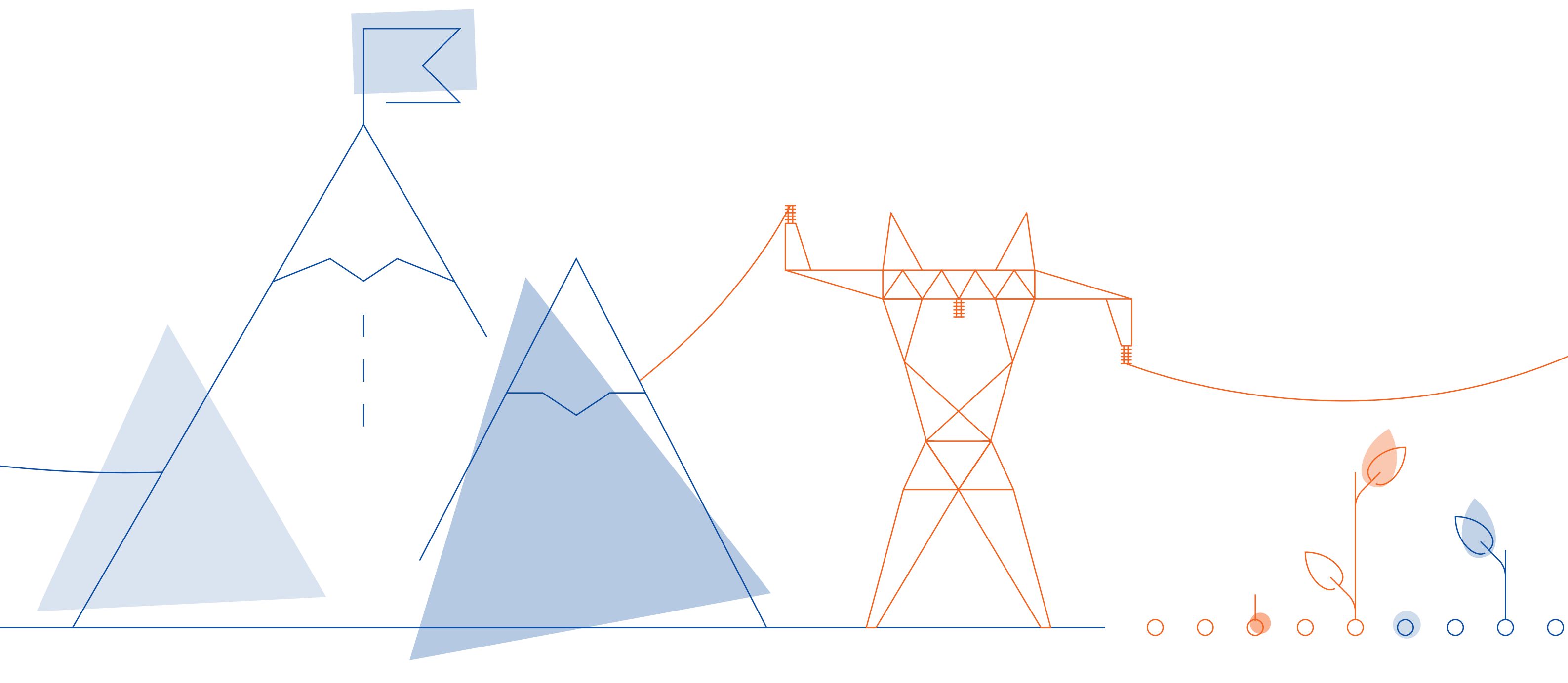
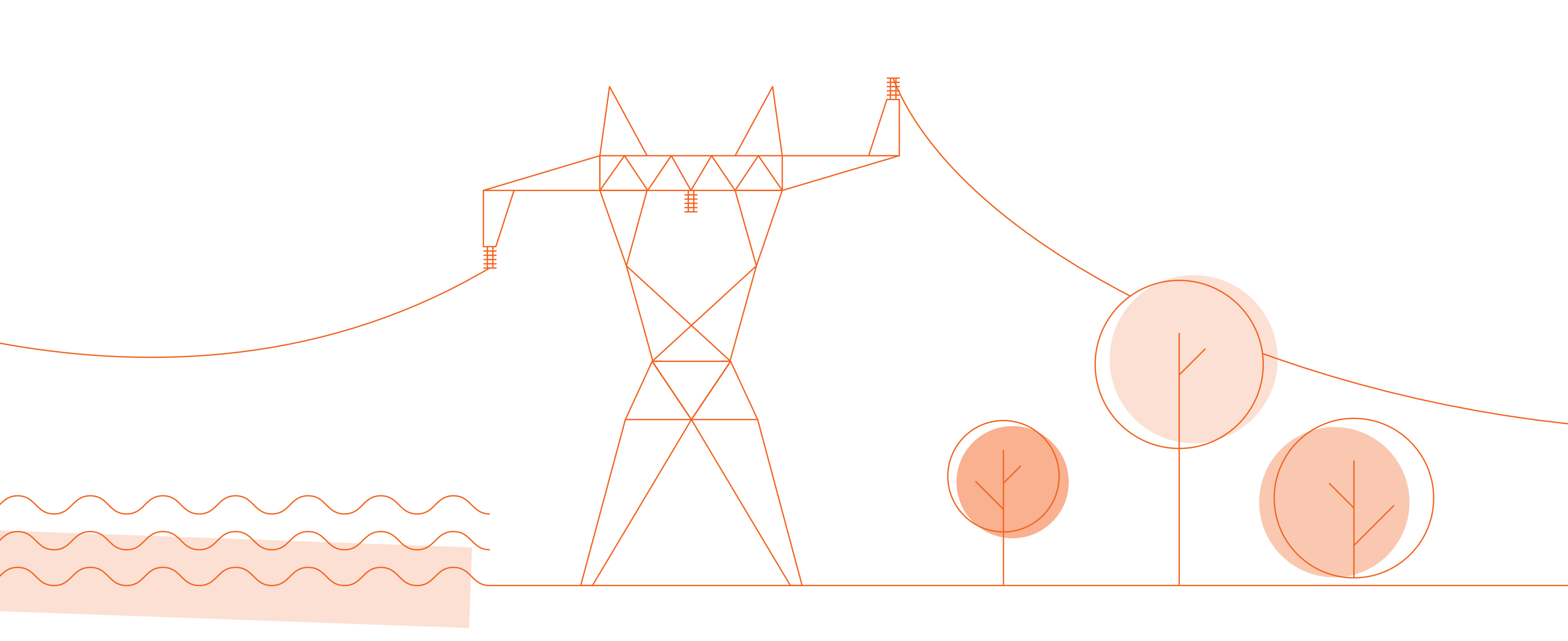
E3

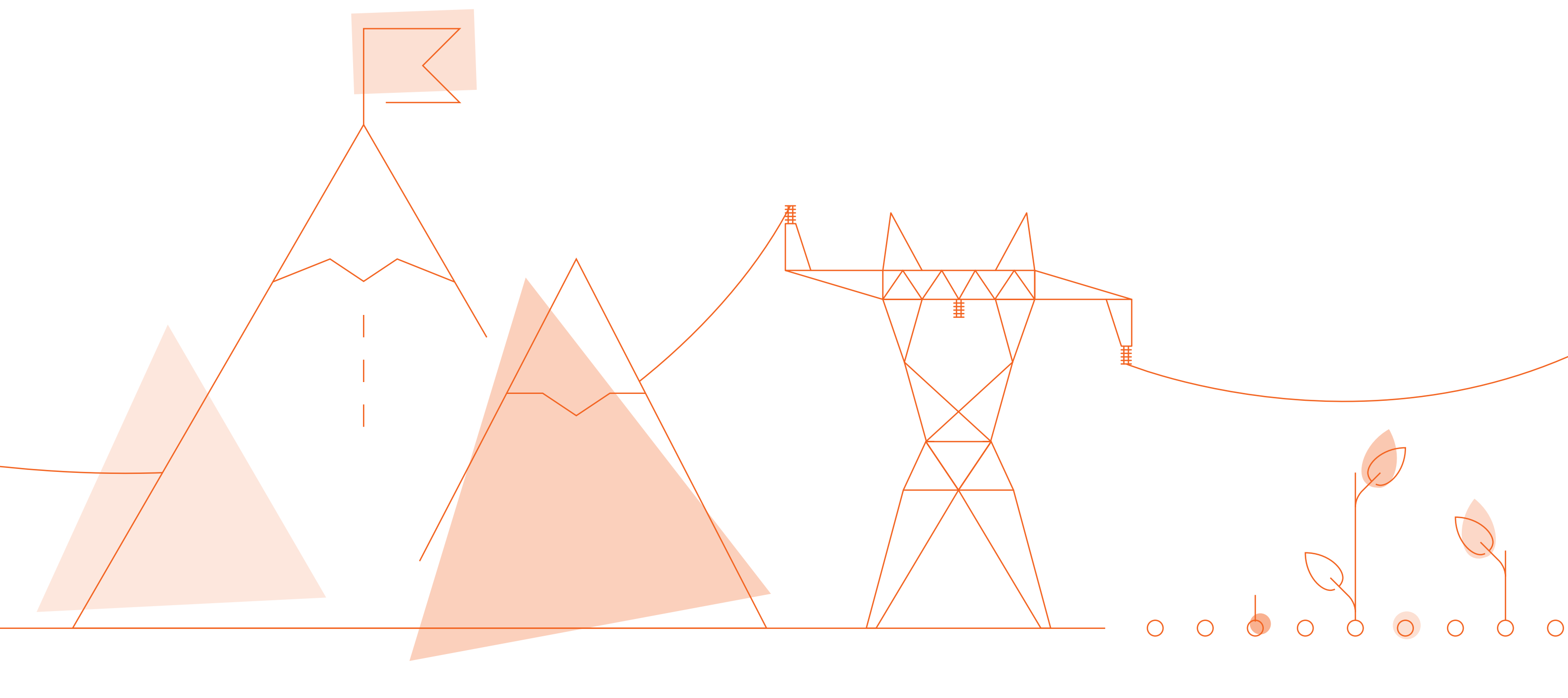
Do not waste energy

2017
ANNUAL REPORT





A BUSINESS REPORT



01 INTRODUCTION

Dear all,

Developments in the energy sector in 2017 were marked by an extremely dynamic fluctuation of electricity stock prices. After several years of falling prices of electricity, an upturn trend was noted in the very beginning of 2017. Reduced precipitation (unfavourable hydrological conditions), extremely cold weather conditions in January and a significant increase in demand were factors that raised the price of electricity to a level that we have not seen in recent years. Despite expectations that the growth trend would reverse at the end of the first quarter, this did not happen. Quite the opposite: the price continued to grow and in November it reached €50/MWh. The price increase had an adverse impact on the operations of companies operating in the retail electricity market, as well as on business customers who had not leased the energy for the year 2018.

In spite of the unfavourable conditions in the electricity market, E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o. (hereinafter: E 3) continued its successful business operations, demonstrating that even under adverse market conditions we manage our business processes and risks well and efficiently. Competition in the electricity market continues to intensify both, in the business and the household segment and in addition to domestic companies, two major foreign companies entered the market in 2017. An important goal of almost every company in the retail electricity market is the acquisition of new or/and retention of existing customers. In 2017, the dynamics of supplier swaps was somewhat lower than in the previous year, which is primarily due to unfavourable movement of electricity stock prices. Economic growth, which continued in 2017, boosted the rise in electricity consumption. These market environment factors failed to stop the growth of the Company, as a motivated and professional team in conjunction with external partners again increased the number of business and household customers and, consequently, the quantities of electricity sold.

Thus, E 3 entered the new financial year with rather ambitious goals, which we have successfully achieved. As primarily a trading company, we continually adapt our business processes to ever changing market environment and introduce improvements, with the aim of enhanced fulfilment of our customer needs.

In dealings with business customers it is essential that we provide an up-to-date information and advice and make a joint decision on the purchase model. Our success depends on providing a complete and optimal solution to our customers when purchasing electricity.

On the other hand, our household offer of electricity follows the needs of a modern society. Our sales packages E3 SIMPLE, E3 ADVANCED, E3 COMFORT AND E3 GREEN are based on a modern life-style and present a cornerstone of our Company's success. Our aim is to promote close cooperation with customers to recognise and meet their needs to the fullest extent possible. Therefore, we pay special attention to personal contacts with existing and potential buyers, primarily through personal sales and a professionally qualified staff at the contact centre. In line with the trends, we provide to technically more advanced customers electronic services, which we combine in the »MOJ E3« portal. Additional or supplementary services contributed significantly to the continuation of our successful performance.

The production and service department is quite simply an indispensable part of our Company. Through its operations, it contributes to the successful operation of the Company as a whole, while with its advanced projects it is, above all, the most important pillar of the Company's reputation and competences. We invested in new projects that improved the performance of individual production facilities in 2017, and major efforts were put into ensuring a smooth operation of all existing production facilities.

Our research and development department invested most of its efforts in the 3Smart international project. This project is one of the most important ones taking place in this field, and our participation confirms our wealth of knowledge and competences we demonstrate in this field. Activities continued in 2017 on the E3 Mobility project as we set up two new electric charging stations.

The Company strives to ensure close cooperation among all employees and exchange of know-how and experiences, as we are confident that this will help us to further improve the quality of service for our customers. To this aim, in 2017 we devoted much attention to communication; among other we issued the »Guidelines for successful communication and employee participation in E 3, d.o.o.«, as means of helping our employees in daily communication and interaction. The cornerstone of any efficient cooperation is respect and effective communication.

E 3 has always been aware of its social responsibility and has invested considerable amount of its funds in the environment in which it operates. The Company supports sports, cultural, educational and other institutions, and thus contributes to the success of a wider society.

We are proud that for the second consecutive year we were awarded the Golden Credit Rating of Excellency Certificate, which further confirms successful performance of E 3.

Our goals are directed towards further development of products and services to increase the satisfaction of customers and all employees, and indirectly ensure the satisfaction of all other stakeholders including the owners, suppliers and the environment. The innovation and professionalism of all our employees is the foundation of continued success of our Company.

Dear all,
We shall remain faithful to our core values: care for the environment, innovation, continued education, entrepreneurship, and above all high level of our customer satisfaction, while fully complying with the commitments stemming from our mission and pursuing challenges set by our vision. We are a reliable partner that possesses relevant knowledge and experience, as well as the right competencies and references.
We invite you to contribute to our story of success.

DARKO PAHOR,
General Manager

02 MANAGEMENT RESPONSIBILITY STATEMENT

The Management has approved the financial statements and business report for the year ended 31 December 2017 and the accompanying accounting policies and notes thereto contained in the proposed annual report.

The Management is responsible for the preparation of the Annual Report that gives a true and fair presentation of the financial position of the Company and of its financial performance for the year ended 31 December 2017.

The Management confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and the diligence of a good manager. Furthermore, it confirms that the financial statements and notes thereto were prepared on a going concern basis and in accordance with the applicable Slovene legislation and Slovene Accounting Standards.

The Management is also responsible for the appropriate accounting system and adoption of measures to secure the assets, and to prevent and detect fraud and other irregularities and/or illegal acts.

The Company's operations run in strict compliance with the laws and tax regulations, and the Management does not expect any significant liabilities in this respect.

Nova Gorica, 9 May 2018

DARKO PAHOR,
General Manager

03 CORPORATE GOVERNANCE DECLARATION

Pursuant to provisions of the fifth paragraph of Article 70 of the Companies Act (ZGD-1), E 3 issues the following corporate governance declaration for the period from 1 January to 31 December 2017.

REFERENCE TO THE APPLICABLE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code for Companies with State Capital Investments since March 2016 and, since May 2016, also with the Corporate Governance Code for Non-Public Companies, issued jointly by the Ministry of Economic Development and Technology, the Chamber of Commerce and Industry of Slovenia and the Slovenian Directors' Association. The Slovenian Sovereign Holding Code is available at http://www.sdh.si; while the Corporate Governance Code for Non-Public companies can be found at https://www.gzs.si. The Company has not adopted its own Corporate Governance code and thus, the corporate governance runs in accordance with the provisions of the Companies Act (ZGD-1) and provisions of the aforementioned Codes.

DECLARATION OF COMPLIANCE WITH THE PROVISIONS OF THE CODE

In its operations, the Company complies with the above mentioned codes, their guiding principles and recommendations of the Slovenian Sovereign Holding.

DESCRIPTION OF THE MAIN FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS ASSOCIATED WITH THE FINANCIAL REPORTING PROCESS

The Management is responsible for keeping relevant books of account and establishment and provision of internal control, internal accounting controls, for selection and application of adopted accounting policies and for safeguarding of the Company's property. The Management is also responsible for the adoption of appropriate measures for securing the Company's assets and for preventing and detecting fraud and other irregularities. The Company's internal control system, which is based on a three-line defence system (1. operational management or risk owners, 2. supervisory functions, including compliance of operations as risk managers, 3. internal audit with the function of providing independent assurances), is established with the aim of pursuing the following goals:

- accuracy, reliability and completeness of accounting records, and true and fair financial reporting,
- compliance with legislation and other regulations;
- efficiency and successful business performance.

The financial statement audit of the Company was performed by the auditing firm Ernst & Young d.o.o., Ljubljana. During the financial statement audit the external auditor cooperates with the internal audit services. External and internal auditors report their findings to the Management Board, Supervisory Board and the Supervisory Board's Audit Committee of the parent Elektro Primorska.

The Management is well aware that each internal control system has its own limitations, and therefore it seeks to establish the most effective system of internal controls that will limit the occurrence of unexpected events in a cost-efficient manner.

Risks to which the Company is exposed and risk assessment mechanisms used are described in detail in Section »Risk management«.

INFORMATION ON THE COMPOSITION AND OPERATION OF THE MANAGEMENT AND SUPERVISORY BODIES

Pursuant to provisions of Articles of Association of E 3, the Company is managed by its General Manager, who makes decisions independently and at his own risk.

Under the central management rules laid down in the Companies Act (ZGD-1), the Company has no Supervisory Board as the supervisory function is performed by the President of the Board of Directors of the parent Elektro Primorska. In addition, the General Meeting of Shareholders is represented by the President of the Board of Directors of Elektro Primorska.

OWNERSHIP STRUCTURE

E 3 was established in 2004 and recapitalised by division of the electricity procurement and sale sector from the parent Elektro Primorska, who holds a 100 percent stake in the Company.
As at 31 December 2017, the Company's share capital amounts to €6.5 million.

04 REPORT ON TRANSACTIONS WITH THE CONTROLLING ENTITY

The controlling entity Elektro Primorska did not impose its influence on subsidiary E 3 to make it carry out an adverse legal transaction or to perform or omit an action to its detriment.

In the circumstances known to the Company at the time legal transactions were agreed with the parent Elektro Primorska, subsidiary E 3 received suitable payments for each legal transaction and was not disadvantaged as a result of transactions with its parent.

05 GENERAL DISCLOSURES

05.01 COMPANY ID

The company E 3 ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o. was established on 15 November 2004

The company name:	**E 3 ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o.**
Abbreviated name:	**E 3, d.o.o.**
The registered seat of the company:	**Erjavčeva ulica 24, 5000 Nova Gorica**
Phone:	**05 331 33 00,** Fax: **05 331 33 05**
VAT ID number:	**SI17851262**
Company number:	**2010593000**
Business accounts are held at the following banks:	**SI56 0475 0000 1095 763** (Nova KBM d.d.)
	SI56 0475 0000 1868 368 (Nova KBM d.d.)
	SI56 0294 5025 9665 734 (NLB d.d.)
	SI56 0510 0801 5653 755 (ABANKA d.d.)

The Company is registered in the register of Companies at the District Court in Nova Gorica under the number 1/04504/00.

Share capital:	**€ 6,522,016.72**
As the holder of a 100 percent interest in its subsidiary, the parent Elektro Primorska is the sole owner of E 3.	
The Company representative:	Darko Pahor, General Manager (appointed on 1 April 2013)

Subsidiary:	**JOD d.o.o.**
Ownership share:	E 3 holds a 100 percent stake in its subsidiary

(On 28 March 2017, subsidiary JOD merged with its parent E 3)

Associated company:	**KNEŠCA d.o.o. (Knešca)**
Ownership share:	JOD held a 47.27 percent stake in the associate (until the merger; as from 28 March 2017, the stake is held by E 3)
	Ten (10) natural persons hold a 52.73 percent stake in the associate

05.02 COMPANY STRUCTURE

The company E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o. was established by Elektro Primorska primarily to meet the requirement for legal division of services of general economic interest from market activities and production. These legal requirements are laid down in Article 15 of Directive 2003/54/EC and Article 23b of the Energy Act.

Presently, E 3 is composed of the following major internal organisational units:

- **Department for Key Accounts Sales and Portfolio Management**, responsible for energy trading and portfolio management;
- **Department for Households and Small Businesses Sales**, responsible for energy trading;
- **Department for Production and Services**, responsible for electricity production from renewable sources and co-generation, as well as steam and hot water supply, including also the public service of heat supply, and other energy efficiency-related activities;
- **General Services**, responsible for common business activities.

The company also has a **Research and Development Department.**

05.03 HUMAN RESOURCES

TABLE 1 *Number of employees by level of education*

Title and level of professional education	At 31 Dec 2017
PhD (8/2)	0
Master of Science (8/1)	3
Specialisation according to higher professional study programs University programs (7)	6
Specialisation according to short-cycle higher education programs Higher professional study programs (6/2)	14
Short cycle higher education programs (6/1)	8
Secondary school (5)	13
Vocational school (4)	4
Unskilled workers (1)	1
TOTAL	**49**

As at 31 December 2017, E 3 employed 49 staff: 29 women and 20 men.

05.04 RISK MANAGEMENT

One of the key tasks performed by the Company's management is identification, supervision and risk management, in accordance with the Company's business strategy. The requirement is laid down also in the Financial Operations, Insolvency Proceedings and Compulsory Winding-Up Act (ZFPPIPP). In addition to the basic obligations of a Management Board, the Act lays down the requirement for Management Board to ensure that a company operates in accordance with the ZFPPIPP and rules of the business and financial profession, and that Management Board should exercise due professional diligence of the business and financial profession, and endeavour to safeguard short-term and long-term solvency of a company it manages. When complying with its obligations under the ZFPPIPP, the Management Board must take into account all the risks that a Company is or may be exposed to in its operations.

Risk management is carried out systematically at the level of the Elektro Primorska Group. Risks are managed based on the Integrated Risk Management methodology in cooperation with internal audit services who provide recommendations on the implementation of business processes.

All the risks were reassessed in 2017 and a new list was drawn-up of all identified risks, which were divided into four major groups: financial, operational, strategic and regulatory risks.

Based on the established methodology, we assessed the level of individual risk and designed appropriate risk mitigating measures. Key risks identified are listed below.

FINANCIAL RISKS

Credit risk arises as a result of losses due to untimely fulfilment or even default on the part of customers of electricity. The Company mitigates credit risk by carefully checking the creditworthiness of its customers, by continuous monitoring and managing credit exposure to individual customers according to the set limits, and by close monitoring of outstanding receivables. To this aim, we have developed a special Customer Relationship Management system (CRM) for the monitoring of receivables, as a means of improving our recovery process. In order to reduce the risk involved, electricity sales to key customers are agreed in a contract that includes adequate collateral (bills or bank guarantees). In addition, we take out insurance policy with the selected insurance institution as means of securing receivables due from certain key customers. Risk management is not only associated with collateral, but mainly with precisely defined contractual terms and conditions of sale, which the Company enforces for all types of transactions. For this purpose, the Company has established a recovery process that identifies process owners and sets relevant thresholds for implementing certain measures within the recovery process. Risk assessment: low.

Liquidity risk arises if the Company is unable to meet its financial obligations on maturity. As the Company ensures daily monitoring and planning of short- and long-term solvency through regular coordination and planning of cash flows, the liquidity risk falls within the range of acceptable parameters and as such is manageable. Risk assessment: medium.

Financial risks include also the **risk of capital inadequacy** and the **risk of reduction in margin**. Risk assessment: medium.

OPERATIONAL RISKS

In addition to the external risks arising from concluded contracts, the Company also manages internal risks arising from the Company's operations and its organisation.

Business process risk. Operational risk is present in all business operations carried out by the Company. The risk is reflected in financial losses that may arise due to inefficiency of information technology. The risks are mitigated by the control system based on the principle that all the major operations are performed under control of at least two persons; by permanent improvements and upgrading of the information structure, and by automatic control of the individual stages of processes. In addition, the Company endeavours to mitigate the risk by precisely specifying all the processes, clearly defining the roles of individuals, including their powers and responsibilities, and by adopting relevant manuals and policies. Risk assessment: low.

Human Resources risk. The most important means of operational risk mitigation are highly professional, experienced and motivated employees, who are expected to constantly acquire new knowledge and improve their existing skills, as well as dynamics, multidisciplinarity, teamwork and self-initiative. The provision of appropriate working conditions and environment should prevent potential loss of key employees, which is the essence of efficient HR risk management. Risk assessment: low.

STRATEGIC RISKS

Efficient cost management. Acquisition of new customers affects both revenue and costs. To achieve the Company's performance goals, we must be aware of the relevant costs. The Company has categorised its costs by importance, analysed them and set up relevant measures for their efficient control. Key costs comprise costs of banking and postal services, information system costs and costs associated with operations and labour.
Risk assessment: medium.

Market share. Maintaining or increasing our sales on the market is a prerequisite for a smooth functioning of the Company, its stability and potential for growth in other segments. To this aim we are systematically processing business customers based on individual visits and by transferring our knowledge and experience to our customers, we assist them when making their decision on the optimum timing of electricity purchase. This approach to customer management has proved successful also for small business customers as well as for household consumption. In addition to the above-described approach, we also take advantage of other sales channels and invest major efforts and funds in the visibility of the Company and its brands. Risk assessment: low.

Launching new products / services. Success of our Company currently depends on two profit pillars and thus, we have taken a strategic decision to disperse this risk. Based on our market research we have established an internal workshop for the development of new products and services. Our offer of new products and services, which is aimed at both, business and household customers, has generated new revenue and, consequently, additional earnings. Risk assessment: medium.

LEGISLATIVE RISKS

Legislative risk results from changes in market rules or legislation on the Slovenian and foreign electricity markets, and may affect business results. Developments in the relevant legislation is monitored constantly to ensure prompt response to any potential changes by adjusting our trading and production activities. Risk assessment: low.

05.05 SUBSEQUENT EVENTS

- Closure of two business accounts:
    - SI56 0475 0000 1095 763 (Nova KBM d.d.) closed on 2 February 2018
    - SI56 0510 0801 5653 755 (ABANKA d.d.) closed on 2 March 2018
- The »Feel the Right Energy« advertising campaign.
- The »Spring Energy« sales campaign.
- Weather conditions are fairly »predictable« (in contrast to the last year), which is currently reflected in relative stability of electricity prices, which are the most important business factor.

06 ELECTRICITY TRADING

06.01 ELECTRICITY PURCHASE

E 3 purchases electricity on the bilateral and daily markets from various electricity suppliers from the high-voltage network of Slovenia. In addition, electricity may be bought from small manufacturers that are connected to the mid-voltage network.

The Company has adopted a portfolio management policy that serves as means of limiting risks that may arise as a result of major and frequent price changes on the stock exchange. In terms of portfolio management, conditions in 2017 were significantly more demanding than in the previous years. Majority of electricity (97 percent) was purchased under long-term agreements on the bilateral market, around 2 percent of electricity was purchased on the daily market and slightly more than one percent of electric power was bought from small producers.

The Company sells electricity to business and household customers and for this reason we have adopted two separate purchase strategies to achieve the planned margin and, of course, mitigate the risk. For customers with whom we have agreed contracts for an indefinite period, electricity is bought when prices are in line with our purchase strategy. For customers with whom we have concluded fixed-term contracts, however, most of the electricity is purchased at a time when these buyers agree to the supply of electricity.

We began forward purchases of electricity for supplies in 2017 in the beginning of 2015, and scattered the purchases over the 2015 and 2016 period. Some forward purchases were also made in 2017. Any shortfalls of quantities based on forward purchases were made up by purchases on the daily market.

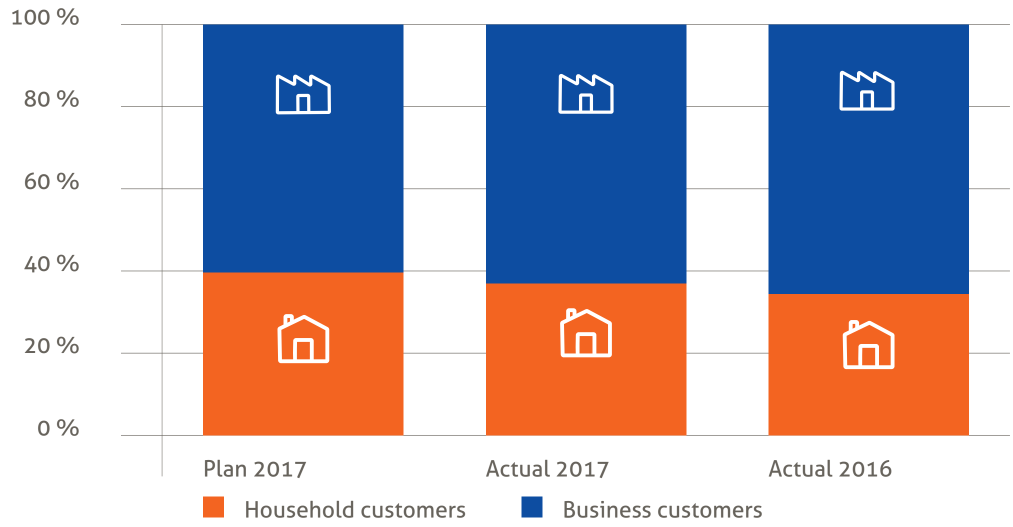
06.02 SALE OF ELECTRICITY

E 3 sold 1,351,245 MWh of electricity in 2017, up 19 percent on the plan and 11 percent more than in 2016.

TABLE 2: *Sale of electricity in MWh*

	Plan 2017	Actual 2017	Actual 2016	Index 2/1	Index 2/3
	1	2	3	4	5
Household customers	455,000	516,629	447,131	113	116
Business customers	680,975	834,616	771,017	123	108
Total sales	1,135,975	1,351,245	1,218,149	119	111

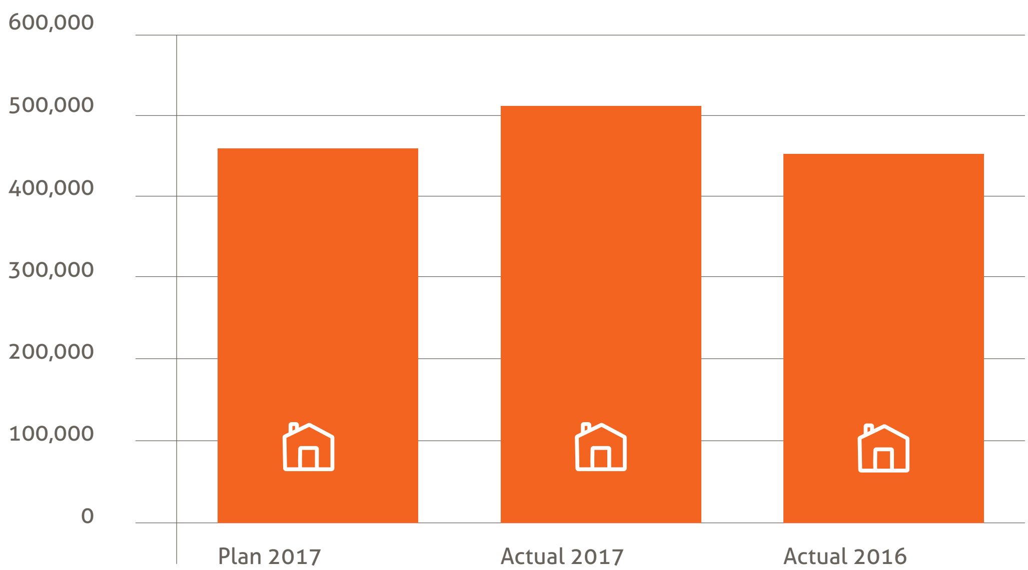
FIGURE 1: *Electricity sale by type of feed in MWh*



06.02.01 SALE OF ELECTRICITY TO HOUSEHOLD CUSTOMERS

In 2017, new competitors entered the segment of electricity sales to households who further exacerbated already fierce competition. Nevertheless, by systematic market operation we managed to acquire new customers and significantly strengthen our position on the market. Total 516,629 MWh of electricity was sold to household customers in 2017, which is 13 percent above the plan and 16 percent more than in 2016.

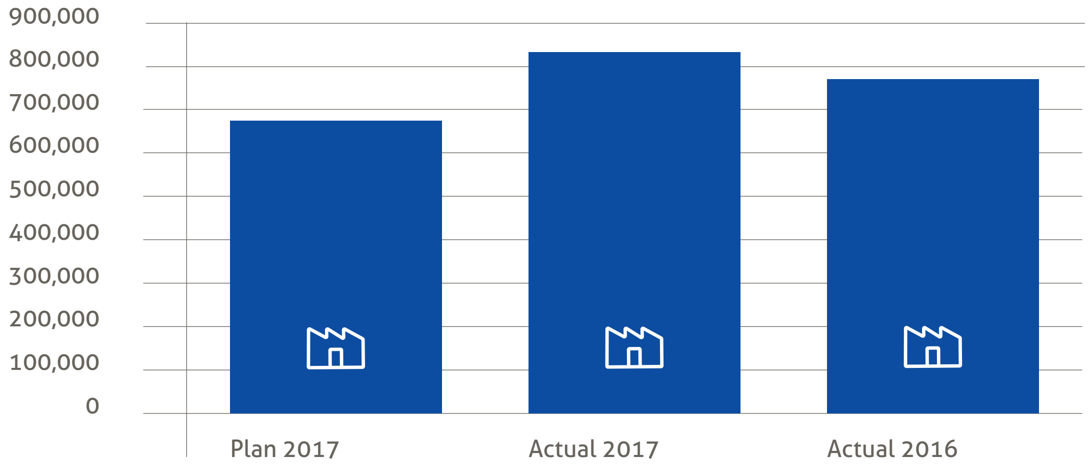
FIGURE 2: *Sale of electricity to households in MWh*



06.02.02 SALE OF ELECTRICITY TO BUSINESS CUSTOMERS

In 2017, 834,616 MWh of electricity was sold to business customers, which is 23 percent above the plan and 8 percent more than in 2016. A significant amount of sales above the planned quantities is a consequence of unplanned sales to Italy. Nevertheless, we exceeded the quantities recorded in the previous year, meaning that an increasing number of Slovene business customers are placing their trust in our Company.

FIGURE 3: *: Sale of electricity to business customers in MWh*



06.03 SUMMARY OF ACTIVITIES CARRIED OUT IN THE YEAR UNDER REVIEW

In 2017, we focussed our efforts on acquisition of new customers and enhancing the benefits for our existing customers:

- These activities included continuation of a systematic processing of household and small business customers throughout Slovenia.
- Highlighting the benefits for household customers based on electricity packages adjusted to their various lifestyles.
- Promotional and editorial efforts in all the Company's digital media - web site, as well as Facebook and LinkedIn social networking sites and YouTube.
- Activities aimed at achieving greater efficiency of the contact centre, points of sale and "MOJ E3" portal.
- Spring Sales Campaign aimed at household customers.
- In the segment of large business customers, our efforts were carried out systematically according to the client status (new, lost or existing customers).
- Development of advanced sale models for large business customers.
- Upgrade and improvement of portfolio management.
- Enhancement of short-term forecast models.

07 PRODUCTION AND SERVICES DIVISION

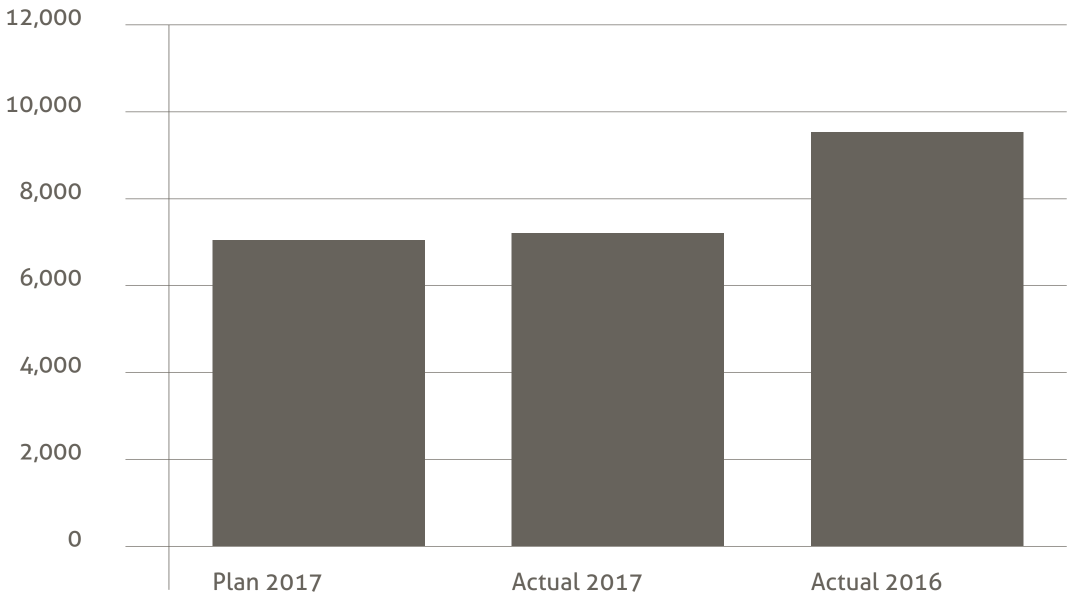
07.01 ELECTRIC POWER GENERATION

A total 7,150 MWh of electricity was produced in 2017, which is 2 percent above the plan but a 25 percent reduction compared to the previous year's production.

The reason for the reduced production in comparison with 2016 is discontinuation of the SPTE KENOG production unit, whose contract for the support scheme expired at the end of January 2017, and thus the unit's operation was discontinued as planned.

All other production units achieved expected results with only slight deviations.

FIGURE 4: *: Electric power generation in MWh*



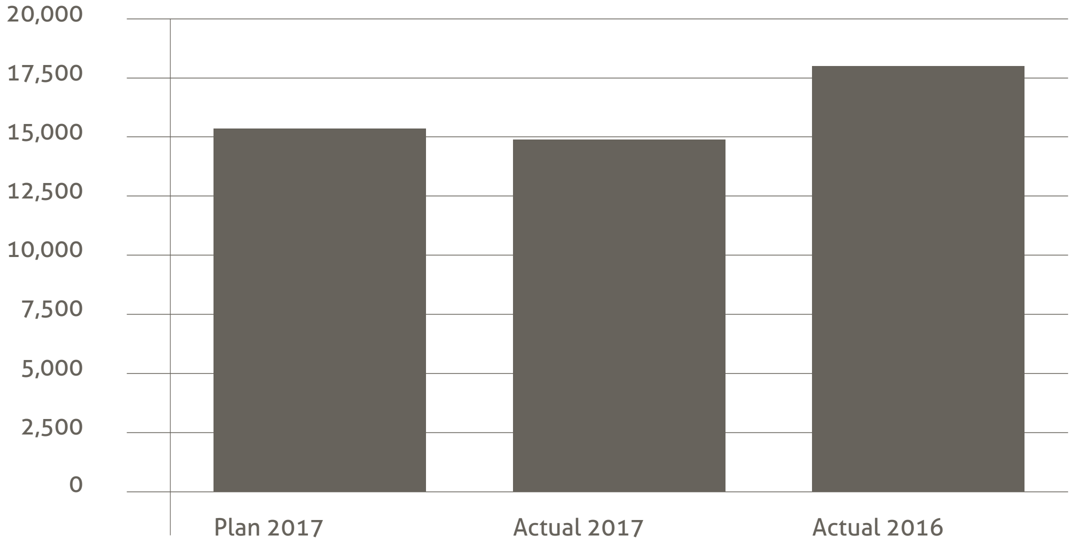
07.02 HEAT PRODUCTION

A total 14,774 MWh of heat was produced in 2017, 4 percent below the plan and a 20 percent reduction compared to the previous year. Lower production volume is partly attributed to reduced demand due to above-average winter temperatures and partly also due to reduced heat consumption by SPTE KENOG. In January, when this production unit was included in the portfolio of production facilities, its output was only half of the expected production.

Reduction in total heat production in 2017 was significantly contributed also by the machinery breakdown in the SPTE Park 1 plant in November 2017.

The SPTE KENOG was eliminated from the portfolio of production units on 1 February 2017, which resulted in a production decline compared to the previous year.

FIGURE 5: *Heat production in MWh*



07.03 SUMMARY OF ACTIVITIES CARRIED OUT IN THE YEAR UNDER REVIEW

- In the field of investments, the Production and Services Department invested in the adjustment of fuel input in the boiler room at Majske poljane.
- Activities related to the preparation of the documentation for the »Meblo kiln« project.
- Documentation was drafted for participation in the tender issued by the Energy Agency for registration of production facilities for generation of electricity from renewable energy sources and in high-efficiency co-generation of heat and power to enter the 2018 support scheme. Project for the construction of SPTE MEBLO 2 was selected as the most viable among the three projects submitted.
- Regular servicing of SPTE Kenog, SPTE Perla units 1 and 2, SPTE Park units 1 and 2, Boiler rooms at Sabotin, Meblo and Majske Poljane, and Thermal stations at VC Cerkno and Lanthieri mansion.
- Maintenance of solar power plants.
- Recovery after machinery breakdown at SPTE PARK unit 1.
- Recovery after machinery breakdown at Majske Poljane (boilers 2 and 3).
- General overhaul of 30,000 OPH SPTE Meblo.
- Implementation of the energy saving program.
- Reporting on the implementation of the energy saving program.
- Drafting of system operating instructions for supply of heat for the Podmark distribution area.
- Transfer of services provided by the SPS to the Single Information System (EIS).
- Reporting among other to the Energy Agency, the Eko Fund, and the Agency of the Republic of Slovenia for the Environment.

08 RESEARCH AND DEVELOPMENT DEPARTMENT

The Research and Development Department focussed its activities on projects in the field of smart grids and electro-mobility in 2017.

As part of the 3Smart project, activities began jointly with the Faculty of Electrical Engineering and Computer Science from Zagreb as the lead partner, and other partners. These included research and study of the relevant legislation and the current situation in the field of smart grids and energy management in the Republic of Slovenia and the Czech Republic. We designed various concepts for the installation of sensors, gas co-generation and a solar power plant, as the main components of the test polygon in Idrija. A total €133,190.52 of costs incurred in 2017 was recognised as eligible costs and refunded. Two employees worked full-time on the 3SMART project, while five other members of staff contributed their expertise and skills as and when necessary.

Activities that began on the NEDO project in 2016, continued throughout the year under review.

In the field of electro-mobility, we installed four charging stations for electric vehicles. Charging stations were set up in Nova Gorica, Sežana and two in Koper. During the preliminary running of these charging stations services to the users were free-of-charge. In line with the »proposal for further activities«, the service charge will begin to apply in 2018. In addition to the above, we prepared a draft cross-border project with neighbouring Gorizia in Italy for the installation of a set of charging stations for electric vehicles and the establishment of a cross-border urban traffic route using electric powered buses.

09 PERFORMANCE RATIOS

In accordance with provisions of Slovene Accounting Standards (SAS), performance indicators are divided into the following groups of basic ratios:

- Financing state ratios
- Basic investment ratios
- Horizontal financial structure ratios
- Efficiency ratios
- Profitability ratios

THE BASIC RATIOS OF FINANCIAL STATE

These show the relationships between equity and liabilities and are used to identify the financing structure of assets, while at the same time they express the degree of the company's financial independence.

No.	Description	2017	2016	2015	2014	2013	2012	2011
1.	**Equity financing rate** (equity/liabilities)	0.448	0.467	0.440	0.459	0.401	0.295	0.278
2.	**Long-term financing rate** equity, long-term liabilities and provisions/liabilities	0.493	0.517	0.494	0.466	0.416	0.323	0.309
3.	**Debt financing rate** debt/equity and liabilities	0.534	0.511	0.556	0.531	0.588	0.700	0.719

Financing indicators show the structure of the company's financing and the level of the company's financial independence.

THE BASIC INVESTMENT RATIOS

These ratios show where the company invested its assets and its structure of the assets in relation to these investments.

Zap.	Opis	2017	2016	2015	2014	2013	2012	2011
1.	**Operating fixed assets rate** fixed assets/assets	0.219	0.236	0.263	0.232	0.238	0.252	0.202
2.	**Financial investment rate** long-term and short-term investments/assets	0.019	0.020	0.020	0.026	0.021	0.021	0.096
3.	**Long-term assets rate** fixed assets, long-term investments and long-term operating receivables/assets	0.242	0.256	0.283	0.256	0.259	0.275	0.223

BASIC RATIOS OF HORIZONTAL FINANCIAL STRUCTURE

These ratios show financing of the individual groups of assets, while liquidity ratios show the company's ability to settle its short-term financial liabilities.

No.	Description	2017	2016	2015	2014	2013	2012	2011
1.	**Equity to fixed assets ratio** equity/fixed assets	2.043	1.977	1.678	1.981	1.685	1.170	1.371
2.	**Acid test ratio** liquid assets/short-term liabilities	0.078	0.092	0.025	0.051	0.083	0.023	0.018
3.	**Quick ratio** liquid assets+ short-term receivables/short-term liabilities	1.410	1.449	1.209	1.278	1.244	1.025	1.002
4.	**Current ratio** short-term assets/short-term liabilities	1.410	1.449	1.209	1.284	1.244	1.026	1.117

These ratios show financing of the individual groups of assets and the company's ability to settle its short-term financial liabilities.

THE BASIC EFFICIENCY RATIOS

The operating efficiency ratio shows that the company's operating result is positive.

No.	Description	2017	2016	2015	2014	2013	2012	2011
1.	**Operating efficiency ratio** operating revenue/operating expenses	0.999	1.018	1.019	1.009	1.045	0.980	0.999
2.	**Total efficiency ratio** revenue/expenses	1.001	1.020	1.019	1.012	1.045	0.980	0.998

THE BASIC PROFITABILITY RATIOS

Analysis of the profitability ratio shows how well the company has performed.

Return on Assets Indicator (ROA) shows the share of the profits that the company generates with its own funds.

No.	Description	2017	2016	2015	2014	2013	2012	2011
1.	**Net profitability of revenue** net profit or loss/sales revenue	0.001	0.017	0.017	0.009	0.043	–0.016	–0.002
2.	**Net return on assets ratio (ROA)** net profit or loss/average assets	0.003	0.037	0.037	0.018	0.105	–0.041	–0.006
3.	**Net return on equity ratio (ROE)** net profit or loss/average equity (net of net profit or loss for the financial year)	0.008	0.087	0.090	0.049	0.322	–0.138	–0.020

09.01 FINANCING RATIOS

Financing state ratios show the share of equity, debt and deferred liabilities in the structure of all sources of financing. These ratios are particularly important when the company is deciding on its long-term financing strategy (capital structure). High proportion of capital in financing and low level of short-term funding provide creditors the information on how safe their investment is.

Equity financing rate shows the share of equity financing in total assets. In 2017, the equity financing rate of 45 percent shows a decline of 2 percentage points compared to 2016. Reduction in the equity financing rate is due to a smaller increase in equity as a result of the lower profit achieved by the Company in 2017 and a major increase in its liabilities. Liabilities to providers of funds increased more in nominal terms than did the value of equity.

Debt financing rate shows the debt financing of the company's assets. In 2017, the debt financing rate of 49 percent shows a reduction of 2 percentage points compared to 2016, which is primarily the result of a relatively lower increase in the value of capital due to lower profit achieved in 2017 compared to 2016, and an increase in short-term liabilities, primarily supplier payables.

Long-term financing ratio of 53.4 percent is up by 2.3 percentage points compared to 2016. This is due to the relatively high increase in liabilities (in particular the supplier payables) and lower increase in capital compared to the previous year.

09.02 INVESTMENT RATIOS

The investment ratios provide an important guideline for the company when making decisions on its investment projects.

Operating fixed assets rate shows the share of fixed assets in total assets. In 2017, the share of fixed assets accounted for 21.9 percent of total assets, down 1.7 percentage points compared to 2016, due to the fact that the value of fixed assets decreased on account of depreciation, while other short-term assets recorded an increase.

Investment assets rate tells us the share of the company's assets that are involved in the emergence of financial income. At the end of 2017, short-term and long-term investments accounted for 0.2 percent of the Company's assets, the same as in 2016.

Long-term assets rate shows the share of long-term assets in total assets. At the end of 2017 it amounted to 24.2 percent, down 1.4 percentage points compared to 2016. The reason for this decline is a decrease in the fixed assets and, on the other hand, increase in short-term operating receivables.

09.03 HORIZONTAL FINANCIAL STRUCTURE RATIOS

Regarding the long-term financial balance, the Company monitors its horizontal financial structure ratios, the most important of which is the quick ratio, which shows the impact of the amount and structure of current assets compared to current liabilities.

Equity to fixed assets ratio shows the ratio between equity and fixed assets. In 2017, it stood at 2.04, up 0.08 compared to 2016, due to a slight increase in capital on account of the 2017 profit and a reduction in fixed assets.

Acid test ratio, quick and current ratios indicate solvency position of the Company.

Acid test ratio shows how many short-term liabilities a company is able to **settle on a given day with its liquid assets**. At the end of 2017, the company could settle 7.8 percent of its short-term liabilities by cash. Compared to 2016, the ratio fell by 1.4 percentage points due to an increase in the short-term liabilities.

Quick ratio shows the Company's ability **to cover short-term liabilities with cash and short-term receivables**. At the end of the year it stood at 1.41, a decline of 4 percentage points compared to 2016, due to a relatively high growth in short-term liabilities compared to the increase in short-term receivables.

Current ratio expresses **the coverage of short-term debts with cash and other short-term assets, including inventories**. At the year-end it stood at 1.41, down 4 percentage points compared to the previous year, due to a high increase in short-term liabilities (especially liabilities to suppliers) compared to the increase in short-term receivables (an increase in short-term trade receivables is less than is the increase in short-term liabilities to suppliers).

09.04 EFFICIENCY RATIOS

Operating efficiency ratio is the ratio between operating income and operating expenses and reflects the efficiency of the company's operations, since the financial income and expenses and other revenues and expenses are excluded from the indicator. In 2017, this ratio amounted to 0.999 which means that operating expenses exceeded operating revenues by 0.1 percent and the cost efficiency worsened slightly in comparison with the previous year (a decline of 1.8 percentage points).

Total efficiency ratio is the ratio between total revenue and total expenditure. The ratio stood at 1.001 in 2017, which is 0.1 percentage points below the ratio reported in the previous year, reflecting a slight decline in overall efficiency. In 2017, the Company did not manage its available funds as efficiently as in the previous year and thus achieved a slightly lower profitability.

09.05 PROFITABILITY RATIOS

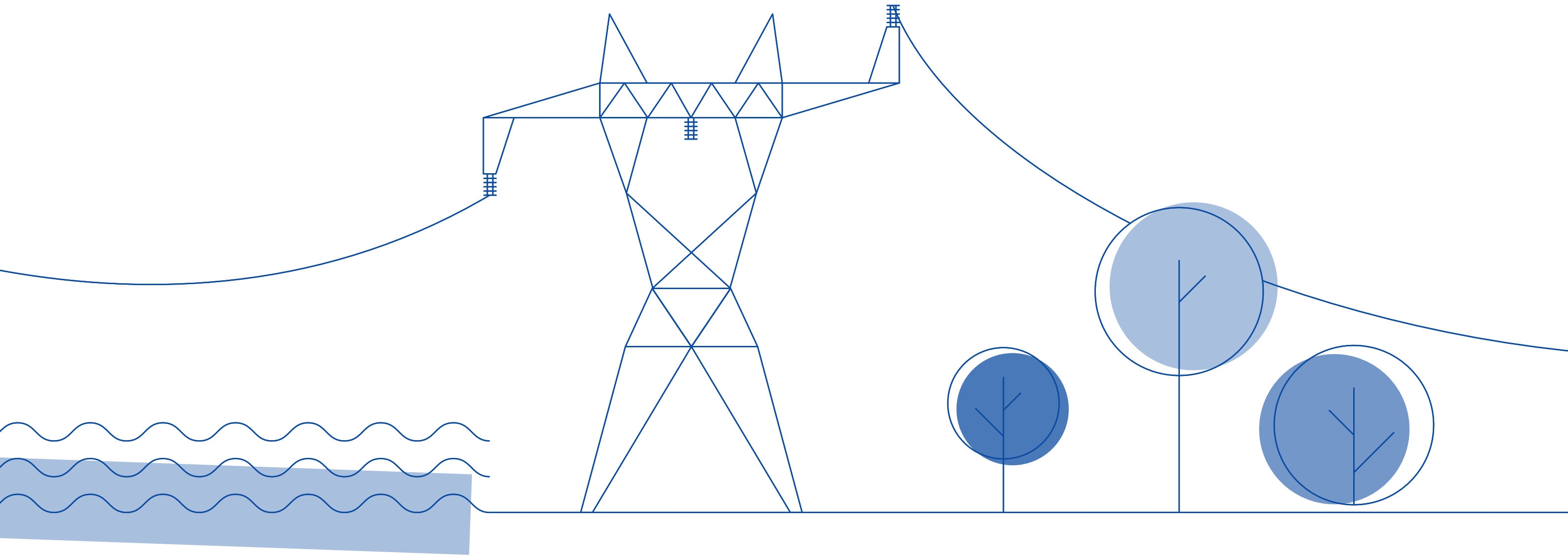
Net profitability of revenues shows that the Company generated €0.15 of profit per each €100 of revenue, which is much less than in 2016, mainly due to the lower amount of net profit of the year, and an increase in net sales revenues compared to 2016.

Return on assets ratio (ROA) shows the share of profits that the Company achieves with its own resources and reveals how successful the management has been in managing the Company's assets. ROA stood at 0.3 percent in 2017, which is less than in 2016, when it reached 3.7 percent.

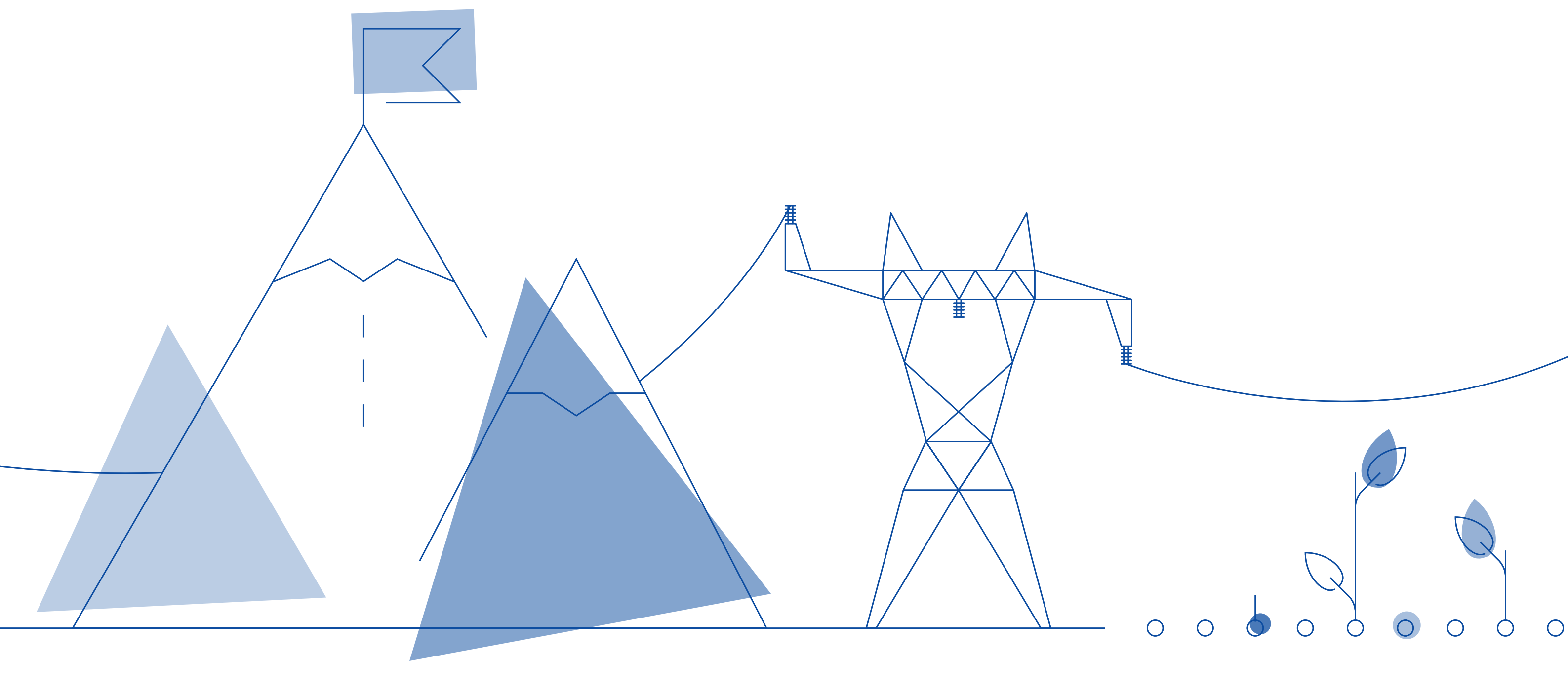
Return on equity ratio (ROE) shows how much net profit was generated by the Company based on the average equity invested. From the viewpoint of the Company owners, profitability of capital is one of the most important ratios as it shows how well the Company's management manages the Company's assets. ROE amounted to 0.78 percent in 2017, down 8 percentage points compared to the previous year, which is due to the lower amount of net profit generated in 2017.

DIVERSITY POLICY

E 3 has not adopted a diversity policy relating to its governing bodies.



B FINANCIAL REPORT



10 INDEPENDENT AUDITOR'S REPORT

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owner of E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o.

Opinion

We have audited the financial statements of E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o. (the Company), which comprise the balance sheet as at December 31 2017, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o. as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with Slovenian accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in with Slovenian 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on other requirements of the legislation

Management is also responsible for the preparation of financial statements with explanatory notes in accordance with Energy Act and the Slovenian Companies Act (regulatory financial statements), which are included in the note 12 of the financial statements and in respect of which a separate auditor's report is issued in accordance with the requirements of the Energy Act.

Ljubljana, 9 May 2018

Sanja Košir Nikašinović
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

11 FINANCIAL STATEMENTS

11.01 BALANCE SHEET

			EUR
	Notes	31. 12. 2017	31. 12. 2016
A. Long-term assets		8,515,464	8,622,079
I. Intangible assets	12.2.1	354,832	465,121
1. Concessions, trademarks and licences		338,052	398,593
3. Intangible assets being acquired		16,780	66,528
II. Property, plant and equipment	12.2.2	6,943,937	7,098,268
1. Land and buildings		3,960,076	3,913,184
a. Land		130,075	92,803
b. Buildings		3,830,000	3,820,380
3. Equipment		2,722,635	2,931,313
4. Property, plant and equipment being acquired		261,226	253,772
a. Property, plant and equipment under construction		261,226	253,772
III. Long-term investments	12.2.3	586,972	586,972
1. Investments in shares of group companies		483,993	483,993
2. Other shares and stakes		20,000	20,000
3. Long-term loans to others		82,979	82,979
IV. Long-term operating receivables	12.2.4	126,875	0
2. Other long-term operating receivables		126,875	0
V. Deferred tax assets	12.2.5	502,848	471,717
B. Current assets		21,847,472	20,071,238
III. Short-term operating receivables	12.2.7	20,644,390	18,803,930
1. Operating receivables due from the group		26,693	27,235
2. Trade receivables		19,434,036	17,838,698
3. Operating receivables due from others		1,183,660	937,997
IV. Cash and cash equivalents	12.2.8	1,203,082	1,267,308
C. Short-term deferred and accrued items	12.2.9	1,318,886	1,353,407
ASSETS		**31,681,823**	**30,046,724**

Notes are an integral part of the financial statements and should be read in conjunction with them.

	Notes	31. 12. 2017	31. 12. 2016
			EUR
A. Equity	12.2.10	14,188,892	14,035,918
I. Called-up capital		6,522,017	6,522,017
1. Share capital		6,522,017	6,522,017
III. Profit reserves		7,679,837	7,026,027
1. Legal reserves		117,173	117,173
2. Other profit reserves		7,562,664	6,908,854
IV. Fair value reserve		–64,063	–56,131
V. Retained earnings		0	–420
VI. Net profit or loss for the year		51,102	544,426
B. Provisions and long-term accrued costs and deferred revenue	12.2.11	1,057,855	1,082,215
1. Provisions		330,131	311,232
2. Long-term accrued costs and deferred revenue		727,724	770,983
C. Long-term liabilities	12.2.12	358,334	425,000
I. Long-term financial liabilities		358,334	425,000
1. Long-term financial liabilities to banks		358,334	425,000
D. Short-term liabilities	12.2.13	15,499,986	13,847,944
I. Short-term financial liabilities		73,667	73,667
2. Short-term financial liabilities to banks		66,667	66,667
3. Other short-term financial liabilities		7,000	7,000
II. Short-term operating liabilities		15,426,319	13,774,277
1. Short-term operating liabilities to group companies		35,029	79,436
2. Supplier payables		13,987,443	12,382,182
3. Short-term operating liabilities from advances		918,570	821,930
4. Other short-term operating liabilities		485,278	490,729
D. Short-term accrued costs and deferred revenue	12.2.14	576,756	655,648
EQUITY AND LIABILITIES		**31,681,823**	**30,046,724**

Notes are an integral part of the financial statements and should be read in conjunction with them.

11.02 INCOME STATEMENT

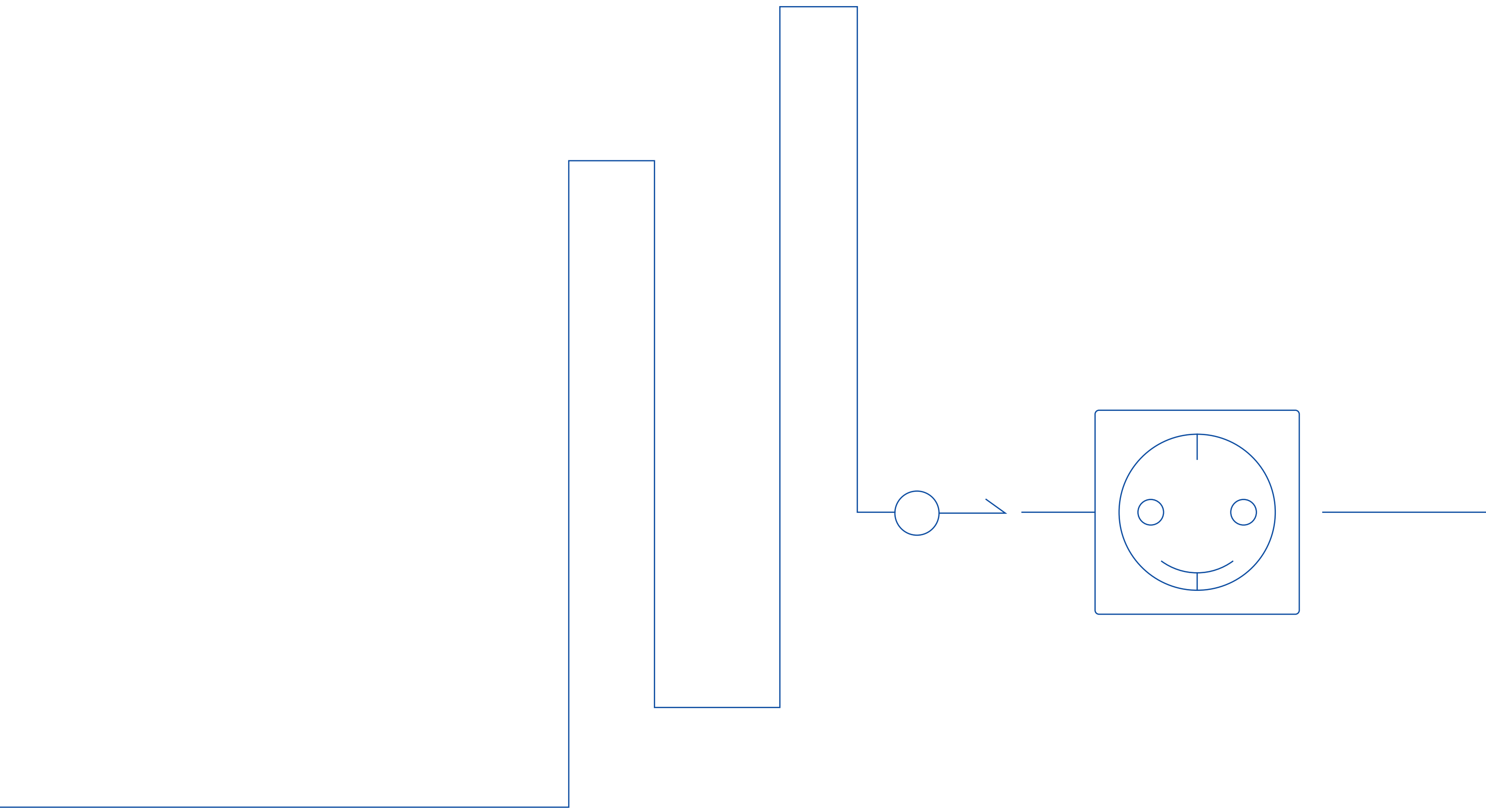
	Notes	2017	EUR 2016
1. Net sales revenue	12.3.1	71,369,617	64,281,253
a. On domestic market		67,100,226	59,100,050
b. On foreign markets		4,269,391	5,181,204
2. Capitalised own products and services	12.3.1	58,702	18,052
3. Other operating revenue	12.3.1	384,319	470,125
4. Cost of goods, materials and services	12.3.2	–69,021,400	–60,512,910
a. Cost of goods and material sold and costs of material used		–63,974,696	–55,165,317
b. Cost of services		–5,046,431	–5,347,593
5. Employee benefit costs	12.3.2	–1,700,447	–1,700,369
a. Payroll costs		–1,209,881	–1,205,125
b. Cost of supplementary pension insurance of employees		–57,777	–56,385
c. Social security costs		–208,361	–203,464
d. Other labour costs		–224,498	–235,394
6. Write-downs	12.3.2	–1,093,987	–1,371,751
a. Amortisation and depreciation		–783,547	–789,539
b. Operating expenses from revaluation of intangible assets and P, P&E		–30	–248,590
c. Operating expenses from revaluation of current assets		–310,409	–333,623
7. Other operating expenses	12.3.2	–39,379	–38,031
8. Financial income from shares and interests	12.3.3	94,546	76,607
a. In group companies		94,546	76,607
9. Financial income from loans	12.3.3	4,970	4,968
b. Granted to others		4,970	4,968
10. Financial income from operating receivables	12.3.3	82,156	90,693
b. Due from others		82,156	90,693
11. Financial expenses from investment impairment and write-off	12.3.4	0	0
12. Financial expenses from financial liabilities	12.3.4	–14,692	–19,885
a. Borrowings raised from Group companies		0	–90
b. Bank borrowings		–8,873	–13,664
d. Other financial liabilities		–5,819	–6,132
13. Financial expenses from operating liabilities	12.3.4	–5,976	–8,252
b. Payables to suppliers and bills payable		–5,961	–5,857
c. Other operating liabilities		–15	–2,395
14. Other revenue	12.3.5	105	480
15. Other expenses	12.3.6	–27,501	–24,707
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD		91,033	1,266,272
16. Income tax payable	12.3.7	–15,141	–64,357
17. Deferred tax	12.3.7	30,298	–113,063
18. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**12.3.8**	**106,190**	**1,088,851**

Notes are an integral part of the financial statements and should be read in conjunction with them.

11.03 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

		Notes	2017	EUR 2016
18.	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	12.3.8	106,190	1,088,851
19.	Fair value reserve		833	5,531
20.	Other components of comprehensive income		–8,764	–57,776
21.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**	**12.3.9**	**98,258**	**1,036,606**

Notes are an integral part of the financial statements and should be read in conjunction with them.



11.04 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

			EUR
	Notes	1.–12. 2017	1.–12. 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES	12.4		
1. Receipts from operating activities		150,273,535	134,354,195
a. Proceeds from sale of products and services		149,406,640	133,770,571
b. Other receipts from operating activities		866,895	583,624
2. Expenditure from operating activities		–149,933,539	–131,421,516
a. Expenditure for purchase of materials and services		–82,874,066	–73,866,190
b. Expenditure for salaries and employees' shares in profits		–1,711,715	–1,702,132
c. Expenditure for all kinds of contributions		–5,225,979	–4,252,866
d. Other expenditure from operating activities		–60,121,779	–51,600,327
3. Net cash from operating activities		339,996	2,932,679
B. CASH FLOWS FROM INVESTING ACTIVITIES			
4. Cash receipts from investing activities		295,926	149,195
a. Interest and profit shares		149,587	148,985
b. Proceeds from disposal of property, plant and equipment		89,344	210
d. Cash proceeds from acquisition of a subsidiary		56,995	0
5. Cash disbursements for investing activities		–620,735	–495,751
a. Expenditure for acquisition of intangible assets		–196,900	–288,448
b. Expenditure for acquisition of property, plant and equipment		–423,835	–207,302
6. Net cash from investing activities		–324,809	–346,555
C. CASH FLOWS FROM FINANCING ACTIVITIES			
7. Cash receipts from financing activities		17,100,000	17,250,000
b. Receipts from short-term borrowings		17,100,000	17,250,000
8. Cash disbursements from financing activities		–17,179,413	–18,943,460
a. Interest paid		–12,746	–17,294
b. Cash repayments of long-term borrowings		–66,667	–66,667
c. Cash repayments of short-term borrowings		–17,100,000	–18,859,500
9. Net cash from financing activities		–79,413	–1,693,460
10. Net cash inflow or outflow		–64,226	892,664
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		1,203,082	1,267,308
X. Opening balance of cash and cash equivalents		1,267,308	374,644
Y. CASH FLOWS FOR THE PERIOD		–64,226	892,664
CLOSING BALANCE OF CASH AT 31 DEC 2017/2016		**1,203,082**	**1,267,308**

Notes are an integral part of the financial statements and should be read in conjunction with them.

11.05 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

EUR

		Called-up capital		Profit reserves			Net profit or loss for the year	
		Share capital	Legal reserves	Other profit reserves	Fair value reserve	Retained earnings	Net profit for the year	Total capital
		I/1	III/1	III/2	IV	V/1	VI/1	VII
A.1	**At 31 Dec 2016**	**6,522,017**	**117,173**	**6,908,854**	**–56,131**	**–420**	**544,426**	**14,035,917**
	Merger of a company (Note 12.1)			7,500			51,203	58,703
A.2	**At 1 Jan 2017**	**6,522,017**	**117,173**	**6,916,354**	**–56,131**	**–420**	**595,628**	**14,094,620**
B.2	**Total comprehensive income for the reporting period**				–7,932		**106,190**	**98,258**
	a) Net profit or loss for the reporting period						106,190	106,190
	b) Gains or losses on revaluation				–7,932			–7,932
B.3	**Changes within equity**			**646,310**	**0**	**420**	**–650,716**	**–3,986**
	a) Allocation of the remaining net profit of the comparable reporting period to other components of equity			595,208		4,407	**–599,614**	0
	b) Allocation of part of net profit of the reporting period to other components of equity in accordance with decision of the management bodies			51,102		0	–51,102	0
	c) Other changes within equity			0		–3,986	0	–3,986
C	**At 31 Dec 2017**	**6,522,017**	**117,173**	**7,562,664**	**–64,063**	**0**	**51,102**	**14,188,892**
	DISTRIBUTABLE PROFIT IN 2017					0	**51,102**	**51,102**

Notes to the financial statements are an integral part thereof and should be read in conjunction with them.

11.06 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

V EUR

		Called-up capital	Profit reserves				Net profit or loss for the year	
		Share capital	Legal reserves	Other profit reserves	Fair value reserve	Retained earnings	Net profit for the year	Total capital
		I/1	III/1	III/2	IV	V/1	VI/1	VII
A.1	**At 31 Dec 2015**	**6,522,017**	**117,173**	**5,839,400**	**–3,886**	**0**	**525,029**	**12,999,731**
A.2	**At 1 Jan 2016**	**6,522,017**	**117,173**	**5,839,400**	**–3,886**	**0**	**525,029**	**12,999,731**
B.2	**Total comprehensive income for the reporting period**				**–52,245**		**1,088,851**	**1,036,606**
	a) Net profit or loss for the reporting period						1,088,851	1.088.851
	b) Gains or losses on revaluation				–52,245			–52,245
B.3	**Changes within equity**			**1,069,454**	**0**	**0**	**–1,069,454**	**0**
	a) Allocation of the remaining net profit of the comparable reporting period to other components of equity			525,029			–525,029	0
	b) Allocation of part of net profit of the reporting period to other components of equity in accordance with decision of the management bodies			544,429			–544,429	0
	c) Other changes within equity				0	–420	0	–420
C	**At 31 Dec 2016**	**6,522,017**	**117,173**	**6,908,854**	**–56,131**	**–420**	**544,426**	**14,035,917**
	DISTRIBUTABLE PROFIT IN 2016					**–420**	**544,426**	**544,005**

Notes to the financial statements are an integral part thereof and should be read in conjunction with them.

12 NOTES TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH PROVISIONS OF THE COMPANIES ACT AND SLOVENE ACCOUNTING STANDARDS

The financial statements are the separate financial statements of the company E 3, d.o.o.

12.01 BASIS FOR PREPARATION

As the accepted rules of the accounting profession, Slovene Accounting Standards (SAS) elaborate on and provide interpretation of the basic statutory rules and accounting requirements, and determine the method of their use. The financial statements of the Company have been compiled in accordance with SAS 2016 and provisions of the Companies Act (ZGD-1).

TRANSITION TO SAS 2016

Transition to the SAS 2016 had no significant impact on the Company's financial statements and therefore no adjustments were necessary.

However, in line with the requirements related to the transition to the SAS 2016, the Company adjusted its financial statement formats to the new SAS 2016.

While the SAS 2016 prescribe accounting policies to be applied by entities, they do (in some cases) allow entities to choose between several permitted accounting treatments. In its Accounting Manual, the Company defined more precise rules for accounting treatment of individual financial statement categories in its books of account and adopted the selected accounting policies.

The two fundamental accounting assumptions of accrual accounting and going concern were considered in the preparation of these financial statements. The fundamental accounting principles of prudence, substance over form and materiality, were also considered in the financial statement preparation.

The Company declares that the accounting policies and methods used are the same as those applied in the previous financial year.

BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis, with the exception of available-for-sale financial assets, where the fair value has been taken into account.

EXCHANGE RATE AND TRANSLATION INTO THE LOCAL CURRENCY

Assets and liabilities expressed in a foreign currency are translated into the local currency at the reference exchange rate of the European Central Bank at the reporting date as published by the Bank of Slovenia. Transactions denominated in a foreign currency are translated into the local currency at the reference exchange rate of the ECB on the transaction date. Foreign exchange rate gains and losses resulting from translation are recognised in the profit or loss as an item of financial income or expense.

All data in the annual report is denominated in euro (EUR) with no cents.

According to provisions laid down in its Accounting Manual, the Company is required to provide the following explanation concerning its adopted accounting policies:

- the basis for measurement of economic categories in the balance sheet;
- he accounting policies necessary for relevant understanding of the balance sheet assets and liabilities whose value is in excess of 2 percent of total value of assets or liabilities as at the balance sheet date;
- the nature and reason for amending the accounting policies or accounting estimates and the relevant amount if these amendments result in more than 2 percent change in the value of the assets or liabilities;
- the basis for measurement of the income statement items and the specific accounting policies selected and used for significant transactions and other business events, whose value exceeds 10 percent of the Company's revenues or expenses reported in the financial year;
- additional information not required in the profit and loss account but which is necessary for a fair presentation and which exceeds 10 percent of the Company's revenues or expenses reported in the financial year.

As of July 1, 2007, the electricity market has been completely liberalised and thus, all electricity consumers, including households, have acquired the status of eligible customers and are able to freely choose their electricity supplier regardless of national borders. As the sale of electricity to household customers has become an energy market activity, the price of electricity is no longer regulated by the Government of the Republic of Slovenia.

In 2017, the Company sold electricity on the domestic market and on the market of the European Union. In addition, it supplied electricity to its own outlets. Sales prices of energy supplied to business customers are agreed in individual contracts.

In 2017, the purchase of electricity was based on contracts concluded with domestic and foreign suppliers of electricity. However, some of the energy intended for sale was produced by its own qualified production.

MERGER OF SUBSIDIARY JOD D.O.O. WITH THE PARENT COMPANY E 3 AS OF 1 JANUARY 2017

Pursuant to the merger agreement concluded by the acquiring company E 3, and the acquired company JOD, the merger was registered in the acquiree's books of account on 1 January 2017.

Since E 3 holds a 100 percent interest in its subsidiary JOD, the merger was effected under the simplified merger procedure. After the signing of the merger agreement on 8 March 2017, the merged company JOD was deleted from the court register on 28 March 2017. Following the merger, the relevant portion of the investment in the merged company was transferred to the associate Knešca.

Pursuant to the merger agreement, JOD, which merged with its parent E 3, transferred all of its property to the company based on the balance sheet data as at 31 December 2016. According to the merger contract, the effective merger date is 1 January 2017.

Pursuant to Item 6 of the Introduction to the SAS (2016), business combinations under joint management are accounted for using the acquisition method. Thus, the assets and liabilities of the two companies are recognised in a joint balance sheet at carrying amounts.

Following the merger, additional assets and liabilities were recognised by the company (as presented in the table below). In 2016, the merged company generated €51,203 of profit. In addition, JOD incurred €10,342 of operating expenses and generated €61,545 of financial income, mostly on account of its stake in the associated company Knešca. The net effect of the merger on the assets amounts to €56,686.

The effect of the merger on the balance sheet is presented in the following table.

				EUR
	31. 12. 2016	31. 12. 2016	31. 12. 2016	At 1 Jan 2017
	Jod d.o.o.	E 3, d.o.o.	Elimination	E 3, d.o.o.
A. Long-term assets	–	8,622,078,90	–	8.622.079,90
I. Intangible assets	–	465,120.86	–	465,120.86
1. Concessions, trademarks and licences	–	398,592.86	–	398,592.86
3. Intangible assets being acquired	–	66,528.00	–	66,528.00
II. Property, plant and equipment	–	7,098,268.20	–	7,098,268.20
1. Land and buildings	–	3,913,183.76	–	3,913,183.76
a. Land	–	92,803.38	–	92,803.38
b. Buildings	–	3,820,380.38	–	3,820,380.38
3. Equipment	–	2,931,312.55	–	2,931,312.55
4. Property, plant and equipment being acquired	–	253,771.89	–	253,771.89
a. Property, plant and equipment under construction	–	253,771.89	–	253,771.89
III. Long-term investments	–	586,972.47	–	586,972.47
1. Investments in shares of group companies	–	483,993.00	–	483,993.00
2. Other shares and stakes	–	20,000.00	–	20,000.00
3. Long-term loans to others	–	82,979.47	–	82,979.47
V. Deferred tax assets	–	471,717.00	–	471,717.00
B. Current assets	59,017.62	20,071,238.04	–2,022.92	20,128,232.74
III. Short-term operating receivables	2,022.92	18,803,930.15	–2,022.92	18,803,930.15
1. Operating receivables due from the group	2,022.92	27,234.65	–2,022.92	27,234.65
2. Trade receivables	–	17,838,698.48	–	17,838,698.48
3. Operating receivables due from others	–	937,997.02	–	937,997.02
IV. Cash and cash equivalents	56.994,70	1,267,307.89	–	1,324,302.59
C. Short-term deferred and accrued items	–	1,353,407.42	–	1,353,407.42
ASSETS	**59,017.62**	**30,046,724.36**	**–2,022.92**	**30,103,719.06**
A. Equity	58,702.55	14,035,917.78	–	14,094,620.33
I. Called-up capital	7,500.00	6,522,016.72	–7,500.00	6,522,016.72
1. Share capital	7,500.00	6,522,016.72	–7,500.00	6,522,016.72
III. Profit reserves	–	7,026,026.99	7,500.00	7,033,526.99
1. Legal reserves	–	117,172.84	–	117,172.84
2. Other profit reserves	–	6,908,854.15	7,500.00	6,916,354.15
IV. Fair value reserve	–	–56,131.17	–	–56,131.17
V. Retained earnings	–	–420.38	–	–420.38
VI. Net profit or loss for the year	51,202.55	544,425.61	–	595,628.16
B. Provisions and long-term accrued and deferred items	–	1,082,214.67	–	1,082,214.67
1. Provisions	–	311,231.79	–	311,231.79
2. Long-term accrued costs and deferred revenue	–	770,982.88	–	770,982.88
C. Long-term liabilities	–	425,000.15	–	425,000.15
I. Long-term financial liabilities	–	425,000.15	–	425,000.15
1. Long-term financial liabilities to banks	–	425,000.15	–	425,000.15
D. Short-term liabilities	315.07	13,847,943.54	–2,022.92	13,846,235.69
I. Short-term financial liabilities	–	73,666.64	–	73,666.64
2. Short-term financial liabilities to banks	–	66,666.64	–	66,666.64
3. Other short-term financial liabilities	–	7,000.00	–	7,000.00
II. Short-term operating liabilities	315.01	13,774,276.90	–2,022.92	13,772,569.05
1. Short-term operating liabilities to group companies	–	79,436.00	–2,022.92	77,413.04
2. Supplier payables	309.00	12,382,181.52	–	12,382,490.52
3. Short-term operating liabilities from advances	–	821,930.33	–	821,930.33
4. Other short-term operating liabilities	6.07	490,729.09	–	490,735.16
D. Short-term accrued costs and deferred revenue	–	655,648.34	–	655,648.34
EQUITY AND LIABILITIES	**59,017.62**	**30,046,724.48**	**–2,022.92**	**30,103,719.18**

ASSUMED ASSETS AND LIABILITIES OF THE MERGED COMPANY AT 1 JAN 2017	EUR BOOK VALUE
Cash and cash equivalents	56,995
Assets	56,995
Short-term operating liabilities	315
Net current assets assumed	56,680

Short-term financial receivables of €2,023 due from the parent E 3 were offset against the liabilities of E 3 to the merged company JOD as at 1 January 2017. In the cash flow of the acquiree E 3, reported for FY 2017, total amount of cash is recognised as proceeds from investments. Additional cash assumed from the merged company had no impact on the cash flow from financing or operating activities.

12.02 NOTES TO THE BALANCE SHEET ITEMS

12.02.01 INTANGIBLE ASSETS

The items of intangible assets are recognised if it is likely that economic benefits associated with the assets will flow to the Company and, their cost can be measured reliably.

After initial recognition, intangible assets are measured at cost.

They are amortised individually on a straight-line basis, using amortisation rates ranging from 2 to 33 percent. Amortisation of an item of intangible assets with final useful life begins when the asset is made ready for its use. Useful lives of significant items of intangible assets and long-term deferred costs are checked regularly at the end of each financial year.

Subsequent costs associated with an item of intangible assets increase its cost when they increase its future economic benefits in excess of the originally assessed.

The items of intangible assets are derecognised upon disposal or when no economic benefits are expected to flow to the Company from their continued use or subsequent disposal.

Intangible assets comprise software applications. Cost of an item of intangible asset is comprised of its purchase price or costs of manufacture or development. The items of intangible assets re recognised under the cost model.

Additions to the items of intangible assets in 2017 refer to the purchase of software in the amount of €122,171 (2016: €239,655), while disposals relate to the amortisation amounting to €232,460.

The Company has unlimited rights to its intangible assets and none have been pledged as collateral for liabilities.

Of total intangible assets in use as at 31 December 2017, 59 percent is fully amortised (2016 year-end: 73 percent). Amortisation is calculated based on the cost of the assets.

The Company has not recognised any trade payables on account intangible assets' acquisition as at 31 December 2017, while unrecorded liabilities pursuant to contracts agreed for the purchase of licenses amount to €23,464.

Movements in the items of intangible assets in 2017 are presented in the following table:

2017				EUR
	Deferred costs of development studies	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost				
At 1 Jan 2017	25,960	1,189,100	66,528	1,281,588
Additions during the year		0	122,171	122,171
Additions from ongoing investments	46,631	125,288	−171,919	0
Disposals during the year			0	0
At 31 Dec 2017	**72,591**	**1,314,388**	**16,780**	**1,403,759**
Accumulated amortisation				
At 1 Jan 2017	1,730	814,737	0	814,737
Amortisation of the year	4,853	227,607	0	232,460
Disposals during the year		0	0	0
At 31 Dec 2017	**6,583**	**1,042,344**	**0**	**1,048,927**
Carrying amount				
At 1 Jan 2017	24,230	374,363	66,528	465,121
At 31 Dec 2017	**66,008**	**272,044**	**16,780**	**354,832**

Movements in the items of intangible assets in 2016 are presented in the following table:

2016				EUR
	Deferred costs of development studies	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost				
At 1 Jan 2016	0	957,617	84,317	1,041,933
Additions during the year		0	239,655	239,655
Additions from ongoing investments	25,960	231,484	−257,444	0
Disposals during the year			0	0
At 31 Dec 2016	**25,960**	**1,189,100**	**66,528**	**1,281,588**
Accumulated amortisation				
At 1 Jan 2016		640,712	0	640,712
Amortisation of the year	1,730	174,025	0	175,755
Disposals during the year		0	0	0
At 31 Dec 2016	**1,730**	**814,737**	**0**	**816,467**
Carrying amount				
At 1 Jan 2016	0	316,905	84,317	401,221
At 31 Dec 2016	**24,230**	**374,363**	**66,528**	**465,121**

12.02.02 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include land, buildings and equipment, as well as P,P&E under construction or manufacture. They are reported in the balance sheet at carrying amount as the difference between their cost and written-down value. The Company has no investment property and its items of property, plant and equipment are recognised at cost.

Cost of an item of property, plant and equipment comprises its purchase price and all costs that are directly attributed to making the asset ready for its intended use.

Subsequent expenditure on an item of property, plant and equipment that increases its future benefits compared with those originally assessed, increases its cost. However, if subsequent cost increases useful life of the asset, the cost of an item of property, plant and equipment is increased and its useful life is extended.

Repair or maintenance of property, plant and equipment is intended for renewing or preserving the future economic benefits expected from the assets based on the originally estimated level of the assets' efficiency. These expenditures are recognised as costs or operating expenses.

After initial recognition, property, plant and equipment are measured at cost, which provides the basis for the assets' depreciation. Depreciation of the items of property, plant and equipment begins in the month following the month when the assets are made available for their intended use. Property, plant and equipment are depreciated individually on a straight-line basis, using the following depreciation rates, which have not changed compared to those used in the previous year: Depreciation rates are disclosed in Notes 12.3.2 »Operating expenses, write-downs«.

Cost of facilities built in-house is the cost price, which does not exceed the price of similar assets on the market. The cost price consists of direct costs of materials and services used in production, direct labour costs and production overheads.

In accordance with SAS 1 (2016), the Company breaks down the cost of new acquisitions made in 2017 with different useful lives to components that are significant in relation to the total cost. Accumulated depreciation of property, plant and equipment is recognised as an adjustment of their value. Depreciation begins on the first day of the following month after the assets are made available for their intended use. Depreciation is recognised according to the straight-line method in the period of the estimated expected functional life periods of individual items of property, plant and equipment.

The items of property, plant and equipment are revalued to account for their impairment when their carrying amount exceeds their recoverable amount. The recoverable amount is the greater of the net selling price or value in use. Assessment of the value in use encompasses assessment of receipts and expenditure arising from continuing use of the asset and its final disposal, using the relevant discount rate (before tax) that reflects the present market assessment of the time value of money and any potential risks associated with the asset. For assets whose future cash flows depend also on other assets encompassed in individual cash-generating unit, the value in use is assessed in consideration of future cash flows expected from the relevant cash-generating unit. Any impairment losses on an asset are recognised in operating expenses.

At each reporting day, the Company checks the items of property, plant and equipment for signs of impairment and if any such indication exists, the asset's recoverable amount is assessed.

In 2016, the Company performed an impairment test of its long-term assets.

The valuation report was prepared for the financial reporting purposes (impairment test in accordance with IAS 36) as at 31 December 2016.

The assessment was made of the recoverable value of long-term assets i.e. the value in use in terms of cash--generating unit, in accordance with the Hierarchy of Valuation Rules (Official Gazette No. 106/2010). For the purpose of assessment based on the return on assets method, operating forecasts of individual cash-generating units were prepared considering the Company's business performance over the past two years and the 2017-2021 business plan, taking into account the residual values of the assets from the last year of the forecast until the end of their useful life. The model takes into account the value until the end of economic life of an individual cash-generating unit. Value assessment in terms of DUE was based on the going concern assumption that uses assets in the ordinary course of business.

Business projections were prepared for each co-generation for different, but a limited period. Forecast periods coincide with the validity of contracts for the electricity support concluded with Borzen.

The estimated free cash flow was discounted as at 31 December 2016 using the weighted average cost of capital (WACC) of 9.8 percent.

No signs of impairment of long-term assets were detected in 2017.

Of total items of property, plant and equipment in use as at 31 December 2017, 6 percent is fully depreciated (2016 year-end: 11 percent). The share is calculated based on the cost of property, plant and equipment, excluding land.

The Company reports commitments of total €64,291 to suppliers of property, plant and equipment as at 31 December 2017.

Movements in the items of property, plant and equipment in 2017 are presented in the following table.

2017	Land	Buildings	Equipment	P, P&E being acquired and advances	Total EUR
Cost					
At 1 Jan 2017	92,803	5,150,945	6,163,801	253,772	11,661,321
Additions during the year				544,980	544,980
Additions from ongoing investments	37,272	147,513	271,059	–455,844	0
Disposals during the year			–629,509	–81,682	–711,191
Impairment of assets		0	0		0
AT 31 DEC 2017	**130,075**	**5,298,458**	**5,805,351**	**261,226**	**11,495,109**
Accumulated depreciation					0
At 1 Jan 2017		1,330,564	3,232,489	0	4,563,053
Depreciation of the year		137,893	413,194		551,087
Disposals during the year			–562,968		–562,968
Impairment of assets		0	0		0
AT 31 DEC 2017		**1,468,457**	**3,082,715**	**0**	**4,551,172**
Carrying amount					
At 1 Jan 2017	92,803	3,820,380	2,931,313	253,772	7,098,268
AT 31 DEC 2017	**130,075**	**3,830,000**	**2,722,636**	**261,226**	**6,943,937**

Movements in the items of property, plant and equipment in 2016 are presented in the following table.

2016	Land	Buildings	Equipment	P, P&E being acquired and advances	Total EUR
Cost					
At 1 Jan 2016	92,803	5,312,781	6,216,414	164,088	11,786,086
Additions during the year				211,522	211,522
Additions from ongoing investments		0	125,215	–121,838	3,376
Disposals during the year			–32,317		–32,317
Impairment of assets		–161,836	–145,511		–307,347
AT 31 DEC 2016	**92,803**	**5,150,945**	**6,163,801**	**253,772**	**11,661,321**
Accumulated depreciation					0
At 1 Jan 2016		1,211,225	2,825,494	0	4,036,719
Depreciation of the year		141,037	472,746		613,783
Disposals during the year			–20,933		–20,933
Impairment of assets		–21,698	–44,818		–66,516
AT 31 DEC 2016		**1,330,564**	**3,232,489**	**0**	**4,563,053**
Carrying amount					
At 1 Jan 2016	92,803	4,101,556	3,390,920	164,088	7,749,367
AT 31 DEC 2016	**92,803**	**3,820,380**	**2,931,313**	**253,772**	**7,098,268**

Compared to their balance at the beginning of the year, the amount of property, plant and equipment decreased by €154,331 in 2017 (2016: a decrease of €651,099). Movements in property, plant and equipment relate to new acquisitions amounting to €544,980 (2016: €211,522); depreciation in the amount of €551,087 (2016: €613,783); and disposal of equipment and ongoing investments of €148,223 (2016: €11,384). The Company disposed of an ongoing investment in the Lanthieri Manor, worth €81,682.

No items of property, plant and equipment were acquired under a financial lease.

12.02.03 LONG-TERM INVESTMENTS

Investments of all categories are initially recognised at fair value. The Company discloses separately long-term and short-term investments.

Long-term investments are those that the investing company intends to hold for a period of more than one year. Long-term investments comprise investments in equity of subsidiaries, in shares and stakes of companies, other financial investments and long-term loans. They are classified as available-for-sale financial assets measured at cost.

Short-term investments are held by the company for a period of up to one year and include investments in shares and stakes of companies, other financial investments and short-term loans and deposits.

Investments are recognised on the transaction date. The same applies to the ordinary disposal of investments. Long-term investments in equity of subsidiaries (with over 50 percent holding), which are included in the consolidated financial statements, and in equity of associates where the parent's holding ranges from 20 to 49.9 percent, are measured at cost. Participation in the profits of a subsidiary is recognised in profit or loss of the parent when a relevant decision is adopted on the appropriation of profits. If the investment in a subsidiary is impaired due to a loss incurred by a subsidiary, the impairment loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows. Following the merger of subsidiary JOD to the parent as at 31 December 2016, the Company transferred its share in the merged entity to the associated company Knešca.

Long-term investments in equity of others that are not quoted in an active market and whose fair value can not be determined reliably, are recognised at cost.

Investments in other shares and stakes of the companies are initially designated as financial assets available for sale, which are measured at fair value through equity.

Investments in loans and deposits are recognised at amortised cost. Initial values of the investments are equal to the amount of cash or other assets invested on the day of an individual investment.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

The revaluation of investments due to impairment is recognised as soon as compelling reasons arise, but no later than at the end of the accounting period. Impairment is based on the objective evidence resulting from events after the initial recognition, such as business data, or data on the revised carrying amount of the investment. Objective reasons for investment impairment test arise when fair value of a financial asset falls 20 per cent below its cost as at the balance sheet date. Investment impairment test is carried out separately for each investment or a group of investments.

Loss resulting from permanent impairment of a financial asset rather than a short-term decrease in its fair value is recognised as a financial expense. Impairment loss is the difference between the carrying amount of the investment and the present value of estimated future cash flows.

Change in fair value of available-for-sale financial assets is recognised directly in equity as a revaluation surplus.

In accordance with SAS 3 (2016), which describes accounting treatment of investments, investments are classified into the group of available-for-sale financial assets.

The Company acquired a 47.27 percent stake in the small hydro power plant Knešca at Most na Soči. Despite being a holder of a significant (47.27 percent stake) in Knešca compared to the other ten (10) individual owners of minority interests, E 3, has so far not appointed its representative in the management board of Knešča. The value of the stake was determined based on the valuation.

As one of the founders, E 3 holds a 5.26 percent stake in the »Aeronavtični muzej bratov Rusjan« in Nova Gorica.

As at 31 December 2017, the Company reports long-term loan granted to Gostol-Gopan for the construction of a hot water connection and a heat exchange station, the construction of which is co-financed by E 3. The loan was granted for a period of 5 years, and the borrower pays contractually agreed interest monthly based on the invoice for the supply of heat. After the expiry of the period, the loan granted will be offset by the transfer of ownership of the hot water connection and heat exchange station to E 3.

LONG-TERM INVESTMENTS		EUR
	31. 12. 2017	31. 12. 2016
Investments in shares of group companies		
JOD d.o.o.	0	615,569
Impairment of investment in JOD	0	–131,576
Book value of investment in JOD	**0**	**483,993**
Investments in stakes of associates		
MHE Knešca	483,993	0
Other shares and stakes		
"Aeronavtični muzej" Nova Gorica	20,000	20,000
Total	20,000	20,000
Long-term loans to others		
Long-term loan to Gostol-Gopan	78,779	78,779
Long-term deposit at Nova KBM, d.d.	4,200	4,200
Total	82,979	82,979
TOTAL	**586,972**	**586,972**

MOVEMENTS IN INVESTMENTS IN 2017				EUR
	Investments in shares of group companies	Other shares and stakes	Long-term loans to others	Total
At 1 Jan 2017	**483,993**	**20,000**	**82,979**	**586,972**
Increases	0	0	0	0
Reduction due to investment impairment	0	0	0	0
AT 31 DEC 2017	**483,993**	**20,000**	**82,979**	**586,972**

12.02.04 LONG-TERM OPERATING RECEIVABLES

After initial recognition, receivables are measured at amortised cost as the amount at which the receivable is measured at initial recognition less amortisation and impairment due to its uncollectibility. Operating receivables falling due in the next twelve months, are disclosed in the balance sheet as short-term trade receivables, while those maturing in a period of more than twelve months are recognised as long-term operating receivables.

		EUR
	31. 12. 2017	31. 12. 2016
Long-term operating receivables	126,875	0
TOTAL	**126,875**	**0**

The Company discloses long-term operating receivables from the sale of an existing heating and cooling facility in Lanthieri manor in Vipava, as the supply of heat and air conditioning to the manor is now provided by a system of heat pumps of the University of Nova Gorica. According to the sale contract, consideration of €145,000 is payable in 120 consecutive monthly instalments. Instalments that mature over a period of more than twelve months after the balance sheet date are recognised as long-term operating receivables. The final instalment is due on 5 September 2027.

12.02.05 DEFERRED TAX ASSETS

Deferred tax assets are the amounts of income tax that will be credited in the future with respect to deductible temporary differences, the transfer of unused tax losses to the next periods, and the transfer of unused tax credits into subsequent periods.

Deferred tax assets for deductible temporary differences are recognised if it is probable that sufficient amount of taxable profit will be available in future against which deductible temporary differences can be utilised.

Deferred tax assets for all deductible temporary differences arising from investments in subsidiaries, affiliates and associates, as well as from interests in joint ventures are recognised if and only if it is probable that temporary differences will be eliminated in the foreseeable future and taxable profits will be available in the future against which temporary differences can be utilised.

Deferred tax assets for unused tax losses and tax credits are recognised if it is probable that future taxable profits will be available against which these unused tax losses and unused tax credits can be utilised.

An entity reassesses on each reporting date previously unrecognised deferred tax assets and recognises deferred tax assets if it is probable that future taxable profit will be available against which deferred tax assets can be utilised. An enterprise reduces the carrying amount of deferred tax assets if it is no longer probable that sufficient taxable profit will be available in future against which some or all of such deferred tax assets can be utilised. Any such reduction is reversed if it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are offset if and only if the entity has a legal right to offset current tax receivables and assessed tax liabilities, and deferred tax assets and liabilities relate to corporate income tax payable to the same tax authority.

The Company reports €502,848 of deferred tax assets. In fiscal year 2017, the tax rate rose from 17 percent applied in the previous year to 19 percent.

Effects of differences between the accounting value of items disclosed in the balance sheet and their tax value are calculated in accordance with the balance sheet liability method for all temporary differences. Deferred tax assets are the amounts of tax recognised on account of provisions and allowances for receivables that will be utilised in future periods based on deductible temporary differences, and on account of unused tax losses based on amendments to the Corporate Income Tax Act.

DEFERRED TAX ASSETS			EUR
	On account of deductible temporary differences	On account of unused tax losses	Total
At 1 Jan 2017	**466,245**	**5,473**	**471,717**
Increase	36,604	0	36,604
Decrease	0	–5,473	–5,473
AT 31 DEC 2017	**502,848**	**0**	**502,848**

12.02.06 SHORT-TERM OPERATING RECEIVABLES

A receivable is recognised in the accounting records and the balance sheet as an asset if it is probable that economic benefits associated with it will flow to the entity and if their original values can be determined reliably. Receivables of all categories are initially recognised at amounts arising from the relevant documents under the assumption that they will be paid. Subsequent increases or decreases in receivables increase or reduce operating or financial revenues or expenses. Subsequent increases or decreases in receivables are primarily changes in their value due to subsequent discounts, returns of goods sold, recognised complaints or errors found afterwards.

On initial recognition, receivables are measured at amortised cost. Amortised cost of a receivable is the amount at which the receivable is measured at initial recognition less amortisation and impairment due to uncollectibility. Operating receivables falling due in the next twelve months, are disclosed in the balance sheet as short-term operating receivables, while those maturing in a period of more than twelve months are recognised as long-term operating receivables.

Receivables denominated in foreign currencies are translated into the local currency at the exchange rate of the European Central Bank on the balance sheet date. Increase in receivables increases financial revenue, while decrease increases financial expenses.

Operating receivables are revalued to account for their impairment when objective reasons occur or at the end of the accounting period. Impairment is recognised on the basis of objective evidence resulting from events occurring subsequent to initial recognition, such as operating data and similar evidence.

Receivables which are not expected to be settled or are not settled within the agreed terms, are deemed doubtful and disputed. Allowances are recognised for both doubtful and disputed receivables.

Doubtful and disputed receivables include:

- outstanding receivables originating from before financial year 2017,
- disputed receivables (enforcements),

- receivables due from business partners undergoing bankruptcy and compulsory settlement.

Doubtful and disputed receivables were impaired in 2017 and 2016 according to the individual receivable and business partner. Thus, in 2017, the Company recognised allowances of 1.36 percent of total receivables (2016: allowance of 1.67 percent). The Company recovered 2.28 percent of impaired receivables in 2017 (2016: 5.35 percent), and 3.56 percent of receivables that were written-off (2016: 13.73 percent).

Receivables on account of electricity supplies to large business customers are insured at Zavarovalnica Triglav d.d. insurance undertaking.

While other receivables are not insured, in the event of default by a customer and after no response to several reminders, the Company terminates the contract for the supply of electricity to the customer who defaulted on payment.

SHORT-TERM OPERATING RECEIVABLES		EUR
	31. 12. 2017	31. 12. 2016
Short-term receivables due from sales		
– from group companies	26,682	27,232
– on domestic market	20,906,525	19,243,336
– on foreign markets	575,058	479,263
Allowances	–2,100,690	–1,954,480
TOTAL	19,407,575	17,795,352
Interest receivable		
– from group companies	12	3
– from other customers	251,199	232,637
Allowances	–201,333	–178,322
TOTAL	49,878	54,319
Advances		
Advances granted	20,940	33,926
Allowances	–17,663	–17,663
TOTAL	3,277	16,263
Other operating receivables		
– from group companies	0	0
– from government and other institutions	1,164,830	917,727
– from employees	0	0
– from others	33,970	35,410
Allowances	–15,140	–15,140
TOTAL	1,183,660	937,997
TOTAL SHORT-TERM OPERATING RECEIVABLES	**20,644,390**	**18,803,930**

Short-term receivables from sales and interest receivable increased by €1,607,782 compared to the previous year, while other operating receivables rose by €245,663. The increase in short-term operating receivables is mainly due to an increase in the sale of electricity to household customers compared to the previous year.

ALLOWANCES FOR SHORT-TERM OPERATING RECEIVABLES		EUR
	2017	2016
At 1 Jan	**2,165,604**	**2,263,939**
Collected written-off receivables	–49,292	–121,015
Final write-off of receivables	–76,990	–310,942
Allowances recognised in the year	295,505	333,623
AT 31 DEC	**2,334,826**	**2,165,604**

Maturity of accounts receivable and interest receivable is presented in the table below.

MATURITY OF RECEIVABLES		EUR
	31. 12. 2017	31. 12. 2016
Not past due	16,584,551	15,089,508
Due and outstanding up to 30 days	1,838,392	1,571,709
Due and outstanding from 31 to 60 days	531,118	470,685
Due and outstanding from 61 to 90 days	192,703	205,635
Due and outstanding from 91 to 365 days	206,098	352,509
Overdue for more than 365 days	104,590	159,625
TOTAL RECEIVABLES	**19,457,452**	**17,849,670**

Of total receivables as at 31 December 2017:

- 84.23 percent has not matured (2016: 84.54 percent);
- 9.45 percent of receivables are due and outstanding up to 30 days (2016: 8.81 percent);
- 2.73 percent of receivables are due and outstanding between 31 and 60 days (2016: 2.64 percent);
- 2.59 percent of receivables are due and outstanding in excess of 60 days which is equal to €503,392 (2016: 4.02 percent or €717,769.

Other short-term operating receivables are due from the government on account of the difference between the charged and as yet unrecognised VAT in the amount of €1,113,164; income tax prepayments of €50,793 (2016: €917,604); receivables due from SODO for free-of-charge use of the network and contributions in the amount of €7,653 (2016: €20,270); while the remaining amount relates to receivables due from the post offices and banks arising from incoming payments of electricity bills and other receivables. Other short-term receivables include €8,585 due from the former owners of Knešca after E 3 paid-in the outstanding contributions due from the former owners on acquisition of a stake in the associated company. The Company recognised allowance for these receivables as they are subject to a litigation.

12.02.07 CASH AND CASH EQUIVALENTS

	31. 12. 2017	31. 12. 2016
		EUR
Cash at bank	1,203,082	1,267,308
TOTAL	**1,203,082**	**1,267,308**

Cash and cash equivalents comprise:

- cash in hand,
- deposit money in accounts in bank,
- cash in transit,
- cash equivalents which comprise investments that can be quickly and without significant risk converted into a predetermined amount of money (eg. deposits with maturity of up to three months).

Cash comprises cash on hand in the form of bank notes and coins, as well as cheques received.
Deposit money is cash in bank accounts, or deposited with another type of financial institution and may be used for payment purposes.

Cash in transit is the cash being transferred from a cash register or a safe deposit box to a relevant account in a bank or another type of financial institution, and is not credited to that account on that same day.

Cash is initially recognised at the amount arising from the relevant document.

Cash denominated in foreign currencies is translated into local currency at the reference rate of the European Central Bank as at the balance sheet date. Exchange rate differences resulting from changes in foreign exchange rates are recognised either as a financial income or expense.

Cash includes monetary assets in business accounts at banks.

MOVEMENTS IN CASH AND CASH EQUIVALENTS		EUR
	2017	2016
Opening balance of cash	1,267,308	374,644
Net cash inflow or outflow for the period	–64,225	892,664
CLOSING BALANCE OF CASH	**1,203,082**	**1,267,308**

12.02.08 SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME

Deferred costs and accrued income include short-term deferred costs or expenses that are expected to arise within a period of twelve months and whose occurrence is probable, their amount can be reliably estimated but which do not yet affect profit or loss, as well as accrued income accounted for in profit or loss but not invoiced in 2017. The Company applied the same accounting treatment in 2016.

Short-term deferred costs and accrued income include:

- VAT on advances received and prepayments;
- Short-term deferred costs comprise: €5,083 of accrued costs of sponsorship; deferred costs of services provided to the parent of €77,748; deferred costs of commission due on contracts for the supply of electricity of €858,757, which are expensed proportionally over the entire period of the contract (2016: €1,005,487); and €7,464 of other deferred costs.
- Short-term accrued income consists of €36,759 of excise duty refund (2016: €164,850); provisions for electricity supplied in the amount of €29,090 (2016: €27,530); accrued income for the supply of heat and electricity produced in the amount of €51,089; accrued income on account of the grant received for the 3Smart project of €48,423, and accrued income from insurance proceeds due from Zavarovalnica Triglav of €42,225.

DEFERRED COSTS AND ACCRUED INCOME		EUR
	31. 12. 2017	31. 12. 2016
VAT in advances received	162,248	144,719
Short-term deferred costs	949,052	1,016,309
Accrued income	207,586	192,380
TOTAL	**1,318,886**	**1,353,407**

12.02.09 EQUITY

Total capital is determined by the amounts invested by owners and the amounts generated in the course of operation that belong to the owners, i.e. the parent who is the owner of a 100 percent of the share capital.

Total equity of a company consists of share capital, statutory reserves, other profit reserves, fair value reserves and net profit for the financial year.

EQUITY		v EUR
	31. 12. 2017	31. 12. 2016
Share capital	6,522,017	6,522,017
Legal reserves	117,173	117,173
Other profit reserves	7,562,664	6,908,854
Fair value reserve	–64,063	–56,131
Net profit b/f from previous years	0	–420
Net profit for the year	51,102	544,426
TOTAL	**14,188,892**	**14,035,918**

In 2017, the Company generated €106,190 of profit (2016: €1,088,851). At the proposal of the Company's General Manager, the 2017 net profit was appropriated to cover €3,986 of loss brought forward (derecognition of the relative amount of actuarial losses on account of severance paid in 2017); half of the remaining profit of €51,102 was appropriated to other profit reserves, while the other half remains unappropriated.

Statement of changes in equity shows changes in equity for FY 2017 and 2016.

12.02.10 PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED INCOME

According to SAS 10 (2016), provisions are made for present obligations arising from obligating past events and are expected to be settled within a period not determined with certainty, and whose amount can be reliably estimated.

Provisions for jubilee awards and severance pay upon retirement have the nature of accrued costs. They are intended to cover expected liabilities from obligating past events, and are reduced by the incurrence of actual costs for the settlement of which they were created.

Provisions for severance pay and jubilee awards are set aside in accordance with the Slovenian legislation and are paid to employees upon retirement in the amount of estimated future payments discounted at the balance sheet date. When an employee fulfils the requirements set for retirement, he/she is entitled to termination benefits paid in a lump sum. Furthermore, employees are entitled to jubilee awards for each full ten years of service with the same employer. Provisions for termination benefits and jubilee awards are set aside using the projected unit credit method i.e. the method based on anticipated significance of individual units or the method of accounting for employee benefits in line with the work performed. The following assumptions are considered when setting aside provisions: the number of employees on the balance sheet date; their gender, age, status, salary level and total length of service, and the length of service of an individual employee on the balance sheet date; the amount of jubilee awards and severance pay in accordance with the relevant collective agreement; staff fluctuation and mortality of employees (modified Slovene mortality tables 2000-2002); 1 percent annual wage growth; 1.5 percent salary growth due to the promotion of employees; and 1.5 percent discount rate used to calculate the present value of the company's future liabilities.

Actuarial gains or losses on termination benefits are recognised directly in equity, whereas actuarial gains or losses from jubilee awards and employee benefit costs are recognised in profit or loss.

SENSITIVITY ANALYSIS OF ACTUARIAL CALCULATION

			EUR
	Provisions for jubilee awards	Provisions for severance pay	Total
0.5 percent decrease in discount rate	4,552	13,322	17,874
0.5 percent increase in discount rate	–4,226	–12,196	–16,422
0.5 percent salary increase	–4,328	–12,242	–16,570
0.5 percent salary decrease	4,626	13,252	17,878

Provisions are directly decreased by costs for the settlement of which they were originally created. Provisions are recognised based on the differences reported as at 31 December based on actuarial calculation and balances reported in the books of account.

PROVISIONS

2017				EUR
	Provisions for severance pay	Provisions for jubilee awards	Provisions for overcharged electricity	Total
At 1 Jan 2017	**192,604**	**98,351**	**20,277**	**311,232**
Formation	29,029	9,167		38,196
Utilisation	–12,379	–3,605		–15,983
Reversal	–516	–2,797		–3,313
AT 31 DEC 2017	**208,739**	**101,116**	**20,277**	**330,132**

2016				EUR
	Provisions for severance pay	Provisions for jubilee awards	Provisions for overcharged electricity	Total
At 1 Jan 2016	**122,466**	**81,936**	**20,277**	**224,678**
Formation	82,303	30,916		113,219
Utilisation	–12,121	–13,907		–26,028
Reversal	–44	–593		–637
AT 31 DEC 2016	**192,604**	**98,351**	**20,277**	**311,232**

LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE

2017			EUR
	Provisions for subsidies received on account of the DOLB project	Co-financing from the Eko fund	Total
At 1 Jan 2017	**766,031**	**4,952**	**770,983**
Formation	0	0	0
Utilisation	–42,618	–641	–43,259
Reversal	0	0	0
AT 31 DEC 2017	**723,412**	**4,311**	**727,724**

2016				EUR
	Provisions for subsidies received on account of the DOLB project	Compensation claims	Co-financing from the Eko fund	Total
At 1 Jan 2016	**808,649**	**41,041**	**0**	**849,690**
Formation	0	0	5,059	5,059
Utilisation	–42,618	–20,000	–107	–62,725
Reversal	0	–21,041	0	–21,041
AT 31 DEC 2016	**766,031**	**0**	**4,952**	**770,983**

Long-term deferred income includes revenue that will cover the estimated costs which are expected to be incurred over a period of more than one year. These consist of funds received from the Ministry of Economic Development and Technology for the co-financing of the DOLB project i.e. district heating using wood biomass at Majske Poljane. The amount of provisions set aside will be transferred to costs in the year in which the costs or expenses relating to the project are incurred in the amount equal to the depreciation charge of the assets used on the project.

12.02.11 LONG-TERM LIABILITIES

Debts are classified into financial and operating debts, while depending on their maturity they are divided into long-term and short-term debts. Long-term financial liabilities are long-term borrowings raised for investment activity.

Liabilities are initially recognised in the amounts arising from the corresponding documents about their incurrence, under assumption that creditors demand their payment. Long-term liabilities are increased by accrued interest, for which an agreement with creditors exists, and decreased by repaid amounts and any other settlements in agreement with the creditor. They are also reduced by the amounts, which will have to be repaid in the next twelve months, as they are recognised under current liabilities. Accrued interests on long-term debt are included in financial expenses.

Long-term and short-term debts denominated in foreign currencies are translated into the local currency at the exchange rate of the European Central Bank on the day of occurrence. Exchange rate differences accrued by the settlement date or the balance sheet date are recognised as either financial income or expense.

Short-term liabilities can subsequently be increased (irrespective of any payments or other settlement), or decreased by the amounts agreed with creditors. Subsequent increases of short-term liabilities increase the relevant operating or financial expenses.

After initial recognition liabilities are usually measured at amortised cost using the effective interest rate to the extent that costs have a significant impact on the change in the effective interest rate. Debts for which the agreed or contractual interest rate does not significantly differ from the effective interest rate, are recognised on the balance sheet at their initial value less any repayments made.

Liabilities are written-off after the limitation period has expired whereas before that period has elapsed, they may be written-off if so agreed in writing with the creditor.

The book value of long-term liabilities is equal to their initial value, less the amounts that mature within a period of one year, which are transferred to short-term liabilities. Interest on long-term liabilities is recorded as financial expenses or as increase in the cost of the underlying asset until it is made ready for its intended use.

LONG-TERM FINANCIAL LIABILITIES		EUR
	31. 12. 2017	31. 12. 2016
Eko sklad, j.s.	425,000	491,667
Current amount of long-term liabilities	–66,667	–66,667
TOTAL LONG-TERM LIABILITIES	**358,334**	**425,000**

The book value of long-term liabilities is equal to their initial value, less the amounts that mature within a period of one year, which are transferred to short-term liabilities. The current amount of long-term loans of €66,667 is reported in the balance sheet as short-term financial liabilities (2016: €66,667).

Long-term financial liabilities refer to borrowings raised by the merged company ECO ATMINVEST in 2010 from the Eko sklad, j.s. for the environmental investment into the Energy Facility and the Heating plant at Majske poljane. The two borrowings of €400,000 each are collateralised with four signed blank bills with an irrevocable mandate to encash the bill of exchange and by pledge of real estate and equipment owned by the borrower.

Interest on long-term liabilities is recognised as financial expenses.

The final instalment of long-term borrowings is due on 31 October 2023 and 31 July 2024 respectively.
The borrowings were agreed at the interest rate of 3-month EURIBOR + 1.5 percent.

No long-term borrowings were raised by the Company in 2017 or 2016.

12.02.12 SHORT-TERM LIABILITIES

Short-term liabilities are liabilities that mature in a period of less than one year.

SHORT-TERM LIABILITIES		EUR
	31. 12. 2017	31. 12. 2016
Short-term financial liabilities	73,667	73,667
Current amount of long-term borrowings	66,667	66,667
Short-term bank borrowings	0	0
Total short-term financial liabilities to banks	66,667	66,667
Short-term financial liabilities to group companies	0	0
Short-term financial liabilities to others	7,000	7,000
Short-term operating liabilities	15,426,319	13,774,277
Liabilities to group companies	35,029	79,436
Supplier payables	13,987,443	12,382,182
Payables for advances	918,570	821,930
Total short-term supplier payables	14,941,041	13,283,548
Liabilities to group companies	0	0
Payables to employees	151,443	122,003
Payables to the Sate and other institutions	319,010	351,336
Other liabilities	14,824	17,390
Total other short-term operating liabilities	485,278	490,729
SHORT-TERM OPERATING LIABILITIES	**15,499,986**	**13,847,944**

Short-term liabilities are disclosed separately as short-term financial liabilities and short-term operating liabilities.

Short-term financial liabilities include instalments payable in 2017 on long-term borrowings from banks. The borrowings were agreed at the interest rate of a 3-month EURIBOR + 1.5 percetn and eight signed bills with an irrevocable statement including a signed authorization to encash the bills, and a pledge of real estate as agreed in the contract.

Compared to the previous year, supplier payables rose by €1,657,494 or 12.48 percent mainly due to an increase in outstanding but not matured liabilities for the use of the electricity network and relevant contributions payable to SODO, as well as liabilities for electricity supplied by Holding Slovenske elektrarne d.o.o.

Majority of operating liabilities relate to the supplied electricity in the amount of €7,693,931 (2016: €6,525,406) payable to Holding Slovenske elektrarne, Petrol d.d. and other electricity producers. In addition, the Company reports an operating liability for account of others payable to SODO and ELES for the use of the electricity network, and to Borzen and Eko sklad for contributions of total €5,585,618 (2016: €5.055.323).

Short-term operating liabilities for advances relate to received overpayments and credits based on annual settlement of electricity supplied to household customers of €918,570 (2016: €774,814).

Payables to employees are obligations for the December payroll and for one part of the bonus payable for successful performance in 2017.

Payables to the State and other institutions arise from the December salary and contract work; the December excise duty payable on the sale of electricity and gas of €314,712; payables for employment contributions of €4,573; and VAT payable amounting to €612.

12.02.13 SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE

Short-term accrued costs and deferred income include accrued costs (expenses) and short-term deferred income. Short-term accruals and deferrals may only be used for items for which they were initially recognised.

SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE		EUR
	31. 12. 2017	31. 12. 2016
VAT in advances granted	28	1,771
Accrued expense	576,728	653,877
TOTAL	**576,756**	**655,648**

Short-term deferred costs and accrued income include:

- €8,000 of concession fee payable to the Šempeter-Vrtojba Municipality based on the Concession Agreement for district heating of the Podmark residential complex. The municipality has not yet issued an invoice for the concession fee for the 2017 fiscal year.
- Accrued costs of annual leave entitlement not utilised in 2017 of €69,073 (2016: €59,888).
- Accrued costs of electricity purchased in 2017 of €488,593. The invoice will be issued by the Holding Slovenske elektrarne in 2018.
- Accrued expenses on account of grants received of €9,652 (2016: €29,050). The relevant conditions have been met and contracts concluded, however the payment has yet to be made. As a major contributor to the drafting of an energy efficiency improvement program relating to final customers, E 3 grants financial incentives for projects aimed at increasing efficient energy use. These financial incentives are intended to co-finance the implementation of investments aimed at increasing the efficient use of energy.

12.03 NOTES TO THE INCOME STATEMENT

The Company compiles its income statement under provisions of SAS 21 (2016), Format I.

Revenue is recognised if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and those increases can be measured reliably. Revenues and increases of assets or decreases in liabilities are recognised simultaneously.

Operating revenues comprise sales revenue based on invoices issued according to the agreed prices and sold quantities of:

- purchased electricity,
- produced energy and heat from co-generation,
- produced electricity from solar power plants and small wind farms.

Operating revenues include revenue from the sales of services and revaluation operating revenue from the sale of real estate.

In 2017 and 2016, the Company charged electricity based on a monthly calculation of actual consumption, in accordance with individual contracts agreed with customers and traders. The selling price of electricity is negotiated with individual customer.

The Company uses three different methods of invoicing:

- to large business customers: monthly invoicing of actual consumption;
- to small business customers (monthly consumption): based on monthly reading of meters;
- to household customers: twelve advance payments and an annual settlement of actual consumption based on meter readings or monthly settlement of actual consumption.

The electricity produced in 2017 was purchased by Borzen, the organizer of the electricity market, or else it was purchased by the Company as part of its marketing activities for electricity resale on the market. For the sale of electricity to Borzen the difference between the market price and the price recognised by the Government of the Republic of Slovenia is invoiced to Borzen, who was on 1 January 2009, appointed a Support Centre pursuant to the Regulation of the Government of the Republic of Slovenia.

In 2017 and 2016, the Company purchased electricity from Holding Slovenske elektrarne, Petrol, and other electricity distributors from Slovenia and the European Union. Some of the energy sold was produced by the Company's own production and also by qualified electricity producers.

12.03.01 OPERATING REVENUE

Operating revenue is measured based on the selling prices reported in the invoices and other documents, reduced by any discounts granted.

OPERATING REVENUE		EUR
	2017	2016
Net sales	71,369,617	64,281,253
- electricity	69,081,390	61,298,374
- energy produced	1,173,603	1,695,737
- heat produced	950,224	995,567
- merchandise	13,297	7,858
- services	150,583	277,361
- rent	521	6,357
Capitalised own products and services	58,702	18,052
Other operating revenue	384,319	470,125
- reversal of provisions	47,469	66,968
- sale and reversal of fixed assets' impairment	39,561	767
- penalties charged for supplies of electricity	37,792	30,748
- other contractual penalties charged	14,551	0
- receivables recovered	50,217	130,251
- insurance proceeds	53,799	782
- subsidies received	48,423	17,221
- refund of excise duty	36,759	164,850
- revenues from reminders	43,880	44,370
- refund of recovery costs	11,514	13,470
- other operating revenues	355	698
TOTAL OPERATING REVENUE	**71,812,638**	**64,769,430**

Net sales revenue increased by €7,088,364 or 11.03 percent compared to the previous year.

Revenues from the sale of electricity are up by €7,783,016 or 12.70 percent due to the increased number of household customers compared to the previous year.

Sales from co-generation of energy and heat in production units Meblo, Kenog, Martex, Park, Perla, Sabotin, Majske Poljane and Podmark reached €2,100,862 in 2017. Compared to 2016, this is a reduction of 21.28 percent, mainly due to cessation of production at the Kenog plant.

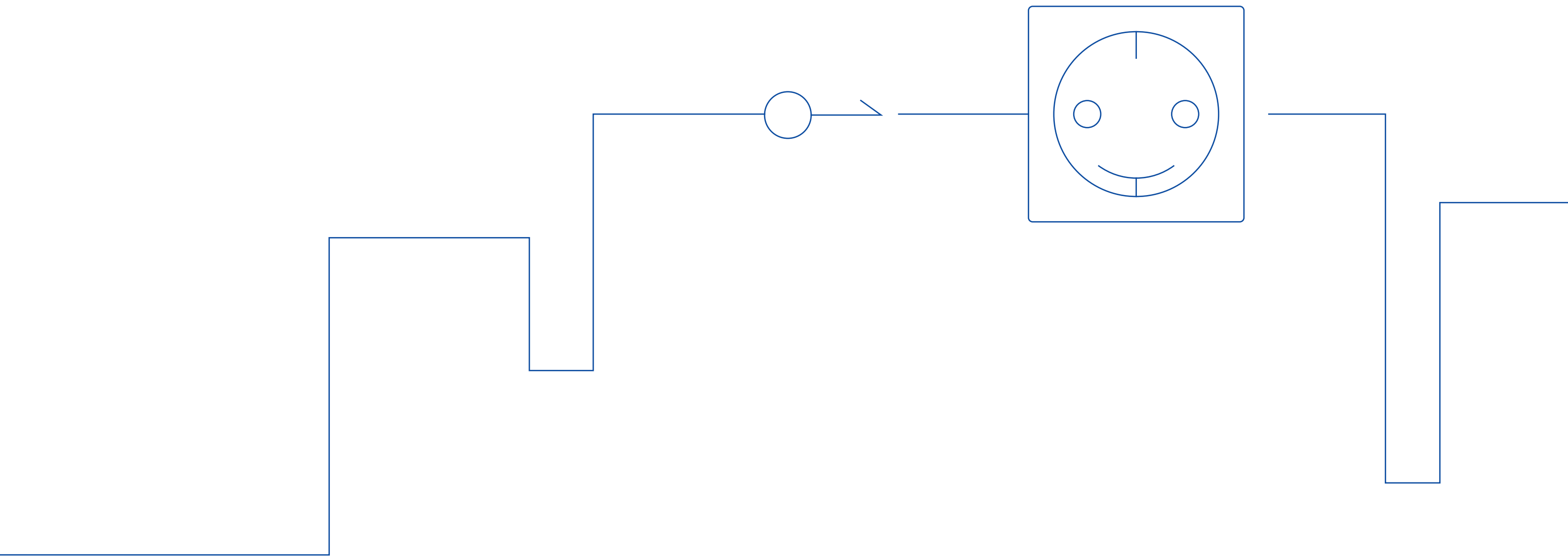
Sale of electricity produced by solar and wind power plants reached €22,965 in 2017, up 2.47 percent on the previous year.

Other operating income includes:

- revenue from the reversal of provisions equal to the amount of depreciation of assets co-financed by the DOLB project;
- revaluation operating revenues relating to the gains on the sale of fixed assets and recovery of impaired receivables for electricity supply;
- contractual penalties charged based on the contracts for the supply of electricity and the supply of low quality pellets of the SPS service;
- compensation received, receipts from reminders and income from refund of receivable recovery costs.

VAT, excise duty, contributions and fee for the use of the network on electricity invoices are not considered revenue from sales, but rather as a deductible obligation.

OVERVIEW OF SALES REVENUE BY COUNTRY		EUR
	2017	2016
Slovenia	67,100,226	59,100,112
Italy	4,266,242	5,178,367
Croatia	1,443	1,503
Montenegro	582	527
Macedonia	1,123	744
TOTAL	**71,369,617**	**64,281,253**



12.03.02 OPERATING EXPENSES

Expenses are recognised when decreases in economic benefits in a period are associated with the reduction in assets or increase in liabilities and these decreases can be measured reliably. Expenses are recognised simultaneously with the recognition of the decrease in assets or increase in liabilities.

Operating expenses include all expenses incurred in the financial year, recorded by natural types, such as costs of materials and services, employee benefit costs, write-downs and other operating expenses, based on documents that prove that they are associated to the economic benefits.

A ANALYSIS OF COSTS BY FUNCTIONAL GROUPS

A total €310.440 of revaluation expenses is not included in the analysis of costs by functional group since these are reported in the income statement as write-downs.

		EUR
	2017	2016
Production costs	64,664,370	55,997,492
Selling expenses	5,084,196	5,248,273
General and administrative expenses	1,782,383	1,783,849
TOTAL	**71,530,948**	**63,029,614**

B ANALYSIS OF COSTS BY NATURAL TYPES

COST OF GOODS, MATERIALS AND SERVICES

		EUR
	2017	2016
Cost of electricity sold	62,524,572	53,229,493
Cost of merchandise	10,404	1,890
Cost of materials	1,439,993	1,933,934
Cost of services	5,046,431	5,347,593
TOTAL	**69,021,400**	**60,512,910**

Cost of goods sold in 2017 and 2016 refers to the costs of electricity purchased based on contracts concluded with suppliers of energy from Slovenia, the European Union, and the cost of electricity from the Company's own production.

The cost of electricity sold includes the purchase price of electricity:

- based on concluded contracts with suppliers of electricity in Slovenia in the amount of €60,709,996 (2016: €52,475,889),
- purchased from small hydro power plants amounting to €786,802 (2016: €742,785),
- purchased from the European Union in the amount of €1,027,450 (2016: €10,819).

The cost of merchandise sold refers to the purchase of pellets and rechargeable electrical station for resale to final customers.

Material costs include the cost of energy, gas and pellets used in the production of energy and heat in the amount of €1,240,384 (2016: €1,759,130); fuel and energy consumed of total €19,353 (2016: €20,848); materials used in maintenance of fixed assets amounting to €60,772 (2016: €42,763); office supplies of €103,968 (2016: €92,870); professional and other literature in the amount of €4,095 (2016: €9,546), small tools of €4,208 (2016: €5,402); and cost of other materials of total €2,523 (2016: €3,375).

Cost of services comprises the cost of the network relating to the sale of electricity to Italy of €334,935 (2016: €413,559); rent paid on facilities and equipment in the amount of €129,385 (2016: €102,500); maintenance costs of production facilities and software amounting to €156,070 (2016: €174,717); reimbursement of costs associated with labour of €7,636 (2016: €2,151); bank charges and commission paid amounting to €193,656 (2016: €206,933); costs of brokerage, purchase and recovery amounting to €2,107,346 (2016: €2,081,596); insurance premiums paid of total €99,212 (2016: €64,854 - the increase is due to insurance premium paid for insurance of receivables for electricity supplies to business customers in 2016); data processing services amounting to €396,666 (2016: €360,663); postal services amounting to €659,485 (2016: €600,182), advertising, sponsorship and marketing costs in the amount of €219,666 (2016: €407,078) and other services, including services provided by the parent company in the amount of €742,375 (2016: €933,363).

A 5 percent reduction in costs is mostly due to high costs of marketing activities incurred in 2016 and on account of the cost of electricity savings.

The cost of services include €4,200 of the audit fee paid to the auditing firm for the audit of the annual report.

EMPLOYEE BENEFIT COSTS

		EUR
	2017	2016
Payroll cost	1,209,811	1,205,125
Cost of supplementary pension insurance	57,777	56,385
Cost of contributions and other levies on salaries	208,361	203,464
Other labour costs	224,498	235,394
TOTAL	**1,700,447**	**1,700,369**

Other labour costs include pay for annual leave of €83,651 (2016: €78,834).

As at 31 December 2017, the Company had 49 employees, while according to the collective agreement, 48 employees received salary in 2017.

The Company is represented by Darko Pahor, General Manager, who was not granted any loans or guarantees for liabilities in 2017.

					EUR
	Fixed salary	Reimbursement of costs	Benefit- insurance premium	Other receipts and benefits	Total
Darko Pahor	76,981	1,576		7,559	86,116

who was not granted any loans or guarantees for liabilities in 2017.

WRITE-DOWNS

		EUR
	2017	2016
Amortisation of intangible assets	232,460	175,755
Depreciation of buildings	137,893	141,037
Depreciation of equipment	413,194	472,746
Total amortisation and depreciation	783,547	789,539
Revaluation expenses from:		
- fixed assets	30	248,590
- current assets	310,409	333,623
Total revaluation expenses	310,440	582,212
TOTAL WRITE-DOWNS	**1,093,987**	**1,371,751**

A 20.25 percent reduction in write-downs compared to the previous year is due to a decrease in revaluation expenses from impairment of fixed assets.

Each group of assets has a technical depreciable fixed period of life, based on which the depreciation rate is calculated. Fixed assets are depreciated on a straight-line basis; depreciation is calculated on an individual item of fixed assets based on its cost. Depreciation rates did not change compared to those used in 2016. The depreciation accounts for 1.09 percent of total expenses incurred by the Company, down 0.15 percentage points compared to the previous year.

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

DEPRECIATION RATES		in percents
	2017	2016
Real estate	2.00–5.00	2.00–5.00
Computer hardware and software	8.33–33.30	8.33–33.30
HGV vehicles	12.50	12.50
Cars	12.50	12.50
Other property, plant and equipment	5.00–20.00	5.00–20.00

Operating expenses from revaluation arise upon impairment or disposal of property, plant and equipment and intangible assets, and in relation to current assets due to their impairment.

Operating expenses from revaluation of current assets amounting to €242,588 (2016: €281,710) relate to operating receivable allowances recognised in 2017 mainly for supplies of electricity and impairment of default interest receivable.

OTHER OPERATING EXPENSES

		EUR
	2017	2016
Total provisions	0	0
Non-refundable financial incentives	13,825	11,234
Duties independent of profit or loss	20,904	22,687
Environmental protection expenditure	4,000	4,110
Awards to students on work experience	649	0
Total other costs	25,554	26,797
TOTAL OTHER OPERATING EXPENSES	**39,379**	**38,031**

Other operating expenses include:

- non-refundable financial incentives paid to end consumers of electricity from the URE fund for 2017;
- other costs of duties independent of profit or loss inclusive of tolls and court fees, compensation paid for the use of urban land and contributions paid due to the failure to reach the quota set for employment of disabled persons.

12.03.03 FINANCIAL INCOME

Financial income arises in connection with financial investments and receivables in the form of accrued interest. They are recognised when there is no doubt about their size and collectibility.

FINANCIAL INCOME		EUR
	2017	2016
Shares and interests	94,546	76,607
Loans granted	4,970	4,968
Operating receivables	82,156	90,693
TOTAL	**181,672**	**172,268**

Financial income comprises the transfer of a share in the net profit of associate company Knešca; accrued contractual interest on loans granted to other companies; default interest charged on late payment of trade receivables and outstanding amount of matured receivables at the end of the year (mainly due to late payment of outstanding receivables for supplied electricity in the amount of €71,028; 2016: €81,845), and interest on sight deposits.

Year-on-year comparison shows that financial income rose by 5.46 percent, mainly on account of income from shares and interests.

12.03.04 FINANCIAL EXPENSES

Financial expenses include accrued interest on financial liabilities to banks and to suppliers.

FINANCIAL EXPENSES		EUR
	2017	2016
Financial liabilities to banks	8,873	13,664
Financial liabilities to group companies	12	90
Financial liabilities on account of actuarial calculations	5,819	6,132
Financial liabilities to suppliers	5,950	5,857
Financial liabilities to others	15	2,395
TOTAL	**20,668**	**28,138**

Financial liabilities to banks refer to interest on long-term borrowings and short-term revolving credit. Financial liabilities on account of operating activity refer to default interest on late payment of obligations, which fell by 19.71 percent compared to the previous year, mainly on account of reduction in financial expenses relating to revolving credit and other financial liabilities.

12.03.05 OTHER INCOME

Other income comprises unplanned revenues that do not occur on a regular basis.

OTHER INCOME		EUR
	2017	2016
Other income	105	480
TOTAL	**105**	**480**

12.03.06 OTHER EXPENSES

Other expenses comprise unexpected and unforeseen expenses, such as donations and financial assistance paid.

OTHER EXPENSES		v EUR
	2017	2016
Donations and financial assistance	7,730	12,894
Other expenses	19,771	11,813
TOTAL	**27,501**	**24,707**

12.03.07 CURRENT TAX AND DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

Deferred tax assets arose on temporary differences relating to provisions, formation of receivable allowances and the transfer of unused tax losses to future accounting periods.

Corporate income tax expense for the financial year encompasses current and deferred tax. Tax is recognised in profit or loss unless it relates to the items that are recognised in other comprehensive income or directly in equity.

Current tax is determined in accordance with the tax legislation enacted at the balance sheet date. The management regularly revises its approach to situations where application of individual tax legislation depends on its interpretation. Wherever suitable, the Company sets aside provisions for tax amounts that the Company anticipates will have to pay to the tax authorities.

Deferred tax assets and liabilities for income tax are accounted for using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognised. A deferred tax asset is also recognised on account of unused tax losses and unused tax credits carried forward to the next period, if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax is determined on the basis of tax rates and tax legislation enacted on the balance sheet date and for which it is assumed will be in effect when the relating deferred tax assets are realised or deferred tax liabilities are settled, and when taxable profit is available against which temporary differences can be utilised.

Deferred tax assets are reviewed on the balance sheet date and impaired for the amounts for which it is no longer expected that taxable profits will be available in the future against which those unused tax losses can be utilised.

Deferred tax assets and liabilities arising from transactions recognised directly in equity should be recognised in equity.

TAX EXPENSE RECOGNISED IN PROFIT OR LOSS		EUR
	2017	2016
Income tax payable for the current year	–15,141	–64,357
Deferred tax assets/liabilities	30,298	–113,063
TAX EXPENSE RECOGNISED IN PROFIT OR LOSS	**15,157**	**–177,421**

CHANGES IN DEFERRED TAXES RECOGNISED IN PROFIT OR LOSS		EUR
	2017	2016
Provisions	963	4,735
Receivables	34,808	28,746
Tax losses	–5,473	–119,590
Unused tax relief for investments and donations	0	–26,954
CHANGES IN DEFERRED TAX ASSETS/LIABILITIES	**30,298**	**–113,063**

CHANGES IN DEFERRED TAXES RECOGNISED IN EQUITY		EUR
	2017	2016
At 1 Jan	**5,892**	**361**
Change in the revaluation of deferred taxes on account of provisions	833	5,531
Changes in deferred tax assets/liabilities	6,725	5,892
AT 31 DEC	**6,725**	**5,892**

Total effective tax rate in 2017 was 16.65 percent. Lower and negative value of the effective tax rate in 2017 compared to 2016, when it stood at 14.01 percent, is due to a reduction in the profit generated in 2017 and deferred tax assets recognised mostly on account of the revaluation of receivables.

INCOME TAX		EUR
	2017	2016
Pre-tax profit	**91,033**	**1,266,272**
Revenues that reduce the tax base	–146,337	–207,176
Expenses that increase the tax base	417,465	453,460
Expenses that reduce the tax base	–64,173	–73,360
Expenses that reduce the tax base (error elimination)	0	0
Tax base reduction on account of tax relief	–214,655	–1,035,145
Other	–3,641	–25,478
Tax base	**79,692**	**378,573**
Tax rate	19%	17%
INCOME TAX PAYABLE	**15,141**	**64,357**
Effective tax rate on current tax	16.63%	5.08%
Increase/decrease in deferred tax	–30,298	113,063
EFFECTIVE TAX RATE	**–16.65%**	**14.01%**

Reconciliation between actual and computed tax expenditure based on effective tax rate.

DIFFERENCE BETWEEN ACTUAL AND COMPUTED TAX RATE		2017		2016
	Rate	Amount	Rate	Amount
PRE-TAX PROFIT		**91,033**		**1,266,272**
Income tax at applicable tax rate	19.00%	17,296	17.00%	215,266
Amounts increasing the tax base		80,217		77,739
- decrease in expenses to tax recognised level		79,318		77,088
- increase in revenue to taxable level		0		0
- exempt expenses, for exempt dividends		898		651
Amounts lowering the tax base		41,587		52,674
- increase in expenses to tax recognised level		12,193		12,471
- decrease in revenue to taxable level		27,804		35,220
- change in accounting method		1,590		4,982
- elimination of error from the previous period		0		0
Tax relief		40,785		175,975
- applied, decreasing the amount of tax payable		40,785		175,975
Income tax payable for the year	16.63%	15,141	5.08%	64,357
Increase/decrease in deferred tax		–30,298		113,063
TAX RECOGNISED IN PROFIT OR LOSS	**–16.65%**	**–15,157**	**14.01%**	**177,421**

12.03.08 NET PROFIT

NET PROFIT		EUR
	2017	2016
Operating result	–42,575	1,146,370
Financial result	161,004	144,130
Extraordinary operating result	–27,396	–24,228
Pre-tax profit	91,033	1,266,272
Corporate income tax	–15,141	–64,357
Deferred tax	30,298	113,063
NET PROFIT	**106,190**	**1,088,851**

The Company reports €91,033 of pre-tax profit recognised in the profit and loss account (2016: €1,266,272), and net profit of €106,190. Pursuant to a decision of the General Manager, €3,986 of net profit was appropriated to settlement of losses brought forward from previous years; one half of the remaining net profit of €51,102 was appropriated to other profit reserves, while the other half of the net profit remains undistributed.

12.03.09 TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

The Statement of Comprehensive Income shows changes in equity during the period under review, with the exception of changes resulting from transactions with the owners. Statement of comprehensive income is a true and fair presentation of all the components of the income statement inclusive of those items of income and expense that are not recognised in profit or loss, but which have an impact on the amount of equity.

Negative surplus from revaluation of actuarial benefits of €64,063 (2016: €56,131) arose on the negative amount of actuarial gains in 2017 in the amount €8,764 and the amount of revaluation surplus arising on deferred taxes amounting to €833. In 2017 and in 2016 the Company reports no surplus from the revaluation of: intangible assets and property, plant and equipment, available-for-sale financial assets, foreign companies, or from revaluation of other components of comprehensive income.

Total comprehensive income for the accounting period amounts to €98,258 (2016: €1,036,606).

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DEC			EUR
	Notes	2017	2016
NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	12.3.8	106.190	1.088.851
Fair value reserve		833	5,531
Other components of comprehensive income		–8,764	–57,776
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**12.3.9**	**98,258**	**1,036,606**

12.04 NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is compiled in accordance with SAS 22 (2016) based on the direct method (format I). The data for the cash flow statement comprise cash inflows and cash outflows from the Company's cash accounts.

CASH RECEIPTS FROM OPERATING ACTIVITIES

Receipts from operating activities consist of inflows to the business accounts and refer to proceeds from sales and other operating receipts including insurance proceeds and refunds of wage substitutes.

CASH DISBURSEMENTS FROM OPERATING ACTIVITIES

Operating expenditures are outflows from accounts consisting of operating expenses paid in the year under review such as costs of material, services, salaries, charges and other expenditure, primarily outflows on account of liabilities to SODO.

RECEIPTS FROM INVESTING ACTIVITIES

Receipts from investing are inflows arising from interest on shares in profits, as well as gains from disposal of fixed assets.

EXPENDITURE FOR INVESTING ACTIVITIES

Expenditures for investing are measured at the amount of outflows fr invoices paid for the acquisition of property, plant and equipment, intangible assets and investments.

PROCEEDS FROM FINANCING

Proceeds from financing refer to short-term overdraft facility.

CASH DISBURSEMENTS FROM FINANCING ACTIVITIES

Expenditures for financing activities refer to payments of interest and repayments of borrowings.

NET CASH INFLOW OR OUTFLOW FOR THE PERIOD

Difference between the opening and closing balance of cash is a cash outflow for the year of €64,225.

The Company reports net cash inflow from operating activities and net cash outflow from investing and financing activities, which covers operating and investing expenses.

MOVEMENTS IN CASH AND CASH EQUIVALENTS		EUR
	2017	2016
Opening balance of cash	1,267,308	374,646
Net cash inflow or outflow for the period	–64,225	892,664
CLOSING BALANCE OF CASH	**1,203,082**	**1,267,310**

Closing balance of cash of €1,203,082 relates to cash on business accounts at commercial banks.

12.05 RELATED PARTY TRANSACTIONS

Transactions between the parent and its subsidiaries, which mainly refer to the purchase and sale of merchandise, services and property, are consistently agreed at market prices. A loan to a group company was granted under the same conditions as apply to non-related companies with the same credit rating.

Transactions between related parties include receivables due from and liabilities to the parent Elektro Primorska.

RECEIVABLES		EUR
	2017	2016
Due from Elektro Primorska	26,682	27,235
Due from Elektro Primorska (default interest)	12	3
TOTAL	**26,693**	**27,238**

LIABILITIES		EUR
	2017	2016
Interest payable to JOD	0	90
Interest payable to Elektro Primorska	35,029	79,436
TOTAL	**35,029**	**79,526**

E 3 recognised the following revenues and expenses from transactions with its parent Elektro Primorska and its related parties in the statement of profit or loss.

REVENUE		v EUR
	2017	2016
Net sales to Elektro Primorska	93,613	92,216
Financial income from operating receivables due from Elektro Primorska	12	3
Financial income from JOD		76,607
Financial income from Knešca	94,546	0
TOTAL	**188,170**	**168,826**

EXPENSES		v EUR
	2017	2016
Financial expenses related to JOD	0	90
Other costs and expenses related to Elektro Primorska	402,103	404,175
TOTAL	**402,103**	**404,265**

12.06 CONTINGENT LIABILITIES

In the opinion of legal experts, none of the legal actions brought against the Company will have a significant impact on profit or loss. The Company assesses that provisions set aside for those purposes are sufficient and would cover contingent liabilities of the Company.

In its off-balance sheet records, the Company reports potential liabilities for bank guarantees issued as tender bonds and performance bonds (supply of electricity); liabilities arising from real estate pledged as collateral against the bank guarantee for the benefit of Nova KBM d.d., and small tools in use. Following the merger of the company ECO AT-MINVEST, the Company recognised the guarantee issued on borrowings raised by the acquiree as an item of property. The largest item of bank guarantees is the guarantee issued to SODO for the use of the network in the amount of €11,500,000 (2016: €9,577,644).

		EUR
	At 31 Dec 2017	At 31 Dec 2016
Small tools and protective gear in use	7,143	8,302
Liabilities for pledged real estate	0	3,654,772
Bank guarantees issued	11,703,301	9,985,945
Real estate recognised by Eco Atminvest	1,750,616	1,750,616
TOTAL	**13,461,061**	**15,399,636**

12.07 EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that could have a significant impact on the financial statements for the year ended 31 December 2017.

13 FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH THE ENERGY ACT

Pursuant to Articles 38 and 109 of the Energy Act, E 3 is required to compile financial statements separately for each of the energy activities it pursues. In accordance with the Companies Act, the Company's activities of electricity trading, co-generation of heat and power, and production of electricity from renewable sources are carried out by individual sectors, i.e. business segments and must be disclosed separately in the Company's Annual Report. The co-generation sector performs both the activity of electricity generation and the activity of district heating. In accordance with the concession agreement concluded with the Šempeter-Vrtojba Municipality, it also discloses separately the performance of services of general economic interest, i.e. activities of the system operator of the distribution network of heat for the Podmark residential complex.

At the end of each year E 3 compiles financial statements for the Company as a whole, however as an annex to the notes to the financial statements it attaches the financial statements compiled in accordance with Article 38 of the Energy Act. Thus, the Company is required to disclose separately:

- energy trading activity;
- supply of heat and in particular services of general economic interest;
- production of electricity.

Below are the criteria for:

- calculating indirect cost allocation to individual activities and
- criteria according to which assets, liabilities, revenues and expenses are allocated to individual activities.

13.01 NOTES TO THE BALANCE SHEET ITEMS

The balance sheet is a presentation of assets, and equity and liabilities as at 31 December 2017.

The division of assets and liabilities to common activities is carried out and assigned to individual activities in accordance with agreed criteria as at the balance sheet date. The method of setting the criteria is described below.

The amount of share capital was divided among activities according to the actual contribution to an individual activity, and the difference was split three ways allocating one-third to the basic activities of marketing, co-generation and production from renewable sources.

In the balance sheet as at 31 December 2017, after the allocation of results and an unchanged equity, receivables and liabilities are disclosed separately per activities that offset the sub-balance activities and are »consolidated« in the balance sheet of the Company.

13.02 NOTES TO THE INCOME STATEMENT

In the profit and loss account, revenues and expenditure are disclosed per individual activity. These are direct revenues and expenses of individual activity and revenues and expenses of general activities distributed based on agreed criteria.

Criteria for allocating revenues and expenses, as well as assets and liabilities of common activities to individual activities

Key 1	Share of employee benefit costs	$\frac{\text{labour costs of activity} \times 100}{\text{labour costs of all activities}}$
Key 1-a	Share of heat produced in co-generation	$\frac{\text{revenues from sales of heat} \times 100}{\text{revenues from sales of heat and electricity}}$
Key 2	Share of present value of intangible assets and property, plant and equipment	$\frac{\text{present value of assets of activity} \times 100}{\text{present value of assets of all activities}}$
Key 3	Share of revenues	$\frac{\text{revenues of activity} \times 100}{\text{revenues of all activities}}$
Key 6	Share of costs of materials and services	$\frac{\text{costs of materials and services of activity} \times 100}{\text{costs of materials and services of all activities}}$

Using Key 1, the income statement, balance sheet and statement of cash flows from the co-generation activity are divided into the electricity generation and heat production activities.

ADJUSTMENT OF KEYS FOR CERTAIN COSTS

In 2017, the Company made certain adjustments to the use of keys to achieve a more realistic distribution of certain costs that are recognised as costs of general services:

- The Company used customized keys to allocate employee benefit costs of common services to electricity trading, heat production and electricity generation. Furthermore, the actual hours worked by common services were considered when allocating these costs.

13.02.01 SUB-BALANCE SHEET OF SERVICES OF GENERAL ECONOMIC INTEREST AS AT 31 DECEMBER 2017

EUR

	Services of general economic interest	Other activities	Total
A. Long-term assets	19,348	8,496,116	8,515,464
I. Intangible assets	1,639	353,193	354,832
1. Concessions, trademarks and licences	1,327	336,725	338,052
3. Intangible assets being acquired	312	16,468	16,780
II. Property, plant and equipment	17,147	6,926,789	6,943,937
1. Land	0	130,075	130,075
2. Buildings	0	3,830,000	3,830,000
3. Equipment	0	2,722,635	2,722,635
4. Property, plant and equipment being acquired	17,147	244,078	261,226
III. Long-term investments	0	586,972	586,972
1. Investments in shares of group companies	0	483,993	483,993
2. Other shares and stakes	0	20,000	20,000
3. Long-term loans to others	0	82,979	82,979
IV. Long-term operating receivables	0	126,875	126,875
2. Other long-term operating receivables	0	126,875	126,875
V. Deferred tax assets	562	502,286	502,848
B. Current assets	8,447	21,839,025	21,847,472
III. Short-term operating receivables	7,244	20,637,146	20,644,390
1. Operating receivables due from the group	0	26,693	26,693
2. Trade receivables	5,826	19,428,210	19,434,036
3. Operating receivables due from others	1,418	1,182,242	1,183,660
IV. Cash and cash equivalents	1,203	1,201,879	1,203,082
C. Short-term deferred and accrued items	0	1,318,886	1,318,886
ASSETS	27,796	31,654,027	31,681,823
A. Equity	13	14,188,880	14,188,893
I. Called-up capital	0	6,522,017	6,522,017
1. Share capital	0	6,522,017	6,522,017
III. Profit reserves	0	7,679,837	7,679,837
1. Legal reserves	0	117,173	117,173
2. Other profit reserves	0	7,562,664	7,562,664
IV. Revaluation surplus	0	–64,063	–64,063
V. Retained earnings	0	0	0
VI. Net profit or loss for the year	13	51,089	51,102
B. Provisions and long-term accrued costs and deferred revenue	0	1,057,855	1,057,855
1. Provisions	0	330,131	330,131
2. Long-term accrued costs and deferred revenue	0	727,724	727,724
C. Long-term liabilities	0	358,334	358,334
I. Long-term financial liabilities	0	358,334	358,334
1. Long-term financial liabilities to banks	0	358,334	358,334
D. Short-term liabilities	19,783	15,480,203	15,499,986
I. Short-term financial liabilities	0	73,667	73,667
1. Short-term financial liabilities to group companies	0	0	0
2. Short-term financial liabilities to banks	0	66,667	66,667
3. Other short-term financial liabilities	0	7,000	7,000
II. Short-term operating liabilities	19,783	15,406,537	15,426,319
1. Short-term operating liabilities to group companies	0	35,029	35,029
2. Supplier payables	10,923	14,895,090	14,906,013
3. Other short-term operating liabilities	8,860	476,418	485,278
D. Short-term accrued costs and deferred revenue	8,000	568,756	576,756
EQUITY AND LIABILITIES	27,796	31,654,027	31,681,823

13.02.02 SUB-BALANCE SHEET OF SERVICES OF GENERAL ECONOMIC INTEREST AS AT 31 DECEMBER 2016

EUR

	Services of general economic interest	Other activities	Total
A. Long-term assets	22,450	8,599,629	8,622,079
I. Intangible assets	393	464,728	465,121
1. Concessions, tademark and licences	161	398,431	398,593
3. Intangible assets being acquired	231	66,297	66,528
II. Property, plant and equipment	22,057	7,076,211	7,098,268
1. Land	0	92,803	92,803
2. Buildings	0	3,820,380	3,820,380
3. Equipment	22,057	2,909,255	2,931,313
4. Property, plant and equipment being acquired	0	253,772	253,772
III. Long-term investments	0	586,972	586,972
1. Investments in shares of group companies	0	483,993	483,993
2. Other shares and stakes	0	20,000	20,000
3. Long-term loans to others	0	82,979	82,979
IV. Long-term operating receivables	0	0	0
2. Other long-term operating receivables	0	0	0
V. Deferred tax assets	0	471,717	471,717
B. Current assets	20,161	20,051,077	20,071,238
III. Short-term operating receivables	19,855	18,784,076	18,803,930
1. Operating receivables due from the group	0	27,235	27,235
2. Trade receivables	19,314	17,819,384	17,838,698
3. Operating receivables due from others	540	937,457	937,997
IV. Cash and cash equivalents	306	1,267,002	1,267,308
C. Short-term deferred and accrued items	0	1,353,407	1,353,407
ASSETS	**42,611**	**30,004,113**	**30,046,724**
A. Equity	526	14,035,392	14,035,918
I. Called-up capital	0	6,522,017	6,522,017
1. Share capital	0	6,522,017	6,522,017
III. Profit reserves	0	7,026,027	7,026,027
1. Legal reserves	0	117,173	117,173
2. Other profit reserves	0	6,908,854	6,908,854
IV. Revaluation surplus	0	–56,131	–56,131
V. Retained earnings	0	–420	–420
VI. Net profit or loss for the year	526	543,899	544,426
B. Provisions and long-term accrued costs and deferred revenue	0	1,082,215	1,082,215
1. Provisions	0	311,232	311,232
2. Long-term accrued costs and deferred revenue	0	770,983	770,983
C. Long-term liabilities	0	425,000	425,000
I. Long-term financial liabilities	0	425,000	425,000
1. Long-term financial liabilities to banks	0	425,000	425,000
D. Short-term liabilities	18,020	13,829,924	13,847,944
I. Short-term financial liabilities	0	73,667	73,667
1. Short-term financial liabilities to group companies	0	0	0
2. Short-term financial liabilities to banks	0	66,667	66,667
3. Other short-term financial liabilities	0	7,000	7,000
II. Short-term operating liabilities	18,020	13,756,257	13,774,277
1. Short-term operating liabilities to group companies	0	79,436	79,436
2. Supplier payables	4,377	13,199,735	13,204,112
3. Other short-term operating liabilities	13,643	477,086	490,729
D. Short-term accrued costs and deferred revenue	24,065	631,583	655,648
EQUITY AND LIABILITIES	**42,611**	**30,004,113**	**30,046,725**

13.02.03 INCOME STATEMENT OF SERVICES OF GENERAL ECONOMIC INTEREST FOR THE YEAR ENDED 31 DECEMBER 2017

EUR

	Services of general economic interest	Other activities	Total
1. Net sales revenue	71,354	71,298,263	71,369,617
a. On domestic market	71,354	67,028,872	67,100,226
b. On foreign markets	0	4,269,391	4,269,391
2. Capitalised own products and services	0	58,702	58,702
3. Other operating revenue	1,764	382,554	384,319
4. Cost of goods, materials and services	–61,528	–68,959,872	–69,021,400
a. Cost of goods and material sold and cost of material used	–37,648	–63,937,321	–63,974,969
b. Cost of services	–23,880	–5,022,551	–5,046,431
5. Employee benefit costs	–8,666	–1,691,781	–1,700,447
a. Cost of salaries	–6,908	–1,202,902	–1,209,811
b. Cost of supplementary pension insurance of employees	–330	–57,448	–57,777
c. Social security costs	–1,108	–207,253	–208,361
d. Other labour costs	–321	–224,177	–224,498
6. Write-downs	–2,811	–1,091,176	–1,093,987
a. Amortisation and depreciation	–704	–782,843	–783,547
b. Operating expenses from revaluation of fixed assets	0	–30	–30
c. Operating expenses from revaluation in current assets	–2,107	–308,302	–310,409
7. Other operating expenses	–56	–39,323	–39,379
8. Financial income from shares and interests	0	94,546	94,546
a. Group companies	0	94,546	94,546
9. Financial income from loans	0	4,970	4,970
a. Granted to group companies	0	0	0
b. Granted to others	0	4,970	4,970
10. Financial income from operating receivables	0	82,156	82,156
b. Due from others	0	82,156	82,156
11. Financial expenses from financial liabilities	–45	–14,647	–14,692
b. Bank borrowings	0	–8,873	–8,873
d. Other financial liabilities	–45	–5,774	–5,819
12. Financial expenses from operating liabilities	0	–5,977	–5,976
b. Payables to suppliers and bills of exchange payable	0	–5,961	–5,961
c. Other operating liabilities	0	–15	–15
13. Other revenue	0	105	105
14. Other expenses	0	–27,501	–27,501
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	13	91,020	91,033
15. Income tax payable	0	–15,141	–15,141
16. Deferred tax	0	30,299	30,299
17. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**13**	**106,177**	**106,190**

13.02.04 INCOME STATEMENT OF SERVICES OF GENERAL ECONOMIC INTEREST FOR THE YEAR ENDED 31 DECEMBER 2016

			EUR
	Services of general economic interest	Other activities	Total
1. Net sales revenue	67,091	64,214,163	64,281,253
a. On domestic market	67,091	59,032,959	59,100,050
b. On foreign markets	0	5,181,204	5,181,204
2. Capitalised own products and services	0	18,052	18,052
3. Other operating revenue	1,533	468,592	470,125
4. Cost of goods, materials and services	–53,273	–60,459,637	–60,512,910
a. Cost of goods and material sold and costs of material used	–39,558	–55,125,759	–55,165,317
b. Cost of services	–13,715	–5,333,878	–5,347,593
5. Employee benefit costs	–10,347	–1,690,022	–1,700,369
a. Cost of salaries	–8,183	–1,196,942	–1,205,125
b. Cost of supplementary pension insurance of employees	–232	–56,153	–56,385
c. Social security costs	–772	–202,693	–203,464
d. Other labour costs	–1,160	–234,234	–235,394
6. Write-downs	–3,677	–1,368,074	–1,371,751
a. Amortisation and depreciation	–2,252	–787,287	–789,539
b. Operating expenses from revaluation of fixed assets	0	–248,590	–248,590
c. Operating expenses from revaluation in current assets	–1,425	–332,198	–333,623
7. Other operating expenses	–768	–37,263	–38,031
8. Financial income from shares and interests	0	76,607	76,607
a. Group companies	0	76,607	76,607
9. Financial income from loans	0	4,968	4,968
a. Granted to group companies		0	0
b. Granted to others		4,968	4,968
10. Financial income from operating receivables	0	90,693	90,693
b. Due from others		90,693	90,693
11. Financial expenses from financial liabilities	–33	–19,853	–19,885
a. Borrowings from group companies	0	–90	–90
b. Bank borrowings	–8	–13,656	–13,664
d. Other financial liabilities	–25	–6,107	–6,132
12. Financial expenses from operating liabilities	0	–8,252	–8,252
b. Payables to suppliers and bills of exchange payable		–5,857	–5,857
c. Other operating liabilities	0	–2,395	–2,395
13. Other revenue		480	480
14. Other expenses		–24,707	–24,707
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	526	1,265,746	1,266,272
15. Income tax payable	0	–64,357	–64,357
16. Deferred tax		113,063	113,063
17. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**526**	**1,088,325**	**1,088,851**

13.02.05 SUB-BALANCE SHEET OF INDIVIDUAL ACTIVITIES AS AT 31 DECEMBER 2017

EUR

Item	Electricity trading	Production and supply of heat	Electric power generation	Total	Key
1	2	3	4	5	
A. Long-term assets	2,232,673	2,801,994	3,480,797	8,515,464	
I. Intangible assets	288,742	29,569	36,521	354,832	
1. Concessions, trademarks and licences	287,412	22,657	27,983	338,052	K-1a, K-2
3. Intangible assets being acquired	1,330	6,913	8,538	16,780	K-1a, K-2
II. Property, plant and equipment	1,104,938	2,612,434	3,226,565	6,943,937	
1. Land and buildings	809,775	1,409,480	1,740,821	3,960,076	
a. Land	37,272	41,521	51,282	130,075	K-1a
b. Buildings	772,503	1,367,959	1,689,539	3,830,000	K-1a, K-2
3. Equipment	147,667	1,152,070	1,422,899	2,722,635	K-1a, K-2
4. Property, plant and equipment being acquired	147,496	50,884	62,846	261,226	K-1a, K-2
a. Property, plant and equipment under construction	147,496	50,884	62,846	261,226	K-1a, K-2
b. Advances for acquisition of property, plant and equipment	0	0	0	0	
III. Long-term investments	452,260	60,272	74,441	586,972	
1. Investments in shares of group companies	372,914	49,698	61,381	483,993	K-1
2. Other shares and stakes	15,410	2,054	2,536	20,000	K-1
3. Long-term loans to others	63,935	8,521	10,524	82,979	
IV. Long-term operating receivables	0	56,765	70,110	126,875	
1. Other long-term operating receivables	0	56,765	70,110	126,875	
V. Deferred tax assets	386,734	42,953	73,161	502,848	K-1
B. Current assets	21,386,287	253,633	207,553	21,847,472	
III. Short-term operating receivables	20,525,460	49,404	69,527	20,644,390	
1. Operating receivables due from the group	24,306	2,371	16	26,694	
2. Trade receivables	19,359,755	27,233	47,047	19,434,036	K-1a, K-3
3. Operating receivables due from others	1,141,398	19,799	22,463	1,183,660	K-1, K-1a, K-3
IV. Cash and cash equivalents	860,827	204,229	138,026	1,203,082	K-3
C. Short-term deferred and accrued items	1,185,182	59,554	74,150	1,318,886	K-3
D. Receivables due from other activities	4,101,751	0	0	4,101,751	
ASSETS	**28,905,893**	**3,115,181**	**3,762,500**	**35,783,574**	

Item	Electricity trading	Production and supply of heat	Electric power eneration	Total	Key
					EUR
1	2	3	4	5	
A. Equity	13,026,382	–23,156	1,185,665	14,188,892	
I. Called-up capital	5,525,141	194,623	802,253	6,522,017	
1. Share capital	5,525,141	194,623	802,253	6,522,017	
III. Profit reserves	7,545,023	–176,390	311,202	7,679,836	
1. Legal reserves	111,314	1,886	3,972	117,173	
2. Other profit reserves	7,433,709	–178,276	307,230	7,562,663	
IV. Fair value reserve	–49,360	–6,578	–8,125	–64,063	K-1
V. Retained earnings	0	0	0	0	
VI. Net profit or loss for the year	5,578	–34,811	80,334	51,102	
B. Provisions and long-term accrued costs and deferred revenue	263,329	755,230	39,296	1,057,855	
1. Provisions	259,018	31,817	39,296	330,131	K-1a, K-1
2. Long-term accrued costs and deferred revenue	4,311	723,413	0	727,724	
C. Long-term liabilities	0	358,334	0	358,334	
I. Long-term financial liabilities	0	358,334	0	358,334	
1. Long-term financial liabilities to banks	0	358,334	0	358,334	
D. Short-term liabilities	15,064,089	239,035	196,862	15,499,986	
I. Short-term financial liabilities	0	73,667	0	73,667	
1. Short-term financial liabilities to group companies	0	0	0	0	K-1
2. Short-term financial liabilities to banks	0	66,667	0	66,667	K-1
3. Other short-term financial liabilities	0	7,000	0	7,000	
II. Short-term operating liabilities	15,064,089	165,369	196,862	15,426,319	
1. Short-term operating liabilities to group companies	34,322	316	391	35,029	K-1a, K-2, K-6
2. Supplier payables	13,663,299	145,025	179,118	13,987,443	K-1a, K-2, K-6
3. Short-term operating liabilities from advances	918,314	115	142	918,570	
4. Other short-term operating liabilities	448,154	19,912	17,212	485,278	K-1a, K-1
D. Short-term accrued costs and deferred revenue	552,092	16,216	8,448	576,756	K-1a, K-3
E. Liabilities to other activities		1,769,523	2,332,229	4,101,751	
EQUITY AND LIABILITIES	**28,905,893**	**3,115,181**	**3,762,500**	**35,783,573**	

13.02.06 SUB-BALANCE SHEET OF INDIVIDUAL ACTIVITIES AS AT 31 DECEMBER 2016

EUR

Item	Electricity trading	Production and supply of heat	Electric power generation	Total	Key
1	2	3	4	5	
A. Long-term assets	2,148,799	2,317,036	4,156,244	8,622,079	
I. Intangible assets	415,965	18,285	30,871	465,121	
1. Concessions, trademarks and licences	380,923	6,581	11,089	398,593	K-1a, K-2
3. Intangible assets being acquired	35,043	11,703	19,782	66,528	K-1a, K-2
II. Property, plant and equipment	979,197	2,136,269	3,982,802	7,098,268	
1. Land and buildings	721,317	1,094,093	2,097,773	3,913,184	
a. Land	0	34,330	58,474	92,803	K-1a
b. Buildings	721,317	1,059,763	2,039,300	3,820,380	K-1a, K-2
3. Equipment	146,653	989,421	1,795,239	2,931,313	K-1a, K-2
4. Property, plant and equipment being acquired	111,226	52,755	89,790	253,772	K-1a, K-2
a. Property, plant and equipment under construction	111,226	52,755	89,790	253,772	K-1a, K-3
b. Advances for acquisition of property, plant and equipment	0	0	0	0	
III. Long-term investments	390,845	122,189	73,939	586,972	
1. Investments in shares of group companies	372,233	41,342	70,418	483,993	K-1
2. Other shares and stakes	15,382	1,708	2,910	20,000	K-1
3. Long-term loans to others	3,230	79,138	611	82,979	
IV. Long-term operating receivables	0	0	0	0	
1. Other long-term operating receivables	0	0	0	0	
V. Deferred tax assets	362,792	40,294	68,632	471,717	K-1
B. Current assets	19,054,426	376,479	640,333	20,071,238	
III. Short-term operating receivables	17,840,189	356,847	606,894	18,803,930	
1. Operating receivables due from the group	24,542	2,693	0	27,235	
2. Trade receivables	16,935,892	332,270	570,537	17,838,698	K-1a, K-3
3. Operating receivables due from others	879,755	21,885	36,357	937,997	K-1, K-1a, K-3
IV. Cash and cash equivalents	1,214,237	19,632	33,439	1,267,308	K-3
C. Short-term deferred and accrued items	1,188,075	61,160	104,173	1,353,407	K-3
D. Receivables due from other activities	4,741,373		0	4,741,373	
ASSETS	**27,132,673**	**2,754,675**	**4,900,749**	**34,788,097**	

Item	Electricity trading	Production and supply of heat	Electric power generation	Total	Key
					EUR
1	2	3	4	5	
A. Equity	13,022,353	–171,599	1,185,164	14,035,917	
I. Called-up capital	5,525,141	194,623	802,253	6,522,017	
1. Share capital	5,525,141	194,623	802,253	6,522,017	
III. Profit reserves	6,899,731	–184,707	311,003	7,026,027	
1. Legal reserves	111,314	1,886	3,972	117,173	
2. Other profit reserves	6,788,417	–186,594	307,031	6,908,854	
IV. Fair value reserve	–43,170	–4,795	–8,167	–56,131	K-1
V. Retained earnings	–323	–36	–61	–420	
VI. Net profit or loss for the year	640,974	–176,684	80,135	544,425	
B. Provisions and long-term accrued costs and deferred revenue	248,999	790,884	42,332	1,082,215	
1. Provisions	244,047	24,853	42,332	311,232	K-1a, K-1
2. Long-term accrued costs and deferred revenue	4,952	766,031	0	770,983	
C. Long-term liabilities	0	425,000	0	425,000	
I. Long-term financial liabilities	0	425,000	0	425,000	
1. Long-term financial liabilities to banks	0	425,000	0	425,000	
D. Short-term liabilities	13,245,402	271,370	331,172	13,847,944	
I. Short-term financial liabilities	0	73,667	0	73,667	
1. Short-term financial liabilities to group companies	0	0	0	0	K-1
2. Short-term financial liabilities to banks	0	66,667	0	66,667	K-1
3. Other short-term financial liabilities	0	7,000	0	7,000	
II. Short-term operating liabilities	13,245,402	197,703	331,172	13,774,277	
1. Short-term operating liabilities to group companies	76,805	973	1,658	79,436	K-1a, K-2, K-6
2. Supplier payables	11,896,674	179,738	305,770	12,382,182	K-1a, K-2, K-6
3. Short-term operating liabilities from advances	821,274	243	413	821,930	
4. Other short-term operating liabilities	450,649	16,749	23,331	490,729	K-1a, K-1
D. Short-term accrued costs and deferred revenue	615,920	20,604	19,125	655,648	K-1a, K-3
E. Liabilities to other activities		1,418,417	3,322,957	4,741,373	
EQUITY AND LIABILITIES	**27,132,673**	**2,754,675**	**4,900,749**	**34,788,097**	

13.02.07 INCOME STATEMENT OF INDIVIDUAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2017

EUR

Item	Electricity trading	Production and supply of heat	Electric power generation	Total	Key
1	2	3	4	5	
1. Net sales revenue	69,238,061	953,682	1,177,874	71,369,617	
a. On domestic market	64,968,671	953,682	1,177,874	67,100,226	K-1a, K-3
b. On foreign markets	4,269,391	0	0	4,269,391	K-1a, K-3
2. Capitalised own products and services	0	26,264	32,438	58,702	K-1a
3. Other operating revenue	179,892	118,192	86,234	384,319	K-1a, K-3
4. Cost of goods, materials and services	–67,547,676	–816,774	–656,949	–69,021,400	
a. Cost of goods and material sold and cost of material used	–62,664,663	–732,791	–577,515	–63,974,969	K-1a, K-6
b. Cost of services	–4,883,013	–83,984	–79,434	–5,046,431	K-1a, K-6, K-2
5. Employee benefit costs	–1,431,023	–121,194	–148,229	–1,700,447	
a. Payroll costs	–1,020,868	–85,123	–103,820	–1,209,811	K-1a, K-1
b. Cost of supplementary pension insurance of employees	–47,167	–4,747	–5,863	–57,777	K-1a, K-1
c. Social security costs	–173,388	–15,647	–19,325	–208,361	K-1a, K-1
d. Other labour costs	–189,601	–15,676	–19,221	–224,498	K-1a, K-1
6. Write-downs	–536,101	–249,993	–307,892	–1,093,987	
a. Amortisation and depreciation	–280,819	–225,315	–277,413	–783,547	K-1a, K-2
b. Operating expenses from revaluation of intangible assets and P, P&E	–30	0	0	–30	K-1a
c. Operating expenses from revaluation of current assets	–255,252	–24,678	–30,479	–310,409	K-1a
7. Other operating expenses	–37,612	–791	–977	–39,379	K-1a, K-1
8. Financial income from shares and interests	91,732	1,259	1,555	94,546	
a. group companies	91,732	1,259	1,555	94,546	K-1a
9. Financial income from loans	6	2,221	2,743	4,970	
b. granted to others	6	2,221	2,743	4,970	K-3
10. Financial income from operating receivables	72,807	4,183	5,166	82,156	
b. due from others	72,807	4,183	5,166	82,156	K-1a
11. Financial expenses from financial liabilities	–8,023	–2,984	–3,685	–14,692	
a. Borrowings raised from Group companies	0	0	0	0	
b. Bank borrowings	–3,539	–2,386	–2,947	–8,873	K-1a, K-6
d. Other financial liabilities	–4,484	–598	–738	–5,819	K-1a, K-6
12. Financial expenses from operating liabilities	–5,973	–2	–2	–5,976	
b. Payables to suppliers and bills payable	–5,958	–2	–2	–5,961	K-1a, K-6
c. Other operating liabilities	–15	0	0	–15	K-1a, K-6
13. Other revenue	103	1	1	105	K-1a, K-3
14. Other expenses	–27,079	–189	–233	–27,501	K-1a, K-1
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	–10,885	–86,125	188,043	91,033	
15. Income tax payable	1,810	14,325	–31,277	–15,141	
16. Deferred tax	23,302	2,588	4,408	30,298	K-1
17. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**14,228**	**–69,212**	**161,174**	**106,190**	

13.02.08 INCOME STATEMENT OF INDIVIDUAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

EUR

Item	Electricity trading	Production and supply of heat	Electric power generation	Total	Key
1	2	3	4	5	
1. Net sales revenue	61,581,668	998,630	1,700,955	64,281,253	
a. On domestic market	56,400,465	998,630	1,700,955	59,100,050	K-1a, K-3
b. On foreign markets	5,181,204	0	0	5,181,204	K-1a, K-3
2. Capitalised own products and services	0	6,678	11,374	18,052	K-1a
3. Other operating revenue	210,550	134,781	124,794	470,125	K-1a, K-3
4. Cost of goods, materials and services	–58,506,205	–935,554	–1,071,151	–60,512,910	
a. Cost of goods and material sold and cost of material used	–53,352,616	–855,206	–957,495	–55,165,317	K-1a, K-6
b. Cost of services	–5,153,589	–80,348	–113,656	–5,347,593	K-1a, K-6, K-2
5. Employee benefit costs	–1,431,795	–101,776	–166,798	–1,700,369	
a. Payroll costs	–1,007,567	–75,320	–122,239	–1,205,125	K-1a, K-1
b. Cost of supplementary pension insurance of employees	–46,595	–3,622	–6,168	–56,385	K-1a, K-1
c. Social security costs	–171,189	–11,939	–20,336	–203,464	K-1a, K-1
d. Other labour costs	–206,444	–10,896	–18,055	–235,394	K-1a, K-1
6. Write-downs	–503,416	–465,704	–402,631	–1,371,751	
a. Amortisation and depreciation	–221,707	–211,547	–356,285	–789,539	K-1a, K-2
b. Operating expenses from revaluation of intangible assets and P, P&E	0	–234,954	–13,636	–248,590	K-1a
c. Operating expenses from revaluation of current assets	–281,710	–19,204	–32,709	–333,623	K-1a
7. Other operating expenses	–22,612	–5,704	–9,715	–38,031	K-1a, K-1
8. Financial income from shares and interests	73,399	1,187	2,021	76,607	
a. Group companies	73,399	1,187	2,021	76,607	K-1a
9. Financial income from loans	4	1,836	3,128	4,968	
b. Granted to others	4	1,836	3,128	4,968	K-3
10. Financial income from operating receivables	84,252	2,383	4,058	90,693	
b. Due from others	84,252	2,383	4,058	90,693	K-1a
11. Financial expenses from financial liabilities	–11,816	–2,985	–5,084	–19,885	
a. Borrowings raised from Group companies	–87	–1	–2	–90	
b. Bank borrowings	–7,014	–2,460	–4,190	–13,664	K-1a, K-6
d. Other financial liabilities	–4,716	–524	–892	–6,132	K-1a, K-6
12. Financial expenses from operating liabilities	–5,895	–872	–1,485	–8,252	
b. Payables to suppliers and bills payable	–5,895	–1	–1	–5,897	K-1a, K-6
c. Other operating liabilities	0	–871	–1,484	–2,355	K-1a, K-6
13. Other revenue	466	5	8	480	K-1a, K-3
14. Other expenses	–24,031	–250	–426	–24,708	K-1a, K-1
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	1,444,568	–367,346	189,049	1,266,272	
15. Income tax payable	–75,678	20,787	–9,467	–64,357	
16. Deferred tax	–86,943	–6,808	–19,312	–113,063	K-1
17. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**1,281,948**	**–353,367**	**160,270**	**1,088,851**	

13.02.09 CASH FLOW STATEMENT OF INDIVIDUAL ACTIVITIES FY 2017

	Sale of electricity	Heat production	Electric power generation	Total EUR	Key
A. CASH FLOWS FROM OPERATING ACTIVITIES					
1. Receipts from operating activities	147,417,465	1,277,838	1,578,233	150,273,535	
a. Proceeds from sale of products and services	146,732,174	1,196,586	1,477,880	149,406,640	K-1a, K-3
b. Other receipts from operating activities	685,290	81,252	100,353	866,895	K-1, K-1a, K-3, K-6
2. Expenditure from operating activities	–146,584,198	–1,499,346	–1,849,995	–149,933,539	
a. Expenditure for purchase of materials and services	–79,986,360	–1,290,824	–1,594,271	–82,871,454	K-1a, K-3, K-6
b. Expenditure for salaries and employees' shares in profits	–1,322,942	–174,755	–214,018	–1,711,715	K-1, K-1a, K-6
c. Expenditure for all kinds of contributions	–5,151,820	–33,165	–40,961	–5,225,945	K-1, K-1a, K-3, K-6
d. Other expenditure from operating activities	–60,123,076	–603	–745	–60,124,424	K-1, K-1a, K-3, K-6
3. Net cash from operating activities	833,267	–221,508	–271,763	339,996	
B CASH FLOWS FROM INVESTING ACTIVITIES					
4. Cash receipts from investing activities	235,876	1,367	58,683	295,926	
a. Interest and profit shares	146,532	1,367	1,688	149,587	K-1a, K-3
b. Proceeds from disposal of property, plant and equipment	89,344	0	0	89,344	K-2
c. Proceeds from disposal of short-term investments	0	0	0	0	
d. Receipts from the merger of a subsidiary	0	0	56,995	56,995	
5. Cash disbursements for investing activities	–110,063	–228,480	–282,192	–620,735	
a. Expenditure for acquisition of intangible assets	–34,912	–72,475	–89,512	–196,900	K-1a, K-2
b. Expenditure for acquisition of property, plant and equipment	–75,150	–156,006	–192,679	–423,835	K-1a, K-2
6. Net cash from investing activities	125,813	–227,113	223,508	–324,809	
C. CASH FLOWS FROM FINANCING ACTIVITIES					
7. Cash receipts from financing activities	15,454,999	854,357	790,643	17,100,000	
a. Receipts from long-term borrowings				0	
b. Receipts from short-term borrowings	15,454,999	854,357	790,643	17,100,000	K-6
8. Cash disbursements from financing activities	–16,767,489	–221,139	–190,785	–17,179,413	
a. Interest paid	–12,489	–115	–142	–12,746	K-1a, K-6
b. Cash repayments of long-term borrowings	0	–66,667	0	–66,667	
c. Cash repayments of short-term borrowings	–16,754,999	–154,357	–190,643	–17,100,000	K-1a, K-6
9. Net cash from financing activities	–1,312,489	0	0	–79,413	
10. Net cash inflow or outflow	–353,409	184,597	104,587	–64,225	
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	860,827	204,229	138,026	1,203,082	
X. Opening balance of cash and cash equivalents	1,214,236	19,632	33,439	1,267,308	
Y. CASH FLOWS FOR THE PERIOD	–353,409	184,597	104,587	–64,225	
CLOSING BALANCE OF CASH AT 31 DEC 2016	**860,827**	**204,229**	**138,026**	**1,203,082**	

13.02.10 CASH FLOW STATEMENT OF INDIVIDUAL ACTIVITIES FY 2016

	Sale of electricity	Heat production	Electric power generation	EUR Total	Key
A. CASH FLOWS FROM OPERATING ACTIVITIES					
1. Receipts from operating activities	130,559,489	1,403,737	2,390,969	134,354,195	
a. Proceeds from sale of products and services	130,048,386	1,376,910	2,345,275	133,770,571	K-1a, K-3
b. Other receipts from operating activities	511,103	26,827	45,694	583,624	K-1, K-1a, K-3, K-6
2. Expenditure from operating activities	−126,773,626	−1,721,649	−2,926,241	−131,421,516	
a. Expenditure for purchase of materials and services	−69,707,893	−1,538,237	−2,620,061	−73,866,190	K-1a, K-3, K-6
b. Expenditure for salaries and employees' shares in profits	−1,317,511	−144,576	−240,046	−1,702,132	K-1, K-1a, K-6,
c. Expenditure for all kinds of contributions	−4,194,459	−21,606	−36,801	−4,252,866	K-1, K-1a, K-3, K-6
d. Other expenditure from operating activities	−51,553,764	−17,230	−29,333	−51,600,327	K-1, K-1a, K-3, K-6
3. Net cash from operating activities	3,785,862	−317,912	−535,272	2,932,679	
B. CASH FLOWS FROM INVESTING ACTIVITIES					
4. Cash receipts from investing activities	145,767	1,268	2,160	149,195	
a. Interest and profit shares	145,557	1,268	2,160	148,985	K-1a, K-3
b. Proceeds from disposal of property, plant and equipment	210	0	0	210	K-2
5. Cash disbursements for investing activities	−85,799	−152,729	−257,222	−495,751	
a. Expenditure for acquisition of intangible assets	−49,926	−88,863	−149,660	−288,448	K-1a, K-2
b. Expenditure for acquisition of property, plant and equipment	−35,873	−63,867	−107,563	−207,302	K-1a, K-2
6. Net cash from investing activities	59,968	−151,461	−255,062	−346,555	
C. CASH FLOWS FROM FINANCING ACTIVITIES					
7. Cash receipts from financing activities	15,251,342	786,547	1,212,111	17,250,000	
a. Receipts from long-term borrowings				0	
b. Receipts from short-term borrowings	15,251,342	786,547	1,212,111	17,250,000	K-6
8. Cash disbursements from financing activities	−18,240,160	−302,170	−401,130	−18,943,460	
a. Interest paid	−14,444	−1,054	−1,796	−17,294	K-1a, K-6
b. Cash repayments of long-term borrowings	0	−66,667	0	−66,667	
c. Cash repayments of short-term borrowings	−18,225,716	−234,449	−399,335	−18,859,500	K-1a, K-6
9. Net cash from financing activities	−2,988,818	484,377	810,981	−1,693,460	
10. Net cash inflow or outflow	857,012	15,004	20,647	892,664	
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,214,236	19,632	33,439	1,267,308	
X. Opening balance of cash and cash equivalents	357,224	4,628	12,792	374,644	
Y. CASH FLOWS FOR THE PERIOD	857,012	15,004	20,647	892,664	
CLOSING BALANCE OF CASH AT 31 DEC 2016	**1,214,236**	**19,632**	**33,439**	**1,267,308**	

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