in financial liabilities in %	70.6	70.6	70.6
Financial liabilities/EBITDA	1.00	1.11	1.04
Net financial debt in EUR	21,479,091	19,265,018	17,174,826
Net financial debt/EBITDA	0.57	0.55	0.49
Investments in EUR	28,568,713	27,571,079	24,786,234
CAPEX of balance sheet in %	19.3	18.5	15.8
Shares			
Number of all shares	33,495,324	33,495,324	33,495,324
Own shares	72,753	0	0
Number of shares	33,422,571	33,495,324	33,495,324
Total capital dividend yield in %	1.5	2.12	1.82
Dividend to share capital ratio in %	2.9	3.90	3.25
Gross dividend per share in EUR	0.12	0.16	0.14
Payment of dividends (*net profit) for the year 2016 in EUR	4,069,836	5,453,039	4,536,670
Employees			
The number of employees in the status after the end of the period	828	842	831
Average number of employees related to working hours	893.22	902.84	893.06
Activity			
Electricity distribution in GWh	2,208	2,167	2,134
The number of clients connected to a electricity distribution network	216,292	215,406	214,441
Sold electricity in GWh	1,783	1,771	1,941
Produced electricity in GWh	14,033	13,086	18,982

6 COMPANY'S INVESTING ACTIVITIES

We implemented investments in the amount of EUR 28,568,713, which increased by 4 % compared to the last year.

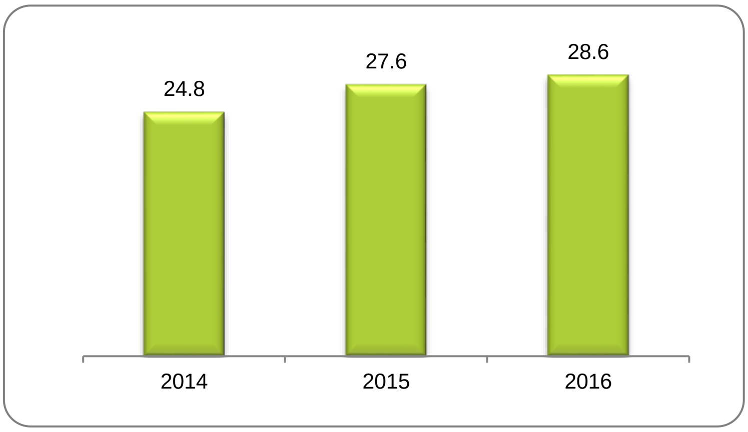

Figure 99: Investment trend (in EUR million)

The largest share (97 %) of investments in the structure of investments is represented by the parent company of Elektro Maribor. The investments have mostly increased in Elektro Maribor Company and are described in detail in Chapter 2 of the business report of the Elektro Maribor d.d. company.

The investments of Energija Plus Company were realized in the amount of EUR 497,009 in 2016. The amount of the realized investments is lower than the planned investment, however it is necessary to consider that the big amount of planned assets is delegated to the realization of projects in the scope of the energy contracts. The major part of investments in 2016 is still represented by investments of IT support which are connected with the implementation of lawful changes: The Law on Excise Duty, the Regulation in the field of natural gas, the Self-Supply Regulation, tax validation of accounts. Apart from law changes the system is still upgraded with solutions which consider either the optimization of activities inside the company or ensure additional functionalities for our clients.

In OVEN Elektro Maribor Company the amount of EUR 397,722 was contracted for the investments in fixed capital in 2016. The amount of the investment is lower than the planned amount. The construction of concentrated solar power station was not carried out as the support scheme because the concentrated solar power station was not yet established in 2016. The largest amount of assets was contracted for the renovation of MHE Činžat 2 which included the renovation of the generator, turbine substitution, electricity substitution and machine tools and hydraulic equipment. The reconstruction of a coverage was carried out in MHE Činžat 2 and gratings of type Coanda was integrated in MHE Činžat 2.

7 ELECTRICITY

7.1 Electricity distribution

The electricity distribution activity is carried out by the parent company, Elektro Maribor d.d. The activity is presented in detail in Chapter II of the business Report of the Elektro Maribor d.d. company.

7.2 Electricity distribution

In 2016, we produced with our own production facilities 14,033 MWh of electricity, which is 7,2 % more than in the previous year, 5 % more than planned. The production in 2014 diverges from the average as we recorded a record rainfall. The share of produced electricity from hydroelectric power plants in 2015 was larger than the share from solar power plants. This was influenced in both cases by natural elements: hydrology and solar energy. The group has also two facilities which co-produce the heat and electricity with a high efficiency (SPTE), by using the natural gas.

The share of produced electricity from hydroelectric power plants amounted to 92,6 % in 2016, the share from solar power plants to 4 % and the share of co-generation to 3 %.

In 2016 the produced electricity in co-generation (SPTE) amounted to 414 MWh which is 3,7 % more than it amounted in 2015.

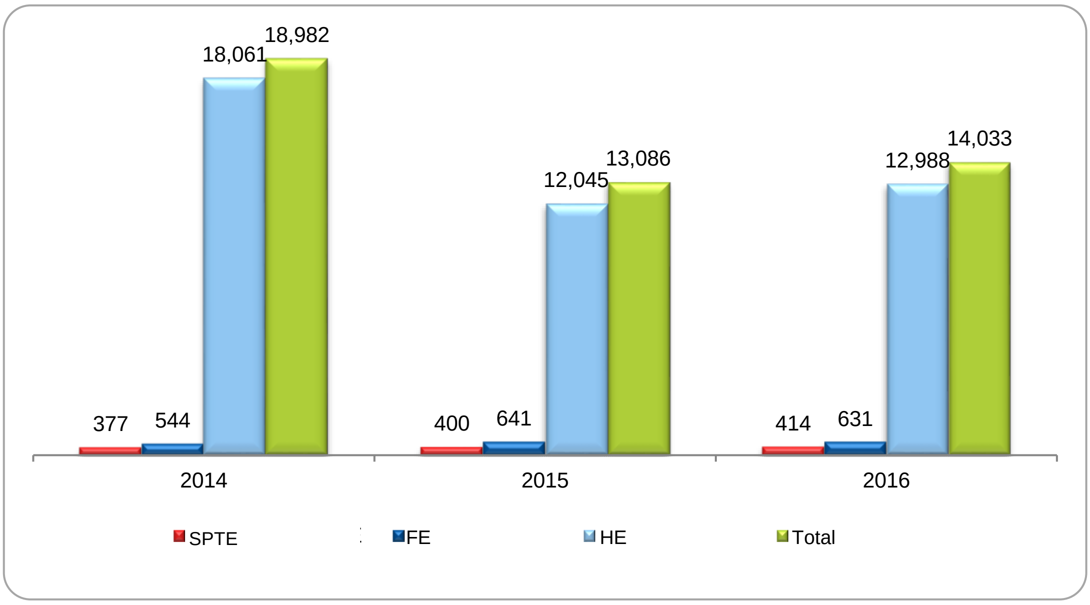

Figure 100: Produced amount of electricity in hydroelectric power plants (HE), solar power plants (FE) and in co-generations (SPTE) in MWh

The largest volumes of the production in hydroelectric power plants were recorded in May, April, and March 2016. Considering the annual volume produced, the whole produced electricity volume was eligible for support premiums.

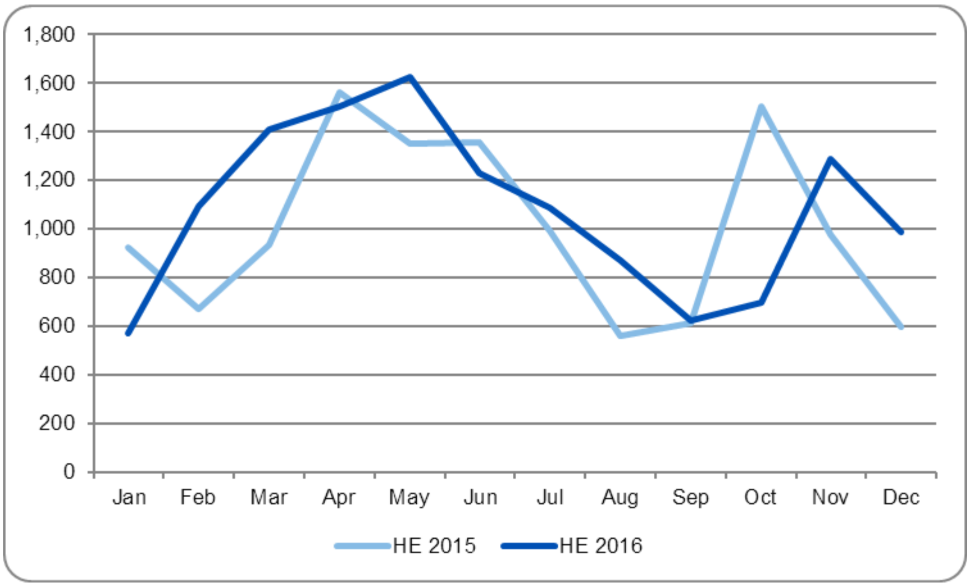

Figure 101: Monthly trends in electricity volumes produced in hydroelectric (HE) (in MWh)

The highest production from solar power plants was recorded in June, July and August 2016. Considering the annual volume produced, the whole produced electricity volume was eligible for support premiums.

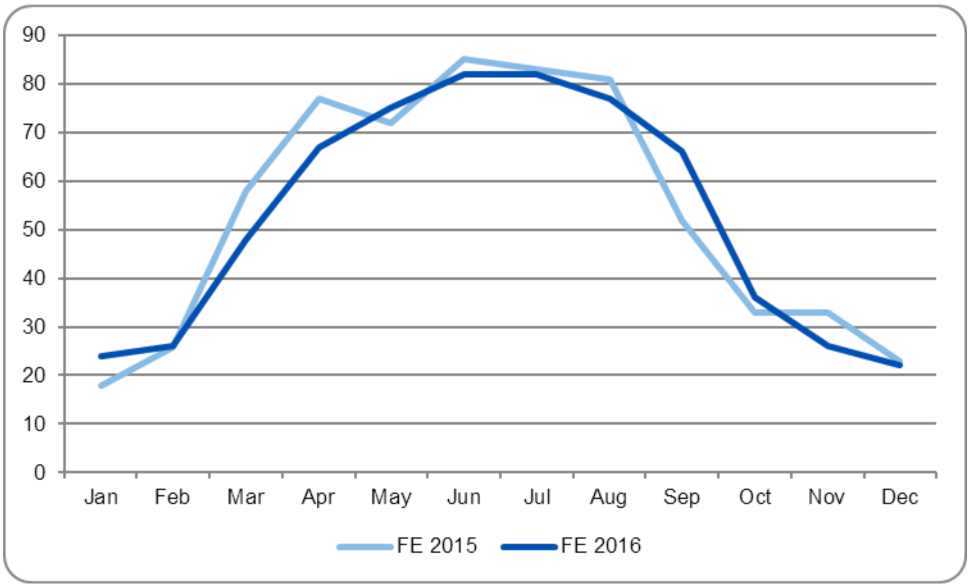

Figure 102: Monthly trends in electricity volumes produced by solar power plants (FE) (in MWh)

The highest production from co-production of the heat and electricity with a large efficiency was recorded in the first three months in 2016.

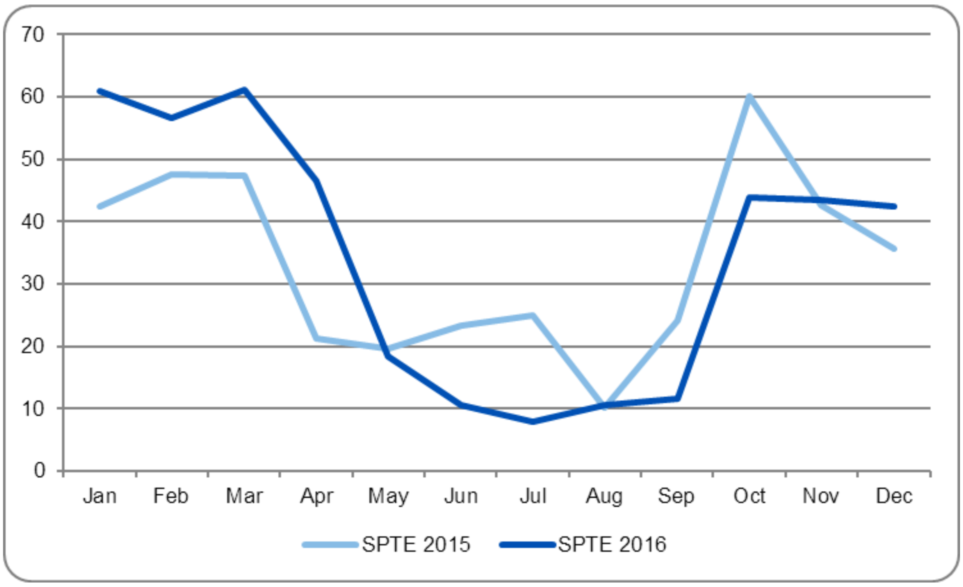

Figure 103: Monthly trends in electricity volumes produced in SPTE (in MWh)

7.3 Sale of electricity

The Energija plus company was mostly striving after satisfaction and loyalty of its customers in 2016. We respond to their needs and wishes, adapt to market trends, and to monitor the activities of competitors which were influenced by the mergers between companies and extending of the range of products.

Total sales of electricity in 2016 amounted to 1.783 GWh, which is more than the previous year, it is mostly the result of acquiring some bigger business customers.

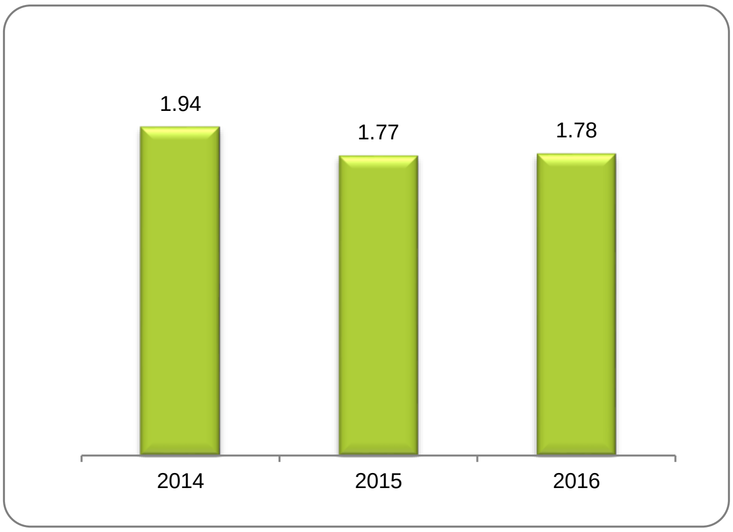

Figure 104: The amount of the electricity sold (in TWh)

In 2016, we followed our business goals and continued activities to keep our existing clients and to acquire new ones, in all segments and different approaches.

In 2016, we sold 8.6 % more electricity to final customers compared to 2015, of which 19 % more were sold to business customers and 10.6 % less to household customers The share of amounts sold to final customers has changed accordingly.

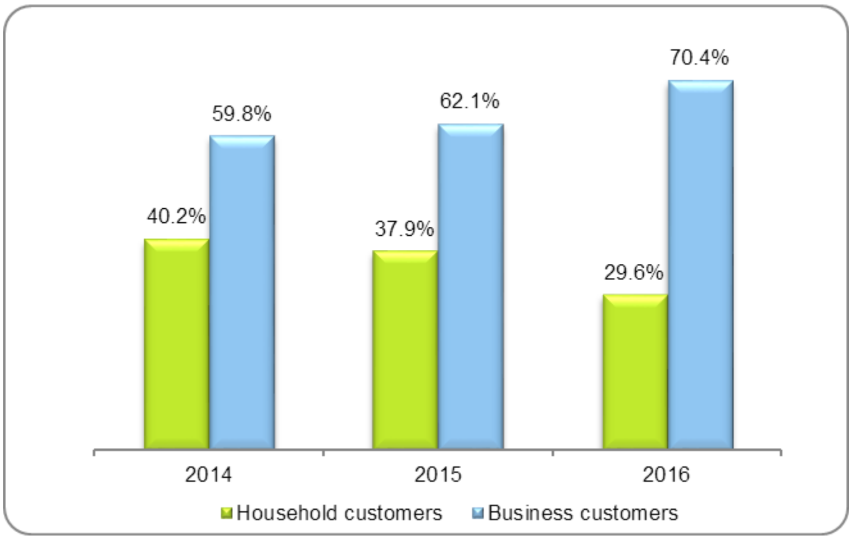

Figure 105: Share of sold electricity amounts to end customers in 2016

We increased the market share by 0.8 percentage points, i.e. from 11.97 % to 12.76 %. The increase was due to the sales to business customers which is higher for 19 % than it was planned.

8 SALE OF NATURAL GAS

The market with natural gas is still less active than the market with electricity, however its dynamic increases year after year. Some suppliers of electricity gave got in on the current suppliers of the natural gas and are also operators of gas networks and thus expanded their offer. There is a strong competition in the market as the current suppliers operate all the time for the preservation of their position in the market (the market share) and they prevent us to really penetrate in the market.

In 2016, the sale of gas grew slower than planned. The main reasons include a weaker pace of growth in the number of individual customers, mostly due to strong competition, lower consumption due to a mild winter, and the existing long-term contracts in business customers. In terms of quantity, we sold to all categories of customers 1.73 times more gas than in 2015.

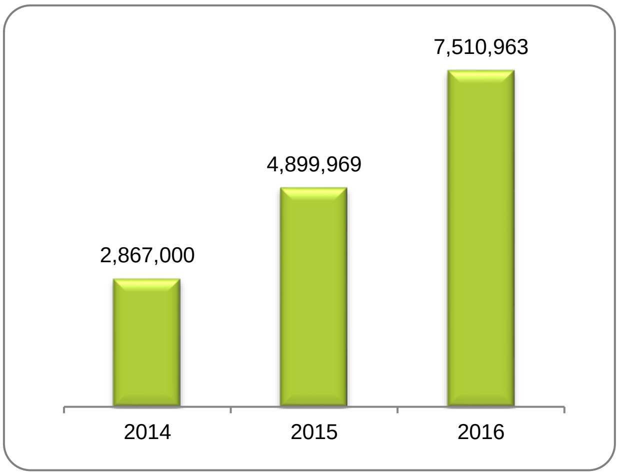

Figure 106: Natural gas sale amounts between 2014 - 2016 (in Sm3)

The activities for new customers acquisition were held in the scope of all Slovenian campaign, different promotions, directly from a call center, outlets and personal trustees visits of key customers. We acquired many new customers on a basis of temporary assignments.

We lowered the prices of the gas packages to maintain the competition position in 2016. With the package Dvojni plus (Double Plus), which combines supply of electricity and natural gas, we continued strengthening the visibility of the company as a gas supplier, and the promotion of advantages of simultaneous supply of electricity and natural gas with a single supplier. We strive for maintaining a long-term relationship with the customers therefore we appreciate the loyalty and we award it.

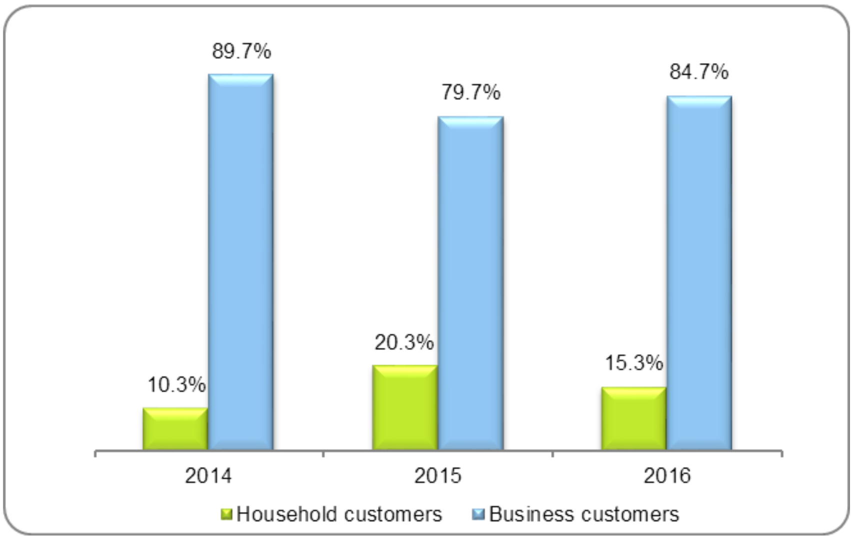

Figure 107: Share of sold natural gas amounts to end customers in 2014-2016

We slowly strengthen our position in the gas market. On the basis of official data about the consumption of the natural gas in Slovenia in 2015 (source: The Energy Agency) we estimate 0.80 % of our market share in the whole retail market (transfer and distribution) in 2016 and 2.18 % on the distribution field. We increased for 0.34 percentage point of the market share in the whole retail market and 0.96 percentage point in the distribution field.

9 THE SALE OF COMMERCIAL GOODS

The offer of commercial goods in 2016 due to the integrity of offers for customers, encouraging the consumption of energy efficiency and environmentally friendly products was structured in the way that the customers are provided with the whole solution of the principle “all in one place”.

We follow trends and the novelties in the market concerning the selection and structuring. The current offer represents energetically efficient and environmentally friendly products such as LED bulbs, heats pumps, essential equipment for every home, e.g. tools. We provide also didactic products for children such as The Lightening and Plinko, ecological books and gift vouchers.

We carry out energy advice every first Wednesday in a month, which is regularly carried out and we prepare different special offers for the increase of the sale as well.

Figure 108: LED bulb and the tools available

10 SALE OF HEAT

We started dealing with the production, sale and distribution of heat in October 2013, in the renovated boiler room in Pobrežje, Maribor, with the aim of expanding the activities. We supply heat to 580 apartments. In February 2014, we also started producing electricity in cogeneration in addition to the heat, and transmitting it to the network. The sale of heat and generated revenues directly depend on weather conditions; consequently, they significantly deviated from the plan early in the year.

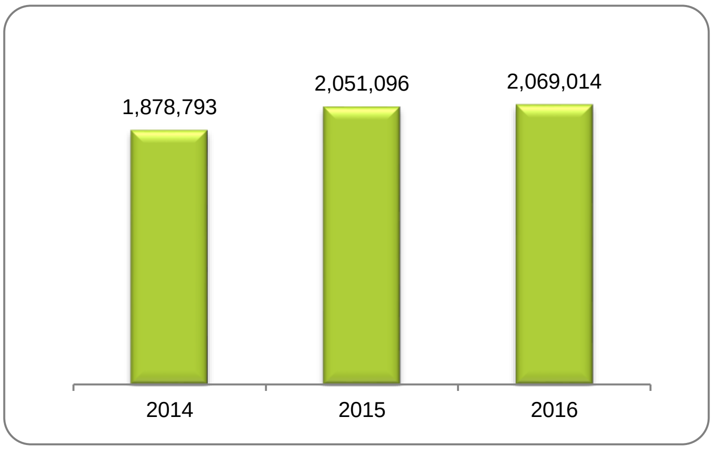

Figure 109: The amount of the heat sold (in kWh)

11 INFORMATION SUPPORT IN THE GROUP

Within the Group, EUR 3,642,512 were allocated for information support. The largest share (74 %) is presented by the funds earmarked for IT support by the Elektro Maribor company.

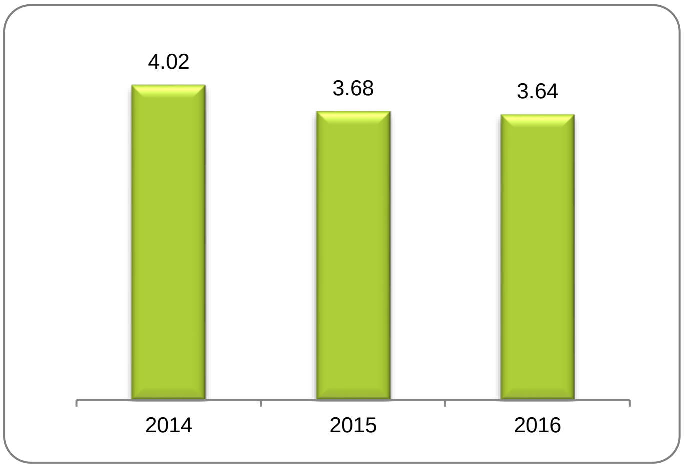

Figure 110: Changes in funds for IT support (in EUR)

In 2015, the Energy plus company introduced SAP with which it set a firm platform for the development and is upgraded in accordance with the needs and development plans. The investments were connected with the implementation of lawful changes in the field of IT: The Law on Excise Duty, the Regulation in the field of natural gas, the Regulation on self-supply and the Law on tax certification of accounts and little improvements concerning the requirements of regulators for the visualization of the invoices. Apart from law changes, the system is still upgraded with solutions which consider either the optimization of activities inside the company or ensure additional functionalities for our clients (such as web site, eService portal and mobile application ePLUS).

12 RISK MANAGEMENT IN THE GROUP

Risk management in the Elektro Maribor company is regulated by the Regulation on risk management. With the novelty of the Regulation we accepted common starting points - guidelines on risk management in the group.

12.1 Risk management in the Elektro Maribor company

Risk management in the Elektro Maribor company is described in detail in Chapter II of the business Report of the Elektro Maribor d.d. company.

12.2 Risk management in the company Energy Plus

Risks occur when there is a potential of emerging events or types of events that can facilitate or have adversely effect on the achievement of planned aims of the company. In other words these are the opportunities or dangers. With the approach of the risk management we recognize the risks on time and we adequately take measures to prevent or decrease the damage which can evolve from the risk

The risks were re-assessed in compliance with the methodology that undertook it reasonably and is founded on the adopted regulation. The assessment will be carried out according to three criteria: the possibility of risks (the frequency of an event incurred), the importance of a risk (potential damage for operating) and the value of a damage incurred. The risks were assessed by a 4-degree rating scale of importance and possibility. The maturity of the system of the risk management is on the level of a basic maturity model of the risk management.

The main emphasis was mostly on handling the credit and liquidity risk and the risk which originates from the changes of purchase prices of the electricity. We paid attention particularly on the customers' ability to pay and the status of claims resulting from operations. We strive for a stable and positive financial position and cash flow of the company. By taking measures for controlling risk management we can say that we successfully adapt on the tight situation in the market.

The risks that the company is exposed to are categorized in compliance with the adopted risk register:

- financial risks,
- market risks,
- operating risks.

We were occupied with the following important risk groups in the previous year:

Financial risks

Financial risks are the risks we face daily, because economic straits and payment defaults do not abate. We have found out that smaller buyers have not yet overcome the crisis as the liabilities are discharged no earlier than at the threat of disconnection The Amendments of legislation which tightened up the conditions for investment proposals of personal bankruptcies, can be reflected in a small amount of personal bankruptcies compared to the previous year. At the same time we increased the number of enforcement sought on the basis of the limit decrease as a basis for the withdrawal period, as the practice showed that only a very quick procedure represents the probability of payment. The comparison of maturing debt of the observation period in 2016 according to the previous year shows the decrease by 4.56 %. The write-offs were decreased by 78.39 % compared to the previous year.

Market risks

We monitor the open position, which occurs between the purchased and sold quantities of each energy product for various periods, on a daily basis and take daily actions depending on the assessment of price movements of each energy product, and thus manage the risks. By trading transactions we decrease these risks and thus additionally and positively contribute to achieve the planned business aims.

Operating risks

Operating risks are reflected daily and significantly associated with employees and absenteeism which is the most frequent disease that is reflected in the age structure of employees. We are trying to explain the importance of healthy lifestyles and self-care for own health to our co-workers in different ways (lectures, medical examinations, ...). Operating risk is also presented by the IT support, particularly during the period of transition to a new information system and was reduced and is successfully managed.

12.3 Risk management in the OVEN Elektro Maribor company

In 2016, we updated all identifiable market, operating and financial risks in the Risk register We assessed individual risks and defined the trustees for these risks and took measures for their management. In 2016, we adopted an Ethical Code of the Elektro Maribor d.d. company.

Rapid changes in business and financial environment increase risks, which we are exposed to; consequently, it is of crucial importance to have timely and accurate information to reduce all kinds of risks and to adopt measures for their control. The most important risks are:

Existence of a support scheme

Sustainability or persistence of a support scheme for electricity production from renewable energy sources (Borzen, d.o.o.) is estimated as a middle risk.

Natural disasters and weather impacts

We are exposed to the risk of natural disasters (mostly floods), especially in autumn months, in the event of extremely large rainfall. Amounts and changes in the production are the subject to direct weather impacts (volume of precipitation and sunny days). For the events of material damage (machine failure, fire, etc.) and operational standstill, we have concluded appropriate insurances.

Price risk

Price risk in transactions is managed through contracts for the sale of electricity produced, price negotiations, and checking purchase prices in the market.

Disclosure of business secrets

The risk of disclosure of business secrets is managed by the adopted Act on determining business secrets, which is signed by all the employees, and by provisions in employment contracts.

Liquidity risk

The company manages liquidity risk by regular following cash flows and coordinating maturity of liabilities and receivables. Credit ratings of future business partners are always checked prior to starting cooperation in an online application leased for this purpose. Credit ratings of business partners are regularly monitored.

13 INTERNAL AUDIT IN THE GROUP

In organizational terms, the internal audit of the Elektro Maribor Group is subordinated and reports to the President of the Management Board of the Elektro Maribor company, while in terms of its function, it is responsible and reports to the Elektro Maribor Supervisory Board. Implementation of the internal audit in the Elektro Maribor Group is assigned to the employee at the post of „internal auditor“, who is in accordance with the International Standards for the Professional Practice of Internal Auditing also a head of internal audit in the Elektro Maribor Group.

Internal audit is responsible for the implementation of continuous and comprehensive supervision of the Elektro Maribor company operations and both subsidiary companies, Energija plus and OVEN Elektro Maribor, which together form the Elektro Maribor Group.

Internal audit's powers, responsibilities, tasks and the method of operations are defined in detail by the Internal Audit Fundamental Act of the Elektro Maribor Group adopted in 2015 by the company's Management Board in agreement with the Supervisory Board.

14 EMPLOYEES IN THE GROUP

14.1 Changes in employees

The Elektro Maribor Group had 828 employees at the end of 2016. The largest share (91 %) of total employees are employees in the Elektro Maribor company. There were 115 new arrivals and 129 departures in 2016. The number of employees reduced which resulted from reduced number of employees in Elektro Maribor company compared to the previous year.

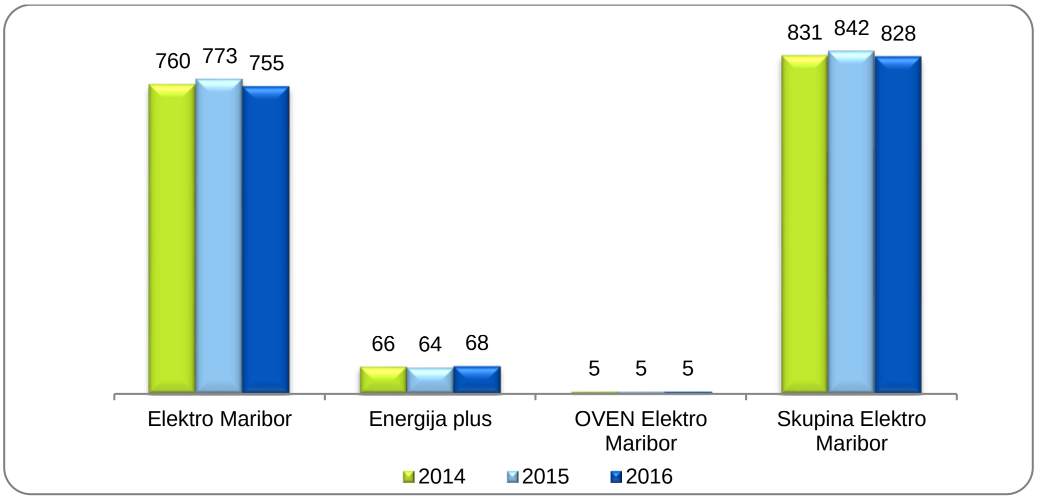

Figure 111: Number of employees as at 31 December

Table 138: Changes in number of employees by gender, period of employment, and type of employment, as at the end of the year

	2016	2015	2014
Number of employees - men	687	698	686
Number of employees - women	141	144	145
Permanent employment	798	794	805
Fixed-term employment	30	48	26
Full-time employment	810	823	813
Part-time employment	18	19	18

Table 139: Number of employee turnover by gender and age groups

	2016	2015	2014
Number of arrivals	115	120	109
- men	109	117	103
- women	6	3	6
- up to 30 years of age	55	37	45
- 30-50 years of age	53	67	55
- over 50 years of age	7	3	9
Number of departures	129	108	108
- men	120	105	105
- women	9	3	3
- up to 30 years of age	52	27	43
- 30-50 years of age	56	61	53
- over 50 years of age	21	20	12

Percentage of employees covered by provisions of collective agreements was 98.5 % in 2016, which is at the level of previous years.

Table 140: Number of employees (by gender) using parental leave

	2016	2015	2014
Number of employees	68	31	34
- men	61	25	30
- women	7	6	4

14.2 Education of employees

In 2016, we allocated EUR 83,627 for various forms of education of employees. Education-related expenses reduced by 26 % compared to the previous year, Education-related expenses were lower mostly in Elektro Maribor company.

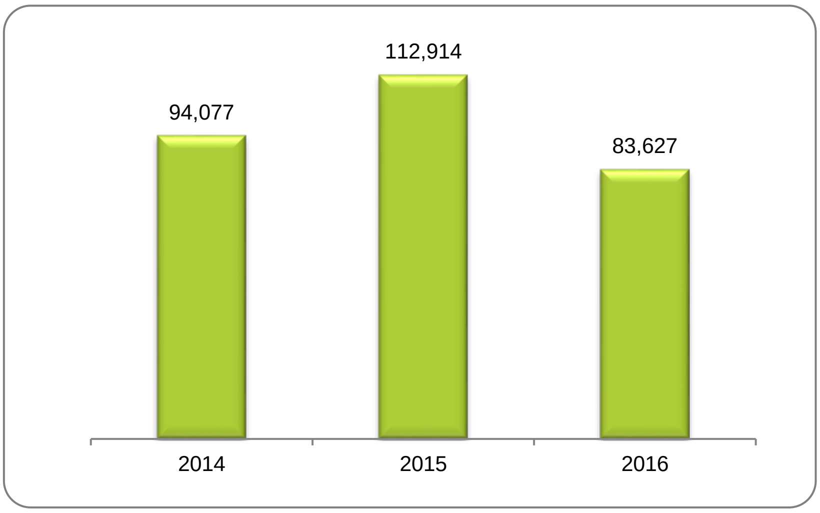

Figure 112: Cost of education of employees (in EUR)

According to the degree of education the share of the employment rate for people with higher skill levels and the people with a Master's degree have increased mostly in Elektro Maribor company.

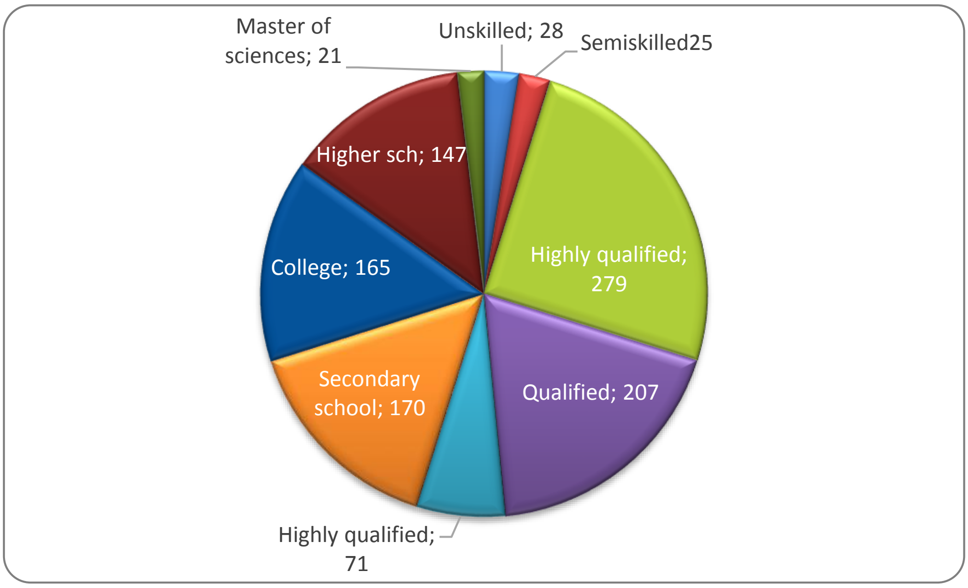

Figure 113: Average number of employees by education in 2016

15 SAFETY AND HEALTH AT WORK IN THE GROUP

The Group especially focuses on health and safety at work of employees.

Thereby the Group especially focuses on theoretical and practical training of employees in the area of health promotion, safety at work and tidy working environment. In such a working environment the employees can work safely and efficiently.

The Elektro Maribor company recorded 21 work-related accidents in 2016. The companies Energija plus and OVEN Elektro Maribor recorded no work-related accidents or associated lost work days in 2016, likewise as many years ago.

16 SOCIAL RESPONSIBILITY OF THE GROUP

16.1 Social responsibility of the Elektro Maribor company

Social responsibility in the Elektro Maribor company is described in detail in Chapter II. Business Report of the Elektro Maribor d.d. company.

16.2 Social responsibility of the Energija plus company

In 2016, we paid special attention to socially deprived customers. The Energija plus represents an important element in the environment and we contribute permanently to the quality of living, better society and a clean environment. We are aware of co-creation of relationships in the internal and external environment therefore we discover wishes, needs, expectations and content of participants in different ways.

16.2.1 Sponsorship and donations

Through sponsorships and donations disbursed in 2016, we assisted in various projects carried out by organizations in the social, cultural, sports and educational fields.

Grant funds were allocated, likewise in previous years, especially to humanitarian organizations. The following projects are mostly visible: donations to three hospitals for the children section (SB Murska Sobota, SB Ptuj, UKC Maribor), Youth Home Maribor for giving presents to socially weak families and to CSD Murska Sobota for giving presents to special needs children from socially weak families. Positive attitude and orientation towards development and sustainable development are also our aims for the future.

When allocating sponsorship funds, we always seek to have appropriate balance between different areas, which are granted the funds (sport, culture and other activities), where sports activities show most needs for such assets. In doing so, we are looking for synergistic effects associated with our business objectives, the needs of the areas, strengthen the visibility, facilitate the sale and indirectly influence upon the loyalty of our customers.

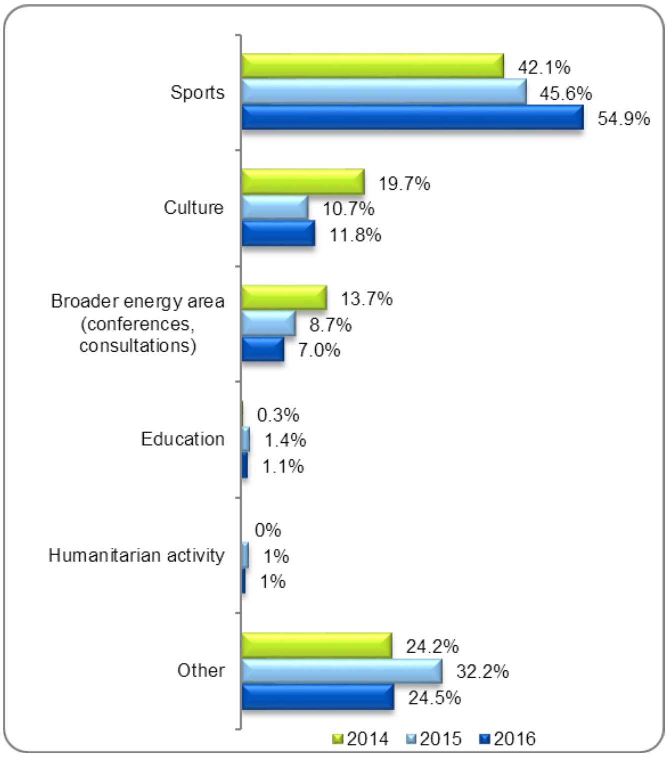

Figure 114: Distribution of sponsorship by purpose 2016

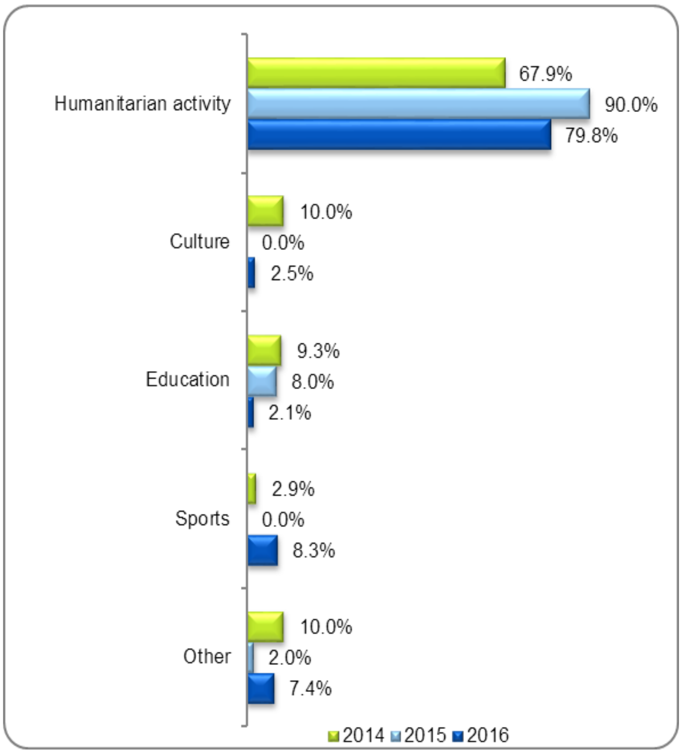

Figure 115: Distribution of donations by purpose 2016

16.2.2 Marketing activities

In 2016, we earmarked for marketing purposes 0.6 % of revenues from the sale of energy products. In this way, we were strengthening contacts with customers, creating company's visibility in the Slovenian environment in order to strengthen the loyalty of existing customers and acquire new ones, presenting the product range and promoting the sales. We paid most attention to the Dual Plus package (a bound package of electricity and natural gas). And Pension ePLUS (earmarked for pensioners). In communication, we started using a new sound image and corporate advertisement in accordance with the latest guidelines of communication.

16.2.3 Communication with external public

External public is directly connected with the positioning of the company and is at the same time a direct support to our communication and cooperation with the environment, a motor for visibility and strengthening the trademark and finally it is a critical passenger and assessor in the sense of created publicity. The year 2016 was marked above all in the field of promotion and acquiring contacts, sales promotions, trade fairs, prize games, conferences and various events throughout the Slovenian area. The information office in Maribor hosted also a two-day summer media school and thus supported a national Blue World for Youth project.

16.2.4 Media communication

We know that effective and timely communication with the media is essential to the company's reputation in the society. Therefore, we frankly, responsibly and timely respond to questions asked publicly, and thus keep appropriate relations with the media.

16.2.5 Customer relations

In 2016, the results of a survey on customer satisfaction carried out in 2015 (67% of answers that they are very satisfied with the treatment) show our daily effort on improvements. The outlets in Maribor, Gornja Radgona, Murska Sobota, Ptuj and Slovenska Bistrica, ensure the customers a direct contact and individual treatment of every area of our operations - from concluding a contract, information, advice, payment of bills without fees, up to the purchase of merchandise. We adapted also the working hours in outlets and the call center.

In 2016, we introduced some changes - we adapted the working hours in outlets and the call center, we introduced advice days in outlets and we constantly strengthen the use of modern communication media through renovated eStoritve (portal) and updated mobile applications. We inform our customers about news and special offers through in a web site, through attachments to invoices and advertising in various media. The number of all phone calls reduced in 2016 compared to 2015 by 11.5 %. In eStoritve are currently registered 17,494 accounts with 23,067 meter points.

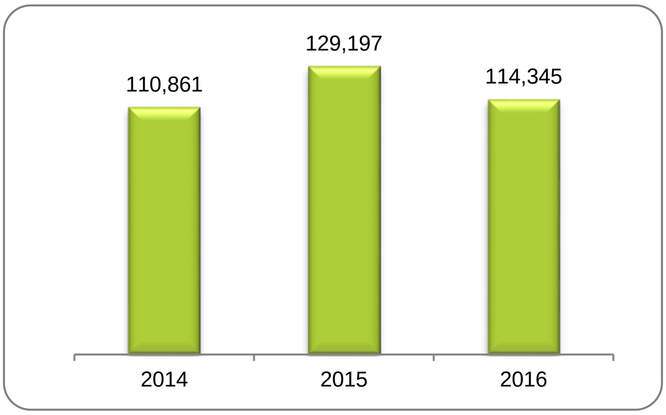

Figure 116: Contacts with customers (Total number of calls at 080 2115)

16.3 Social responsibility of the OVEN Elektro Maribor company

The company allocated for donations EUR 7,050 in 2016. We helped athletes, people in culture, educational institutions, and other societies.

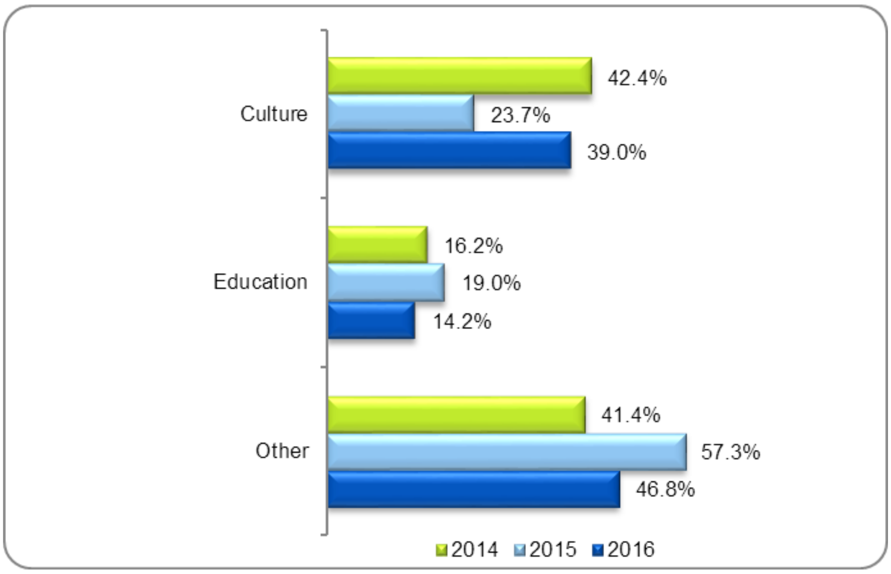

Figure 117: Distribution of donations

17 PROTECTION OF THE ENVIRONMENT IN THE GROUP

Protection of the environment in the Elektro Maribor company is described in detail in Chapter II of the business Report of the Elektro Maribor d.d. company.

The Energija plus company tends to include in its range products that protect the environment. We provide products that allow customers for automatic monitoring and remote control of electricity appliances. We participate in the PURE project, which allows public and service sectors to obtain grants for various actions in terms of energy efficiency and thus we are actively involved in the protection of the environment. Through advice, we are raising awareness among customers on the use of renewable energy sources. By pointing out the importance of using electronic bills and e-services, we contribute to environmental protection, because we reduce paper consumption. For all employees we annually organize education on environmental protection and inform them about novelties. An important aspect is a fire safety which is maintained by preventive measures and thus we ensure the permanent operation and protection of property and people.

The OVEN Elektro Maribor company strives to keep any potential negative impacts on the environment, in which it operates, as low as possible. All employees are involved in environmental protection, both inside, as well as outside of the company. The greatest and practically the only possible environmental risk are potential spills of lubricating hydraulic oils. In this area, multi-phase protection with collecting containers and controlled level probes prevent any possible spills. Our viewpoint is based on the principle of prudence in the sense of considering the provisions of Water Authorization of The Agency of RS for environment and provisions of the Energy Law in the way that we efficiently manage water resources and protect the environment.

V. Financial Report of the Elektro Maribor Group

1 INDEPENDENT AUDITOR'S REPORT

REPORT OF THE INDEPENDENT AUDITOR
To the shareholders of
ELEKTRO MARIBOR d.d. company

Opinion

We audited the consolidated financial statements of Elektro Maribor d.d. company and its subsidiaries (the Group), comprising the balance sheet as at 31 December 2016, the consolidated income statement, the consolidated statement of changes in equity, other comprehensive income, consolidated statement of cash flows for year then ended, the summary of the significant accounting principles and other explanatory notes. We reviewed also the business report.

In our opinion the consolidated financial statements are in all important aspects a real and fair presentation of Elektro Maribor Group the balance sheet as at 31 December 2016 as well as its income statement and cash flows for the year then ended and are in compliance with the International Financial Reporting Standards.

Basis for the opinion

We carried out the audit in accordance with the International Auditing Standards. Our responsibilities on the basis of these rules are presented in this report in the paragraph of Auditor's responsibility for auditing financial statements. We confirm, in line with the Ethics Code for financial experts, which was issued by the Internatioanal Ethics Standards Board of Accountants (IESBA Code) and ethical requirements which are related to the audit of financial statements in Slovenia, that we realized all other ethical requirements in compliance with the requirements of the IESBA Code.

We believe that the acquired audit proofs are a sufficient and relevant basis for our audit opinion.

Other information

Other information comprises the financial report which is an integral part of the annual report of Elektro Maribor Group, however, it doesn't comprise the financial statements and our auditor's report about it. The management is responsible for the other pieces of information.

Our opinion about financial statemets is not related to the other information and we don't express any form of assurance.

It is our responsibility in terms of the audited financial statements, to read other pieces of information and to judge whether other information is significantly noncompliant with the financial statements, lawful requirements or our knowledge acquired in auditing, or they are presented in other ways as significantly wrong. In addition, it is our responsibility to assess if other information was prepared in all important aspects in compliance with the the existing law, and mostly, if other information is in line with the law, and/or the noncompliance with these requirements would affect the judgement based on that other information. On the basis of the processes implemented we propose that:

- other information, which describes the facts in the financial statements, in all important aspects, is in line with the financial statements; and
- other information is prepared in line with the existing law.

In addition, it is our responsibility that, on the basis of our knowledge and the understanding of the company, which were acquired during the audit, we report if other information consist of a significant wrong statement. On the basis of the implemented processes related to the other information, we didn't find out any significant wrong statement.

Management responsibility for financial statements

The management bears overall responsibility for the preparation and fair representation of the financial statements in accordance with the International Financial Reporting Standards and in accordance with the internal control as deemed necessary by the Management Board to ensure the preparation of financial statements free of any material misstatement due to fraud or mistake.

In preparation of the financial statements, the management is responsible for the assessment of the economic ability of the Group so that it can continue as an active company and disclose the issues related to the active company and the use of the assumptions of the active company as a basis for accountancy unless the management intends to liquidate the Group or cease trading, or if it has no other alternative but to do so.

The Audit Commettee and the Supervisory Board are responsible for the control over the preparation of consolidated financial statements as well as for the confirmation of the annual report.

Auditor's responsibility

Our aim is to obtain reasonable assurance as to whether the financial statements are free of material misstatement due to fraud or mistake as well as to issue an audit report which includes our opinion. A reasonable assurance is a high level of assurance, however, there is no garantee that the audit will find out, in line with the International Auditing Standards, a significant wrong statement if available. Misstatements can derive from a fraud or mistake and are considered as significant if it is reasonable to expect, that they individually or in a combination affect the economic decisions of users, adopted on the basis of those financial statements.

In carrying out the audit in accordance with the International Auditing Standards, we use expert judgement and we preserve a professional distance. Also:

- we recognize and assess the risks of a significant wrong statement in the consolidated financial statements due to mistake or fraud and we form and carry out auditing processes as reactions on the assessed risks and we obtain sufficient and relevant proofs which ensure the basis of our opinion. The risk, which we won't disclose any wrong statement which originate from a fraud, is higher than the one linked with a mistake, as the fraud involves secret agreements, counterfeiting, voluntary omission, wrong notes and avoidance from internal controls;

- we perform procedures of a verification and understanding of internal controls, important for an audit in order to express an opinion about the efficiency of the internal control of the Group;

- we judge the relevance of used accounting policies and the acceptance of accounting assessments and the related disclosures of the management;

- on the basis of obtained auditing proofs about a significant uncertaincy related to events or circumstances which lead to doubts about the capability of the Group to be active, we adopt a conclusion about the relevance of the management use of assumptions of an active company as a basis for an accountancy. If we adopt a conclusion of a significant uncertaincy, we therefore must signal the importance in the auditing report of relevant disclosures in the consolidated financial statements or if such disclosures are irrelevant, we must adapt our opinion. The auditor's conclusions are founded on the auditor's proofs obtained until the date of the issue of the auditor's report. However, supplementary events or circumstances can lead to a termination of the Group as an active company;

- we estimate a general presentation, structure, contents of the consolidated financial statements including the disclosures and/or consolidated financial statements present the operations in questions and events in a way that a fair presentation is obtained;

- in auditing we obtain sufficient and appropriate auditing proofs related to financial information of the company or business activities in the Group in order to express an opinion about consolidated financial statements. We are responsible for an appropriate gudeline, control and the performance of the audit of the company. At the same time, it is our responsibility for an audit opinion.

- we would like to inform the responsible persons of the management about the amount and time of the audit and important audit connclusions including the deficiencies of internal controls which we detected during the audit.

The paragraph about the other issue

The consolidated financial statements for the business year that ended on 31 December 2015, was audited by another auditor who issued an unmodified opinion on 15 April 2016.

Celje, 21 April 2017

Authorized auditor
Marija Kozmus Pusar, M.Sc.

Rating d.o.o. Celje
Družba za revizijske storitve
In ekonomsko svetovanje
3000 Celje Gosposka 7

2 STATEMENT OF RESPONSIBILITY BY THE MANAGEMENT BOARD OF ELEKTRO MARIBOR D.D. FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Elektro Maribor d.d. is responsible for the preparation of consolidated financial statements and presentation thereof to the interested public. The financial statements provide a true and fair presentation of the Group's financial position and its results for the year 2016.

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

The Management Board hereby declares that:

- All financial statements of the Group have been prepared in line with professional standards and the legislation pertaining to operations, accounting, taxes and finance,
- The financial statements of the Group have been prepared in accordance with all requirements set by the International Accounting Standards, with relevant views and notes,
- The financial statements have been prepared under the going concern assumption,
- The selected accounting policies are being applied consistently and any changes in the accounting policies are disclosed,
- The accounting estimates have been prepared in accordance with the principles of prudence and good management,
- The Group's Annual Report represents a true and fair view of its operational results and financial position,
- The financial statements do not include any material or non-material errors made in order to achieve a particular presentation of operations.

Maribor, 11 April 2017

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

3 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Reporting company

In compliance with ZGD-1 for the business years that start on 1 January 2016, the consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (hereinafter: IFRS) which provide hereinafter the detailed bases, important financial guidelines and explanations for the use of standards which are valid in the current period.

The valuation of individual items of consolidated financial statements is based on unified and joint accounting policies of the Elektro Maribor Group determined in the Rules of Accounting. All financial items are taken into consideration as well as IFRS and Companies Act.

The consolidated financial statements of Elektro Maribor are in line with IFRS and International Financial Standards (hereinafter IFS) as they were adopted by the EU and with the explanations that are adopted by the Board for Explanation of International Financial Reporting Standards (hereinafter: BEIFRS) and were adopted also by the EU, and in line with the provisions of the Companies Act (ZGD-1).

Elektro Maribor company as a parent composes consolidated financial statements and a consolidated report. Both subsidiaries Energija Plus d.o.o. and OVEN Elektro Maribor are involved in the consolidation.

Likewise a parent, both subsidiaries prepare their annual business reports which comprise financial statements of each company.

Hereunder the consolidated financial statements that ended on 31 December 2016 are presented. Consolidated financial statements include a parent and its subsidiaries as well as the share of the group in the associated companies.

A more detailed overview is presented in Chapter Companies in Elektro Maribor Group in the business report of Elektro Maribor Group.

3.1 Transition to International Financial Reporting Standards

Consolidated financial statements are prepared in line with the IFRS financial reporting in 2016 for the first time.

There were no influences in the transition from Slovenian Financial Standards to International Financial Reporting Standards for the companies in the group use financial methods of measurements of segment assets, liabilities for assets resources, revenues, costs, expenses and cash flows as are prospective and permitted according to SFS, or the differences would be so small that are not important from the view of the entire financial statements, however, the costs for obtaining database would exceed the benefits.

3.2 Basis for the preparation of consolidated financial statements

- Conformity statement

The group financial statements of the company have been prepared in accordance with IFRS as are adopted by the EU and with the explanations adopted by the Board for Explanation of International Financial Reporting Standards and in accordance with the requirements of the Companies Act.

- The basis for the measurement

Consolidated financial statements are prepared by concerning the historical cost.

- Functional currency and reporting currency

The attached consolidated financial statements have been prepared in euros which is a functional currency of the group. All financial information have been prepared in euros and rounded to unit. Slight differences in addition in the tables may have resulted from rounding.

- The use of evaluation and estimation

In composing the financial statements the group must carry out an assessment, estimation and assumptions which influence on the use of financial guidelines and stated values of assets, liabilities, revenues and expenses. The assessments, estimations and assumptions are regularly examined. All changes in financial assessments, estimations and assumptions are recognized in the period when the assessments were changed if the change influenced that period or the period of change in the following periods if the change influences the following periods.

The assessments and assumptions in the group are used mostly in the following areas:

- The assessment of useful life of depreciated assets.
  In assessing the useful life of depreciated assets in the group, the expected physical exploitation, technical and economic obsolescence and expected lawful and other limited use are taken into account.

- The estimation of influence in common parent companies
  The examination of the rise of influence change is carried out for a parent company and associated companies in the group, thus it provides relevant treatment of investments in financial statements. For the investor's relevant influence the following facts are important:
  - The agency in management bodies and control in companies in which a company holds an investment.
  - Cooperation in the procedures of forming a policy and cooperation in decisions about dividends or shares.
  - Essential transactions between the investor and a company in which a company holds an investment.

- Assessment of provisions for filing a suit
  Companies in the group have many claims which are more than 50 % supposed to be paid and thus companies incur the cash flows.

  Other conditional liabilities are recognized in the financial statements outside the balance sheet. The management of individual companies is regularly controlled in case that the payment for possible liabilities derives from cash drains. If cash drains are probable, the possible liability is distributed by forming provisions in financial statements as soon as the probability level changes.

- The assessment of provisions for post-employment and other long-term benefit obligations of employees.
  Obligations of post-employment benefit assets are stated obligations for retirement grants and jubilees. They are recognized on the basis of actuarial calculation which is approved by the management of individual companies. The actuarial calculation is based on assumptions and assessment that were valid at the time the calculation was made. In the future, the calculation may differ from actual assumptions that will be valid then. This is mostly related to the definition of discount rate, assessment of employees fluctuation, assessment of mortality and assessment of salary growth in the company. This assessment is sensitive for the changes of the above mentioned assessment due to the complex actuarial calculation and its long-term characteristic.

- Assessment of possible use of deferred tax assets
  The company forms deferred tax assets as regards the formation of provisions for jubilees and retirement grants and for receivables which attenuate due to a doubt about their payment.

  The Group checks the amount of deferred tax assets on the day of the final financial statements. A deferred tax is recognizable in the Group for it may exist an available net profit in the future, in the burden of which the deferred assets could be used in the future.

- Changes of financial guidelines
  In 2016, the Group didn't change financial guidelines except where it was necessary due to a creation of consolidated financial statements in line with IFRS.

3.3 New standards and notes which have not been valid yet

Standards and notes, which are presented hereunder, until the date of consolidated financial statements have not yet been valid or the EU hasn't confirmed them yet. The Group will use the relevant standards for the preparation of its own financial statements when they are adopted if this is related to the management of the Group.

The standards which we estimate that won't be used in the management of the Group, we don't include and will not be included in the future.

IFRS - Financial instruments

The IFRS 9 renewed standard applies to the financial year from 2 January 2018 or later. It introduces new requirements related to categorizations and measurements of financial resources and liabilities, the recognition of their impairment and financial protection against risks.

We don't expect in the Group that the above mentioned standard will significantly impact on the consolidated financial statements.

IFRS - Revenues from customers' contracts

The International Accounting Standards Board published IFRS 15 in May 2014, which introduces a new five-stage model of recognizing revenues that the company achieves on the basis of contracts with customers. The company recognizes in line with the provisions of IFRS 15 the revenue in the amount that reflects the amount of the purchase consideration for which the company means it belongs to it as regards the transfer of goods and trade services to a customer. The new standard is applicable for all companies and replaces the current requirements IFRS related to the recognition of revenue. The complete application of the standard comes into force in the periods that begin on 1 January 2018 or any subsequent date, the adapted form of the standard must be applied retrospectively by the companies .

We don't expect in the Group that the above mentioned standard will significantly impact on the consolidated financial statements.

3.4 New standards and explanations which have not yet been adopted

The complement of the IFRS 10 and IFS 28 standards. The sale or contribution of assets between an investor and his associate or joint venture.

The supplements deal with a clash between IFRS 10 and IFS 28 which relates to a compilation of the loss of control of a subsidiary due to its sale or contribution to an associate. The supplements explain that the company must entirely recognize a profit or losses on disposal or financing which represent the management as is defined in IFRS 3 between an investor and his associate.

The profit or losses on disposal or financing which don't represent the management must be recognized by the company only in the amount of a share of unrelated investors in an associate. The beginning date of the application of this standard is postponed for an indefinite period of time.

We don't expect in the Group that the above mentioned standard will significantly impact on the consolidated financial statements.

IFRS 14 - Allocations which result from regulatory services

IFRS 14 is an optional standard which ensures to companies to carry on the compilation of allocations to the extent possible at the first application of IFRS which result from regulatory services in compliance with financial principles adopted beforehand. Companies which decide for an application of a new standard must recognize the regulatory statements of time allocations separately in the financial statement, in separate statements of profit-and-loss account and other comprehensive income and reveal all changes on these accounts.

The standard demands from the companies to reveal the characteristics of regulation and the related risks and its impact on the financial statements in the Group. The standard hasn't been confirmed yet by the EU.

We don't expect in the Group that the above mentioned standard will significantly impact on the consolidated financial statements.

IFRS 16 - Leases

The standard includes leases of all assets but with some exceptions. The tenants must calculate all leases in line with the standard according to a unified model in the scope of the balance sheet The standard ensures the tenants two exceptions in recognition, namely, in case of leases with little value and short-term leases. The tenant recognizes the liabilities for the lease payment and an asset which represents the right to use the fundamental asset for the duration of the lease on the date of the beginning of the lease.

Tenants must recognize separately interest expenditures related to the liabilities of the lease and depreciation costs in the asset from the right of use. If new events occur, the company must re-measure the liabilities of the lease. The value of the new measurement of liabilities of the lease are recognized as an adaption of an asset from the right of use.

The standard enters into force in the periods that begin on 1 January 2019 or any subsequent date The standard hasn't been confirmed yet by the EU.

The Group controls and examines an impact of a new standard and will apply it when it comes into force.

Notes on IFRS - Revenues from customers' contracts

The International Financial Standards Board published supplements to IFRS 15 in April 2016, which deal with many requirements that were a subject to the estimation of the expert group. The supplements:

- clarify when the promised goods or service isn't in line with the content of a contract.
- clarify, how a company should use the policies and not the instructions for the use of assets including the unit of account of the assessment, how the companies can use the principle of control over transactions and how to form indicators.
- clarify when activities of the company impact significantly on the intellectual property of which the customer has the right, what is the element of the estimation in decision making when the company recognizes the revenue as regards the license fee in a long-term period or at the very moment.
- clarify the area of the use of exceptions for royalties as regards the sale or use of license for the intellectual property related to other promised goods or service from the contract.
- include two practical accessories to ensure the compliance with IFRS 15 for:
  - concluded contracts in the scope of the approach of the full transition and recognition for the previous periods and
  - adaption of contracts in the transition to a new standard.

The Group doesn't expect that the notes will significantly influence upon its consolidated financial statements.

3.5 Standard supplements and notes, adopted between the 2015-2016 period

IFS 7 supplements - Initiative for disclosure

The companies must disclose the changed amount of liabilities which is a consequence of financing including the changes which result from cash flows and non-monetary changes such as positive or negative exchange differences in accordance with the supplements.

The supplements come into force in the annual periods that begin on 1 January 2017 or any subsequent date. The Group will apply the standard supplements when they enter into force.

IFS 12 supplements - Recognition of deferred tax assets as regards unrealized losses

The supplements clarify that a company must examine whether the tax legislation limits the resources of a taxable profit against which it can use the deduction in the annulment of this deductible temporary difference. It also clarifies how the company should define the future taxable profit and circumstances in which the taxable profit means a reimbursement of some assets in the amount that they exceed their carrying amount.

The supplements are applicable retrospectively and enter into force in the annual periods that begin on 1 January 2017 or any subsequent date. At the initial stage of the use of the changed standard, the change of the initial capital of the nearest comparative period may recognize the initial retained profit without distributing the change among the initial retained net profit and other contents of the capital.

The Group controls the impact of the standard supplement and will consider the supplements when they come into force. According to the performance of the companies in the Group, the change has no consequences for the Group (the formation of deferred tax assets from tax losses is concerned here).

IFS 28 supplements - Investments in associated companies and joint ventures

The supplements clarify that the measurements in investments in associates or joint ventures are undertaken by the company which is occupied with the risk capital or by some other authorized company. The measurement in investments could be chosen by means of a fair value through economic result at the beginning of the recognition for every investment in an associate or joint venture for which every investment is regarded separately. The supplements are applicable in the annual periods that begin on 1 January 2018.

The Group controls the impact of the standard supplements and will apply the supplements, if necessary, when they come into force. According to the performance of the companies in the Group, the change has no consequences for the Group (it is related to the companies which are occupied with the risk capital).

IFS 40 supplements - Conveyance of investments of immovable property

The supplements clarify the requirements for the conveyance of investments of immovable property They are used for the intended changes which are done at the beginning of the reporting annual period or after the beginning of this period. The supplements come into force in the periods that begin on 1 January 2018 or any subsequent date.

The Group controls the impact of the standard supplements and will apply the supplements, when they come into force.

IFRS 1 supplements - The first application of international financial standards

The supplements canceled the short-term exemptions in Articles E3-E7 IFRS1. The supplements come into force in the annual periods that begin on 1 January 2018 or any subsequent date.

The Group doesn’t expect that the above mentioned supplements will significantly impact on the consolidated financial statements.

IFRS 2 supplements - Classification and payment measurement with shares

The supplements clarify that the transaction on the date of the change begins to be calculated as with the payment with the capital when the changes of conditions for monetary payment with shares becomes the payment of the capital.

The Group doesn't expect that in the future this standard will be applicable in any way therefore it doesn't clarify the contents in detail.

IFRS 4 supplements - Use of IFRS 9 - Financial instruments related to IFRS 4 - Insurance contracts

The supplements deal with questions that are connected with the introduction of the new IFRS 9 standard before the introduction of a new standard for insurance contracts which the Board prepares instead of IFRS 4.

The Group doesn't expect that in the future there will be no transactions which would require the use of these standards therefore it doesn't clarify the standards in detail.

IFRS 12 supplements - Disclosure of shares in other companies

The supplements clarify the area of the use of the standard which define that the requirements after disclosure are used for the shares of the companies which comply with IFRS 5 - Non-current assets for sale and the discontinued operations, classified among assets for the sale and the discontinued operations, classified among assets for the sale, assets for distribution to owners or the discontinued operations. The supplements come into force in the periods that begin on 1 January 2017 or any subsequent date

The Group controls the impact of the standard supplements and will apply the supplements, if necessary, when they come into force.

OPMSRP 22 note - Transactions in foreign currency and payment in advance

The note deals with the question of exchange rate used in transactions which include the payment in advance, given or received in a foreign currency. It includes transactions in the foreign currency for which a company recognizes a non-cash asset or a non-cash liability which occurs by giving or receiving a payment in advance, before a company recognizes a relevant asset, expenses or revenue. A note is not used when a company measures a relevant asset, expenses or a revenue at the initial recognition of a fair value or a fair value of received or given payment as at a date which is not equal to a date of the initial recognition of a non-cash asset or a non-cash liability. Notes don't need to be used for a corporate tax, insurance contract or a reinsurance contract. The note come into force in the annual periods that begin on 1 January 2018 or any subsequent date.

The Group controls the impact of the note and will apply the note if necessary, when it comes into force.

4 ACCOUNTING POLICIES

Companies in the Group consistently used the hereunder defined accounting policies and guidelines which are presented in consolidated financial statements for the reporting period in 2016. Equal policies and guidelines will be used by the Group in the future.

- The basis for a consolidation.

  Subsidiaries are companies, which are controlled by the Group. Financial statements of subsidiaries are included in the consolidated financial statements as at the date, when the control begins, until the date it terminates.

- Subsidiaries

  Subsidiaries are companies, which are controlled by the Group. A control occurs, when:
  - An investor is exposed or entitled to variable-yield securities from involvement or a company in which he/she invested.

- The investor can influence upon the yield on the basis his/her control over a company in which he/she invested or over the investee.
- There is a link between the power and the yield.

The financial policies of subsidiaries comply with the policies of the Group.

- Investments in associates and joint ventures.

  Investments in associates are calculated according to a capital method and are recognized as a purchase value. Consolidated financial statements include a share of the Group in profit and losses and other comprehensive income. If the share of the Group in losses of companies is larger than its share, the carrying amount of the Group share reduces to zero, however, the share in the following losses stops being recognized, but only in the scope that the Group can control.

- Businesses, excluded from the consolidated financial statements.

  In composing consolidated financial statements, balance sheet and circulation, unrealized gains and losses, which result from transactions inside the Group, are excluded. Unrealized gains from transactions of associates are excluded only in the scope of the share of the Group in this company. Unrealized losses are excluded in the same way as gains, but on condition that there is a proof of dilution.

- Financial statements of companies in the Group.

  Consolidated financial statements of the Group are presented in euros. Items of each company in the Group which are involved in financial statements, are presented in the same way and in euros for the needs of consolidated financial statements.

- Financial instruments

  Non-derivative financial assets such as loans, receivables and deposits are recognized by the Group as at a day of their beginning. Non-derivative financial instruments of the group are the following liabilities and receivables, financial assets, available for a sale and financial assets and cash equivalents.

  Liabilities and receivables are financial assets with definite or particular payments which don't quote in the active market. These assets are recognized initially at an amount of a fair value increased with a direct cost of a transaction. After the initial recognition, the liabilities and receivables are measured on amortized cost applying the effective interest method and impairment losses.

  Financial assets and their equivalents consist of the money on a current account and investment (a deposit, when it has a maturity of three months).

  Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale. After the initial recognition these investments are measured on a fair value, increased with ancillary costs. Changes of the fair value are recognized in the category of a reserve due to a fair value exercise.

- Non-derivative financial liabilities

  The Group recognizes financial liabilities as at the date of trading, when the Group becomes a contract customer related to the instrument. The Group demonstrates loans, business and other liabilities as other financial liabilities.

- Nominal capital

  Called funds capital of the parent Elektro Maribor d.d. occurs as a share capital which is designated as a nominal capital in the company statute, it is registered in the court and was paid by its owners.

  Dividends are recognized as liabilities in the period when a decision about the payment of the dividends is adopted by the Assembly.

Statutory reserves are amounts which are purposely retained earnings from previous years mostly to pay potential future losses. They are recorded on the basis of a decision of the company Management Board on amounts of net profit of the current year.

Reserve for a fair value show effects of the evaluation of the available-for-sale financial assets on fair values and the actuarial gains and losses linked to provisions for post-employment and other long-term revenue of employees.

Reserve for own shares include a paid amount of own shares including transaction costs without the tax. Reserve for own shares are deducted from the entire capital as own shares until these shares are withdrawn, reissued or sold. If own shares are subsequently sold or reissued, all the received payments without transaction costs and related tax effects are included in the capital reserve

- Immovable property, plant and equipment

  Immovable property is carried at its own purchase value, reduced accumulated depreciation and accumulated impairment losses. The purchase value comprises costs which are directly attributed to assets purchase. The purchase value does not include costs of removal and renewal for the Group assesses that it is not about important values. The costs in their own framework of assets include costs of material, direct labour costs and other costs which may be directly attributed to commissioning an asset for the intended use. Items of property, plant and equipment with different useful lives are considered as separate items of property, plant and equipment. Gain or loss recognized on immovable property, plant and equipment are defined as a difference between the disposal revenue of its carrying amount and is recorded in the financial statements among other income and other expense.

  Items of property, plant and equipment are depreciated individually using the straight-line depreciation method which reflects the assessment of the usefulness of assets. Useful lives are estimated annually by responsible persons and are coordinated on the level of a working group in the scope of the GIZ distribution of electricity

- Reallocating to the investment property

  The Group reallocates the owner-occupied property into investment property. The Group evaluates the investment property according to a model of a purchase value. The depreciation method and depreciation rates are equal as other property, plant and equipment.

- Subsequent costs

  Costs of the replacement of some part of property, plant and equipment are recognized as carrying values of this asset. If it is possible that the Group will obtain future economic benefits related to a part of this asset, the fair value can be measured with sufficient reliability. The recognition of carrying values of the replaced part is eliminated. All other costs (e.g. maintenance, servicing etc.) are recognized in the economic result as immediate expenses when they occur.

- Depreciation

  Items of property, plant and equipment are depreciated individually using the straight-line depreciation method. The land is not depreciated.

Table 141: Useful lives of the Group's fixed assets

	2016	2015
Immovable properties - construction part	20-50 years	20-50 years
Plant and equipment	2-33 years	3-33 years

- Intangible assets

  Other intangible assets, which the Group obtained, are related to the application software and have final useful lives, reduced for an accumulated depreciation and possible impairment loss. Items of property, plant and equipment are depreciated individually using the straight-line depreciation method considering useful lives of intangible assets. An item of property, plant and equipment starts being depreciated when it has been made available for use.

Table 142: Useful lives of the Group's fixed assets

	2016	2015
Application software	2-10 years	3-10 years
Servitude	1-100 years	1-100 years

- Inventories

  An inventory unit of materials is measured at cost, which comprises at the lower of historical cost or a net realizable value. The Group evaluates the inventories using the method of a weighted average price.

  The write-offs of damaged and useless inventories are carried out regularly during a year according to individual items. At the end of the financial year, the inventories as at 31 December abate related to their immobility in the period of three years. The assessment of inventories values is carried out at least once a year, namely, as at the day of the preparation status of annual financial statements of the Group.

- Impairment of assets

  Losses due to impairment of assets available for sale are recognized in the way that the loss, carried at a reserve of fair value, is transferred to an economic result.

- Decreased receivables

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

  Due to impairment, the Group adjusts the value of receivables when there is objective evidence that a current carrying amount of a receivable exceeds the present value of expected future cash flows. In forming revaluation adjustments for doubtful or disputable receivables, the Group uses the approach of a 100 % value adjustment of a receivable due from a client, no matter the level of recoverability. The Group also forms revaluation adjustments for receivables when it disposes with data on initiated insolvency proceedings or legal actions and for receivables which are not paid within 90 days from the maturity date. Value adjustments are also made individually for those receivables due from individual partners.

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

- Employees' earnings

  Short-term earnings of employees are measured without discounting and are carried at expenses when the work of an employee, connected with short-term earnings, is carried out.

- Provisions

  Provisions are recognized if the Group has legal or indirect liabilities due to the previous event, which can be assessed with sufficient reliability and it is possible that an outflow of resources, which ensures economic benefits, will be necessary for payment of liability.

  Provisions for guarantees for products and services are carried at the sale of products or services for which the guarantee is granted. A provision is formed on the basis of initial data of a guarantee and on the estimation of possible results related to their probability. The Group has chosen a policy related to the amount for which it guarantees and the amount is 10 % on the amount of a granted guarantee in a contract.

  Provisions for severance payments and service awards for employees are formed in the amount of assessed future payments, discounted as at the day of a balance sheet. The calculation is made for each individual employee by considering the costs of severance payment and the costs of expected service awards until the retirement. The status is checked every year on the basis of the calculation which is prepared by an authorized actuary. Actuarial profits and losses in provisions for severance payment are recognized in the revaluation reserve.

- Long-term deferred revenue

  Long-term deferred revenue presents a deferred income as regards the obtained fixed assets free of charge. The deferred revenue is transferred among income pursuant to the calculated depreciation of thus received assets.

- Revenue

  Revenue from sales of products, goods and material are recognized relating to the fair value of a received payment or receivables, namely reduced for recovery, rebate and quantity discount. The revenue appears when a buyer takes all important risks and benefits related to ownership of assets, when a certainty of payment exists and when the Group ceases the future decisions about sold products.

  The revenue from provided services is recognized in financial statement according to the degree of the transaction completion as at the date of reporting. The degree of completion is assessed by checking individual contracts.

  Lease revenue is recognized as revenue on a straight-line basis over the lease term.

- Revenue and expenses

  Financial revenue comprises revenue from interests, investments, dividends and from transfers of available-for-sale financial assets. The revenue from interests is recognized in the results after their creation by using the method of the effective interest rate. The revenue from dividends is recognized in the results after their creation as at the day, when a shareholder’s right is established

  Expenses comprise the costs of borrowings, losses due to impairment of assets. The costs from borrowings are recognized in the results according to a method of effective interests.

- Tax from profit

  The tax from profit or losses of the financial year comprises an amount of current and deferred tax. The tax from profit appears in the statement of results and is decided by the Group as at the date of the completion of the financial year.

  The deferred tax is recognized that it will be paid from tax profit for the financial year by using the rate of tax that came into force as at the date of reporting, and probable adaption of tax liabilities connected to the previous financial years.

  The current tax is recognized by considering temporary differences between carrying and tax values of assets and liabilities. The amount of the tax is founded on the expected way to recover or settle the carrying amount of its assets by using the tax rate, determined as at the reporting date. The company forms deferred tax assets as regards the formation of provisions for severance payment and service awards as regards the tax non-recognized corrections of the value of receivables. The current receivables from a tax are calculated only at the end of the financial year.

- The basic earnings per share

  The nominal capital of the Group comprises the share capital of the parent company, which is divided into registered shares. The basic profitability of a share is calculated by the weighted average number of ordinary shares in the financial year.

- Comparative information

  The comparative information is mostly in accordance with the presentation of information in the current year.

- Segment reporting

  Business segment is an integral part of the Group performing business activities that generate revenues and incur expenses. The Group's segments consist of:
  - Distribution of electricity, which also includes market activities of the Elektro Maribor d.d. company,
  - Purchase and sale of electricity and other energy products,
  - Electricity production.

  The Group reports by segments only at the end of the financial year.

Definition of fair value

A fair value of individual groups of assets for the needs of measurement or reporting is defined by the Group according to methods which are described hereinafter.

The fair value of property, plant and equipment is their market value and is equal to the estimated value according to which the property, as at the date of the assessment and according to a relevant marketing, could exchange in an arm's length transaction between a willing seller and a willing buyer, while clients are well informed and act reasonably, independently and in an unforced manner.

The fair value of intangible assets is based on the method of discounted cash flows for which it is expected that they will derive from the use and probable sale of assets.

The fair value of property investment is based on the market value which is equal to the estimated value according to which the property, as at the date of the assessment and according to a relevant marketing, could exchange in an arm's length transaction between seller and a buyer. The Group actively monitors market developments and assesses at the end of every financial year if there were/were not any objective proofs about elements which would indicate the need for impairments of investment property.

The fair value of debt and equity securities is defined according to their offered price at the end of the trading day as at the date of reporting and is concluded at the end of the financial year.

The fair value of long-term operating receivables and other receivables are calculated as the present value of the future cash flows, discounted at the current market rate as at the date of reporting.

The short-term operating receivables aren't discounted due to the short-term nature, however, the impairment of fair values is taken into account.

The capital management

The solvency is the basic intention of the capital management in the Group Beside the solvency the aims of the capital management are the following: a long-term payment capability, a high financial stability and reaching the highest possible values for shareholders of the Group.

Cash flow statement

The cash flow statement has been prepared using the direct method on the basis of the revenue and expenses on the transaction accounts of companies in the Group.

Composition of Elektro Maribor Group

In accordance with the International Financial Reporting Standards adopted by the EU, the consolidated financial statements of Elektro Maribor group included financial statements of the parent Elektro Maribor d.d. and the financial statements of the subsidiaries Energija plus d.d. and OVEN d.o.o.

Associates

The Group share of profit/losses of associates amounted to EUR 138,053 in 2016.

Table 143: Overview of assets, liabilities, revenues and expenses of associates for the January-December 2016 period.

Item in EUR

Company	Non-current assets	Current assets	Long-term liabilities	Short-term liabilities	Revenue	Expenses	Profit/loss
Moja energija d.o.o	1,527,842	3,056,506	4,884	713,121	3,521,412	3,409,025	355,197
Eldom d.o.o.	161,815	294,110	23,148	137,516	723,452	694,855	28,597
Informatika d.d.	2,451,563	3,376,765	511,991	2,254,334	12,814,295	12,708,142	59,344

Table 144: Overview of assets, liabilities, revenues and expenses of associates for the January-December 2015 period.

Item in EUR

Company	Non-current assets	Current assets	Long-term liabilities	Short-term liabilities	Revenue	Expenses	Profit/loss
Moja energija d.o.o	1,662,475	3,418,096	5,580	1,279,345	6,777,251	6,037,349	613,691
Eldom d.o.o.	175,885	238396	28,581	118,284	770,618	758,005	12,613
Informatika d.d.	1,653,021	2,154,951	126,158	1,597,722	11,288,656	11,732,889	-477,722

Consolidated financial statements are made according to the method of complete consolidation which means that the following policies are considered:

- Uniform accounting policies are used in individual financial statements for similar transactions;
- Items in individual financial statements of subsidiaries are equally and formally presented;
- Individual financial statements of consolidated companies are composed for the same period which ends on the same day.

Consolidated financial statements are composed on the basis of individual financial statements of consolidated companies with relevant consolidation corrections which have not been made subject to financial statements of consolidated companies.

New adopted standards and notes which entered into force as at 1 January 2016

Hereinafter are standards which entered into force as at 1 January 2016, the standards that the Group uses for its operations are only presented here.

Standard supplements and notes, adopted between the 2011-2013 period

- IFRS 11 supplements - Joint Arrangements: charging the share purchase
  There were no such transactions in the period considered.

- IFS 16 and IFS 38 supplements - Notes on acceptable methods of depreciation
  The income approach of charging depreciation was not used in the Group during the period considered.

- IFS 16 and IFS 41 - Agriculture, fertile plants
  The standard is not used in the Group.

- IFS 27 supplements - The capital method in separate financial statements
  IFS 27 supplements ensure the companies to recognize investments according to the capital method in separate financial statements in subsidiaries, jointly controlled companies and associates. Companies in

the Group don't use the capital method of investment estimation in associates in separate financial statements.

Standard supplements and notes, adopted between the 2012-2014 period

- IFS 1 supplements - Presentation of financial statements Initiative for disclosure
  IFS 1 supplements clarify:
  - the requirements of IFS 1 related to the importance,
  - that the companies can neglect individual items in the financial statements, statements of comprehensive income and statements of financial position.
  - that a company is free to choose the order of the notes presentation in financial statements and
  - that a company must represent the recognition of the share of jointly controlled entity or associate according to the capital method of a comprehensive income in total amount of one item and allocate it among other items which the company will not subsequently reallocate in the profit and loss account.

  Besides, the supplements clarify the requirements at the additional presentation of the intermediate accounts in the statement of financial position, the profit and loss account and the comprehensive income statement. The Group adequately took into account the supplements for the preparation of statements.

- IFRS 5 supplements - Non-current assets for sale and discontinued operations: the change of the method of disposal of assets
  The standard is not used in the Group.

- IFRS 7 supplements - Financial instruments: disclosures connected to service contracts and the use of supplements in separate financial statements of a company with influences upon the supplements of the international financial standard IFRS 1.
  The supplement clarifies that the service contract, which defines the price of services, can present its continuing involvement in the financial asset. Besides, the supplement also clarifies that disclosures, in line with IFRS 7, in condensed interim financial statements of companies, concerning the setting off financial assets and financial liabilities, are not necessary.
  The supplements of the standard offer an additional instruction of disclosures which are necessary when concerning portable assets and clarify when the service contract represents its continuing involvement in the financial asset.
  IFRS 7 supplement clarifies the use of supplements and changes in a disclosure of set-offs of financial assets and liabilities in condensed interim financial statements.
  The supplements didn't influence upon the statements of the group.
- IFS 19 supplements - Employees' earnings: discounted rate - a question of the regional market.
  The supplement clarifies that in assessments of a discounted rate for a calculation of post-employment benefits of high-quality corporate bonds, a company must prove it in the same currency as its liabilities concerning the employees' earnings.
  The supplements did not have an impact on the statements of the Group for each company in the Group took into account the items in the national currency.

- IFS 34 supplements - Interim financial report: a disclosure of information "elsewhere in the interim financial report"
  The supplements clarifies that a company must include the disclosures, according to the IFS 34 international standard, into the contents of the interim report and not only into interim financial statements and interim financial statements and to specify a reference to the relevant chapters of the interim report in the interim financial statements. In addition, a company must transmit the interim report to users on the same basis and at the same time as the interim financial statements. The supplement is applicable for the following periods.

  The supplements did not influence significantly on the statements of the Group as that supplement was already applicable in the preparation of interim reports.

- IFRS 10, IFRS 12 and IFRS 28 standard supplements - Investments companies: the use of the exemption from the consolidation requirements
  The standard is not used in the Group.

5 CONSOLIDATED FINANCIAL STATEMENTS OF THE ELEKTRO MARIBOR COMPANY

Table 145: Consolidated balance sheet

Item in EUR	Notes	31 December 2016	31 December 2015
Non-current assets		**321,887,342**	**310,017,812**
Intangible assets	1	3,555,435	3,866,499
Property, plant and equipment	2	313,683,177	301,726,503
Investment property	3	646,998	727,857
Financial investments	4	208,348	208,348
Investments of associated companies	5	1,486,481	1,447,913
Operating receivables	6	330,447	591,077
Deferred tax assets	7	1,976,456	1,449,615
Current assets		**59,776,912**	**59,380,859**
Inventories	8	1,449,420	1,448,629
Trade receivables	9	39,854,023	35,553,363
Receivables for income tax	10	139,708	214,031
Other assets	11	1,827,564	2,702,782
Cash and cash equivalents	12	16,506,197	19,462,054
TOTAL ASSETS		**381,664,254**	**369,398,672**
Off-balance-sheet assets		70,356,100	70,795,900
Capital	**13**	**269,533,189**	**260,841,874**
Called-up capital		139,773,510	139,773,510
Capital reserves		75,121,586	75,121,586
Revenue reserves		46,606,839	36,992,323
Reserves relating to the estimation of the fair value		-588,357	-335,571
Profit or loss the previous financial years		3,834,504	3,421,282
Profit or loss for the financial years		4,785,107	5,868,744
Long-term liabilities		**68,989,105**	**67,804,588**
Provisions	14	6,587,684	6,371,970
Deferred revenue	15	32,965,842	31,158,029
Financial liabilities	16	29,185,714	29,942,857
Operating liabilities	17	249,865	331,732
Short-term liabilities		**43,141,960**	**40,752,210**
Financial liabilities	18	8,799,574	8,784,215
Operating liabilities	19	32,354,062	30,528,114
Liabilities for income tax	20	563,033	417,524
Other liabilities	21	1,425,291	1,022,357
TOTAL CAPITAL AND LIABILITIES		**381,664,254**	**369,398,672**
Off-balance-sheet liabilities	22	70,356,100	70,795,900

Table 146: Consolidated income statement

Item in EUR	Notes	I-XII 2016	I-XII 2015
Net sales revenues	23	147,986,222	149,246,239
Capitaliz5ded own products and services	24	18,090,408	16,721,270
Other revenue	25	3,819,086	4,553,399
Gross return on sales		**169,895,716**	**170,520,908**
Cost of goods, material and services	26	99,022,971	103,535,639
Labour costs	27	31,258,272	30,504,106
Depreciation	28	19,549,298	19,377,041
Revaluation operating expenses	29	1,616,217	1,671,005
Other revenue	30	1,601,984	1,533,174
Results from the operating activities		**16,846,974**	**13,899,943**
Financial revenue	31	272,172	336,001
Financial expenses	32	549,476	737,762
Share in profit (losses) of associates	33	138,568	-35,265
Other revenue	34	23,679	39,390
Other expenses		139,695	140,708
Profit and loss before taxes		**16,592,222**	**13,361,600**
Tax from profit	35	2,026,709	1,739,465
Deferred taxes	36	526,841	51,195
Tax		1,499,868	1,688,270
Net profit	**37**	**15,092,354**	**11,673,330**
Net profit/loss which belongs to the owners of the controlled company		15,092,354	11,673,330
Basic and diluted earnings per share (euro/share)		0.45	0.35

Table 147: Consolidated statement of comprehensive income

Item in EUR	I-XII 2016	I-XII 2015
Net profit/loss for the period	15,092,354	11,673,330
Other items of comprehensive income	-252,786	-320,939
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**14,839,568**	**11,352,391**

Table 148: Consolidated statement of cash flows

Item in EUR	Notes	I-XII 2016	I-XII 2015
Cash flows from operations	**38**		
- operating revenues		**306,949,841**	**300,848,990**
Cash receipts from sales of products and services		304,565,816	298,607,671
- other operating revenues		2,384,025	2,241,319
- operating expenses		**-291,819,186**	**-287,719,795**
Cash disbursements from the purchase of material and services		-243,439,602	-241,879,610
Cash disbursements from salaries and employees' participation in profit		-30,246,280	-17,480,114
Cash disbursements from taxes		-16,269,312	-26,605,797
Other cash disbursements from operating activities		-1,863,992	-1,754,274
Positive cash flow result from operating activities		**15,130,655**	**13,129,195**
Cash flows from investment activities	**39**		
Cash receipts from investment activities		**266,128**	**433,622**
Interest received and shares in profit received, relating to investment activities		8,140	36,204
Cash receipts from stakes received in profit of others relating to investment activities		100,000	300,000
Cash receipts from disposal of tangible fixed assets		92,108	92,829
Cash receipts from disposal of investment property		65,880	0
Cash receipts from disposal of short-term financial investments		0	4,589
- cash disbursements from investment activities		**-11,110,763**	**-11,100,136**
Cash disbursements from acquisition of intangible assets		-1,997,753	-2,076,242
		-9,113,010	-9,023,894
Negative operating profit/loss in investments		**-10,844,635**	**-10,666,514**
Cash flows from financing	**40**		
- cash receipts from financing activities		**8,000,000**	**10,000,000**
Cash receipts from increase of long-term financial liabilities		8,000,000	10,000,000
- cash disbursements from financing activities		**-15,241,875**	**-12,060,690**
Cash disbursements from interest paid on financing		-423,244	-564,401
Cash disbursements for repayment of the capital		-150,599	
Cash disbursements from repayment of non-current financial liabilities		-8,757,142	-7,507,143
Cash disbursements from dividends and other participation in profit		-5,910,890	-3,989,146
Negative operating profit/loss in investments		**-7,241,875**	**-2,060,690**
Closing balance of cash		**16,506,197**	**19,462,054**
Cash flow result for the period	41	-2,955,857	401,991
Opening balance of cash and cash equivalents		**19,462,054**	**19,060,063**

Table 149: Consolidated statement of changes in equity 2016

Item in EUR

Item	Called-up capital	Capital reserves	Revenue reserves				Reserves relating to the estimation of the fair value	Retained net profit	Net profit or loss for the period	Total
	Nominal capital		Legal reserves	Reserves for own shares	Own shares	Other revenue reserves		Retained net profit	Net profit	
	I/1	II	III/1	III/2	III/3	III/5	IV	V/1	VI/1	
Closing balance as at the end of the previous reporting period	**139,773,510**	**75,121,586**	**3,198,981**	**0**	**0**	**33,793,342**	**-335,571**	**3,421,282**	**5,868,744**	**260,841,874**
A) Retroactive adjustments								**-27,383**		**-27,383**
Opening balance for the reporting period	**139,773,510**	**75,121,586**	**3,198,981**	**0**	**0**	**33,793,342**	**-335,571**	**3,393,899**	**5,868,744**	**260,814,491**
Changes in equity – transactions with shareholders	**0**	**0**	**0**		**-150,599**	**-517,232**	**0**	**-5,453,039**	**0**	**-6,120,870**
Purchase of own shares					-150,599					**-150,599**
Payment of dividend						-517,232		-5,453,039	0	**-5,970,271**
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD							**-252,786**	**0**	**15,092,354**	**14,839,568**
Entry of net profit or loss for the period									15,092,354	**15,092,354**
Other items of comprehensive income							-252,786			**-252,786**
Changes in equity	**0**	**0**	**637,932**	**150,599**	**0**	**9,493,816**	**0**	**5,893,644**	**-16,175,991**	**0**
Allocation of the remaining part of the net profit for the compared reporting period to other items of equity								5,866,261	-5,866,261	**0**
Allocation of the remaining part of the net profit for the period to other items of equity pursuant to resolution by the Management and Supervisory Boards			637,932			9,491,333			-10,129,265	**0**
Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting's resolution						2,483			-2,483	**0**
Settlement of the loss as deductible items of equity								27,383	-27,383	**0**
Formation of reserves for own shares				150,599					-150,599	**0**
Closing balance for the reporting period	**139,773,510**	**75,121,586**	**3,836,913**	**150,599**	**-150,599**	**42,769,926**	**-588,357**	**3,834,504**	**4,785,107**	**269,533,189**

Table 150: Consolidated statement of changes in equity 2015

Item in EUR

Item	Called-up capital	Capital reserves	Revenue reserves		Revaluation surplus	Retained net profit	Net profit or loss for the financial years	Total
	Nominal capital		Legal reserves	Other revenue reserves		Retained net profit	Net profit	
	I/1	II	III/1	III/5	IV	V/1	VI/1	
Closing balance as at the end of the previous reporting period	**139,773,510**	**75,121,586**	**2,635,976**	**26,978,520**	**-14,631**	**2,371,705**	**6,642,258**	**253,508,924**
Opening balance for the reporting period	**139,773,510**	**75,121,586**	**2,635,976**	**26,978,520**	**-14,631**	**2,371,705**	**6,642,258**	**253,508,924**
Changes in equity – transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**-4,019,437**	**0**	**-4,019,437**
Payment of dividend						-4,019,437		-4,019,437
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	**0**	**0**	**0**	**0**	**-320,939**	**0**	**11,673,330**	**11,352,391**
Entry of net profit or loss for the period							11,673,330	11,673,330
Other items of the total comprehensive income for the reporting period					-320,939			-320,939
Changes in equity	**0**	**0**	**563,005**	**6,814,823**	**0**	**5,069,014**	**-12,446,842**	**0**
Allocation of the remaining part of the net profit for the compared reporting period to other items of equity						6,642,258	-6,642,258	0
Allocation of the remaining part of the net profit for the period to other items of equity pursuant to resolution by the Management and Supervisory Boards			563,005	5,241,579			-5,804,584	0
Allocation of a part of the net profit for the formation of additional reserves pursuant to General Meeting's resolution				1,573,244		-1,573,244		0
Closing balance for the reporting period	**139,773,510**	**75,121,586**	**3,198,981**	**33,793,342**	**-335,571**	**3,421,282**	**5,868,744**	**260,841,874**

6 SEGMENT REPORTING

The Group's segments consist of:

- Distribution of electricity,
- Purchase and sale of electricity, and
- Electricity production.

Table 151: Key performance indicators by segments

	Electricity distribution		Purchase and sale of electricity		Electricity production		Consolidation eliminations		Elektro Maribor Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net profit in EUR	12,786,019	11,260,107	3,182,124	1,317,489	355,641	362,944	-1,231,430	-1,267,210	15,092,354	11,673,330
Return on assets (ROA) in %	3.7	3.3	8.3	3.9	7.3	7.5			4.0	3.2
Net return on equity (ROE) in %	5.0	4.5	18.0	7.4	8.1	7.7			5.7	4.7
EBIT (profit from operations) in EUR	13,004,950	12,253,850	3,439,489	1,224,452	402,533	421,638			16,846,974	13,899,943
All revenues in total amount in EUR	80,791,259	84,655,777	90,114,125	92,991,387	1,489,296	1,409,444	-2,064,545	-7,952,613	170,330,135	171,103,995
Operating revenues in EUR	79,345,897	83,181,582	89,900,354	92,721,801	1,482,577	1,407,834	-833,112	-6,790,309	169,895,716	170,520,908
Balance sheet total of EUR	57,941,225	62,696,245	89,405,971	91,932,470	1,472,139	1,407,834	-833,113	-6,790,310	147,986,222	149,246,239
Added value in EUR	60,665,087	59,136,921	7,567,858	5,292,498	1,037,815	1,022,674	0	0	69,270,761	65,452,095
Added value per employee in EUR	73,702	71,198	116,417	79,028	203,493	194,056	0	0	77,552	72,496
All costs and expenses in total amount of EUR	66,987,411	71,872,113	86,496,471	91,563,157	1,087,145	992,529	-833,114	-6,685,403	153,737,913	157,742,396
All operating costs and expenses in EUR	66,340,947	70,927,732	86,460,866	91,497,350	1,080,044	986,196	-833,115	-6,790,313	153,048,742	156,620,965
Assets as at 31 December Item in EUR	352,584,706	345,428,428	40,190,319	36,283,497	4,866,463	4,817,343	-15,977,234	-17,130,597	381,664,254	369,398,672
Capital as at 31 December Item in EUR	260,251,694	253,826,936	20,344,460	18,152,112	4,783,886	4,748,245	-15,846,851	-15,885,419	269,533,189	260,841,874
Investments in EUR	27,673,982	25,428,152	497,009	1,839,956	397,722	302,971	0	0	28,568,713	27,571,079
The number of employees in the status after the end of the period December	755	773	68	64	5	5			828	842
Average number of employees related to working hours	823.11	830.60	65.01	66.97	5.10	5.27			893.22	902.84

7 NOTES AND DISCLOSURES TO CONSOLIDATED STATEMENTS

7.1 Notes to the consolidated balance sheet

The consolidated balance sheet is the basic financial statement which presents real and fair assets and liabilities of the Group at the end of the financial year, i.e. on 31 December 2016

Items in the balance sheet are presented at their carrying amounts as the difference between the cost and the deducted value adjustment. In the preparation of the consolidated balance sheet we considered the principle of individual asset and liability valuation.

No significant adjustments were made in any of the balance sheets.

Intangible assets

Notes 1

Intangible assets of the Group include property rights for the use of licenses, applied software and material rights to other's property. The easement is managed among the intangible assets, which in line with the ZGD-1 provisions in the balance sheet, are presented among the items of land and building.

Intangible assets are not pledged for the repayment of debts, no assets in the Group were acquired with state aid.

Table 152: Changes in intangible assets

Item in EUR	Intangible assets	Current investments	Total
Purchase value			
As at 1 January 2016	8,767,814		8,767,814
Increase	1,460,251		1,460,251
- New purchases	1,460,251		1,460,251
Eliminations	-142,402		-142,402
Transfers	-943,794		-943,794
As at 1 December 2016	9,141,869		9,141,869
Write-offs			
As at 1 January 2016	4,901,316		4,901,316
Eliminations	-155,238		-155,238
Transfers	-19,879		-19,879
Depreciation	860,235		860,235
As at 31 December 2016	5,586,434		5,586,434
Carrying amount			
As at 1 January 2016	3,866,499	0	3,866,499
As at 31 December 2016	3,555,435	0	3,555,435

Major acquisitions relate to the acquisition of Microsoft licenses and the modernization of IIS and the introduction of the new information system SAP in the Energija plus d.o.o. company.

At the end of the financial year, the Group shows long-term operating liabilities regarding the acquisition of intangible assets in the amount of EUR 582,587.

Property, plant and equipment

Notes 2

In recognizing property, plant and equipment the Group uses the cost or purchase value model.

The depreciation of property, plant and equipment in the Group in 2016 amounted EUR 18,664,172

The Group does not possess assets that would be acquired by financial lease. All fixed assets in the Group are owned by the individual companies and are not pledged as collateral for debts. The Group does not dispose of assets that would be acquired through state aid.

The Group still has some contractual commitments for the acquisition of tangible fixed assets, but these are concluded for successive supply of equipment by the contract in accordance with the time schedule.

Table 153: Property, plant and equipment

Item in EUR	31 December 2016	31 December 2015
Land and buildings	233,488,335	221,147,872
- land	9,522,319	7,919,115
-buildings	223,966,016	213,228,757
Production machinery	75,137,652	74,356,878
Property, plant and equipment under construction and in production	5,040,948	6,196,437
Advance payments for acquisition of property, plant and equipment	16,242	25,316
Total	**313,683,177**	**301,726,503**

Table 154: Changes in tangible fixed assets

Item in EUR	Land and rights	Buildings	Equipment	Foreign tangible fixed assets of investments	Current investments	Advance payments	Total tangible fixed assets
Purchase value							
As at 1 January 2016	7,919,115	691,947,268	177,359,144	362,070	6,196,437	25,316	883,809,350
Additions, of which:	0	0	0	0	30,170,386	108,679	30,279,065
- Additions (new acquisitions)					30,170,386	108,679	30,279,065
Additions (free of charge acquisition)							0
Activation	707,250	23,028,226	7,544,450	5,573	-30,936,236	0	349,263
- Activations (new acquisitions)	707,250	23,028,226	7,544,450	5,573	-30,936,236		349,263
Activations (free of charge acquisition)							0
Disposals	-15,007	-7,624,338	-3,644,567			-2,044	-11,285,956
Transfers	943,794				-389,639	-115,708	438,447
As at 31 December 2016	9,555,152	707,351,156	181,259,027	367,643	5,040,948	16,243	903,590,169
Write-offs							
As at 1 January 2016	0	478,718,511	103,326,058	38,279	0	0	582,082,848
Disposals		-7,339,742	-3,520,168				-10,859,910
Depreciation	12,954	12,006,371	6,623,774	21,073			18,664,172
Transfers	19,879						19,879
As at 31 December 2016	32,833	483,385,140	106,429,664	59,352	0	0	589,906,989
Carrying amount							
As at 1 January 2016	7,919,115	213,228,757	74,033,086	323,791	6,196,437	25,316	301,726,503
As at 31 December 2016	9,522,319	223,966,016	74,829,363	308,291	5,040,948	16,243	313,683,177

Larger purchases relate primarily to the purchase of electricity facilities and equipment by the Elektro Maribor company.

The parent company Elektro Maribor as the owner of the electricity distribution infrastructure for 2011 concluded a new Contract on the lease of electricity distribution infrastructure and provision of services for the distribution network system operator with the company SODO d.o.o., which is the sole concessionaire for performing the public utility service of a distribution network system operator in the Republic of Slovenia. In accordance with this contract, annexes are concluded for each year, stipulating the amount of lease and services which the Elektro Maribor company performs for SODO, and the amount of assets for covering losses in the Elektro Maribor distribution network.

Table 155: Changes in electricity distribution infrastructure in 2016

Item in EUR	Property, plant and equipment	Land and rights	Buildings	Equipment	Total tangible and non-tangible assets
Purchase value					
As at 1 January 2016	943,794	4,913,292	661,808,952	147,387,544	815,053,582
Transfers					
As at 1 January 2016	943,794	4,913,292	661,808,952	147,387,544	815,053,582
Additions, of which:	0	702,718	22,710,251	5,001,585	28,414,555
Activation		702,718	22,710,251	5,001,585	28,414,555
Disposals		-15,007	-7,559,527	-1,280,817	-8,855,351
Transfers	-943,794	943,794			0
As at 31 December 2016	0	6,544,797	676,959,676	151,108,312	834,612,784
Write-offs					
As at 1 January 2016	19,879	0	464,932,374	82,314,956	547,267,209
Transfers					
As at 1 January 2016	19,879	0	464,932,374	82,314,956	547,267,209
Decrease			7,308,266	1,186,946	8,495,213
Depreciation		12,954	11,399,466	5,000,771	16,413,191
Transfers	-19,879	19,879			0
As at 31 December 2016	0	32,833	469,023,574	86,128,781	555,185,187
Carrying amount					
As at 1 January 2016	923,914	4,913,292	196,876,578	65,072,588	267,786,372
As at 31 December 2016	0	6,511,964	207,936,102	64,979,531	279,427,597

The amounts of future leases cannot be presented reliably, since the price and scope of the lease change in accordance with the planned regulatory framework for each year.

The book value for the leased electricity distribution infrastructure as at 31 December amounted to EUR 279,427,597.

Investment property

Notes 3

The Group owns investments in apartments that are leased, as well as holiday capacities which are marketed. The purchase value method is used for assessing investment property. The used depreciation method is the method of straight-line depreciation method and is calculated individually, based on each item of property.

Persons in charge in each Group company actively monitor the events on the market and assess that there was no objective evidence in 2016 on the facts that would point to the need for impairment of investment property.

Table 156: Changes in investment property

Item in EUR	31 December 2016
Purchase value	
As at 1 January 2016	1,533,474
Increase	8,621
Disposals	-87,925
As at 31 December 2016	1,454,170
Write-offs	
As at 1 January 2016	805,617
Eliminations	23,337
Depreciation	24,891
As at 31 December 2016	807,171
Carrying amount	
As at 1 January 2016	727,857
As at 31 December 2016	646,998

Table 157: Investment property

Item in EUR	Value	Revenue	Expenses
Holiday capacities	628,301	106,812	117,677
Apartments	18,697	8,776	2,109
Total	**646,998**	**115,588**	**119,786**

Financial investments

Notes 4

All companies in the Group have classified financial investments as held for sale.

Table 158: Long-term financial investments of the Group

Item in EUR	31 December 2016	31 December 2015
Long-term financial investments excluding loans	208,348	208,348
- other long-term financial investments in shares and stakes	56,594	56,594
- other financial investments in the Investment Fund	151,754	151,754

Investments of associated companies

Notes 5

In individual financial statement, the financial investments of subsidiaries, jointly controlled entities and associates are calculated according to the purchase value.

In consolidated financial statements, the investments in group companies are excluded while the investments in associates demonstrate the capital method.

Table 159: Changes in investments associates

Item in EUR	As at 1 January 2016	Payment of participations in profit	Attribution of profit/loss	As at 31 December 2016
Investment in Informatika d.d.	168,027		13,032	181,059
Investment in Eldom d.o.o.	14,934		7,149	22,083
Investment in Moja energija d.o.o.	1,264,952	100,000	118,387	1,283,339
Total	**1,447,913**	**100,000**	**138,568**	**1,486,481**

Long-term operating receivables

Notes 6

Long-term operating receivables are recognized in the total amount of EUR 330,447 due from clients and show mainly receivables from the balance account of the regulatory framework for 2013 and 2014 and the preliminary balance in the amount of EUR 292,295, and receivables from the collection of assets to the reserve fund of owner-occupied residential buildings.

Receivables in the Group are not secured and not pledged as collateral for liabilities.

Deferred tax assets

Notes 7

In 2016, the Group recognized the increase in deferred receivables for taxes for temporary deductible tax differences based on past and current expenses not recognized for tax purposes, i.e. on the basis of formed provisions for service awards and severance pays, as well as for revaluation operating expenses for receivables, which are not recognized for tax purposes.

The tax rate used in the calculation of deferred tax assets was 19 %. The same rate is also expected to be applied in the future business years.

In 2016, the Group increased such deferred receivables for taxes by EUR 526,841. For the same amount the net profit of the Group increased in 2016. The balance of deferred tax assets as at 31 December 2016 amounted to EUR 1,976,456.

Inventories

Notes 8

Table 160: Inventories

Item in EUR	31 December 2016	31 December 2015
Material	1,350,903	1,336,284
Fuel and lubricants	11,978	14,326
Stationery	5,924	9,104
Small tools and packaging inventories	21,693	11,483
Products and merchandise	58,922	77,432
Total	**1,449,420**	**1,448,629**

They consist of inventories of material for use in own investments, material for provision of services on the market and spare parts for the maintenance of fixed assets.

The management has assessed that the book value of inventories is under the level of net marketable value, excluding inventories which are determined as current reserve inventories, for which the parent company has made adjustments to net marketable value.

On 31 December 2016, the Group reported inventories with no changes in the period from 1 January 2014 to 31 December 2016, in the amount of €97,342, wherein this is determined as the current reserve. The management assessed that the net marketable value of these inventories is lower; therefore in 2016, it adjusted the value for these inventories in the amount of €4,898.

Table 161: Value of stock

in EUR	31 Dec 2016	31 Dec 2015
Gross value of inventories of material and merchandise	1,498,091	1,492,402
Value adjustments	48,671	43,773
Net value of material and merchandise stock	1,449,420	1,448,629

Merchandise inventories include inventories of wood pellets and other merchandise at the Energija plus d.o.o., and are intended for further sale.

Upon stocktaking of material and merchandise in 2016, the Group established a €189 deficit, and there were no surpluses. €11,922 in material was written off in 2016 due to damage, destruction and obsolescence.

All inventories are owned by the Group and are not pledged as collateral for debts.

Receivables from customers

Note 9

Table 162: Receivables from customers

in EUR	31 Dec 2016	31 Dec 2015
Current operating receivables due from clients, of which:	**39,854,023**	**35,553,363**
- receivables for sold energy products	32,501,647	30,367,951
- receivables for the lease and services according to the SODO d.o.o. contract	6,472,590	4,277,869
- receivables for other charged services	695,881	758,687
- receivables for charged interest	183,904	148,856

Customers usually settle their receivables in due time or with minor delays. In the event of delays customers are charged default interest in accordance with the contract.

The Group's receivables are mostly insured with bills of exchange. No receivables are pledged as collateral for guarantee.

The Group forms adjustments of receivables in accordance with the uniform accounting policy. For doubtful, disputable receivables and those with maturity over 90 days, value adjustments are made.

In Group companies, adjustments are considered only if the company is in bankruptcy or compulsory settlement, i.e. in the total value.

At the end of business year, the Group has no receivables due to the Management Board and members of the Supervisory Board, except for the regular receivables for sold electricity.

Table 163: Value of receivables from customers

in EUR	31 Dec 2016	31 Dec 2015
Gross receivables	48,959,767	44,118,808
Correction of value	9,105,744	8,565,444
Net receivables	**39,854,023**	**35,553,363**

Table 164: Value adjustments changes of the value of receivables

in EUR	Status 1 January 2016	Decrease	Increase	As at 31 December 2016
Value adjustments of current operating receivables:				
- decrease in value adjustments due to payments		415,313		
- decrease of value adjustments due to write-offs		172,412		
Total	**8,565,444**	**587,725**	**1,128,025**	**9,105,744**

The Group's companies formed value adjustments in 2016 for doubtful and disputable receivables and for receivables subject to insolvency proceedings, as well as receivables with a maturity exceeding 90 days.

Table 165: Breakdown of current operating receivables by maturity

in EUR	31 Dec 2016	Structure in %	31 Dec 2015	Structure in %
Non-mature receivables	36,383,447	91.29	31,744,530	89.29
Past due up to 30 days	2,450,959	6.15	2,846,503	8.01
Past due from 31–60 days	461,216	1.16	668,578	1.88
Past due from 61–90 days	190,937	0.48	171,993	0.48
Past due over 90 days	367,464	0.92	121,759	0.34
Total	**39,854,023**	**100**	**35,553,363**	**100**

Income tax receivables

Note 10

The income tax receivables of the group amount to €139,708 and state over-payments of advances.

Other assets

Note 11

Other assets state in particular the amounts of receivables for input VAT and short-term accrued revenues and deferred expenses. These include mostly the amounts of short-term non-accrued revenues resulting from damage in electricity network and lease of bases.

Table 166: Short-term accrued revenues and deferred expenses

in EUR	31 Dec 2016	31 Dec 2015
Short-term deferred expenses	17,580	17,621
Short-term non-accrued revenue	241,766	297,638
VAT in received advances	63,369	73,492
Total	**322,715**	**388,751**

Table 167: Changes in short-term accrued revenues and deferred expenses

in EUR	Status 1. 1. 2016	Increase	Decrease	Status 31 December 2016
Short-term deferred expenses	17,621	1,591,014	1.591.055	17,580
Short-term non-accrued revenue	297,638	199,324	255,196	241,766
VAT in received advances	73,492	604,756	614,879	63,369
Total	**388,751**	**2,395,094**	**2,461,130**	**322,715**

Cash and cash equivalents

Note 12

Table 168: Cash

in EUR	31 Dec 2016	31 Dec 2015
Assets on accounts	2.078.950	431,245
Call deposits	14.427.247	19,030,809
Total	**16,506,197**	**19,462,054**

Capital

Note 13

The share capital of the Group is the equity of the parent company, and is distributed to 33,495,324 ordinary no - par shares.

Capital reserves show the total paid surplus of capital.

Table 169: Capital

in EUR	31 Dec 2016	31 Dec 2015
Share capital	139,773,510	139,773,510
Capital reserves	75,121,586	75,121,586
Legal reserves	3,836,913	3,198,981
Reserves for own shares	150,599	0
Own shares	-150,599	0
Other revenue reserves	42,769,926	33,793,342
Fair value reserves	-588,357	-335,571
Retained net profit or loss	3,834,504	3,421,283
Net profit or loss for the financial year	4,785,107	5,868,744
Total	**269,533,189**	**260,841,874**

In compliance with the authorisation by the General Meeting, the Group obtained 72,753 units of own shares in the value of € 150,599 in 2016. It obtained reserves for own shares in the same amount.

The reserves arising from the evaluation according to fair value show an actuarial loss arising from the calculation of provisions for jubilee awards and retirement benefits in the companies in the Group.

Legal reserves, reserves for own shares and other revenue reserves are formed from the net profit of years starting from 2003.

In 2016, the Group generated a net profit in the amount of €15,092,354.

Net profit per share in the Group amounts to €0.38.

The book value of a share in the Group amounts to €8.05.

Provisions

Note 14

Table 170: Provisions

in EUR	Status 1 January 2016	Spent	Increase	Release	Status 31 December 2016
Provisions for service awards	2,588,694	219,120	349,042	1,086,143	1,632,473
Provisions for pensions	3,284,514	98,505	499,371		3,685,380
Provisions for securities	20,168	0	2,485		22,653
Provisions for long-term accrued expenses	478,594	15,769	833,126	48,775	1,247,176
Total	**6,371,970**	**333,394**	**1,684,024**	**1,134,918**	**6,587,684**

Provisions for guarantees given are formed for cases when the Group grants a warranty period to foreign clients for the elimination of errors in the construction of buildings, and this period lasts about five years. The Group formed these provisions in the estimated amount of 10% of the total exposed contractual value.

The amount of provisions from legal liabilities amounts to €542,370 and is the best evaluation of costs required for their settlement. In making the best estimate, we observed risks and uncertainties which inevitably accompany the legal proceedings for which provisions were formed.

The amount of provisions acknowledged from commitments, which originates from the settlement of the regulatory year of 2014, amounts to €704,806.

The amount of provisions equals the current value of expenses, which are expected to be needed for the settlement of such commitments.

Deferred income

Note 15

The deferred revenue shows the status of fixed assets acquired free of charge, and the status of co-financing assets. The Group uses these long-term accrued expenses and deferred revenues in order to cover the cost of their depreciation using the annual depreciation rate of 3%.

Since 2010, the amounts used to cover the depreciation costs for the formed long-term accrued expenses and deferred revenue are those that match the actual depreciation rate of an individual fixed asset.

Table 171: Changes in long-term accrued expenses and deferred revenue

in EUR	As at 31 December 2015	Decrease	Increase	As at 31 December 2016
Long-term deferred revenue from house connections acquired free of charge	16,895,476	702,288	1,108,771	17,301,959
Long-term deferred revenue from fixed assets acquired free of charge	6,667,058	259,353	6,667,058	8,369,478
Long-term deferred income related to average connection costs	4,010,420	178,523	0	3,831,897
Long-term deferred income related to co-financing	3,562,233	152,027	29,461	3,439,666
Long-term deferred revenues from contributions for disabled employees	0	178,866	178,866	0
Long-term deferred income – EU-projects	22,843			22,843
Total	**31,158,029**	**1,471,057**	**3,278,872**	**32,965,842**

Financial liabilities

Note 16

Long-term financial liabilities entirely relate to the received long-term loans at business banks. In 2016, the group took a loan with maturity in 10 years in a total amount of €8,000,000.

The maturity of the loans varies between five and ten years. The interest rate varies between 1- and 6-month EURIBOR ranging from a 1,45- to a 1,9 per cent mark-up, and the fixed interest rate ranging from 0.721 to 1.072 per cent per annum.

The book value of long-term loans equals their fair value. Long-term loans of the group are not exposed to particular currency or loan risks. Exposure to interest rate risk represents a potential negative change of the reference interest rate in EURIBOR, whereby the Group has the option to prematurely repay long-term debts at any time.

All loans in the Group are insured with bills of exchange and are taken for the purposes of financing investments. The principal and interest are paid off regularly and at due date. In a deadline, longer than five years, principals in the amount of €29,942,857 will fall due.

Table 172: Long-term financial liabilities to banks

in EUR	31 Dec 2016	31 Dec 2015
Long-term financial liabilities to banks	37,942,857	38,700,000
Short-term part of long-term financial liabilities to banks	-8,757,143	-8,757,143
Total	**29,185,714**	**29,942,857**

Operating liabilities

Note 17

Long-term operating liabilities of the Group show amounts of the long-term part for the repayment of liabilities for the purchased application equipment in the amount of €249,865.

Financial liabilities

Note 18

Current or short-term financial liabilities amount to €8,799,574 and include amounts of the short-term part of long-term loans falling due within one year from the balancing date and amounting to €8,757,143, and liabilities to shareholders related to the distribution of profit in the amount of €42,431.

Operating liabilities

Note 19

Current operating liabilities amount to € 32,354,06.

Table 173: Short-term financial liabilities

in EUR	31 Dec 2016	31 Dec 2015
Current operating liabilities to suppliers for fixed assets	38,700,000	4,101,480
Short-term financial liabilities to suppliers for current assets	10,926,450	10,713,671
Short-term operating liabilities to SODO d.o.o.	11,665,952	10,742,568
Short-term operating liabilities to employees	3,615,491	3,355,197
Short-term operating liabilities to state and other institutions	936,913	574,642
Short-term operating liabilities based on advance payments	1,236,752	807,269
Other short-term operating liabilities	227,901	233,287
Total	**32,354,061**	**30,528,114**

Most liabilities refer to the purchase of electricity in the amount of € 8,217,810 and liabilities from operating for a third-party account in the amount of €11,665,952.

Income tax liability

Note 20

Liabilities for income tax of the Group show the calculated liabilities based on the tax return for 2016, which have been offset against paid advanced payments. The group states for €563,033 liabilities for corporate income tax , which falls due on 30 April 2017.

Other liabilities

Note 21

Other liabilities show short-term accrued expenses and deferred revenues related to short-term accrued expenses and short-term deferred revenue. They include receivables and liabilities, which are assumed to appear within a year and are probable, with their size assessed reliably.

Table 174: Short-term accrued accrued expenses and deferred revenue

in EUR	31 Dec 2016	31 Dec 2015
Accrued costs for unused annual leave	949,327	747,468
Short-term accrued expenses for legal matters	79,817	79,817
Short-term accrued expenses of losses	347,273	188,577
Other accrued costs	48,874	6,495
Total	**1,425,291**	**1,022,357**

Table 175: Changes in short-term accrued expenses and deferred revenue

in EUR	As at 31 December 2015	Formation	Spent	Elimination	As at 31 December 2016
Accrued costs for unused annual leave	747,468	949,327	703,083	44,385	949,328
Short-term accrued expenses for legal matters	79,817	0	0	0	79,817
Short-term accrued expenses of losses	188,577	548,580	389,884		347,272
Other accrued costs	6,495	67,324	24,945		48,874
Total	**1,022,357**	**1,565,231**	**1,565,231**	**44,385**	**1,425,291**

Off-balance sheet assets/liabilities

Note 22

Table 176: Off-balance sheet assets/liabilities

in EUR	31 Dec 2016	31 Dec 2015
Securities for insurance of payments – guarantees	22,047,938	20,599,563
Securities for insurance of payments – bills of exchange	37,942,857	38,700,000
Receivables for given bank guarantees	3,588,985	4,495,604
Enforcement drafts received	113,512	7,029
Enforcement drafts given	132,082	22,899
Potential liabilities for damages	9,631	99,681
Small tools in use	1,510,319	1,654,185
Potential liabilities for payment due to leasing	0	28,296
Average cost of connection SODO d.o.o., transfer of assets 1 July to 31 Dec 2009	3,751,974	3,909,812
Average cost of connection SODO d.o.o., transfer of property, plant and equipment from 1 Jan 2010	1,057,453	1,093,961
Assets for holiday capacities – Eldom d.o.o.	184,870	184,870
Other	16,479	0
Total	**70,356,100**	**70,795,900**

The Group's management assesses that the probability of disbursements and receipts from the above mentioned receivables and liabilities is quite small; therefore, the recorded amounts are disclosed only for informational purposes.

7.2 Notes to the items in the consolidated income statement

Table 177: Types of revenues

in EUR	2016	2015
Operating revenue	169,895,716	170,520,908
Financial revenue	410,740	543,697
Other revenue	23,679	39,390
Total	**170,330,135**	**171,103,995**

Net sales revenue

Note 23

Table 178: Net sales revenue

in EUR	2016	2015
Sale of electricity, and other energy products	89,811,151	92,848,651
- SODO d.o.o. – Sale of electricity for losses	0	6,341,477
- other	89,811,151	86,507,174
Charged rents	28,691,930	28,660,571
- SODO d.o.o. – rent	28,322,032	28,027,577
- other	369,898	632,994
SODO d.o.o. services as per contract	25,822,675	24,351,648
Charged services	3,550,465	3,318,161
Sale of waste material	110,001	67,208
Total	**147,986,222**	**149,246,239**

Net sales revenues include settlements for the regulatory period.

Table 179: Considered settlements in regulatory years 2016 and 2014

in EUR	Revenue in 2016	Preliminary balance 2016	Accrued final settlement 2016	Accrued settlement of supply quality 2014	Total 2016
Rent	28,535,676	-213,644			28,322,032
Services	25,583,324	933,949	10,208	-704,806	25,822,675
Total	**54,119,000**	**727,857**	**10,208**	**-704,806**	**54,144,707**

Net sales profits account for 87% of total income in the group.

Capitalised own products and services

Note 24

Capitalised own products and services

in EUR	2016	2015
Capitalised products	17,723,798	16,321,025
Capitalised services	366,610	400,245
Total	**18,090,408**	**16,721,270**

Capitalised own products and services include own construction of investments and revenue from internal services (finalisation of equipment).

Other operating revenue

Note 25

Table 180: Other operating revenue

	2016	2015
Elimination of provisions and accrued expenses and deferred revenue	1,203,453	945,512
Drawing of long-term accrued expenses and deferred revenue	1,549,147	1,385,816
Indemnifications received from the insurance company	431,388	1,171,084
Profit from sale of fixed assets	79,035	38,767
Recovered receivables from previous years	472,481	546,501
Other operating revenue	83,582	465,718
Total	**3,819,086**	**4,553,398**

Other operating revenue relates primarily to revenue from drawing long-term accrued expenses and deferred revenue for amounts covering the cost of depreciation, fixed assets acquired free of charge, and co-financing of power plants, compensation received from insurance companies for damage to the electricity network, and recovered receivables for electricity and network usage.

Costs by functional groups

Table 181: Costs by functional groups

in EUR	2016	2015
Production costs of sold products	138,253,312	142,252,740
Selling costs	6,376,924	6,097,868
Administrative expenses	6,802,288	6,599,351
Total	**151,432,524**	**154,949,959**

Costs for goods, material and services

Note 26

Table 182: Costs for goods, material and services

in EUR	2016	2015
Purchase value of sold goods	21,842	51,307
Costs of material	88,468,481	93,074,586
Costs of services	10,532,648	10,409,746
Total	**99,022,971**	**103,535,639**

Costs of material in the Group include mostly amounts for the purchase of electricity in the amount of €76,240,873.

Costs of services amounted to €10,532,648 and comprised mostly the amounts of fixed assets maintenance services, insurance premiums, IT and payment transactions, as well as banking services.

An auditing contract was concluded for the auditing of the annual report for 2016 in the amount of €14,500. This amount includes also the costs for auditing the consolidated annual report in the amount of €1,500.00. There were no other transactions with the selected auditor in 2016.

Cost of labour

Note 27

Table 183: Cost of labour

in EUR	2016	2015
Costs of wages and salaries	22,058,166	21,410,422
Cost of additional pension insurance for employees	1,061,739	1,085,369
Employer contributions and other salary duties	3,644,931	3,490,199
Other labour costs	4,493,436	4,518,116
Total	**31,258,272**	**30,504,106**

Salaries were paid on the basis of the provisions of the general and Corporate Collective Agreement and individual employment contracts.

Other labour costs also include pay for annual leave, reimbursement to employees for material costs, and the amount of formed provisions for service awards and severance pays upon retirement.

Table 184: Gross income of special groups of employees

	2016	
	Number	in EUR
Members of Management Boards and management		254,188
- mag. Boris Sovič, President of Elektro Maribor d.d.	*1*	*101,486*
- Bojan Horvat, director of the Energija plus d.o.o.	*1*	*104,074*
- Miroslav Prešern, director of the Oven Elektro Maribor d.o.o.	*1*	*48,628*
Other employees under individual contracts	11	771,232
Members of the Supervisory Board of Elektro Maribor d.d. companies	6	94,916
Audit Committee	3	19,158
Human Resources Committee	3	4,507
Total	**26**	**1,393,683**

Only the parent company of the Group, Elektro Maribor, has a Supervisory Board and the members' names are disclosed in Chapter II. Business Report of the Elektro Maribor d.d. company. The names of the Management Boards in the Group are disclosed in Chapter IV. Business Report of the Elektro Maribor Group.

The companies in the Group have no receivables and liabilities to the members of the Management and Supervisory Boards, except for December salaries which were paid in January 2017..

The Group did not give any advances or loans to employees under individual contracts, Management Boards of individual Group companies, or the members of the Supervisory Board and its committees.

Depreciation

Note 28

Table 185: Depreciation

in EUR	2016	2015
Depreciation of intangible assets	860,235	1,039,150
Depreciation of tangible fixed assets	18,664,172	18,312,475
Depreciation of investment property	24,891	25,416
Total	**19,549,298**	**19,377,041**

Table 186: Effect of changes in depreciation rates at the parent company

Name of depreciation rate	Old rate in %	New rate in %	Depreciation based on old rates	Depreciation based on new rates	Difference
Telecommunication optical conductors	2.5	3	34,767	41,720	6,953
Electronic meters, time switches	6.7	6.3	1,319,203	1,236,138	-83,065
Remotely controlled switches	5	6.7	71,114	93,112	21,998
Equipment of TK-nodes and VF-devices	10	14.3	258,870	360,341	101,470
Mobile telephones	25	50.0	2,096	5,019	2,924
TOTAL			**1,686,049**	**1,736,330**	**50,281**

Revaluation operating expenses

Note 29

Value adjustments of receivables refer to receivables, where there was doubt about their payment with regard to the sale of electricity and use of network, as well as performed services.

Table 187: Revaluation operating expenses

in EUR	2016	2015
Revaluation operating expenses in tangible and intangible assets	471,372	612,475
Revaluation operating expenses pertaining to inventories	11,922	30,206
Revaluation operating expenses pertaining to receivables, of which:	1,127,665	916,832
- from the use of network and sale of electricity	*1,056,603*	*871,973*
- pertaining to services performed	*10,738*	*0*
- from interest	*60,324*	*44,859*
Other revaluation operating expenses	5,258	111,492
Total	**1,616,217**	**1,671,005**

Other operating expenses

Note 30

Table 188: Other operating expenses

in EUR	2016	2015
Provisions for securities	2,485	300
Provisions for legal proceedings	247,076	362,068
Construction land compensation	293,380	286,156
Other duties and expenses	1,059,043	884,649
Total	**1,601,984**	**1,533,174**

Financial revenue

Note 31

Table 189: Financial revenue

in EUR	2016	2015
Financial revenue from loans granted	**7,326**	**32,646**
Financial revenue from loans granted to others	7,326	32,646
Financial revenues from operating receivables	**264,846**	**303,355**
Financial revenue from operating receivables due from others	264,846	303,355
Total	**272,172**	**336,001**

Financial expenses

Note 32

Table 190: Financial expenses

in EUR	2016	2015
Finance expenses from financial liabilities	**444,587**	**575,066**
Financial expenses from loans received from others	431,977	560,522
Finance expenses from other financial liabilities	12,610	14,544
Financial expenses from operating liabilities	**104,889**	**162,696**
Financial expenses from liabilities to suppliers	165	11,250
Finance expenses from other operating liabilities	104,724	151,446
Total	**549,476**	**737,762**

Share of profit (loss) in associated companies

Note 33

Table 191: Share of profit in associated companies

in EUR	2016	2015
Financial revenue from stakes	**138,568**	**-35,265**
Financial revenue from stakes in associated companies	138,568	-35,265

Financial revenue from stakes refer to the profit from participation in the capital of the associated companies.

Other revenue and expenses

Note 34

Table 192: Other revenue

in EUR	2016	2015
Other revenue	23,679	39,390
Other expenses	139,695	140,708

Other expenses in the Group mostly refer to donations in the amount of € 64,547.

Income tax

Note 35

In 2016, the Group reported liability for the payment of corporate income tax in the amount of €2,038,621 based on tax assessment in individual companies.

Table 193: Presentation of the adjustment of actually calculated tax on the basis of reported profit before taxation

	2016	
	Level	in EUR
Profit before taxation		16,592,222
Income tax based on official rate	17.00%	2,820,678
Amounts that have negative impact on tax base		443,072
- amount for reducing expenses to the level of taxable expenses		443,072
- amount for increasing revenues to the level of taxable revenue		
Amounts that have positive impact on tax base (+)(-)		350,078
- amount for increasing expenses to the level of taxable expenses		252,815
- amount for decreasing revenue to the level of taxable revenue		97,263
Tax relief		886,962
- used to impact the reduction of tax		886,962
Calculated tax for the period	**12.29%**	**2,026,709**
Increase/decrease of deferred tax		-526,841
Tax in the income statement	**9.11%**	**1,499,868**

Deferred taxes

Note 36

Table 194: Deferred taxes

in EUR	2016	2015
Deferred tax for provisions for service awards and severance pays	-56,232	-39,049
Deferred tax from formed revaluation adjustments of receivables	-470,609	-12,146
Total	**-526,841**	**-51,195**

In 2016, the Group recognised the increase in deferred receivables for taxes for temporary deductible tax differences based on past and current expenses not recognised for tax purposes, i.e. on the basis of formed provisions for service awards and severance pays upon retirement, as well as for revaluation operating expenses for receivables, which are not recognised for tax purposes. The tax rate used in the calculation of deferred tax assets was 19%. The same rate is also expected to be applied in the future financial years.

In 2016, such receivables increased the profit of the Group by €526,841.

Net profit or loss

Note 37

Table 195: Profit/loss before taxation

in EUR	2016	2015
Operating profit	16,846,974	13,899,943
Financing profit/loss	-138,736	-437,025
Loss from other revenue and expenses	-116,016	-101,318
Total	**16,592,222**	**13,361,600**

In 2016, the group’s net profit or loss before taxation amounted to €16,592,222, which is €3,230,622 or 24% more compared to the previous year. In 2016, all companies in the group had a higher net profit or loss compared to the year before.

Table 196: Net profit or loss

in EUR	Elektro Maribor d.d.	Energija plus d.o.o.	OVEN d.o.o.	Associated companies	Total
Profit/loss before taxation	13,803,849	3,617,653	402,151	138,568	17,962,221
Elimination of profits within the Group				-1,270,000	-1,270,000
Elimination of associated company's profits				-100,000	-100,000
Corporate income tax	1,304,449	675,750	46,510		2,026,709
Deferred taxes	-286,620	-240,221			-526,841
Net profit or loss	**12,786,020**	**3,182,124**	**355,641**	**-1,231,432**	**15,092,354**

Participations in profits paid within the Group amounted to €1,070,000 and were eliminated. Attributed profit in the amount of €100,000 result from the transfer of participation in profit by Moja energija d.o.o.

7.3 Notes to the items in consolidated cash flow statement

The consolidated cash flow statement was compiled according to the direct method based on turnover and bank account data of individual companies in the Group.

The consolidated cash flow statement does not include receipts and disbursements among companies in the Group.

Cash flows from operations

Note 38

Table 197: Cash flows from operations

in EUR	I–XII 2016	I–XII 2015
Cash receipts from operating activities	**306,949,841**	**300,848,990**
Cash receipts from sales of products and services	304,565,816	298,607,671
Other cash receipts from operating activities	2,384,025	2,241,319
Cash disbursements from operating activities	**-291,819,186**	**-287,719,795**
Cash disbursements from purchases of material and services	-243,439,602	-241,879,610
Cash disbursements for salaries and employees' participation in profit	-30,246,280	-17,480,114
Cash disbursements for charges of all kinds	-16,269,312	-26,605,797
Other cash disbursements from operations	-1,863,992	-1,754,274
Positive cash flow from operations	**15,130,655**	**13,129,195**

Cash flows from investments

Note 39

Table 198: Cash flows from investments

in EUR	I–XII 2016	I–XII 2015
Receipt from investments	**266,128**	**433,622**
Receipt from received interest and participation in the profit of others, relating to investment activities	8,140	36,204
Cash receipts from received participation in profit of others relating to investment activities	100,000	300,000
Cash receipts from disposal of tangible fixed assets	92,108	92,829
Cash receipts from disposal of investment property	65,880	
Cash receipts from disposal of short-term financial investments	0	4,589
Cash disbursements in investments	**-11,110,763**	**-11,100,136**
Cash disbursements for acquisition of intangible assets	-1,997,753	-2,076,242
Cash disbursements for acquisition of tangible fixed assets	-9,113,010	-9,023,894
Cash disbursements for acquisition of short-term financial investments	0	0
Negative cash flow in investments	**-10,844,635**	**-10,666,514**

Cash flows from financing

Note 40

Table 199: Cash flows from financing

in EUR	I–XII 2016	I–XII 2015
Cash receipts from financing activities	**8,000,000**	**10,000,000**
Cash receipts from increase in long-term financial liabilities	8,000,000	10,000,000
Cash disbursements from financing activities	**-15,241,875**	**-12,060,690**
Cash disbursements for given interest related to financing activities	-423,244	-564,401
Disbursements for capital return	-150,599	
Cash disbursements for repayment of long-term financial liabilities	-8,757,142	-7,507,143
Cash disbursements for repayment of short-term financial liabilities	0	0
Cash disbursements for payment of dividends and other participations in profit	-5,910,890	-3,989,146
Negative cash flow in investments	**-7,241,875**	**-2,060,690**

Net profit/loss

Note 41

The cash balance of the Group in this period is negative, i.e. €-2,955,855,

Table 200: Net profit/loss

	I–XII 2016	I–XII 2015
Closing balance of cash	**16,506,197**	**19,462,054**
Cash flow for the period	-2,955,857	401,991
Opening balance of cash	**19,462,054**	**19,060,063**

VI. Contact information

Elektro Maribor d.d.
Vetrinjska ulica 2
2000 Maribor

Telephone no. (02) 22 00 000
Toll-free numbers:
- 080 21 05 – 24-hour service for reporting failures and disturbances at the network
- 080 21 01 – general information

Fax: (02) 22 00 109

Website: http://www.elektro-maribor.si
E-mail address: info@elektro-maribor.si

Regional units

Maribor RU
Vodovodna ulica 2, 2000 Maribor, tel.: (02) 22 00 300, faks: (02) 22 00 336

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

Gornja Radgona RU
Lackova ulica 4, 9250 Gornja Radgona, tel.: (02) 22 00 800, fax: (02) 22 00 808

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

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

Services units

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

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

Energija plus d.o.o.
Vetrinjska ulica 2
2000 Maribor

Toll-free number:
080 21 15 – general information

Website: http://www.energijaplus.si
E-mail address: info@energijaplus.si

OVEN Elektro Maribor d.o.o.
Vetrinjska ulica 2
2000 Maribor

Telephone no. (02) 22 00 782
Fax: (02) 22 00 781
Website: http://www.oven-em.si

LIST OF ABBREVIATIONS

AČR	Accrued revenues and deferred expenses
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
AMI	Advanced Metering Infrastructure
BDP	Gross domestic product
CAPEX	Capital Expenditure
CIM	Common Information Model
CR	Road lighting
DDV	Value added tax
DEEO	Electricity distribution network
DKS	Remotely controlled switch
DNA	Information support in operation
DV	Electric line
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EDP	Electricity distribution networks
EEN	Electric device
EFQM	European Foundation for Quality Management
EHP	Power cable with insulation made of polyethylene, with a semi-conductable layer around the insulation and the outer casing made of polyvinyl chloride
EIB	European Investment Bank
eIS	Renewed information system
EMAG	Designation for Elektro Maribor d.d. shares
EURIBOR	Euro Interbank Offered Rate
EZ-1	Energy Act
GIZ	Economic Interest Grouping
GRI	Global Resource Planning
GWh	Gigawatt hours
IEC	International Elektrotehnical Commission
IIS	Integrate information system
ISO	International Organization for Standardization
KDD	Centralna klirinško depotna družba d.d. (clearing company)
kV	Kilovolt
LTE	Long Term Evolution
MAIFI	Momentary Average Interruption Frequency Index
MFE	Small photo-voltaic power plant
MHE	Small hydroelectric power plant
MRS	International accounting standards
MSK	Minimal quality standards
MSRP	International Financial Reporting Standards
MW	Mega watt
MWh	Megawatt hours
NN/LV	Low voltage
NNO	Low voltage network
NRO	Electric distribution system development
NS	Supervisory Board
NSDV	Controlled operating and maintenance costs
OE	Regional unit
OHSAS	Occupational Health and Safety Advisory Services
OPEX	Operating expense

OPMSRP	International Financial Reporting Interpretations Committee
PČR	Accrued expenses and deferred revenue
PSR	Rules of professional accounting
ROA	Return On Assets
ROE	Return On Equity
RP/SS	Switching station
RS	Republic of Slovenia
RTP	Switching transformer station
RVC	Difference between revenues and operating cost (material, services, salaries)
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SDH	Slovenian Sovereign Holding
SHE/MHPP	Medium-sized hydroelectric power plant
SN/MV	Medium voltage
SNO	Medium voltage network
SODO	Slovenian Distribution network system operator
SONDO	System operating instructions for the electricity distribution network
SONPO	System operating instructions for electricity transmission network
SPTE	Heat and Power Cogeneration
SPZ	Law of Property Code
SRIP	Strategic development-innovation partnership
SRS/SAS	Slovenian accounting standards
TK	Telecommunications
TP	Transformer station
TWh	Terawatt hours
UMAR/IMAD	Institute of the Republic of Slovenia for Macroeconomic Analyses and Development
URE/EE	Energy efficiency
VF	High frequency
VN/HV	High voltage
XHP	Power cable with insulation made of cross-linked polyethylene, with a semi-conductable layer around the insulation and the outer casing made of polyvinyl chloride
ZGD-1	Companies Act
ZJN3	Public procurement act

INDEX OF TABLES

INDEX OF FIGURES

ELEKTRO MARIBOR

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

Publisher: Elektro Maribor d.d.
Photographs: archive of Elektro Maribor
Issued: May 2017

2016