E3

ANNUAL REPORT 2016

Do not waste energy

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A. BUSINESS REPORT

01 STATEMENT BY THE GENERAL MANAGER

E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o., continued its successful performance in 2016, proving that even smaller energy companies can compete in the electricity market, and showing to all stakeholders its commitment to the mission. Competition in the electricity market has been increasing: the number of companies actively marketing this energy product already exceeds twenty. They all design their activities and strategies so as to attract customers, which explains the very challenging conditions in which we operate. These are also shown in the number of supplier switching, which is the highest since market liberalisation. Slovenia's economy continued growing in 2016, but this was only slightly reflected in electricity consumption. All this, however, did not stop our growth, as our motivated and professional team, supported by selected external partners, managed to significantly increase the number of customers and consequently the quantity of electricity sold.

We entered 2016 with precise objectives and eventually achieved them all, also by adjusting certain processes here and making certain improvements there. All this ensured that the positive trend of our business results continued. At the same time, all this would not have been possible without full contribution from all employees.

In E 3, we are placing customers and their demands at the centre. As regards commercial customers, we are introducing new purchase models, as well as continuous availability of advice and information. We can only be successful if we offer our customers comprehensive and optimal solutions for the purchase of electricity and energy projects.

Our new solutions for household customers, which reflect the needs of the modern society, proved to be the right step. We upgraded the following packages that are now the basis of our future success: E 3 SIMPLE, E 3 ADVANCED, E 3 COMFORTABLE and E 3 GREEN. The objective is to get even closer to our customers in order to identify and satisfy their needs, for which reason we are now offering individualised services, be it personally or through our contact centre or – in the case of our technologically more advanced customers – our MY E 3 online portal.

In E 3, we build on our internal knowledge, underpinned by professional external support. Very important in everything we do is also information technology support, which, with various modern applications, makes our activities friendlier and faster.

We are also continuously rationalising and improving all our business processes and risk management.

We invest a lot of efforts and time into systematic management of regular and extraordinary receivables, which is vital for our financial condition.

Our Production and Services Department is indispensable, as they contribute significantly to our success and, with their advanced projects, also to our reputation. Despite the very challenging market conditions, the department achieved its objectives, as well as successfully managed all production facilities. We did not invest in new projects in 2016, but instead prepared for two quite significant investments planned for 2017. We also continued with energy advisory activities, which importantly contribute to the sale of electricity to large customers.

The Research and Development Department invested the most effort to identifying and participating in projects. We are now part of two international projects, 3SMART and NEDO, where we are contributing our knowledge. In 2016, we also launched the E 3 Mobility project, and set up four electric vehicle charging stations.

E 3 is a socially-responsible company, as it invests a portion of its funds in the environment where it operates. We support sports, cultural and other associations, thus supporting the broader society as well.

We know that we are on the right way also as we managed to obtain the Golden CreditWorthiness Certificate.

In the future, we want to remain focused on our customers, enhancing their satisfaction further by developing new products and services. We, the management and other skilled and professional employees, are ready for new challenges and will strive to achieve the objectives set. Our focus remains on innovative and advanced services, as these will allow us to keep the advantage over other suppliers. The results achieved in 2016 strengthened our confidence and belief that we are capable of achieving even better results and coping with even higher challenges.

This said, our most important mission remains to satisfy the expectations of all actors involved in the business process, from the owner and customers to suppliers, employees and the environment.

We have been fully implementing the undertakings made in our mission, and we are worth your trust. We are a reliable, solid partner to the economy and society where we operate.

We all believe in our story and invite you – become part of it!

Darko Pahor
General Manager

02 MANAGEMENT RESPONSIBILITY STATEMENT

The management hereby approves the financial statements and business report for the year ended 31 December 2016, as well as the accounting policies used in the preparation of and notes to said financial statements.

The management is responsible for the preparation of the annual report so that it gives a true and fair view of the company's financial position in and operating results for the financial year.

The management confirms that proper accounting policies were applied consistently, and that reasonable and prudent estimates were made. The management also confirms that the financial statements and the notes thereto were prepared on a going concern basis, and in accordance with applicable regulations and Slovenian Accounting Standards.

The management is also responsible for keeping proper accounting records, for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other illegalities.

As the company strictly complies with all regulations, including tax regulations, the management does not expect any significant liabilities to arise in this respect.

Nova Gorica, 23 May 2017

Darko Pahor
General Manager

03 CORPORATE GOVERNANCE STATEMENT

In accordance with Article 70(5) of the Companies Act, the E 3 company is hereby making the following statement on company governance.

REFERENCE TO THE CORPORATE GOVERNANCE CODE
In its operations, the company complies with the Corporate Governance Code for Companies with Capital Assets of the State, issued by the Slovenian Sovereign Holding in December 2014 and amended in March 2016, as well as, since May 2016, the Corporate Governance Code for Unlisted Companies, issued by the Ministry of Economic Development and Technology, Chamber of Commerce and Industry of Slovenia, and Slovenian Directors' Association. The Corporate Governance Code for Companies with Capital Assets of the State is available at http://www.sdh.si/en-us, and the Corporate Governance Code for Unlisted Companies is available at https://eng.gzs.si/. The company has not adopted its own corporate governance code. Its corporate governance is compliant with the Companies Act and with said corporate governance codes.

STATEMENT ON COMPLIANCE WITH THE CODE
In its operations, the company complies with the above-mentioned corporate governance codes, as well as with their guiding principles and recommendations made by Slovenian Sovereign Holding.

DESCRIPTION OF THE PRINCIPAL CHARACTERISTICS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE FINANCIAL REPORTING PROCEDURE
The management is responsible for keeping proper accounting records, as well as for the implementation and functioning of accounting internal controls, selection and application of accounting policies, and safeguarding of the assets of the company. The management is also responsible for taking reasonable steps for the prevention and detection of fraud and other illegalities. Our internal control system consists of three lines of defence: 1 the management (owning the risks), 2 various functions, including Compliance (overseeing the risks), and 3 Internal Audit (providing independent assurance). Our objectives are the following:

- accuracy, reliability and completeness of accounting evidence, and truth and fairness of financial reporting;
- compliance with laws and regulations; and
- effectiveness and efficiency of operations.

The financial statements are audited by Ernst & Young, d.o.o., Ljubljana, in collaboration with the Internal Audit. The external and internal auditors report their findings to the parent Elektro Primorska company's management board, supervisory board and its audit committee.

The management is aware that all internal control systems have their limitations, and is accordingly trying for such a system that is the most effective in preventing negative events from occurring, and at the same time acceptable in terms of costs.

The section dedicated to risk management describes in detail the risks to which the company is exposed, and the assessment of each risk type.

COMPOSITION AND ACTIVITIES OF MANAGEMENT AND SUPERVISORY BODIES

In accordance with its memorandum of association, E 3 is managed by the general manager independently and at his own responsibility.

In accordance with the rules of central management set out in the Companies Act, the company does not have a supervisory board, the function of which is carried out by the chair of the management board of Elektro Primorska, its founder. The function of the general meeting is also carried out by Elektro Primorska.

OWNERSHIP STRUCTURE

The E 3 company was established in 2004 and recapitalised through the spin-off of the activity of electricity purchase and sale of Elektro Primorska.

Elektro Primorska is the 100% owner of the company and its share capital of EUR 6.5 million.

04 NON-DETRIMENT STATEMENT

The parent company Elektro Primorska did not use its influence to make E 3 as subsidiary carry out detrimental legal transactions for its own account, or to perform or omit other acts to its own detriment.

Considering the circumstances known to it at the time of each and every legal transaction with the parent company, E 3 as subsidiary always received adequate consideration and was not disadvantaged.

05 GENERAL DISCLOSURES

05 01 COMPANY PROFILE

E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o., a limited liability company, was established in 2004.

Company name:	E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o.
Company abbreviated name:	**E 3, d.o.o.**
Registered office:	**Erjavčeva ulica 24, SI-5000 Nova Gorica, Slovenia**
	telephone: **05 331 33 00**, fax: **05 331 33 05**
VAT no.:	**SI17851262**
Company ID no.:	**2010593000**
Bank accounts:	**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 (T) (ABANKA, d.d.)

The company was registered with the Nova Gorica District Court, entry no. 1/04504/00.

Share capital:	**EUR 6,522,016.72**
Owner:	**Elektro Primorska, d.d. (100%)**
Representative:	Darko Pahor (since 1 April 2013)

Subsidiary:	**JOD d.o.o.**
Owner:	E 3, d.o.o. (100%)

Associate:	**KNEŠCA, d.o.o.**
Owner:	JOD, d.o.o. (47.27%)
	ten natural persons (52.73%)

05 02 COMPANY ORGANISATION

E 3, ENERGETIKA, EKOLOGIJA, EKONOMIJA, d.o.o., was established in 2004 by Elektro Primorska. The main reason for this was the legal requirement that the public service function of distribution companies be separated from their commercial and production activities. The requirement was expressed in Article 15 of the Electricity Directive 2003/54/EC, and Article 23(b) of the Energy Act.

Today, E 3 has the following 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 EMPLOYEES

TABLE 1 *Number of employees by highest level of education*

Education level	31 December 2016
Doctoral degree (8/2)	0
Master's degree (8/1)	3
Specialisation after a university degree University degree (7)	7
Specialisation after a higher education degree Higher education degree (6/2)	9
Higher education degree (6/1)	10
Secondary education (5)	11
Vocational education (4)	4
Unskilled (1)	1
TOTAL	45

As at year-end 2016, E 3 had 45 employees, of these 26 women and 19 men.

05 04 RISK MANAGEMENT

One of the key tasks of the company's management is to identify, control and manage risks in accordance with the business strategy. The Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act also sets out among key obligations of the management the following: acting in compliance with said Act and with the rules of the corporate finance profession, thereby ensuring that the company remains liquid and solvent. When meeting said obligations, the management shall take into account all the risks to which the company is or could be exposed in its operations, and which include first of all credit, market, operational and liquidity risks.

E 3 manages risks using the comprehensive risk management methodology of the Elektro Primorska Group. In accordance with this methodology, it classifies the identified risks into one of the four categories from the risk register, i.e. business/market risks, operational risks, regulative risks and financial risks.

All risks recorded in the risk register are evaluated monthly, based on their impact and likelihood, and managed in the following ways: avoid – risky activities are abandoned; control – various measures are taken to reduce the risk; transfer – the risk is shifted to a third party; and acceptance – the risk is accepted if its consequences can be tolerated. All risks are also assigned a holder, i.e. a person who is tasked with monthly and quarterly reporting on the risk and taking measures to avoid or mitigate its impact. In the risk evaluation exercise, new risks can be identified and measures for their management decided. For the existing risks, the appropriateness of the measures in place is assessed instead. Any potential risk then goes through the so-called PDCA process (Plan-Do-Check-Act). Within the Elektro Primorska Group, there is also an Internal Audit function, which is among other things responsible for controlling whether the measures taken are being implemented and whether the reports match the actual situation. Risk reporting and control form part of the company's integrated management system.

E 3 faces risks in all areas of its operations, especially in energy production and delivery, electricity purchase and sale and electricity marketing, and in this connection also in finance.

MARKET RISKS

Market risks result from the uncertain price movements in the domestic and foreign electricity markets where the company is present, and from the open positions in its trading portfolio. An open position, which exposes the company to market risks, arises when the aggregate quantities of electricity purchased and sold at a fixed price within a given accounting period differ from each other. Market risks are managed by making a counter-sale for any purchase and vice versa. To hedge its open positions, E 3 uses, in addition to contracts with the obligation to deliver at a fixed price, also the so-called "open" contracts that allow it to optimise purchases across several markets, provided the open position does not exceed 5% of quantities sold at a fixed price. The company also has portfolio management rules in place. Risk assessment: medium.

QUANTITY RISKS

Quantity risks result from the difference between the forecast (purchased) and the actually supplied quantity of electricity. E 3 is exposed to quantity risks in connection with "open" contracts, i.e. all contracts with end customers and qualified producers. It manages these risks by having an IT support in place for long- and short-term forecasting of electricity consumption and delivery profiles, as well as by active daily monitoring of deviations at all measurement points included in its balancing subgroup. Risk assessment: medium.

FINANCIAL RISKS

Credit risk results from losses due to a customer's late payment of its liability to the company or even default. E 3 mitigates credit risk by carefully checking customers' rating, by continuously monitoring and managing its exposures in view of customers' credit limits, and by monitoring the outstanding receivables. To reduce credit risk, the company would insure such transactions with a competent insurer. In addition, for all electricity transactions, it uses precisely formulated sale and purchase contracts. Risk assessment: medium.

Liquidity risk arises when an entity is not able to meet its financial obligations when due. By daily monitoring and planning its liquidity and solvency, i.e. cash flows, the company ensures that liquidity risk remains within tolerance parameters and manageable. In 2016, E 3 had a positive cash flow from operating activities, and was paying its obligations when due. Risk assessment: not high.

Interest rate risk is associated with the possibility of an unexpected increase in the costs of financing, i.e. variable interest rates. In view of the amount of financing that the company needs, its exposure to this risk is low. As its electricity trading activities are limited, E 3 is not exposed to currency or inter-regional risks. Risk assessment: medium.

REGULATORY RISKS

Regulatory risks result from changes in market rules or legislation in domestic or foreign electricity markets, and may affect the results of operation. E 3 actively monitors the developments in the applicable legislation both together with the parent company and independently, through its various organisational units, and is therefore capable of reacting timely by adjusting its trading and production activities. Risk assessment: low.

CONTROL SYSTEM

In addition to the external risks arising from the contracts concluded, E 3 must also manage the internal risks arising from its operations and organisation.

Operational risk is present in all operations carried out by the company. It is defined as the loss that the company would suffer due to inadequate information technology, processes and controls. E 3 limits this risk by having a control system in place. This is based on the four-eye principle, at least as significant operations are concerned, and underpinned by continuous improvements of the information technology support and automation of control of individual phases of processes. The company also precisely defines the processes, the roles of individuals, including their powers and responsibilities, and the applicable rules.

This said, the fact is that professional, experienced and motivated employees are the best guarantee for limiting said risk. Employees must continuously upgrade their existing knowledge and acquire new knowledge, as well as be dynamic and multidisciplinary, team workers and show initiative. By providing adequate work conditions and environment, E 3 tries to prevent its key employees from leaving, which is the essence of HR risk management. Risk assessment: medium.

05 05 EVENTS AFTER THE BALANCE SHEET DATE

- In February 2017, following an improvement in the area of household customers, the company had to increase the amount of the bank guarantee submitted to SODO d.o.o.
- In March 2017, the subsidiary company JOD, d.o.o., Koper, was merged by absorption with the controlling company E 3, in accordance with the strategy of E 3 and its owner.

06 ELECTRICITY MARKETING

06 01 ELECTRICITY PURCHASE

E 3 purchases electricity in the bilateral market and in the daily market from various providers of electricity from the Slovenian high-voltage network. It also purchases electricity from small producers connected to the medium-voltage network.

The company has portfolio management rules in place, which help limit the risks that might arise due to material and frequent changes in exchange prices. Last year was much more demanding as the previous three years as far as portfolio management is concerned. In 2016, E 3 purchased almost 90% of electricity in the bilateral market, under long-term contracts. In the daily market and clearing imbalances, it purchased slightly less than 9% of electricity, and from small producers it purchased the remaining slightly more than 1%.

E 3 sells electricity to commercial and household customers, and has accordingly two separate strategies of electricity purchase in order to achieve the planned margin and to prevent risks. For buyers with contracts for an indefinite period of time, it buys electricity at times when market prices are suitable in view of its purchase strategy. For buyers with contracts for a definite period of time, it buys the majority of electricity at the time when they accept the supply offer.

The first bilateral purchases for 2016 were made from mid-2014 to the end of 2015, when they were made in the daily market.

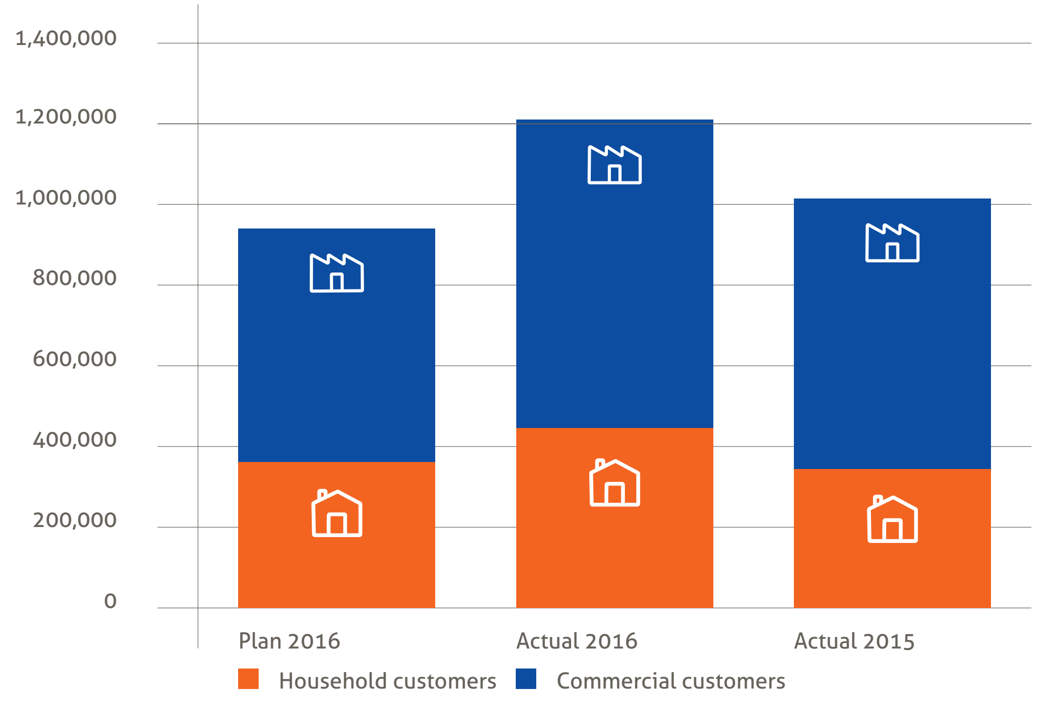
06 02 ELECTRICITY SALE

E 3 sold 1,218,149 MWh of electricity in 2016, 30.1% more than planned and 16.4% more than in 2015.

TABLE 2: *Electricity sale in MWh*

	Plan 2016	Actual 2016	Actual 2015	Index 2/1	Index 2/3
	1	2	3	4	5
Household customers	364,497	447,131	342,654	122.7	130.5
Commercial customers	571,721	771,017	704,284	134.9	109.5
Total sale	936,218	1,218,149	1,046,938	130.1	116.4

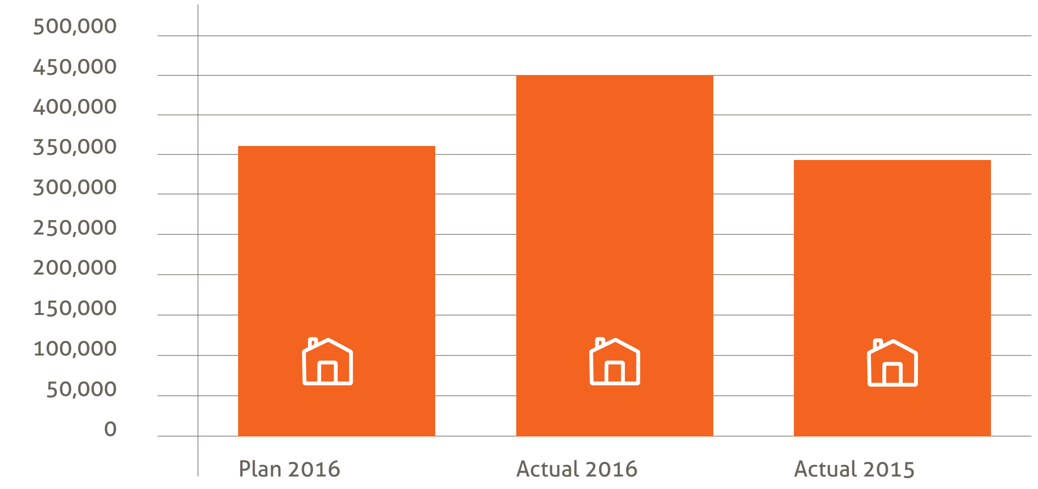
FIGURE 1: *Electricity sale by customer type (MWh)*



06 02 01 ELECTRICITY SALE TO HOUSEHOLD CUSTOMERS

In 2016, the segment of household customers experienced the entry of new sellers, who reinforced the already fierce competition. Acting systematically, the company nevertheless managed to win new customers and consolidate its market position. E 3 sold 447,131 MWh of electricity to household customers in 2016, 22.7% more than planned and 30.5% more than in 2015.

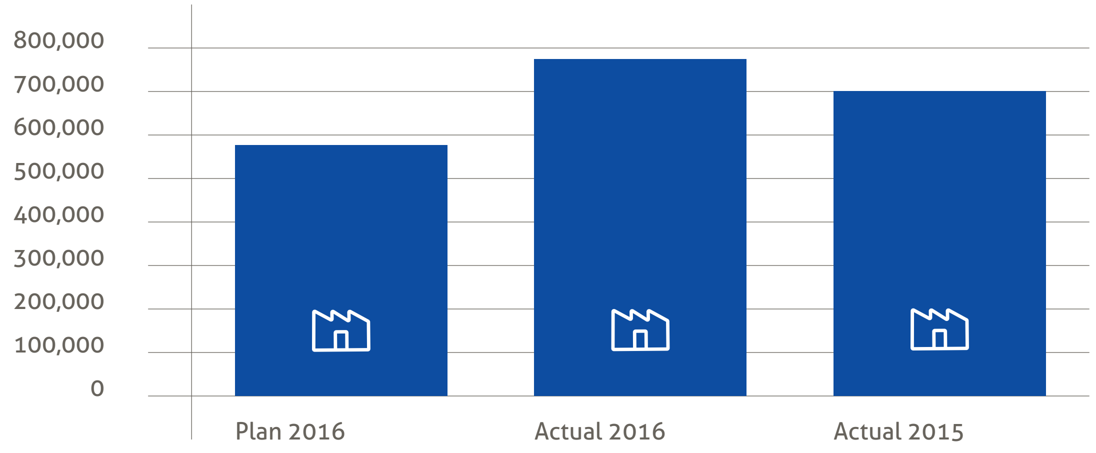
FIGURE 2: *Electricity sale to household customers (MWh)*



06 02 02 Electricity sale to commercial customers

E 3 sold 771,017 MWh of electricity to commercial customers in 2016, 34.9% more than planned and 9.5% more than in 2015. The significant deviation from the planned quantities is explained by the fact that quantities sold to Italy were not included in the plan. The 2015 quantities were also exceeded, which shows that larger Slovenian companies trust E 3.

FIGURE 3: *Electricity sale to commercial customers (MWh)*



06 03 SUMMARY OF ACTIVITIES CARRIED OUT IN 2016

In 2016, E 3 carried out a number of activities that were aimed at obtaining new customers and increasing the benefits for the existing customers.

- In the segment of household customers, we continued with the systematic work on customers across Slovenia and across all channels.
- We continued with the provision of products that reflect customers' life style and in this way allow them to optimise their electricity bills.
- In accordance with the strategic plan, we carried out two larger and three smaller marketing activities.
- We daily promoted our company also through our corporate website and through our Facebook Page.
- We also made improvements in the operation of the contact centre, MY E 3 online portal and own sales points.
- In the segment of large commercial customers, activities were carried out systematically, depending on the customer status (new, lost or existing).
- We developed advanced models to use when selling to large commercial customers.
- We implemented an application for portfolio management.

07 DEPARTMENT FOR PRODUCTION AND SERVICES

07 01 ELECTRICITY PRODUCTION

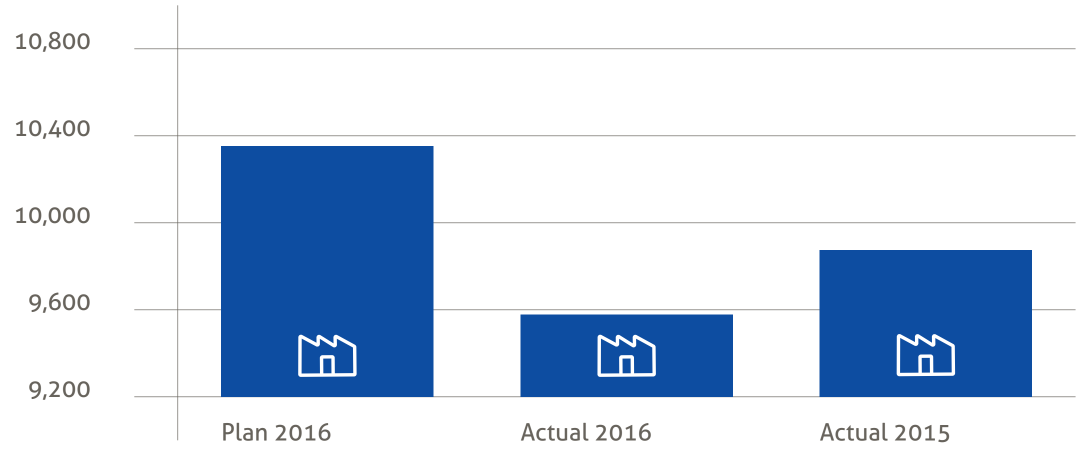
E 3 produced 9,595 MWh of electricity in 2016, 7.4% less than planned and 2.8% less than in 2015. The reasons for such smaller production volume were unplanned outages of production facilities.

The combined heat and power (CHP) facilities Park, Sabotin and Perla produced less electricity than planned mainly due to less heat consumed by the three hotels. The only unplanned outage worth mentioning occurred in November in Park.

Lagging behind the plan of Kenog CHP facility can be explained by the customer's failure to comply with contractual obligations. Regardless of the technical availability of the production facility, the customer used to shut it down, thus reducing the production volume.

Meblo CHP facility had problems with distribution network and reduced production in the first half of the year. This was compensated for in the months of October, November and December, so that the annual production plan was eventually exceeded.

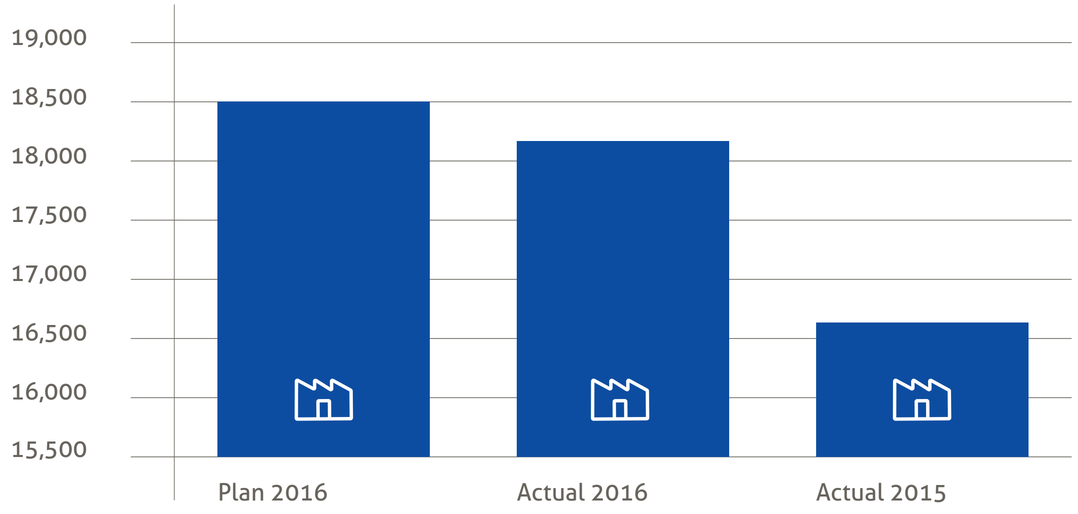
FIGURE 4: *Production of electricity (MWh)*



07 02 HEAT PRODUCTION

E 3 produced 18,220 MWh of heat in 2016, 1.6% less than planned and 9.4% more than in 2015. Lagging behind the plan can be explained by the lower demand, but mainly with the reasons explained under the section dedicated to electricity production.

FIGURE 5: *Production of heat (MWh)*



07 03 SUMMARY OF ACTIVITIES CARRIED OUT IN 2016

- As regards capital investments, the Production and Services Department did not have any new developments.
- The activities mainly related to the preparation of documentation for two projects, "Meblo dryer" and "Energy product replacement" in the Majske poljane boiler facility.
- Regular servicing of the facilities: CHP Kenog, CHP Perla I/II, CHP Park I/II, boiler facility Sabotin, boiler facility Meblo, boiler facility Majske poljane, heating plant Cerkno, heating plant Lanthieri.
- Maintenance of solar power plants.
- Repair of the Meblo hot water distribution system.
- Repair of the leaking 3 MW hot water boiler in Meblo.
- Implementation of the energy savings programme.
- Reporting on the implementation of the energy savings programme.
- Preparation of operation instructions for the distribution of hot water to the Podmark area.
- Preparation of the transfer of invoicing for the services provided from the Production and Services to the uniform IT system EIS.
- Reporting to the Energy Agency, to the Eco Fund, Environment Agency, etc.

08 RESEARCH AND DEVELOPMENT DEPARTMENT

The Research and Development Department focused on various projects in the area of smart networks and electromobility in 2016, which were only in early phases.

The activities within the smart networks project were related to various EU programmes, such as 3Smart, and to a Slovenian-Japanese project "NEDO".

Within the 3Smart project and together with the Faculty of Electrical Engineering and Computing of Zagreb, we prepared project ideas for the project as a whole and also for the pilot polygon, which is supposed to be built in Idrija, as part of the project. The project successfully passed the assessment and was approved by the competent committees. Project start: 1 January 2017. E 3 obtained EUR 310,000 of financing for this project, and will carry out the majority of project work using the existing human resources, without any new employments.

As regards the NEDO project, E 3 and partners, among them mainly HITACHI, are searching for an adequate business model that would ensure sustainability also after the expiry of the period in which the project will be financed using grants. E 3 sees this project as a very important business opportunity that might allow it to expand to new markets or develop new activities, thus increasing revenues.

In addition, the first steps were made in 2016 in the area of electromobility: the network was designed of charging stations for electric vehicles. The first three such stations were installed, while the design for the fourth one was also prepared and there were preparations in course for its installation. In addition to the infrastructure, we also prepared a proposal of further activities in the area of electromobility, which addressed the required software to support both charging and payment.

Another two projects were prepared in 2016 within the EU programme Horizon 2020, i.e. SeamET and NETEVE, and then another one, called PAKT, co-financed by the SPIRIT agency.

09 ACCOUNTING RATIOS

In accordance with Slovenian Accounting Standards (IAS), accounting ratios are grouped into:

- financing state ratios,
- investment ratios,
- horizontal financial structure ratios,
- efficiency ratios, and
- profitability ratios.

BASIC FINANCING STATE RATIOS

They show relationships among liability items, and therefore both the structure of an entity's asset financing and the degree of its financial independence.

No.	Description	2016	2015	2014	2013	2012	2011	2010
1.	**Equity financing ratios** equity/liabilities	0.467	0.440	0.459	0.401	0.295	0.278	0.485
2.	**Long-term financing ratio** equity and long-term liabilities (including provisions)/liabi-lities	0.517	0.494	0.466	0.416	0.323	0.309	0.640
3.	**Debt financing ratio** debt/liabilities	0.511	0.556	0.531	0.588	0.700	0.719	0.514

BASIC INVESTMENT RATIOS

They show where an entity invested its assets, and the resulting structure of such assets.

No.	Description	2016	2015	2014	2013	2012	2011	2010
1.	**Fixed assets investment ratio** fixed assets/assets	0.236	0.263	0.232	0.238	0.252	0.202	0.615
2.	**Investment assets ratio** long-term and short-term investments/assets	0.020	0.020	0.026	0.021	0.021	0.096	0.060
3.	**Long-term investment ratio** fixed assets+long-term investments+long-term operating receivables/assets	0.256	0.283	0.256	0.259	0.275	0.223	0.675

BASIC HORIZONTAL FINANCIAL STRUCTURE RATIOS

They show how individual items of assets are financed, as well as (liquidity ratios) an entity's ability to settle its short-term financial liabilities.

No.	Description	2016	2015	2014	2013	2012	2011	2010
1.	**Equity to fixed assets ratio** equity/fixed assets	1.977	1.678	1.981	1.685	1.170	1.371	0.793
2.	**Acid ratio** liquid assets/short-term liabilities	0.092	0.025	0.051	0.083	0.023	0.018	0.213
3.	**Quick ratio** liquid assets and short-term receivables/short-term liabilities	1.449	1.209	1.278	1.244	1.025	1.002	0.903
4.	**Current ratio** current assets/short-term liabilities	1.449	1.209	1.284	1.244	1.026	1.117	0.903

BASIC EFFICIENCY RATIOS

They show whether an entity's results of operations are positive.

No.	Description	2016	2015	2014	2013	2012	2011	2010
1.	**Operating efficiency ratio** operating revenues/operating expenses	1.018	1.019	1.009	1.045	0.980	0.999	0.859
2.	**Total efficiency ratio** revenues/expenses	1.020	1.019	1.012	1.045	0.980	0.998	0.866

BASIC PROFITABILITY RATIOS

They show how profitable are an entity's operations. ROA shows how profitable an entity is relative to its total assets.

No.	Description	2016	2015	2014	2013	2012	2011	2010
1.	**Net profit margin** net profit/revenues	0.017	0.017	0.009	0.043	-0.016	-0.002	-0.167
2.	**Net ROA** net profit/average assets	0.037	0.037	0.018	0.105	-0.041	-0.006	-0.166
3.	**Net ROE** net profit/average equity (excl. net profit for the period)	0.087	0.090	0.049	0.322	-0.138	-0.020	-0.309

09 01 FINANCING STATE RATIOS

They show the share of equity, debt and accruals/deferrals in total sources of finance. They are important for the company when deciding its financing policy (equity structure). A high share of equity in total liabilities and a low short-term financing ratio tell the creditors of a company that their money would be safe with it.

Equity financing ratio shows the share of equity in total liabilities. It was 47% in 2016, 3 percentage points up from 2015. This is explained by an increase in equity resulting from the profit earned in 2016, which was not neutralised by an increase in liabilities following the merger by absorption. These, in nominal terms, increased less than equity.

Debt financing ratio shows the share of debt in total liabilities. It was 51% in 2016, 4.5 percentage points down from 2015. This is mainly explained by an increase in equity resulting from the profit earned in 2016, and a decrease in mainly short-term financial liabilities arising under a revolving loan contract.

Long-term financing ratio was 51.7%, 2.33 percentage points up from 2015. This is mainly explained by an increase in equity resulting from the profit earned in 2016, which was not neutralised by a decrease in liabilities arising under long-term bank loans.

09 02 INVESTMENT RATIOS

They are important for the company when deciding its investment projects.

Fixed assets investment ratio shows the share of fixed assets (property, plant and equipment assets) in total assets. Fixed assets represented 23.6% of total assets in 2016, 2.7 percentage points down from 2015. This is explained by the fact that the value of fixed assets decreased due to depreciation, while other current assets increased.

Investment assets ratio shows the share of the company's assets generating financial revenues in total assets. Short-term and long-term investments represented 0.2% of total assets, which was the same as in 2015.

Long-term investment ratio shows the share of long-term assets in total assets. It was 25.6%, 2.7 percentage points down from 2015. This is explained by a decrease in fixed assets and a simultaneous increase in short-term operating receivables.

09 03 HORIZONTAL FINANCIAL STRUCTURE RATIOS

The company calculates horizontal financial structure ratios to monitor its long-term financial stability. The most important of all is quick ratio, which shows how the amount and structure of the company's current assets affect its ability to settle its short-term liabilities.

Equity to fixed assets ratio shows the ratio of equity to fixed assets. It was 1.98 in 2016, 0.3 percentage points up from 2015. This is explained by an increase in equity due to the 2016 profit, and a decrease in fixed assets.

Acid, quick and current ratios show the company's liquidity:
Acid ratio shows the company's liquid assets relative to its short-term liabilities. At year-end 2016, the company had liquid assets in an amount allowing it to settle 9.2% of its short-term liabilities. Compared to 2015, the ratio was 0.07 percentage points higher, which is explained by an increase in liquid assets, which was not neutralised by an increase in short-term liabilities.

Quick ratio shows the company's ability to settle its short-term liabilities with liquid assets and short-term receivables. At year-end 2016, quick ratio was 1.45, 24 percentage points up from 2015. This is explained by an increase in cash items and short-term receivables, which was not neutralised by an increase in short-term liabilities.

Current ratio shows the company's ability to settle its short-term liabilities with cash items and other current assets, including inventories. At year-end 2016, it was 1.449, 24 percentage points up from 2015. This is explained by an increase in current assets (cash) and a decrease in short-term financial liabilities arising under a revolving loan contract.

09 04 EFFICIENCY RATIOS

Operating efficiency ratio is the ratio of operating revenues to operating expenses, and shows how efficient the company was in its operations, as financial revenues and expenses and other revenues and expenses are not counted. The ratio was 1.018 in 2016, which means that operating revenues exceeded operating expenses by 1.8%, 0.1 percentage points down from 2015.

Total efficiency ratio is the ratio of total revenues to total expenses. The ratio was 1.020 in 2016, 0.1 percentage points up from 2015. The company was more efficient in 2016, and earned more profit for the owners.

09 05 PROFITABILITY RATIOS

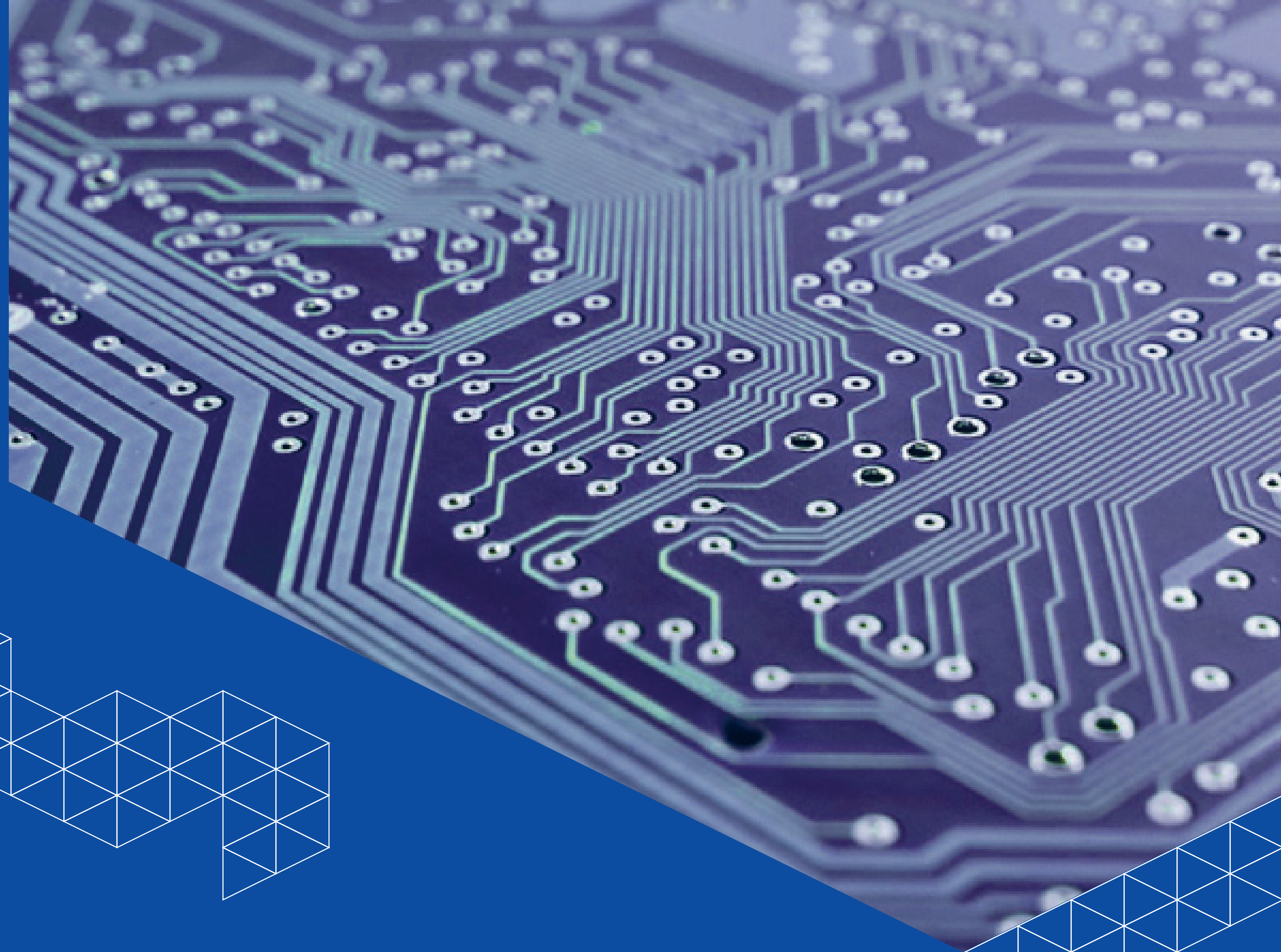
Net profit margin shows that the company made a profit of EUR 1.7 per each EUR 100 of revenues, the same as in 2015.

Net return on assets (ROA) shows the share of net profit generated by the company using its own assets, and thus how successful the management was in managing those assets. ROA was 3.7% in 2016, the same as in 2015.

Net return on equity (ROE) shows the share of net profit generated by the company using the equity that the owners invested in it. For a company's owners, ROE is one of the most important indicators, as it shows how efficient the company was in managing their assets. ROE was 8.7% in 2016, 0.3 percentage points down from 2015. This is explained by the higher average capital in 2016.

DIVERSITY POLICY

The company does not have a diversity policy applicable to its governance 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 2016, 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 d.o.o. as at 31 December 2016 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 and those charged with governance 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

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accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 13 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, 23 May 2017

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

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

Lidija Šinkovec
Certified auditor

11 FINANCIAL STATEMENTS

11 01 BALANCE SHEET AS AT 31 DECEMBER 2016

ASSETS			(EUR)
	Note	31 Dec 2016	31 Dec 2015
A. Long-term assets:			
I. Intangible assets	12.2.1	465,121	401,221
1. Long-term rights		398,593	316,905
3. Intangible assets being acquired		66,528	84,316
II. Property, plant and equipment	12.2.2	7,098,268	7,749,367
1. Land and buildings		3,913,184	4,194,359
a) Land		92,803	92,803
b) Buildings		3,820,380	4,101,556
3. Equipment		2,931,313	3,390,920
4. Property, plant and equipment being acquired		253,772	164,088
a) Property, plant and equipment in the course of construction		253,772	164,088
III. Long-term investments	12.2.3	586,972	582,772
1. Shares and interests in Group companies		483,993	483,993
2. Other shares and interests		20,000	20,000
3. Long-term loans to others		82,979	78,779
IV. Long-term operating receivables	12.2.4		14,718
2. Long-term operating receivables due from others			14,718
V. Deferred tax assets	12.2.5	471,717	579,249
TOTAL LONG-TERM ASSETS		**8,622,079**	**9,327,328**
B. Current assets:			
III. Short-term operating receivables	12.2.7	18,803,930	17,560,674
1. Short-term operating receivables due from Group companies		27,235	65,025
2. Short-term trade receivables		17,838,698	16,330,470
3. Short-term operating receivables due from others		937,997	1,165,179
IV. Cash	12.2.8	1,267,308	374,644
TOTAL CURRENT ASSETS		**20,071,238**	**17,935,318**
C. Short-term deferred costs and accrued revenues	12.2.9	1,353,407	2,251,020
TOTAL ASSETS		**30,046,724**	**29,513,666**

The accompanying analysis and notes form an integral part of and shall be read in conjunction with this financial statement.

EQUITY AND LIABILITIES			(EUR)
	Note	31 Dec 2016	31 Dec 2015
A. Equity			
I. Called-up capital		6,522,017	6,522,017
1. Share capital		6,522,017	6,522,017
III. Profit reserves		7,026,027	5,956,572
1. Legal reserves		117,173	117,173
2. Other profit reserves		6,908,854	5,839,399
IV. Revaluation surplus		-56,131	-3,886
V. Retained earnings		-420	
VI. Net profit for the period		544,426	525,029
TOTAL EQUITY	**12.2.10**	**14,035,918**	**12,999,732**
B. Provisions and long-term accrued costs and deferred revenues	12.2.11	1,082,215	1,074,368
1. Provisions		311,232	224,678
2. Long-term accrued costs and deferred revenues		770,983	849,690
C. Long-term liabilities	12.2.12	425,000	491,667
I. Long-term financial liabilities		425,000	491,667
1. Long-term financial liabilities to banks		425,000	491,667
D. Short-term liabilities	12.2.13	13,847,944	14,836,097
I. Short-term financial liabilities		73,667	1,687,987
1. Short-term financial liabilities to Group companies			4,820
2. Short-term financial liabilities to banks		66,667	1,666,667
3. Other short-term financial liabilities		7,000	16,500
II. Short-term operating liabilities		13,774,277	13,148,110
1. Short-term operating liabilities to Group companies		79,436	53,230
2. Short-term trade payables		12,382,182	11,985,563
3. Short-term operating liabilities from advances		821,930	710,978
4. Other short-term operating liabilities		490,729	398,340
TOTAL LIABILITIES		**15,355,158**	**16,402,131**
E. Short-term accrued costs and deferred revenues	12.2.14	655,648	111,803
TOTAL EQUITY AND LIABILITIES		**30,046,724**	**29,513,666**

The accompanying analysis and notes form an integral part of and shall be read in conjunction with this financial statement.

11 02 INCOME STATEMENT FOR 2016

	Note	2016	(EUR) 2015
1. Net sales revenues	12.3.1	64,281,253	60,041,785
a) in domestic market		59,100,050	53,976,248
b) in foreign market		5,181,204	6,065,537
2. Capitalised own products and own services	12.3.1	18,052	19,290
3. Other operating revenues	12.3.1	470,125	859,898
4. Costs of goods, materials and services	12.3.2	-60,512,910	-56,975,344
a) costs of goods and materials sold, and costs of materials used		-55,165,317	-53,634,387
b) costs of services		-5,347,593	-3,340,957
5. Labour costs	12.3.2	-1,700,369	-1,611,689
a) wages and salaries		-1,205,125	-1,200,430
b) supplementary pension insurance		-56,385	-52,841
c) social security contributions		-203,464	-194,093
d) other labour costs		-235,394	-164,324
6. Write-downs in value	12.3.2	-1,371,751	-996,269
a) amortisation/depreciation		-789,539	-737,005
b) revaluation operating expenses associated with intangible assets and property, plant and equipment		-248,590	-65,121
c) revaluation operating expenses associated with current operating assets		-333,623	-194,143
7. Other operating expenses	12.3.2	-38,031	-224,150
8. Financial revenues from shares and interests	12.3.3	76,607	72,246
a) in Group companies		76,607	72,246
9. Financial revenues from loans	12.3.3	4,968	5,986
b) to others		4,968	5,986
10. Financial revenues from operating receivables	12.3.3	90,693	121,309
b) due from others		90,693	121,309
11. Financial expenses due to impairment and write-offs of investments	12.3.4	0	-146,992
12. Financial expenses for financial liabilities	12.3.4	-19,885	-32,135
a) for loans received from Group companies		-90	-1,933
b) for loans received from banks		-13,664	-28,841
c) for other financial liabilities		-6,132	-1,361
13. Financial expenses for operating liabilities	12.3.4	-8,252	-51,185
b) for trade payables and bills payable		-5,857	-51,143
c) for other operating liabilities		-2,395	-43
14. Other revenues	12.3.5	480	54,911
15. Other expenses	12.3.6	-24,707	-11,093
PRE-TAX PROFIT FOR THE PERIOD		**1,266,272**	**1,126,569**
16. Income tax	12.3.7	-64,357	0
17. Deferred taxes	12.3.7	-113,063	-76,511
18. NET PROFIT FOR THE PERIOD	**12.3.8**	**1,088,851**	**1,050,058**

The accompanying analysis and notes form an integral part of and shall be read in conjunction with this financial statement.

11 03 STATEMENT OF COMPREHENSIVE INCOME FOR 2016

		Note	2016	(EUR) 2015
18.	**NET PROFIT FOR THE PERIOD**	**12.3.9**	**1,088,851**	**1,050,058**
19.	Adjustment to revaluation surplus associated with deferred taxes		5,531	361
20.	Other comprehensive income		-57,776	-9,550
21.	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**	**12.3.9**	**1,036,606**	**1,040,869**

The accompanying analysis and notes form an integral part of and shall be read in conjunction with this financial statement.

11 04 CASH FLOW STATEMENT FOR 2016

	Note	2016	(EUR) 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Cash receipts from operating activities	12.4.	**134,354,195**	**117,551,560**
a) Cash receipts from the sale of products and services		133,770,571	115,813,778
b) Other cash receipts from operating activities		583,624	1,737,782
2. Cash payments from operating activities		**-131,421,516**	**-118,516,780**
a) Cash payments to acquire materials and services		-73,866,190	-70,932,898
b) Cash payments to employees (wages and salaries, and profit shares)		-1,702,132	-1,560,449
c) Cash payments of taxes and contributions		-4,252,866	-3,656,382
d) Other cash payments from operating activities		-51,600,327	-42,367,052
3. Net cash from operating activities		**2,932,679**	**-965,220**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
4. Cash receipts from investing activities		149,195	248,419
a) Interest and dividends from investing activities		148,985	110,236
b) Cash receipts from disposal of property, plant and equipment		210	54
c) Cash receipts from disposal of short-term of investments		0	100,000
d) Cash receipts from the merger by absorption of a subsidiary		0	38,129
5. Cash payments from investing activities		**-495,751**	**-604,592**
a) Cash payments to acquire intangible assets		-288,448	0
b) Cash payment to acquire property, plant and equipment		-207,302	-425,812
c) Cash payments to acquire short-term investments		0	-100,000
d) Cash payments to acquire long-term investments		0	-78,779
6. Net cash from investing activities		**-346,555**	**-356,172**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
7. Cash receipts from financing activities		**17,250,000**	**2,000,000**
b) Cash proceeds from increase in short-term loans		17,250,000	2,000,000
8. Cash payments from financing activities		**-18,943,460**	**-1,038,827**
a) Interest paid		-17,294	-106,959
b) Cash repayments of long-term loans		-66,667	-531,136
c) Cash repayments of short-term loans		-18,859,500	-400,732
d) Dividends paid			
9. Net cash from financing activities		**-1,693,460**	**961,173**
10. Net cash inflow or outflow for the period		**892,664**	**-360,220**
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		**1,267,308**	**374,644**
X. Opening balance of cash and cash equivalents		374,644	734,864
Y) NET CASH INFLOW OR OUTFLOW FOR THE PERIOD		892,664	-360,220
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		**1,267,308**	**374,644**

The accompanying analysis and notes form an integral part of and shall be read in conjunction with this financial statement.

10 05 STATEMENT OF CHANGES IN EQUITY FOR 2016

(EUR)

		Called-up capital	Profit reserves				Net profit for the period	
		Share capital	Legal reserves	Other profit reserves	Fair value reserve	Retained earnings	Net profit for the period	Total equity
		I/1	III/1	III/2	IV	V/1	VI/1	VII
A.1	**31 December 2015**	**6,522,017**	**117,173**	**5,839,400**	**-3,886**	**0**	**525,029**	**12,999,731**
A.2	**1 January 2016**	**6,522,017**	**117,173**	**5,839,400**	**-3,886**	**0**	**525,029**	**12,999,731**
B.2	**Total comprehensive income for the period**				**-52,245**		**1,088,851**	**1,036,606**
	a) Net profit for the period						1,088,851	1,088,851
	b) Revaluation surplus adjustment				-52,245			-52,245
B.3.	**Movements within equity**			**1,069,454**	**0**	**0**	**-1,069,454**	**0**
	a) Allocation of the remaining net profit of a comparative period to other equity components			525,029			-525,029	0
	b) Allocation of a portion of net profit to other equity components under a decision of management and supervisory bodies			544,429		0	-544,429	0
	c) Other movements within equity					-420	0	-420
C	**31 December 2016**	**6,522,017**	**117,173**	**6,908,854**	**-56,131**	**-420**	**544,426**	**14,035,917**
	DISTRIBUTABLE PROFIT 2016					**-420**	**544,426**	**544,005**

The accompanying analysis and notes form an integral part of and shall be read in conjunction with this financial statement.

11 06 STATEMENT OF CHANGES IN EQUITY FOR 2015

(EUR)

		Called-up capital	Profit reserves			Net profit for the period	
		Share capital	Legal reserves	Other profit reserves	Reva-luation surplus	Net profit for the period	Total equity
		I/1	III/1	III/2	IV	VI/1	VII
A.1	**31 December 2014 – as initially reported**	**6,522,017**	**117,173**	**6,139,404**	**5,302**	**659,982**	**13,443,878**
	Error correction			-401,268		-401,268	-802,536
A.2	**31 December 2014 – corrected**	**6,522,017**	**117,173**	**5,738,136**	**5,302**	**258,714**	**12,641,342**
A.2	**1 January 2015**	**6,522,017**	**117,173**	**5,738,136**	**5,302**	**258,714**	**12,641,342**
B.1	**Changes in equity – transactions with owners**			**-682,479**		**0**	**-682,479**
	a) Merger by absorption of a subsidiary			-682,479		0	-682,479
B.2	**Total comprehensive income for the period**				**-9,189**	**1,050,058**	**1,040,869**
	a) Net profit for the period					1,050,058	1,050,058
	b) Revaluation surplus adjustment				-9,189		-9,189
B.3	**Movements within equity**			**783,743**	**0**	**-783,743**	**0**
	a) Allocation of the remaining net profit of a comparative period to other equity components			783,743		-783,743	0
	b) Settlement of loss as a deduction component of equity					0	0
C	**31 December 2015**	**6,522,017**	**117,173**	**5,839,400**	**-3,886**	**525,029**	**12,999,731**
	DISTRIBUTABLE PROFIT 2015					**525,029**	**525,029**

The accompanying analysis and notes form an integral part of and shall be read in conjunction with this financial statement.

12 NOTES TO THE FINANCIAL STATEMENTS UNDER THE COMPANIES ACT AND SLOVENIAN ACCOUNTING STANDARDS

The financial statements contained herein are non-consolidated financial statements of the company E 3, d.o.o. As its owner, Elektro Primorska, d.d., Erjavčeva 22, 5000 Nova Gorica, Slovenia, prepares consolidated financial statements for the Elektro Primorska Group, E 3, in accordance with point 10 of IAS 27, does not prepare consolidated financial statements.

The E 3 Group comprises the parent E 3, d.o.o., the subsidiary JOD, d.o.o., and the associate Knešca, d.o.o. In its non-consolidated financial statements, E 3 accounts for investments in Group companies at cost less impairment.

12 01 BASIS FOR PREPARATION

Slovenian Accounting Standards represent the rules of the profession in terms of analysing and explaining the fundamental accounting rules and requirements stipulated by the law. The financial statements of E 3 were prepared in accordance with Slovenian Accounting Standards 2016 (SAS) and the Companies Act.

TRANSITION TO SAS 2016

In the financial year ended on 31 December 2015, the company measured property, plant and equipment assets, as well as intangible assets, using the cost model. As at year-end 2015, the company did not have investment property under construction that it would have to present separately. Due to all this, no effects arose on the transition to SAS 2016 that would require restatements.

In accordance with the requirements related to its transition to SAS 2016, the company adjusted the financial statement formats.

SAS lay down the allowed accounting policies, in certain cases several, so that an entity may select among them. E 3 has its own accounting rules that lay down in detail the accounting treatment of financial statement items, as well as the applicable accounting policies.

In the preparation of its financial statements, E 3 observed the underlying assumptions of accrual basis and going concern. Its accounting policies are based on the basic accounting principles of prudence, substance over form, and materiality.

E 3 declares that the same accounting policies and methods were used in the preparation of the current financial statements as in the prior year.

BASIS FOR MEASUREMENT

The financial statements were prepared on the historical cost basis, with the exception of financial assets available for sale, which are measured at fair value.

EXCHANGE RATE AND TRANSLATION INTO LOCAL CURRENCY

All items of assets and liabilities denominated in foreign currencies were translated to euro at the reference exchange rate of the European Central Bank published by the Bank of Slovenia on the balance sheet date. All transactions denominated in foreign currencies were translated to euro at the reference exchange rate of the European Central Bank on the transaction date. Any foreign currency differences arising were recognised in the income statement under financial revenues or expenses.

The amounts in the annual report are presented in euro without cents.

Pursuant to its accounting rules, the company must explain the following accounting policies:

- measurement of balance sheet items;
- specific accounting policies necessary for the proper understanding of balance sheet items that exceed 2% of the balance sheet total on the balance sheet date;
- disclosure of changes in the accounting policies or estimates if they exceed 2% of the balance sheet total on the balance sheet date;
- measurement of income statement items, and specific accounting policies necessary for the proper understanding of transactions that exceed 10% of revenues or expenses for the period;
- additional information not included in the prescribed income statement format but necessary for its fair presentation and related to transactions that exceed 10% of revenues or expenses for the period.

On 1 July 2007, the electricity market was completely liberalised. All electricity consumers, including households, obtained the status of an eligible customer able to choose the electricity supplier, also from across state borders. Electricity sale to household customers became a commercial activity, the prices no longer fixed by the government.

In 2016, the company was selling electricity in Slovenia's and European Union's markets, also to its own consumer points. As regards electricity sale to commercial customers, the prices are agreed in the contracts concluded with each customer separately.

In 2016, electricity was purchased based on contracts concluded with domestic and foreign suppliers. Smaller quantities intended for resale were self-produced by E 3 as qualified producer.

12 02 NOTES TO THE BALANCE SHEET

12 02 01 INTANGIBLE ASSETS

Intangible assets are recognised in the accounting records and in the balance sheet when it is probable that future economic benefits will flow to the entity, and when their cost can be measured reliably.

After recognition, the cost model is applied.

Amortisation of individual items of intangible assets is carried out on a straight-line basis, with amortisation rates ranging from 2% to 33%. Amortisation of an intangible asset with a finite useful life begins when it becomes available for use. E 3 would assess the useful life of each major item of intangible assets and long-term deferred costs and accrued revenues before the end of each financial year.

Subsequent expenditure on an item of intangible assets increases its cost when it increases its future economic benefits in excess of the originally assessed.

Recognition of an intangible asset is reversed upon disposal or when no future economic benefits are expected from its further use and subsequent disposal.

Intangible assets of E 3 comprise computer software. The cost of an intangible asset comprises its purchase price or production cost. After recognition, the cost model is applied.

In 2016, intangible assets increased by EUR 239,655 (2015: EUR 144,494) due to new software purchased, and decreased by EUR 174,025 due to amortisation.

E 3 does not have intangible assets whose title would be restricted.

The table below shows changes in intangible assets in 2016.

(EUR)

	Deferred costs of development studies	Long-term rights	Intangible assets being acquired	Total
Cost				
1 January 2016	0	957,617	84,317	1,041,933
Additions		0	239,655	239,655
Transfer from assets being acquired	25,960	231,484	-257,444	0
Disposals			0	0
31 December 2016	25,960	1,189,100	66,528	1,281,588
Accumulated amortisation				
1 January 2016		640,712	0	640,712
Amortisation	1,730	174,025	0	175,755
Disposals		0	0	0
31 December 2016	1,730	814,737	0	816,467
Carrying amount				
1 January 2016	0	316,905	84,317	401,221
31 December 2016	**24,230**	**374,363**	**66,528**	**465,121**

The table below shows changes in intangible assets in 2015.

(EUR)

	Long-term rights	Intangible assets being acquired	Total
Cost			
1 January 2015	933,754	9,280	943,034
Additions	0	144,494	144,494
Transfer from assets being acquired	69,457	-69,457	0
Disposals	-45,595	0	-45,595
31 December 2015	957,617	84,317	1,041,933
Accumulated amortisation			
1 January 2015	552,921	0	552,921
Amortisation	133,386	0	133,386
Disposals	-45,595	0	-45,595
31 December 2015	640,712	0	640,712
Carrying amount			
1 January 2015	380,833	9,280	390,113
31 December 2015	**316,905**	**84,317**	**401,221**

12 02 02 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets of E 3 comprise land, buildings and equipment, and the same assets being acquired. Their carrying amount represents the difference between their purchase price and accumulated depreciation. E 3 does not have investment property. After recognition, the cost model is applied.

The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the condition necessary for the intended use.

Subsequent expenditure on an item of property, plant and equipment increases its cost if it increases its future economic benefits in excess of the originally assessed. Subsequent expenditure enabling the extension of useful life of the asset increases its carrying amount.

Expenditure on repairs or maintenance of property, plant and equipment is made to restore or maintain the future economic benefits expected on the basis of the originally assessed standard of performance of the assets. As such, it is usually recognised as cost or operating expenses.

Depreciation of an item of property, plant and equipment begins on the first day of the following month after it has been available for use. Depreciation of individual items of property, plant and equipment assets is carried out on a straight-line basis, taking account of their useful life. For depreciation rates, see section 12.3.2, Operating expenses, write-downs in value.

The cost of facilities built by E 3 alone is the production cost which shall not exceed the market price of the same kind of goods. Production cost comprises direct costs of material, services and labour, and general production costs.

In accordance with SAS 1 (2016), if the cost of an item of property, plant and equipment assets is significant, it is allocated to its individual parts. If such parts have different useful lives, significant in relation to the total cost of the item, each part is to be treated separately.

Accumulated depreciation increases for the depreciation charged in the period. Depreciation of an item of property, plant and equipment begins on the first day of the following month after it has been available for use. Depreciation of individual items of property, plant and equipment assets is carried out on a straight-line basis, taking account of their useful life.

Property, plant and equipment assets are impaired if their carrying amount exceeds their recoverable amount, i.e. the higher of its fair value less costs to sell and value in use. Estimating the value in use of an asset involves the following steps: estimating the future cash receipts and disbursements to be derived from the continuing use of the asset and from its ultimate disposal; and applying the appropriate pre-tax discount rate to those future cash flows that reflects the time value of money and the risk specific to the asset. The value in use of an asset whose future cash flows are dependent on cash flows from other assets in a cash-generating unit is calculated based on the future cash flows of that cash-generating unit. Any impairment losses are recognised as operating expenses.

E 3 would check on each reporting date whether any indication of impairment of property, plant and equipment assets exists. If such objective evidence exists, the recoverable amount would be assessed.

In 2016, E 3 tested for impairment its long-term assets. A valuation report was prepared for financial reporting purposes (impairment testing in accordance with IAS 36). The valuation was carried out as at 31 December 2016. What was assessed was the recoverable amount of long-term assets, i.e. their value in use within a cash-generating unit.

The valuation was carried out in accordance with the "Hierarchy of valuation standards" (Official Gazette of the RS, no. 106/2010). Using the so-called income approach, the valuation was based on business performance projections of each cash-generating unit. These were prepared based on past performance (2014-2015) and future plans (2017-2021), with the value from the last projection year to the expiry of the useful life being included in the residual value. The model takes account of the value until the expiry of the useful life of an individual cash-generating unit. The valuation was prepared observing the assumption that the cash-generating unit was a going concern using the assets in its regular operations.

For co-generation facilities, projections were prepared for different, but always finite periods of time, reflecting the term of the relevant support contract concluded with Borzen.

The estimated future cash flows were discounted using the weighted average cost of capital (WACC), i.e. 9.8% on 31 December 2016.

The table below shows changes in property, plant and equipment assets in 2016.

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

Property, plant and equipment assets decreased by EUR 651,099 (2015: increased by EUR 1,367,106) in 2016. The changes are explained by new assets acquired in the amount of EUR 211,522 (2015: EUR 244,739), additional impairment of assets pertaining to certain facilities (boiler facility Majske poljane, geoprobe Cerkno and small wind power plants) in the total amount of EUR 240,831, depreciation of EUR 613,783 (2015: EUR 603,619 EUR), and elimination of equipment of EUR 11,384 (2015: EUR 1,842).

E 3 does not have any property obtained under finance lease contracts. It pledged some of its property in 2013 to obtain a payment guarantee valid until February 2016 in favour of Nova KBM, d.d. This liability is shown among off-balance sheet items. The estimated market price of said property is EUR 2,660,418.

The table below shows changes in property, plant and equipment assets in 2015, together with the effect of error correction (associated with impairment).

	Land	Buildings	Equipment	PPE being acquired and advances	Total (EUR)
Cost					
1 January 2015 – restated	94,964	4,255,812	4,553,943	699,737	9,604,457
Additions due to the merger by absorption		879,280	717,055	0	1,596,335
Additions				244,739	244,739
Transfer from assets being acquired		27,500	752,888	-780,388	0
Disposals		0	-26,254		-26,254
Impairment	-2,161	-57,183	-41,351		-100,695
Reversal of impairment		207,372	260,133		467,505
31 DECEMBER 2015	**92,803**	**5,312,781**	**6,216,414**	**164,088**	**11,786,086**
Accumulated depreciation					
1 January 2015 – restated		968,513	2,253,683	0	3,222,196
Additions due to the merger by absorption		62,384	121,951		184,335
Depreciation		178,162	425,457		603,619
Disposals		0	-24,412		-24,412
Impairment		-19,210	-18,205		-37,416
Reversal of impairment		21,377	67,020		88,398
31 DECEMBER 2015		**1,211,225**	**2,825,494**	**0**	**4,036,719**
Carrying amount					
1 January 2015 – restated	94,964	3,287,299	2,300,260	699,737	6,382,261
Effect of merger by absorption		816,896	595,104		1,412,000
1 JANUARY 2015	**94,964**	**3,287,299**	**2,300,260**	**699,737**	**7,794,261**
31 DECEMBER 2015	**92,803**	**4,101,556**	**3,390,920**	**164,088**	**7,749,367**

In 2015, E 3 tested for impairment its long-term assets. A valuation report was prepared for financial reporting purposes (impairment testing in accordance with IAS 36). The valuation was carried out as at 1 January 2015 and 31 December 2015. What was assessed was the recoverable amount of long-term assets, i.e. their value in use within a cash-generating unit. The valuation was carried out in accordance with the "Hierarchy of valuation standards" (Official Gazette of the RS, no. 106/2010). Using the so-called income approach, the valuation was based on business performance projections of each cash-generating unit. These were prepared based on past performance (2014-2015) and future plans (2016-2017). The valuation was prepared observing the assumption that the cash-generating unit was a going concern using the assets in its regular operations.

For co-generation facilities, projections were prepared for different, but always finite periods of time, reflecting the term of the relevant support contract concluded with Borzen.

The estimated future cash flows were discounted using the weighted average cost of capital (WACC), i.e. 9.06% on 1 January 2015 and 8.88% on 31 December 2015.

Property, plant and equipment assets increased by EUR 1,367,106 in 2015. The changes are explained by new assets acquired in the amount of EUR 244,739, the effect of said merger by absorption of EUR 1,412,000, impairment of assets pertaining to certain facilities (CHP Park and CHP Meblo) and reversal of impairment of assets pertaining to certain other facilities (geoprobe Cerkno and heat pump Lanthieri, boiler facility Majske poljane, small solar/wind power plants) in the total amount of EUR 315,828, depreciation of EUR 603,619 (2014: EUR 564,194), and elimination of equipment of EUR 1,842 (2014: EUR 5,060).

12 02 03 LONG-TERM INVESTMENTS

Investments of all types are initially recognised at fair value. Long-term and short-term investments are shown separately.

Long-term investments are investments that an investor entity intends to hold for a period longer than one year. They comprise investments in equity of subsidiaries, in shares and interest of other companies and other investments, as well as long-term loans. They are classified as assets available for sale measured at cost.

Short-term investments are held for a period of up to one year, and comprise investments in shares and interests of other companies and other investments, as well as short-term loans.

Acquisition and normal disposal of investments is recognised on the trading date.

Long-term investments in equity of subsidiaries (representing 50% or more of share capital), which are also included in the Group consolidated statements, and in equity of associates (representing 20% to 49.9% of share capital) are measured at cost. Participation in profit of a subsidiary is recognised in the parent's profit when a resolution on profit allocation is adopted. If an investment in equity of a loss-making subsidiary must be impaired, the impairment loss is calculated as the difference between the investment's carrying amount and the net present value of estimated future cash flows.

Long-term investments in equity of other companies that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Investments in other shares and interests of other companies are initially classified as available for sale and are measured at fair value through equity.

Investments in loans and deposits are measured at amortised cost, and are recognised on the investment date at the amount of cash or other assets invested. Subsequently, they are measured at amortised cost using the effective interest method, less any impairment losses.

Investments are revalued due to impairment as soon as pertinent reasons arise, but at the latest at the end of the accounting period. Objective evidence must also exist of impairment resulting from events that occurred after the initial recognition of investments, such as performance data or audited book value. Objective evidence is deemed to exist when an investment's fair value on the balance sheet date is 20% less than its cost. Impairment testing is carried out separately for each investment or group of investments.

The loss resulting from an investment's permanent impairment, not a temporary decrease in its fair value, is recognised as financial expenses. It is calculated as the difference between the investment's book value and the net present value of estimated future cash flows.

Changes in the fair value of financial assets available for sale are recognised directly in equity as revaluation surplus.

In accordance with SAS 3, which deals with investments, E 3 designated its investments as available for sale.

In 2006, E 3 acquired a 47.27% share in Knešca, d.o.o., a small hydro power plant located in Most na Soči. Compared to the holdings of the other ten owners, 47.27% represents a significant share, but E 3 nevertheless does not yet have a representative on its supervisory board. In 2013, E 3 transferred its share in Knešca to JOD, thus recapitalising this subsidiary. The value of the share was determined based on a valuation. In 2015, E 3 carried out another valuation, this time to determine the value of its 100% share in JOD for the purpose of financial reporting and impairment testing.

The investment's fair estimated at in the valuation was EUR 131,576 below the book value, which prompted impairment.

E 3 is also among the founders of the Aeronautical Museum of Nova Gorica. Its share of capital amounts to 5.26%.

As at year-end 2016, E 3 had among its investments also the loan-term loan granted to Gostol-Gopan d.o.o. within the hot water connection and heating plant development project, which was co-financed by E 3. The loan was extended for a period of 5 years and the debtor is invoiced the contractually agreed interest monthly, together with heat supplied. Upon maturity, E 3 will convert the outstanding debt into ownership of the hot water connection and heating plant.

SHARES AND INTERESTS IN GROUP COMPANIES:		(EUR)
	31 December 2016	31 December 2015
JOD, d.o.o.	615,569	615,569
Impairment of JOD	-131,576	-131,576
CARRYING AMOUNT OF JOD	**483,993**	**483,993**
Other shares and interests:		
Aeronautical Museum of 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 with Nova KBM, d.d.	4,200	
Total	82,979	78,779
TOTAL LONG-TERM INVESTMENTS	**586,972**	**582,772**

MOVEMENTS IN INVESTMENTS IN 2016				(EUR)
	Shares and interests in Group companies	Other shares and interests	Long-term loans to others	Total
1 January 2016	483,993	20,000	78,779	582,772
Increase	0	0	4,200	4,200
Decrease due to impairment	0	0	0	0
31 DECEMBER 2016	**483,993**	**20,000**	**82,979**	**586,972**

MOVEMENTS IN INVESTMENTS IN 2015				(EUR)
	Shares and interests in Group companies	Other shares and interests	Long-term loans to others	Total
1 January 2015	615,569	20,000	0	635,569
Increase	0	0	78,779	78,779
Decrease due to impairment	-131,576	0	0	-131,576
31 DECEMBER 2015	**483,993**	**20,000**	**78,779**	**582,772**

PROFILE OF THE JOD SUBSIDIARY

E 3 established the JOD subsidiary on 4 August 2012, after paying in its share capital on 15 July 2012. In 2013, it recapitalised the subsidiary by transferring to it its share of EUR 1,036,000 in the Knešca associate.

Company name:	JOD, družba za inženiring in izgradnjo energetskih objektov, d.o.o.
Company abbreviated name:	JOD, d.o.o.
Registered office:	Ulica 15. maja 15, 6000 Koper
VAT no.:	13492233
Company ID no.:	6009441
Bank account:	SI56 0475 0000 1863 518

The company was registered with the Koper District Court, entry no. Srg 2012/29737.

Share capital:	EUR 1,043,500
Total equity:	EUR 1,120,107
Owner:	E 3, d.o.o. (100%)
General Manager:	Darko Pahor

In 2016, JOD earned a net profit of EUR 51,203.

12 02 04 LONG-TERM OPERATING RECEIVABLES

After initial recognition, long-term operating receivables are measured at amortised cost, which is their amount at initial recognition less repayments and impairments due to uncollectability. Operating receivables falling due in the next 12 months are included among short-term operating receivables, while those falling due after the next 12 months are included among long-term operating receivables.

		(EUR)
	31 December 2016	31 December 2015
Receivables from the Eco Gorenje package	0	14,718
TOTAL	**0**	**14,178**

In 2016, the company did not have long-term operating receivables. All long-term operating receivables shown in 2015 and relating to monthly instalment for the Eco Gorenje household appliances were recognised as short-term operating receivables falling due within one year.

12 02 05 DEFERRED TAX ASSETS

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, carryforwards of unused tax losses to future periods, and carryforwards of unused tax credits to future periods.

Deferred tax assets for deductible temporary differences are recognised when it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets for all deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, may only be recognised to the extent that it is probable that the temporary differences will be reversed in foreseeable future and future taxable profit will be available against which the temporary differences can be utilised.

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

At each balance sheet date, the company reassesses unrecognised deferred tax assets and recognises an unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company reduces the carrying amount of a deferred tax asset if it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The company would offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off a current tax asset against a current tax liability, and tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

At year-end 2016, E 3 had deferred tax assets of EUR 466,245. The applicable tax rate increased from 17% to 19% in 2016.

The effects of differences between the accounting and tax values of all temporary differences are calculated in accordance with the balance sheet method. Deferred tax assets relate to accrued long-term provisions and allowances for receivables, and will become recoverable in future periods in respect of deductible temporary differences and unused tax losses due to the amendments to the Corporate Income Tax Act.

DEFERRED TAX ASSETS				(EUR)
	Deductible temporary differences	Unused tax losses	Unused tax credits	Total
1 January 2016	427,232	125,063	26,954	579,249
Increases	39,012	0	0	39,012
Decreases	0	-119,590	-26,954	-146,544
31 DECEMBER 2016	466,245	5,473	0	471,717

12 02 06 SHORT-TERM INVESTMENTS

Short-term investments are financial assets held by the company for the purpose of increasing its financial revenues through returns. They comprise investments in financial liabilities of Group companies.

Investments in loans and deposits are measured at amortised cost, and are recognised on the investment date at the amount of cash or other assets invested.

Subsequently, they are measured at amortised cost using the effective interest method, less any impairment losses.

Investments are revalued due to impairment as soon as pertinent reasons arise, but at the latest at the end of the accounting period.

In 2016, the company did not have short-term investments.

SHORT-TERM LOANS TO GROUP COMPANIES		(EUR)
	31 December 2016	31 December 2015
1 January 2016	0	86,435
Effect of merger by absorption	0	-86,435
1 January 2016	0	0
Increase		
Decrease		
31 DECEMBER 2016	0	0
Short-term loans to others		
1 January 2016	0	0
Effect of merger by absorption	0	15,416
1 January 2016	0	15,416
Increase	0	
Decrease	0	-15,416
31 DECEMBER 2016	0	0

12 02 07 SHORT-TERM OPERATING RECEIVABLES

An item of receivables is recognised as an asset in the books of account and in the balance sheet if it is probable that future economic benefits associated with it will flow to the company and if its original amount can be measured reliably. Receivables of all categories are initially recognised at amounts recorded in the relevant documents under the assumption that they will be recovered. Subsequent increases and decreases in receivables result in an increase or decrease in operating or financial revenues or expenses. Subsequent increases and decreases are predominantly changes in the amount of receivables due to subsequent discounts, returns of goods sold, acknowledged complaints and subsequently discovered defects.

After initial recognition, short-term operating receivables are measured at amortised cost, which is their amount at initial recognition less repayments and impairments due to uncollectability. Operating receivables falling due in the next 12 months are included among short-term operating receivables, while those falling due after the next 12 months are included among long-term operating receivables.

Receivables denominated in foreign currencies were translated to euro at the reference exchange rate of the European Central Bank on the balance sheet date. Any increase in receivables results in an increase in financial revenues, while any decrease in receivables results in an increase in financial expenses.

Operating receivables are revalued due to impairment as soon as pertinent reasons arise, but at the latest at the end of the accounting period. Objective evidence must also exist of impairment resulting from events that occurred after the initial recognition of operating receivables, such as performance data or similar.

Receivables not believed to be paid or not paid in time are shown as doubtful or disputable, and allowances are formed accordingly.

Doubtful and disputed receivables include:

- unpaid receivables which arose before 2016;
- disputed receivables (enforcement);
- receivables due from entities undergoing bankruptcy or compulsory settlement proceedings.

Doubtful and disputed receivables were impaired in 2015 and 2016 by receivable and by debtor. In 2016, E 3 accordingly formed allowances representing 1.67% (2015: 1.02%) of the outstanding receivables. Of those receivables for which allowances were formed, 5.35% (2015: 4.54%) were collected and 13.73% (2015: 6.43%) written off in 2016.

Receivables under supply contracts with larger commercial customers are insured with Zavarovalnica Triglav.

Other receivable are not insured, as the company can, after several reminders, always terminate electricity supply contracts.

SHORT-TERM OPERATING RECEIVABLES

		(EUR)
	31 December 2016	31 December 2015
Short-term operating receivables from sales:		
– to Group companies	27,232	24,915
– in domestic market	19,243,336	17,669,992
– in foreign market	479,263	572,378
Allowances	-1,954,480	-2,026,452
TOTAL	**17,795,352**	**16,240,833**
Receivables for interest due from:		
– Group companies	3	0
– others	232,637	308,216
Allowances	-178,322	-204,684
TOTAL	**54,319**	**103,532**
Advances		
Advances given	33,926	27,728
Allowances	-17,663	-17,663
TOTAL	**16,263**	**10,065**
Other operating receivables		
– from Group companies	0	41,065
– from the state and other institutions	917,727	1,149,137
– from the employees	0	0
– from others	35,410	31,182
Allowances	-15,140	-15,140
TOTAL	**937,997**	**1,206,245**
TOTAL SHORT-TERM OPERATING RECEIVABLES	**18,803,930**	**17,560,674**

Short-term operating receivables from sales and for interest increased by EUR 1,505,305, while other short-term operating receivables decreased by 268,248 EUR compared to 2015. The increase in short-term operating receivables is mainly explained by the increase in electricity sale to household customers compared to 2015.

ALLOWANCES FOR SHORT-TERM OPERATING RECEIVABLES

		(EUR)
	2016	2015
1 January	2,263,939	2,328,107
Collected (previously written off) receivables	-121,015	-105,773
Finally written off receivables	-310,942	-152,797
Allowances in the period	333,623	194,402
31 DECEMBER	**2,165,604**	**2,263,939**

Ageing structure of short-term operating receivables from sales and for interest:

		(EUR)
	31 December 2016	31 December 2015
Current	15,089,508	13,615,830
Overdue up to 30 days	1,571,709	1,321,118
Overdue from 31 to 60 days	470,685	394,504
Overdue from 61 to 90 days	205,635	276,365
Overdue from 91 to 365 days	352,509	437,996
Overdue more than 365 days	159,625	298,552
TOTAL CURRENT AND OVERDUE RECEIVABLES	**17,849,670**	**16,344,365**

AT YEAR-END 2016, OF THE TOTAL AMOUNT OF SAID RECEIVABLES:

- 84,54% were current (2015: 83,31%);
- 8,81% were overdue up to 30 days (2015: 8,08%);
- 2,64% were overdue up from 31 to 60 days (2015: 2,41%);
- 4,02% in the amount of EUR 717,769 were overdue over 60 days. In 2015, those overdue more than 60 days were 6,20% (EUR 1,012,913).

Short-term operating receivables from others are receivables from the state for the difference between input and output VAT of EUR 917,604 (2015: EUR 1,020,187), receivables from SODO for the excess network-usage and other charges paid in advance of EUR 20,270 (2015: EUR 15,557), while the remaining receivables are from the post offices and banks for electricity bills paid there and other receivables. Short-term operating receivables from others also comprise receivables from former owners of Knešca in the amount of 8,585 EUR, for whom E 3 paid unpaid capital contribution upon entry in Knešca. Allowances were formed for them as lawyers were engaged.

12 02 08 CASH

	31 December 2016	31 December 2015 (EUR)
Bank balances	1,267,308	374,644
TOTAL	**1,267,308**	**374,644**

Cash comprises:

- cash on hand;
- deposit money in bank accounts;
- cash in transit;
- cash equivalents representing highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. 3-moth bank deposits).

Cash on hand comprises banknotes, coins and cheques received. Deposits comprise deposits with banks or other financial institutions that can be used for payment purposes. Cash in transit is cash being transferred from a cash register to a relevant account with a bank or another financial institution that will not be credited to that account on the same day.

Cash items are initially recognised in amounts shown in relevant documents.

Receivables denominated in foreign currencies were translated to euro at the reference exchange rate of the European Central Bank on the balance sheet date. Any foreign currency differences arising are recognised in the income statement under financial revenues or expenses.

Cash items comprise bank balances.

NET CASH INFLOW OR OUTFLOW	2016	2015 (EUR)
Opening balance of cash	374,644	734,864
Net cash inflow or outflow for the period	892,664	-360,220
CLOSING BALANCE OF CASH	**1,267,308**	**374,644**

12 02 09 SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES

Short-term accruals and deferrals comprise deferred costs and accrued revenues expected to arise within one year; their incurrence is probable, whereas their amount is reliably estimated. Deferred costs do not yet affect profit or loss, while accrued revenues do affect profit or loss, although not yet incurred. E 3 used the same treatment also in 2015.

Short-term accruals and deferrals comprise:

- VAT on advances and overpayments received.
- Short-term deferred costs associated with sponsorships of EUR 3,900, marketing of EUR 6,191, and agents' commissions of EUR 1,005,487 (2015: EUR 716,952). Said commissions are associated with electricity supply contracts entered into by agents, and are recognised proportionally throughout the term of the relevant contract.
- Short-term accrued revenues associated with refunds of excise duties of EUR 164,850 (2015: 51,309). In 2015, short-term accrued revenues were mainly associated with provisions for electricity supply contracts in the amount of EUR 1,328,135 (2016: EUR 27,530).

	31 December 2016	31 December 2015 (EUR)
VAT on advances received	144,719	146,725
Short-term deferred costs	1,016,309	721,852
Short-term accrued revenues	192,380	1,382,443
TOTAL	**1,353,407**	**2,251,020**

12 02 10 EQUITY

Total equity is determined by both the amounts invested by owners and the amounts generated in the course of operation that belong to the owners.

Total equity belongs to the parent Elektro Primorska company, which is the 100% owner of the company's share capital.

Total equity comprises share capital, legal reserves, other profit reserves and net profit for the period.

			(EUR)
	31 December 2016	31 December 2015	31 December 2014 – restated
Share capital	6,522,017	6,522,017	6,522,017
Legal reserves	117,173	117,173	117,173
Other profit reserves	6,908,854	5,839,399	5,738,136
Fair value reserve	-56,131	-3,886	5,302
Retained earnings	-420	0	0
Net profit for the period	544,426	525,029	258,714
TOTAL	**14,035,918**	**12,999,732**	**12,641,342**

In 2016, E 3 earned a net profit of EUR 1,088,851. At the proposal of the General Manager, E 3 allocated half of net profit (EUR 544,426) to other profit reserves, while the other half remained unallocated. Distributable profit of EUR 544,005 comprises the unallocated profit of EUR 544,426 and retained earnings of minus EUR 420, the latter resulting from de-recognition of a corresponding portion of actuarial losses associated with termination benefits paid in 2016.

The above changes in equity are shown in the 2016 and 2015 statement of changes in equity.

12 02 11 PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

Under SAS 10 (2016), provisions are made by a company for its present obligations that arise from obligating past events and are expected to be settled in the period that cannot be defined with certainty, but a reliable estimate can be made of the amount of the obligations.

Provisions for jubilee and termination benefits represent accrued costs. They are intended for the future settlement of present obligations that arise from obligating past events. They are decreased directly by the amounts of costs for which they were made.

In accordance with Slovenia's laws, provisions for jubilee and termination benefits are made based on estimated future payments, discounted to the balance sheet date. Upon retirement, each employee is entitled to a one-off termination benefit. Each employee is also entitled to a jubilee benefit for each full 10 years of employment with the company. Provisions for jubilee and termination benefits are made based on actuarial calculations, i.e. using the projected unit credit method or the accrued benefit method pro-rated on years of service. The assumptions used are the following: employees' number, gender, age, status and wage, as well as employees' total years of service and years of service with the company on the balance sheet date, the amount of jubilee and termination benefits as set out in the collective employment agreement, employee turnover and mortality (modified Slovenian mortality tables 2000-2002), growth in Slovenia's average wage (0.5% (2015: 1.85%)) and company's average wage (5%), and promotion-related growth in company's average wage (0.1%), with the discount rate used to calculate the present value of future obligations being 2.5%.

Any actuarial gains/losses associated with termination benefits are recognised directly in equity, while those associated with jubilee benefits, service cost and interest are recognised in profit or loss.

Sensitivity analysis of actuarial assumptions:

			(EUR)
	Provisions for jubilee benefits	Provisions for termination benefits	Total
0.5% decrease in discount rate	3,843	11,078	14,921
0.5% increase in discount rate	-3,588	-10,198	-13,785
0.5% increase in wages	-3,931	-11,278	-15,209
0.5% decrease in wages	3,696	10,454	14,151

Long-term provisions are decreased directly by the amounts of costs for which they were formed, and are formed for the differences between the amounts shown in the actuarial report and in the accounting records.

PROVISIONS

	Provisions for termination benefits	Provisions for jubilee benefits	Provisions for overcharged electricity	Total (EUR)
1 January 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
31 DECEMBER 2016	**192,604**	**98,351**	**20,277**	**311,232**
1 January 2015	**106,549**	**73,284**	**20,277**	**200,110**
Effect of merger by absorption				**0**
Formation	15,917	22,466		38,383
Utilisation		-13,815		-13,815
31 DECEMBER 2015	**122,466**	**81,936**	**20,277**	**224,678**

LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

	Provisions for subsidies for distance heating with biomass project	Requests for damages	Co-financing by Eco Fund	Total (EUR)
1 January 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
31 DECEMBER 2016	**766,031**	**0**	**4,952**	**770,983**

	Provisions for subsidies for distance heating with biomass project	Requests for damages	Total (EUR)
1 January 2015	**845,417**	**1,181**	**846,598**
Formation	0	39,860	39,860
Utilisation	-36,768	0	-36,768
31 DECEMBER 2015	**808,649**	**41,041**	**849,690**

Long-term accruals and deferrals comprise also accrued revenues that will cover the costs for which they were made in a period longer than one year. Such accrued revenues relate to the co-financing received by E 3 from the Ministry of Economic Affairs for the Majske poljane facility (distance heating with biomass). Said co-financing will be recognised as revenues in the year when the project-related costs are incurred (corresponding to the depreciation of co-financed assets). In 2016, E 3 formed provisions of EUR 5,059 to account for the grant received from the Eco Fund for the purchase of an electric vehicle.

The amount of requests for damages was reduced to reflect the damage of EUR 20,000 paid at the conclusion of the lawsuit, while the remaining provisions formed for this lawsuit were de-recognised. A damage request of EUR 1,181 was also de-recognised due to the statute of limitations expiring.

12 02 12 LONG-TERM LIABILITIES

Liabilities may be financial or operating. As regards their maturity, they may be short-term or long-term. Long-term financial liabilities relate to long-term loans raised to finance capital investments.

Liabilities are initially recognised at the amount arising from the relevant document, assuming that creditors will require their settlement. Long-term liabilities are subsequently increased by accrued interest or reduced by the amounts paid and by possible other ways of settlement if so agreed with creditors. They are also reduced by the amounts falling due within the next 12 months, which are transferred to short-term liabilities. Interest accrued on long-term liabilities represents financial expenses.

Long- and short-term liabilities denominated in foreign currencies were translated to euro at the reference exchange rate of the European Central Bank on the transaction date. Any foreign currency differences arising by the settlement/balance sheet date are recognised in the income statement under financial revenues or expenses.

Short-term liabilities may be subsequently directly increased or, irrespective of a payment or some other settlement made, also reduced by the amount agreed with creditors. Subsequent increases in short-term liabilities are charged against operating reveneues or expenses.

Liabilities are normally measured at amortised cost using the effective interest method if costs significantly affect the change in effective interest rate. Liabilities whose actual or agreed interest rate does not significantly differ from the effective interest rate are recognised in the balance sheet at their initial amounts less repayments.

Liabilities are written off after the expiry of the statute of limitations, but also earlier based on a creditor's written consent.

Their book value is equal to their original amount less transfers to short-term liabilities. Interest on long-term liabilities is recognised as financial expenses and increases the cost of an item of property, plant and equipment until it becomes available for use.

	31 December 2016	31 December 2015
		(EUR)
Long-term financial liabilities		
Deželna banka Slovenije	0	0
Eco Fund	491,667	558,333
Total	**491,667**	**558,333**
Of this short-term portion	-66,667	-66,667
Total	425,000	491,667
TOTAL LONG-TERM FINANCIAL LIABILITIES	**425,000**	**491,667**

Their book value is equal to their original amount less transfers to short-term liabilities. Short-term portion of long-term liabilities was EUR 66,667 (2015: EUR 66,667).

Long-term liabilities comprise loans of ECO ATMINVEST, d.o.o., a subsidiary merged by absorption. The loans were obtained in 2010 from the Eco Fund for the environmental capital investment into Majske poljane energy facility and a hot water distribution system. The loans were two, each in the amount of EUR 400,000, and were insured by means of four signed bianco bills of exchange with an irrevocable authorisation to complete them, as well as with property, plant and equipment.

Interest on loans at the rate of 3-month Euribor + 1.5% is recognised as financial expenses.

The last instalments fall due on 31 October 2023 and 31 July 2024.

In 2016 and 2015, E 3 did not raise any long-term loans.

12 02 13 SHORT-TERM LIABILITIES

Short-term liabilities fall due in a period shorter than one year.

	31 December 2016	31 December 2015
		(EUR)
SHORT-TERM FINANCIAL LIABILITIES		
Short-term portion of long-term bank loans	66,667	66,667
Short-term bank loan	0	1,600,000
Total short-term financial liabilities to banks	**66,667**	**1,666,667**
Short-term financial liabilities to Group companies	0	4,820
Short-term financial liabilities to others	7,000	16,500
Total short-term financial liabilities	**73,667**	**1,687,987**
SHORT-TERM OPERATING LIABILITIES		
Short-term operating liabilities to Group companies	79,436	53,186
Short-term trade payables	12,382,182	11,985,563
Short-term operating liabilities from advances	821,930	710,978
Total short-term trade payables	**13,283,548**	**12,749,726**
Short-term operating liabilities to Group companies	0	44
Liabilities to employees	122,003	110,064
Liabilities to the state and other institutions	351,336	274,085
Other short-term operating liabilities	17,390	14,191
Total other short-term operating liabilities	**490,729**	**398,384**
Total short-term operating liabilities	**13,774,277**	**13,148,110**
TOTAL SHORT-TERM LIABILITIES	**13,847,944**	**14,836,097**

Short-term liabilities may be either financial or operating.

Short-term financial liabilities include the short-term portion of long-term loans falling due for repayment in 2016, and an overdraft facility. The applicable interest rate on the overdraft facility is 3-month Euribor + 1.5%. It was insured by means of eight signed bianco bills of exchange with an irrevocable authorisation to complete them, as well as with property, plant and equipment.

Short-term trade payables increased by EUR 533,821 or 4.19% compared to 2015, mainly due to an increase in liabilities for network-usage and other charges.

The majority of short-term trade payables relate to the electricity purchased from the Slovenian Power Plants Holding, Petrol and other electricity producers. The amount of these payables was EUR 6,525,406 (2015: EUR 6,725,512). A further EUR 5,055,323 (2015: EUR 4,156,236) are trade payables to SODO and ELES for network-usage, and to Borzen and Eco Fund for other charges.

Short-term operating liabilities from advances in the amount of EUR 774,814 (2015: 665,896 EUR) relate to electricity bills mainly paid by household customers.

Short-term operating liabilities to employees relate to the December 2016 wages and salaries, as well as to the 2016 performance bonus.

Liabilities to the state and other institutions relate to contributions for the December 2016 wages, excise duties for electricity and gas sold in December (EUR 285,818), VAT (EUR 4,298), and corporate income tax for 2016 (EUR 64,357).

12 02 14 SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES

Short-term accruals and deferrals comprise accrued costs and deferred revenues expected to arise within one year. Short-term accruals and deferrals may only be used for the items for which they were originally recognised.

		(EUR)
	31 December 2016	31 December 2015
VAT on advances given	1,771	28
Accrued costs	653,877	111,775
TOTAL	**655,648**	**111,803**

Short-term accruals and deferrals comprise:

- Liabilities of EUR 24,000 for the concession duty payable to the Šempeter-Vrtojba Municipality under the concession contract for the provision of distance heating to the residential complex Podmark. The municipality has not yet issued an invoice for the concession duty for 2014, 2015 and 2016. The concession duty is EUR 8,000 per year.
- Accrued costs for the performance bonus under the collective employment agreement of EUR 20,539 (2015: EUR 20,679). The 2016 profit of the parent company Elektro Primorska was determined only in mid-March 2017, when SODO sent a preliminary reconciliation bill for 2016. E 3 accordingly accrued the performance bonus payable under an agreement between the parent's management and trade union.
- Accrued costs of EUR 29,050 (2015: EUR 11,830) for grants payable by the company, for which the conditions were met and contracts entered into in 2016. The grants relate to the energy efficiency programme under which E 3 gives grants for projects promoting energy savings with end consumers. Such grants are used for co-financing of capital investments promoting energy savings.
- Accrued costs of EUR 59,888 (2015: 59,579) related to the unused annual leave in 2016.
- Accrued interest of EUR 2,400 on the loan received from JOD.
- Accrued costs of EUR 14,150 for services rendered but not yet invoiced by the parent company Elektro Primorska.
- Accrued costs of EUR 502,474 for electricity sold but not yet invoiced by the Slovenian Power Plants Holding.

12 03 NOTES TO THE INCOME STATEMENT

E 3 prepares the income statement in accordance with SAS 21 (2016), version I.

Revenues are 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 in assets or decreases in liabilities are thus recognised simultaneously.

The company's operating revenues comprise revenues from sales transactions invoiced at prices recognised or agreed for:

- electricity purchased,
- electricity and heat co-generated, and,
- electricity produced in solar and small wind power plants.

Operating revenues also comprise revenues from services sold and revaluation revenues arising upon disposal of real property.

In 2016, the same as in 2015, E 3 was charging its customers for the electricity supplied on a monthly basis, depending on the actual consumption, and of the terms and conditions agreed with customers and traders in their respective contracts.

Invoicing is done in three ways:

- large commercial customers are invoiced monthly, based on their actual consumption;
- small commercial customers are invoiced based on monthly meter readings;
- household customers: depending on their meter, they are invoiced in advance twelve times per year with an annual reconciliation bill, or monthly, based on their actual consumption.

In 2016, electricity produced by E 3 was either sold to Borzen as the operator of the power market, or to the company itself to be resold in the market. In the latter case, premiums or subsidies, which represent the difference between the market price and the recognised price, are invoiced to Borzen, established as a support centre by means of a resolution adopted by the government on 1 January 2009.

In 2016, the same as in 2015, E 3 was purchasing electricity from the Slovenian Power Plants Holding, Petrol and other electricity sellers from Slovenia and the European Union. Some electricity was produced by E 3 as qualified producer or purchased from other qualified producers.

12 03 01 OPERATING REVENUES

Operating revenues are measured at selling prices stated in invoices or other documents, less discounts approved.

	2016	(EUR) 2015
Net sales revenues from		
– electricity resold	61,298,374	56,937,762
– electricity produced	1,695,737	2,029,620
– heat produced	995,567	734,316
– merchandise sold	7,858	20,023
– services provided	277,361	312,580
– rents	6,357	7,485
TOTAL	**64,281,253**	**60,041,785**
Capitalised own products and own services	**18,052**	**19,290**
Other operating revenues from		
– provisions released	66,968	36,768
– disposal and reversal of impairment of property, plant and equipment	767	379,151
– contractual penalties	30,748	365
– receivables collected (previously written off)	130,251	191,207
– damages received	782	0
– subsidies received	17,221	137,772
– excise duties reimbursed	164,850	52,910
– costs of reminders reimbursed	44,370	43,121
– costs of collection reimbursed	13,470	18,604
– other operating revenues	698	
Total	**470,125**	**859,898**
TOTAL OPERATING REVENUES	**64,769,430**	**60,920,973**

Net sales revenues increased by EUR 4,239,468 or 7.06% compared to 2015.

Net sales revenues from electricity resold increased by EUR 4,360,612 or 7.66%, which is explained by an increase in the number of household customers.

Net sales revenues from electricity and heat produced in the Meblo, Kenog, Martex, Park, Perla, Sabotin, Majske poljane and Podmark facilities were EUR 2,668,894, up 2.57% from 2015.

Net sales revenues from electricity produced in solar and wind power plants were EUR 22,410 EUR, up 7.92% from 2015.

Other operating revenues relate to:

- provisions released to account for the depreciation of assets co-financed within the distance heating with biomass project;
- revaluation operating revenues, i.e. recovery of VAT on (mainly electricity) receivables written off in accordance with the law and receivables written off but then collected (together with late payment interest) of EUR 130,251 (2015: EUR 191,207);
- contractual penalties under electricity supply contracts;
- grants received under the energy efficiency programme, damages received, as well as costs of reminders and collection reimbursed.

VAT, excise duties, contributions and network-usage charge invoiced on electricity bills are not recognised as sales revenues but as withheld liabilities.

NET SALES REVENUES BY MARKET	2016	(EUR) 2015
Net sales revenues		
– Slovenia	59,100,050	53,976,248
– Italy	5,178,429	6,063,992
– Croatia	1,503	1,017
– Montenegro	527	527
– Macedonia	744	
TOTAL	**64,281,253**	**60,041,785**

12 03 02 OPERATING EXPENSES

Expenses are recognised if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities and such decreases can be measured reliably. Expenses are then recognised simultaneously with the recognition of depletions of assets or incurrence of liabilities.

Operating expenses include all costs incurred in the financial year, recorded by their nature, such as costs of goods, materials and services, labour costs, write-downs in value and other operating expenses, on the basis of documents evidencing their association with the economic benefits flowing from them.

A. COSTS BY FUNCTIONAL GROUP

The analysis of costs by functional group does not comprise revaluation operating expenses of EUR 582,212. These were included under write-downs in value.

		(EUR)
	2016	2015
Production costs	55,997,492	54,590,871
Selling costs	5,248,273	2,524,438
General Services costs	1,783,849	2,271,606
TOTAL	**63,029,614**	**59,386,914**

B. COSTS BY NATURE

COSTS OF GOODS, MATERIALS AND SERVICES

		(EUR)
	2016	2015
Costs of electricity sold	53,229,493	51,663,585
Costs of merchandise sold	1,890	16,445
Costs of materials	1,933,934	1,954,358
Costs of services	5,347,593	3,340,957
TOTAL	**60,512,910**	**56,975,344**

Costs of electricity sold represent, the same as in 2015, the costs of electricity purchased for resale under contracts with suppliers established in Slovenia and elsewhere in the European Union, as well as the costs of self-produced electricity purchased by the company.

Costs of electricity sold relate to electricity purchased:

- under contracts with suppliers established in Slovenia in the amount of EUR 52,475,889 (2015: EUR 50,611,131);
- from small hydro power plants in the amount of EUR 742,785 (2015: EUR 1,038,999);
- under contract with suppliers established elsewhere in the European Union in the amount of EUR 10,819 (2015: EUR 13,455).

Costs of merchandise sold relate to pellets purchased for resale to end customers.

Costs of materials comprise the costs of electricity and gas used in co-generation and of pellets in the amount of EUR 1,759,130 (2015: EUR 1,801,639), motor fuel and other energy products used in the amount of EUR 20,848 (2015: EUR 19,806), maintenance material in the amount of EUR 42,763 (2015: EUR 42,758), stationery in the amount of EUR 92,870 (2015: EUR 62,084), specialised literature in the amount of EUR 9,546 (2015: EUR 14,308), small tools in the amount of EUR 5,402 (2015: EUR 6,901), and other materials in the amount of EUR 3,375 (2015: EUR 6,862).

Costs of services comprise network costs incurred when selling electricity to Italy in the amount of EUR 413,559 (2015: EUR 457,631), rents paid for plants and equipment in the amount of EUR 102,500 (2015: EUR 101,406), facility and software maintenance costs in the amount of EUR 174,717 (2015: EUR 158,641), labour-related reimbursements in the amount of EUR 2,151 (2015: EUR 2,595), various bank fees and collection fees in the amount of EUR 206,933 (2015: EUR 178,365), commissions paid for agency, purchasing and collection services in the amount of EUR 2,081,596 (2015: EUR 603,787), insurance premiums in the amount of EUR 64,854 (2015: EUR 23,218) – the increase is explained by the insurance of receivables from commercial customers bought in 2016, the costs of data processing in the amount of EUR 360,663 (2015: EUR 378,515), the costs of postal services in the amount of EUR 600,182 (2015: EUR 493,859), the costs of advertising, sponsorships and marketing in the amount of EUR 407,078 (2015: EUR 188,918) – the increase is explained by an additional EUR 165,310 related to the promotion of newly-introduced electricity supply packages, and the costs other services, included those provided by the parent company, in the amount of EUR 933,363 (2015: EUR 754,021).

Compared to 2015, costs of services increased by 60.06%, mainly on the account of agents' commissions (for new customers obtained).

Costs of services also comprise EUR 4,000 related to annual report auditing.

LABOUR COSTS

		(EUR)
	2016	2015
Wages and salaries	1,205,125	1,200,430
Supplementary pension insurance	56,385	52,841
Contributions and other payroll duties	203,464	194,093
Other labour costs	235,394	164,324
TOTAL	**1,700,369**	**1,611,689**

Other labour costs comprise also vacation bonuses of EUR 78,834 (2015: EUR 33,013).

At year-end 2016, E 3 had 45 employees, 44 of them with collective employment agreements.

The General Manager Darko Pahor has an individual employment agreement, under which he was paid the following remuneration in 2016:

				(EUR)
	Salary, fixed portion	Bonus – insurance premiums	Other remuneration and bonuses	Total
Darko Pahor	76,121		3,147	80,835

The General Manager was not granted any loans or guarantees in 2016.

WRITE-DOWNS IN VALUE

		(EUR)
	2016	2015
Amortisation of intangible assets	175,755	133,386
Depreciation of plants	141,037	178,162
Depreciation of equipment	472,746	425,457
Total amortisation and depreciation	789,539	737,005
Revaluation operating expenses associated with:		
– property, plant and equipment	248,590	65,121
– current operating assets	333,623	194,143
Total revaluation operating expenses	582,212	259,264
TOTAL WRITE-DOWNS IN VALUE	**1,371,751**	**996,269**

Write-downs in value were 37.69% above the 2015 level, which is explained by higher revaluation operating expenses associated with receivables from electricity bills, and by higher impairment losses on property, plant and equipment.

All assets subject to amortisation/depreciation are classified into amortisation/depreciation groups, with applicable rates being calculated based on their useful life. Long-term assets (their cost) are amortised/depreciated individually, using the straight-line depreciation method. Amortisation/depreciation rates remained the same as in 2015. The amortisation/depreciation expense in 2016 represented 1.24% of total expenses, up by 0.01 percentage points from 2015.

Property, plant and equipment assets being acquired, land and works of art are not amortised/depreciated.

AMORTISATION/DEPRECIATION RATES		%
	2016	2015
Property, plant	2.00-5.00	2.00-5.00
Computer equipment and software	8.33-33.3	8.33-33.3
Commercial vehicles	12.5	12.5
Passenger vehicles	12.5	12.5
Other property, plant and equipment	5.00-20.00	5.00-20.00

Revaluation operating expenses arise upon impairment or disposal of property, plant and equipment assets and of intangible assets, and upon impairment of current operating assets. In 2016, E 3 tested for impairment property, plant and equipment assets managed by the Department for Production and Services. The valuation showed that the carrying amount of said assets exceeded their recoverable amount. The company accordingly recognised impairment losses of EUR 240,831 on property, plant and equipment assets.

Revaluation operating expenses associated with current operating assets of EUR 281,710 (2015: EUR 136,502) comprise impairment losses, mainly related to receivables from electricity bills and the related interest.

OTHER OPERATING EXPENSES

	2016	(EUR) 2015
Total provisions	0	39,860
Grants	11,234	144,829
Other taxes and levies independent from profit or loss	22,687	32,479
Environmental protection expenses	4,110	6,375
Payments to students on practice	0	607
Total other expenses	**26,797**	**39,461**
TOTAL OTHER OPERATING EXPENSES	**38,031**	**224,150**

Other operating expenses comprise:

- grants to end customers under the energy efficiency programme of 2016;
- other taxes and levies independent from profit or loss, which relate to road tolls, court fees, land use fees, and fees due to non-achievement of the quota for the employment of disabled persons.

12 03 03 FINANCIAL REVENUES

Financial revenues arise in relation to investments, as well as in relation to receivables, in the form of interest. They are recognised unless there exists a significant uncertainty as to their amount and collectability.

	2016	(EUR) 2015
Financial revenues from shares and interests	76,607	72,246
Financial revenues from loans	4,968	5,986
Financial revenues from operating receivables	90,693	121,309
TOTAL	**172,268**	**199,541**

Financial revenues comprise E 3's share of net profit of Knešca, which was paid through JOD, as well as contractual interest under loan contracts with other companies, late payment interest of EUR 81,845 (2015: EUR 111,234) on operating receivables (mainly electricity bills) – including those due but unpaid as at year-end, and interest on sight deposits.

Financial revenues decreased by 13.88% compared to 2015, mainly due to lower financial revenues from operating receivables.

12 03 04 FINANCIAL EXPENSES

Financial expenses include expenses for financial liabilities to banks (interest on loans) and for operating liabilities to suppliers (late payment interest on trade payables).

	2016	(EUR) 2015
Expenses for impairment and write-offs of investments	0	146,992
Expenses for financial liabilities to banks	13,664	28,841
Expenses for financial liabilities to Group companies	90	1,933
Expenses for financial liabilities to employees	6,123	
Expenses for financial liabilities under actuarial calculations	5,857	1,361
Expenses for financial liabilities to others	2,395	51,185
TOTAL	**28,138**	**230,312**

Expenses for financial liabilities to banks comprise interest on long-term loans and interest on the short-term revolving loan. Expenses for operating liabilities comprise late payment interest on trade payables.

The latter decreased by 87.78%, which can be explained by impairment of investments in 2015, as well as a decrease in financial liabilities to suppliers.

12 03 05 OTHER REVENUES

Other revenues comprise unplanned revenues that do not occur regularly.

	2016	(EUR) 2015
Other revenues	480	54,911
TOTAL	**480**	**54,911**

In 2015, E 3 de-recognised liabilities for a request for damages in the amount of EUR 54,800, which was initially recognised in other expenses.

12 03 06 OTHER EXPENSES

Other expenses comprise unplanned and unforeseen expenses. They mainly include donations and financial aid.

	2016	(EUR) 2015
Donations and financial aid	12,894	3,420
Other expenses	11,813	7,673
TOTAL	**24,707**	**11,093**

12 03 07 CURRENT TAX AND DEFERRED TAXES

E 3 recognised deferred tax assets which arose due to temporary differences related to long-term provisions, to allowances for receivables and to carryforwards of unused tax losses.

Income tax comprises both current tax for the period, as well as deferred taxes. Income tax is recognised in profit or loss unless related to items recognised in other comprehensive income or directly in equity. In this case, income tax is recognised in other comprehensive income or directly in equity.

Current tax for the period is calculated based on the applicable income tax act on the balance sheet date. From time to time, the management would re-assess its positions as regards regulatory provisions subject to interpretation. If appropriate, it would also make provisions for the amounts expected to be paid to the tax authority. Deferred tax assets and deferred tax liabilities are accounted for using the balance sheet method. Only those deferred tax assets and liabilities are recognised which arise from temporary differences. A deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Income tax is calculated based on income tax rates (and regulations) applicable on the balance sheet date and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled and when taxable profit is available against which temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed on the balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred taxes are credited or charged directly to equity if they relate to items that are recognised directly in equity.

TAXES RECOGNISED IN THE INCOME STATEMENT	2016	(EUR) 2015
Current tax	-64,357	0
Deferred tax assets and liabilities	-113,063	-76,511
TAX EXPENSE CHARGED AGAINST PROFIT OR LOSS	**-177,421**	**-76,511**

CHANGES IN DEFERRED TAXES RECOGNISED IN PROFIT OR LOSS	2016	(EUR) 2015
Provisions	4,735	-123
Tax assets	28,746	-165,069
Tax losses	-119,590	61,726
Unused tax credits for capital investments and donations	-26,954	26,954
CHANGES IN DEFERRED TAX ASSETS/LIABILITIES	**-113,063**	**-76,511**

CHANGES IN DEFERRED TAXES RECOGNISED IN EQUITY	2016	(EUR) 2015
1 January	361	0
Adjustment to revaluation surplus associated with deferred taxes	5,531	361
CHANGES IN DEFERRED TAX ASSETS/LIABILITIES	**5,892**	**361**
31 DECEMBER	**5,892**	**361**

The effective tax rate in 2016 was 14.01%. It was higher than in 2015 (6.79%), when the company recognised a tax loss after correcting an error associated with impairment of its property, plant and equipment assets, which was tax deductible, in the amount of EUR 1,240,424.

CALCULATION OF INCOME TAX FOR 2016	2016	(EUR) 2015
Profit before tax	**1,266,272**	**1,126,569**
Revenues decreasing the tax base	-207,176	-207,489
Expenses increasing the tax base	453,460	429,534
Expenses decreasing the tax base	-73,360	-179,425
Expenses decreasing the tax base – error correction	0	-1,240,424
Decrease in the tax base due to tax credits	-1,035,145	0
Other	-25,478	-1,163
Tax base	**378,573**	**-72,397**
Tax rate	17%	17%
INCOME TAX	**64,357**	**0**
Effective tax rate for the current tax	5.08%	0.00%
Increase/decrease in deferred taxes	113,063	76,511
EFFECTIVE TAX RATE	**14.01%**	**6.79%**

Reconciliation between actual and calculated tax expense using the effective tax rate

RATIO OF ACTUAL TO CALCULATED TAX RATE		2016		2015
	Rate	Amount	Rate	Amount
PROFIT BEFORE TAX		**1,266,272**		**1,126,569**
Income tax at official rate	17.00%	215,266	17.00%	191,517
Amounts decreasing the tax base		77,739		73,635
– amount of expenses decreased to tax deductible expenses		77,088		73,021
– amount of revenues increased to taxable revenues		0		0
– elimination of dividends		651		614
Amounts increasing the tax base		52,674		277,459
– amount of expenses increased to tax deductible expenses		12,471		30,502
– amount of revenues decreased to taxable revenues		35,220		35,273
– accounting changes		4,982		812
– prior period error correction		0		210,872
Tax credits		175,975		0
– used and reducing tax liability		175,975		0
Current tax	**5.08%**	**64,357**	**0.00%**	**0**
Increase/decrease in deferred taxes		113,063		76,511
TAX RECOGNISED IN THE INCOME STATEMENT	**14.01%**	**177,421**	**6.79%**	**76,511**

12 03 08 NET PROFIT FOR THE PERIOD

		(EUR)
	2016	2015
Profit or loss from regular activities	1,146,370	1,113,522
Profit or loss from financing activities	144,130	-30,771
Profit or loss from extraordinary activities	-24,228	43,818
Profit before tax	**1,266,272**	**1,126,569**
Income tax	-64,357	0
Deferred taxes	113,063	76,511
NET PROFIT FOR THE PERIOD	**1,088,851**	**1,050,058**

In 2016, E 3 had a profit of EUR 1,266,272 (2015: EUR 1,126,569). At the proposal of the General Manager, E 3 allocated half of net profit (EUR 544,426) to other profit reserves, while half remained unallocated.

12 03 09 TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

The statement of comprehensive income shows changes in equity during the period other than those resulting from transactions with owners. It is a financial statement which gives a true and fair view of all components of the income statement and of those items of income and expenses that are not recognised in profit or loss but affect equity.

The company had a negative revaluation surplus of EUR 56,131 (2015: EUR 3,339) arising from actuarial losses of EUR 57,776, and an adjustment to revaluation surplus of EUR 5,531 associated with deferred taxes. The same as in 2015, the company did not have changes in revaluation surplus associated with intangible assets and property, plant and equipment assets, financial assets available for sale, foreign subsidiaries or other components of comprehensive income.

Total comprehensive income for the period was EUR 1,036,606 (2015: EUR 1,040,869).

STATEMENT OF COMPREHENSIVE INCOME FOR 2016

			(EUR)
	Note	2016	2015
NET PROFIT FOR THE PERIOD	**12.3.8**	**1,088,851**	**1,050,058**
Adjustment to revaluation surplus associated with deferred taxes		5,531	361
Other comprehensive income		-57,776	-9,550
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**12.3.9**	**1,036,606**	**1,040,869**

12 04 NOTES TO THE CASH FLOW STATEMENT

The cash flow statement was prepared using the direct format as set out in SAS 22 (2016), and cash flows as shown in the company's books of account dedicated to cash items.

CASH RECEIPTS FROM OPERATING ACTIVITIES

Cash receipts from operating activities consist of inflows into the company's bank accounts. They relate to receipts from sales and other receipts from operating activities, such as damages and reimbursements of wage compensations.

CASH PAYMENTS FROM OPERATING ACTIVITIES

Cash payments from operating activities consist of outflows from company's accounts. They relate to operating expenses paid in the year such as materials, services, wages and salaries, contributions and other payments, mainly to SODO.

CASH RECEIPTS FROM INVESTING ACTIVITIES

Cash receipts from investing activities relate to interest and shares of profits received, as well as cash receipts upon disposal of property, plant and equipment assets.

CASH PAYMENTS FROM INVESTING ACTIVITIES

Cash payments from investing activities are measured based on invoices paid for the acquisition of intangible assets and property, plant and equipment assets, as well as financial assets.

CASH RECEIPTS FROM FINANCING ACTIVITIES

Cash receipts from financing activities related to a short-term overdraft facility.

CASH PAYMENTS FROM FINANCING ACTIVITIES

Cash payments from financing activities relate to interest paid and loans repaid.

NET CASH FOR THE PERIOD

The difference between the opening and closing balance of cash was positive at EUR 892,664.

The company had a net cash inflow from operating activities and a net cash outflow from investing and financing activities.

NET CASH INFLOW OR OUTFLOW		(EUR)
	2016	2015
Opening balance of cash	374,646	772,994
Net cash inflow or outflow for the period	892,664	-398,347
CLOSING BALANCE OF CASH	**1,267,310**	**374,646**

The closing balance of cash in the amount of EUR 1,267,310 corresponds to bank balances.

12 05 TRANSACTIONS WITH RELATED PARTIES

Business relationships between the parent company and its subsidiaries mainly involve the purchase and sale of merchandise, services and property. In such transactions, market prices are used consistently. A loan to a Group company was granted under the same conditions as would have applied to other companies with the same rating.

The 2016 balance sheet of E 3 comprises receivables from and liabilities to the parent Elektro Primorska and liabilities to the JOD subsidiary.

RECEIVABLES		(EUR)
	2016	2015
Receivables from Elektro Primorska	27,235	65,025
Receivables from Elektro Primorska for late payment interest	3	0
TOTAL	**27,238**	**65,025**

LIABILITIES		(EUR)
	2016	2015
Liabilities to JOD for interest	90	4,820
Liabilities to Elektro Primorska	79,436	53,186
TOTAL	**79,526**	**58,006**

The 2016 income statement of E 3 comprises the following revenues and expenses related to the parent company Elektro Primorska and the subsidiaries:

REVENUES		(EUR)
	2016	2015
Net sales revenues from Elektro Primorska	92,216	84,456
Financial revenues from JOD	76,607	72,246
TOTAL	**168,823**	**156,703**

EXPENSES		(EUR)
	2016	2015
Financial expenses related to JOD	90	1,933
Other costs and expenses related to Elektro Primorska	404,175	412,882
TOTAL	**404,265**	**414,816**

12 06 CONTINGENT LIABILITIES

According to legal experts, the pending lawsuits should not have a significant impact on profit or loss. The existing provisions for these purposes are deemed sufficient to cover such liabilities if they arise.

Off-balance sheet items comprise contingent liabilities that could arise from tender and performance guarantees provided by E 3 (electricity supply), from property provided as insurance for a bank guarantee (to Nova KBM), and small tools in use. After the merger by absorption of ECO ATMINVEST, there are also liabilities that could arise from property provided by the subsidiary as insurance for loans.

The largest bank guarantee of EUR 9,577,644 was provided in favour of SODO, for the network-usage charge.

		(EUR)
	31 December 2016	31 December 2015
Small tools and protective equipment in use	8,302	7,598
Property provided as insurance for a bank guarantee	3,654,772	3,654,772
Bank guarantees provided	9,985,945	8,122,179
Property provided as insurance for loans by ECO ATMINVEST	1,750,616	1,750,616
TOTAL	**15,399,636**	**13,535,165**

12 07 EVENTS AFTER THE BALANCE SHEET DATE

No events that could have a significant effect on the 2016 financial statements or would require additional disclosures occurred after the balance sheet date.

In 2017, the company merged by absorption the JOD subsidiary, with the cut-off date being 31 December 2016, although the transaction was only registered on 28 March 2017.

13 NOTES TO THE FINANCIAL STATEMENTS UNDER THE ENERGY ACT

In accordance with Articles 38 and 109 of Energy Act, E 3 must prepare separate financial statements for each energy activity. The activities pursued by the company, which include electricity trading, co-generation of electricity and heat and electricity production from renewable sources, are carried out in sectors, i.e. business segments that the company must report separately in accordance with the Companies Act. The co-generation sector carries out also the public service of heat distribution, acting as operator of the Podmark heat distribution system under a concession contract awarded to it by the Šempeter-Vrtojba municipality. This public service must be disclosed separately.

At year-end, E 3 would prepare the financial statements for the company as a whole. As an annex to the notes to such financial statements it would show also the financial statements under Article 38 of the Energy Act and under said concession contract as follows:

- energy activity of electricity trading;
- energy activity of heat production, with public service of heat distribution shown separately;
- energy activity of electricity production.

The text below explains the criteria:

- for allocating the indirect costs of General Services to individual activities;
- for allocating assets, liabilities, revenues and expenses of General Services to individual activities.

13 01 NOTES TO THE BALANCE SHEET

The balance sheets show assets and liabilities for each activity. These include assets and liabilities of each activity, as well as those of the General Services, allocated to each activity based on the criteria explained below (see next section for the allocation criteria).

Share capital was allocated to individual activities in view of the in-kind contribution in each activity, while the difference was allocated equally to the basic activities of marketing, co-generation and electricity production from renewable sources.

The balance sheets show also intra-activity receivables and liabilities, which are "consolidated" in the E 3 balance sheet.

13 02 NOTES TO THE INCOME STATEMENT

The income statements show revenues and expenses for each activity. These include both direct revenues and expenses of each activity, as well as those of the General Services, allocated to each activity based on the criteria explained below.

Criteria for allocating revenues and expenses and assets and liabilities of General Services to each activity.

Key 1	share of labour costs		$\frac{\text{labour costs of activity} \times 100}{\text{labour costs of all activities}}$
Key 1-a	share of heat from 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 assets		$\frac{\text{present value of assets of activity} \times 100}{\text{present value of assets of all activities}}$
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	0	$\frac{\text{costs of materials and services of activity} \times 100}{\text{costs of materials and services of all activities}}$

Key 1-a is used to separate the income statement and balance sheet of the co-generation activity into production of electricity and production of heat.

KEY ADJUSTMENTS

In 2015, E 3 for the first time made certain adjustments to the keys to ensure correct allocation of certain costs of General Services.

- To allocate labour costs of General Services to the activities of electricity trading, production and distribution of heat and production of electricity, E 3 took account of the actual hours worked in the General Services.
- To allocate agents' and other commissions, the actual costs were used as incurred by various activities, although they were booked under General Services.
- To allocate data processing costs of Informatika and the costs of services of the parent Elektro Primorska, the number of invoices issued in relation to each activity was used.

13 02 01 SUB-BALANCE SHEET FOR PUBLIC UTILITY SERVICE AS AT 31 DECEMBER 2016

			(EUR)
	Public utility service	Other services	Total
Assets			
A. Long-term assets:			
I. Intangible assets	393	464,728	465,121
1. Long-term rights	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. Shares and interests in Group companies	0	483,993	483,993
2. Other shares and interests	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. Long-term operating receivables due from others	0	0	0
V. Deferred tax assets	0	471,717	471,717
Total long-term assets	22,450	8,599,629	8,622,079
B. Current assets:			
III. Short-term operating receivables	19,855	18,784,076	18,803,930
1. Short-term operating receivables due from Group companies	0	27,235	27,235
2. Short-term trade receivables	19,314	17,819,384	17,838,698
3. Short-term operating receivables due from others	540	937,457	937,997
IV. Cash	306	1,267,002	1,267,308
Total current assets	20,161	20,051,077	20,071,238
C. Short-term deferred costs and accrued revenues	0	1,353,407	1,353,407
TOTAL ASSETS	**42,611**	**30,004,113**	**30,046,724**
Equity and liabilities			
A. Equity:			
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 for the period	526	543,899	544,426
Total equity	526	14,035,392	14,035,918
B. Provisions and long-term accrued costs and deferred revenues	0	1,082,215	1,082,215
1. Provisions	0	311,232	311,232
2. Long-term accrued costs and deferred revenues	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. Short-term trade payables	4,377	13,199,735	13,204,112
3. Other short-term operating liabilities	13,643	477,086	490,729
Total liabilities	18,020	15,337,139	15,355,158
E. Short-term accrued costs and deferred revenues	24,065	631,583	655,648
TOTAL EQUITY AND LIABILITIES	**42,611**	**30,004,113**	**30,046,725**

13 02 02 SUB-BALANCE SHEET FOR PUBLIC UTILITY SERVICE AS AT 31 DECEMBER 2015

			(EUR)
	Public utility service	Other services	Total
Assets			
A. Long-term assets:			
I. Intangible assets	516	400,705	401,221
1. Long-term rights	450	316,455	316,905
3. Intangible assets being acquired	66	84,250	84,317
II. Property, plant and equipment	12,997	7,736,371	7,749,367
1. Land	0	92,803	92,803
2. Buildings	0	4,101,556	4,101,556
3. Equipment	12,997	3,377,924	3,390,920
4. Property, plant and equipment being acquired	0	164,088	164,088
III. Long-term investments	0	582,772	582,772
1. Shares and interests in Group companies	0	483,993	483,993
2. Other shares and interests	0	20,000	20,000
3. Long-term loans to others	0	78,779	78,779
IV. Long-term operating receivables	0	14,718	14,718
2. Long-term operating receivables due from others	0	14,718	14,718
V. Deferred tax assets	0	579,249	579,249
Total long-term assets	13,513	9,313,815	9,327,328
B. Current assets:			
III. Short-term operating receivables	28,477	17,532,197	17,560,674
1. Short-term operating receivables due from Group companies	0	65,025	65,025
2. Short-term trade receivables	26,800	16,303,671	16,330,470
3. Short-term operating receivables due from others	1,678	1,163,502	1,165,179
IV. Cash	409	374,235	374,644
Total current assets	28,887	17,906,432	17,935,319
C. Short-term deferred costs and accrued revenue	0	2,251,020	2,251,020
TOTAL ASSETS	**42,399**	**29,471,267**	**29,513,666**
Equity and liabilities			
A. Equity			
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	5,956,572	5,956,572
1. Legal reserves	0	117,173	117,173
2. Other profit reserves	0	5,839,399	5,839,399
IV. Revaluation surplus	0	-3,886	-3,886
VI. Net profit for the period	-2,938	527,967	525,029
Total equity	-2,938	13,002,670	12,999,732
B. Provisions and long-term accrued costs and deferred revenues	0	1,074,368	1,074,368
1. Provisions	0	1,033,327	1,033,327
2. Long-term accrued costs and deferred revenues	0	41,041	41,041
C. Long-term liabilities	0	491,667	491,667
I. Long-term financial liabilities	0	491,667	491,667
1. Long-term financial liabilities to banks	0	491,667	491,667
D. Short-term liabilities	28,884	14,807,214	14,836,098
I. Short-term financial liabilities	0	1,687,987	1,687,987
1. Short-term financial liabilities to Group companies	0	4,820	4,820
2. Short-term financial liabilities to banks	0	1,666,667	1,666,667
3. Other short-term financial liabilities	0	16,500	16,500
II. Short-term operating liabilities	28,884	13,119,227	13,148,110
1. Short-term operating liabilities to Group companies	0	53,230	53,230
2. Short-term trade payables	14,975	12,681,566	12,696,541
3. Other short-term operating liabilities	13,909	384,431	398,340
Total liabilities	28,884	16,373,248	16,402,132
E. Short-term accrued costs and deferred revenues	16,453	95,349	111,803
TOTAL EQUITY AND LIABILITIES	**42,400**	**29,471,267**	**29,513,667**

13 02 03 INCOME STATEMENT FOR THE PUBLIC UTILITY SERVICE FOR 2016

			(EUR)
	Public utility service	Other services	Total
1. Net sales revenues	67,091	64,214,163	64,281,253
a) in domestic market	67,091	59,032,959	59,100,050
b) in foreign market	0	5,181,204	5,181,204
2. Capitalised own products and own services	0	18,052	18,052
3. Other operating revenues	1,533	468,592	470,125
4. Costs of goods, materials and services	-53,273	-60,459,637	-60,512,910
a) costs of goods and materials sold, and costs of materials used	-39,558	-55,125,759	-55,165,317
b) costs of services	-13,715	-5,333,878	-5,347,593
5. Labour costs	-10,347	-1,690,022	-1,700,369
a) wages and salaries	-8,183	-1,196,942	-1,205,125
b) supplementary pension insurance	-232	-56,153	-56,385
c) social security contributions	-772	-202,693	-203,464
d) other labour costs	-1,160	-234,234	-235,394
6. Write-downs in value	-3,677	-1,368,074	-1,371,751
a) amortisation/depreciation	-2,252	-787,287	-789,539
b) revaluation operating expenses associated with intangible assets and property, plant and equipment	0	-248,590	-248,590
c) revaluation operating expenses associated with current operating assets	-1,425	-332,198	-333,623
7. Other operating expenses	-768	-37,263	-38,031
8. Financial revenues from shares and interests	0	76,607	76,607
a) in Group companies	0	76,607	76,607
9. Financial revenues from loans	0	4,968	4,968
a) to Group companies	0	0	0
b) to others	0	4,968	4,968
10. Financial revenues from operating receivables	0	90,693	90,693
b) due from others	0	90,693	90,693
11. Financial expenses due to impairment and write-offs of investments	0	0	0
11. Financial expenses for financial liabilities	-33	-19,853	-19,885
a) for loans received from Group companies	0	-90	-90
b) for loans received from banks	-8	-13,656	-13,664
c) for other financial liabilities	-25	-6,107	-6,132
12. Financial expenses for operating liabilities	0	-8,252	-8,252
b) for trade payables and bills payable	0	-5,857	-5,857
c) for other operating liabilities	0	-2,395	-2,395
13. Other revenues	0	480	480
14. Other expenses	0	-24,707	-24,707
PRE-TAX PROFIT FOR THE PERIOD	**526**	**1,265,746**	**1,266,272**
15. Income tax	0	-64,357	-64,357
16. Deferred taxes	0	113,063	113,063
17. NET PROFIT FOR THE PERIOD	**526**	**1.088.325**	**1.088.851**

13 02 04 INCOME STATEMENT FOR THE PUBLIC UTILITY SERVICE FOR 2015

(EUR)

	Public utility service	Other services	Total
1. Net sales revenues	67,900	59,973,885	60,041,785
a) in domestic market	67,900	53,908,348	53,976,248
b) in foreign market	0	6,065,537	6,065,537
2. Capitalised own products and own services	0	19,290	19,290
3. Other operating revenues	0	859,898	859,898
4. Costs of goods, materials and services	-50,791	-56,924,553	-56,975,344
a) costs of goods and materials sold, and costs of materials used	-40,121	-53,594,267	-53,634,387
b) costs of services	-10,670	-3,330,286	-3,340,957
5. Labour costs	-15,648	-1,596,041	-1,611,689
a) wages and salaries	-13,327	-1,187,103	-1,200,430
b) supplementary pension insurance	-193	-52,649	-52,841
c) social security contributions	-738	-193,355	-194,093
d) other labour costs	-1,389	-162,935	-164,324
6. Write-downs in value	-3,639	-992,630	-996,269
a) amortisation/depreciation	-932	-736,072	-737,005
b) revaluation operating expenses associated with intangible assets and property, plant and equipment	0	-65,121	-65,121
c. revaluation operating expenses associated with current operating assets	-2,706	-191,437	-194,143
7. Other operating expenses	-758	-223,392	-224,150
8. Financial revenues from shares and interests	0	72,246	72,246
a) in Group companies	0	72,246	72,246
9. Financial revenues from loans	0	5,986	5,986
a) to Group companies	0	0	0
b) to others	0	5,986	5,986
10. Financial revenues from operating receivables	0	121,309	121,309
b) due from others	0	121,309	121,309
11. Financial expenses due to impairment and write-offs of investments	0	-146,992	-146,992
11. Financial expenses for financial liabilities	-2	-26,480	-26,482
a) for loans received from Group companies	0	-1,933	-1,933
b) for loans received from banks	0	-23,188	-23,188
c) for other financial liabilities	-2	-1,358	-1,361
12. Financial expenses for operating liabilities	0	-56,838	-56,838
b) for trade payables and bills payable	0	-51,143	-51,143
c) for other operating liabilities	0	-5,696	-5,696
13. Other revenues	0	54,911	54,911
14. Other expenses	0	-11,093	-11,093
PRE-TAX PROFIT FOR THE PERIOD	**-2,938**	**1,129,507**	**1,126,569**
15. Income tax	0	-	-
16. Deferred taxes	0	76,511	76,511
17. NET PROFIT FOR THE PERIOD	**-2,938**	**1,052,996**	**1,050,058**

13 02 05 SUB-BALANCE SHEET BY ACTIVITY AS AT 31 DECEMBER 2016

(EUR)

Item	Trading in electricity	Production and distribu-tion of heat	Production of electricity	Total	Key
1	2	3	4	5	
Assets					
A. Long-term assets:					
I. Intangible assets	415,965	18,285	30,871	465,121	
1. Long-term rights	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 in the course of 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. Shares and interests in Group companies	372,233	41,342	70,418	483,993	K-1
2. Other shares and interests	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. Long-term operating receivables due from others	0	0	0	0	
V. Deferred tax assets	362,792	40,294	68,632	471,717	K-1
Total long-term assets	2,148,799	2,317,036	4,156,244	8,622,079	
B. Current assets:					
III. Short-term operating receivables	17,840,189	356,847	606,894	18,803,930	
1. Short-term operating receivables due from Group companies	24,542	2,693	0	27,235	
2. Short-term trade receivables	16,935,892	332,270	570,537	17,838,698	K-1a, K-3
3. Short-term operating receivables due from others	879,755	21,885	36,357	937,997	K-1, K-1a, K-3
IV. Cash	1,214,237	19,632	33,439	1,267,308	K-3
Total current assets	19,054,426	376,479	640,333	20,071,238	
C. Short-term deferred costs and accrued revenues	1,188,075	61,160	104,173	1,353,407	K-3
D. Receivables from other activities	4,741,373	0	0	4,741,373	
TOTAL ASSETS	**27,132,673**	**2,754,675**	**4,900,749**	**34,788,097**	

Item	Trading in electricity	Production and distribu-tion of heat	Production of electricity	Total	Key
1	2	3	4	5	
Equity and liabilities					
A. Equity					
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. Revaluation surplus	-43,170	-4,795	-8,167	-56,131	K-1
V. Retained earnings	-323	-36	-61	-420	
VI. Net profit for the period	640,974	-176,684	80,135	544,425	
Total equity	13,022,353	-171,599	1,185,164	14,035,917	
B. Provisions and long-term accrued costs and deferred revenues	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 revenues	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. Short-term trade 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
Total liabilities	13,494,401	1,487,254	373,504	15,355,158	
E. Short-term accrued costs and deferred revenues	615,920	20,604	19,125	655,648	K-1a, K-3
F. Liabilities to other activities	0	1,418,417	3,322,957	4,741,373	
TOTAL EQUITY AND LIABILITIES	**27,132,673**	**2,754,675**	**4,900,749**	**34,788,097**	

(EUR)

13 02 06 SUB-BALANCE SHEET BY ACTIVITY AS AT 31 DECEMBER 2015

(EUR)

Item	Trading in electricity	Production and distribu-tion of heat	Production of electricity	Total	Key
1	2	3	4	5	
Assets					
A. Long-term assets:					
I. Intangible assets	370,982	8,034	22,205	401,221	
1. Long-term rights	298,597	4,864	13,443	316,905	K-1a, K-2
3. Intangible assets being acquired	72,385	3,170	8,762	84,317	K-1a, K-2
II. Property, plant and equipment	840,792	1,835,453	5,073,122	7,749,367	
1. Land	0	24,656	68,148	92,803	K-1a
2. Buildings	724,752	897,141	2,479,663	4,101,556	K-1a, K-2
3. Equipment	75,749	880,767	2,434,405	3,390,920	K-1a, K-2
4. Property, plant and equipment being acquired	40,291	32,890	90,907	164,088	K-1a, K-2
III. Long-term investments	387,561	109,713	85,498	582,772	
1. Shares and interests in Group companies	372,182	29,706	82,105	483,993	K-1
2. Other shares and interests	15,380	1,228	3,393	20,000	K-1
3. Long-term loans to others	0	78,779	0	78,779	
IV. Long-term operating receivables	14,718	0	0	14,718	
1. Long-term operating receivables due from others	14,718	0	0	14,718	
V. Deferred tax assets	445,432	35,552	98,265	579,249	K-1
Total long-term assets	2,059,486	1,988,752	5,279,090	9,327,328	
B. Current assets:					
III. Short-term operating receivables	16,734,929	115,035	710,710	17,560,674	
1. Short-term operating receivables due from Group companies	60,036	3,620	1,370	65,025	
2. Short-term trade receivables	15,591,293	88,510	650,668	16,330,470	K-1a, K-3
3. Short-term operating receivables due from others	1,083,601	22,905	58,673	1,165,179	K-1, K-1a, K-3
IV. Cash	357,224	4,628	12,792	374,644	K-3
Total current assets	17,092,154	119,663	723,502	17,935,319	
C. Short-term deferred costs and accrued revenue	2,196,484	14,489	40,047	2,251,020	K-3
D. Receivables from other activities	4,533,279	0	0	4,533,279	
TOTAL ASSETS	**25,881,402**	**2,122,904**	**6,042,639**	**34,046,946**	

Item	Trading in electricity	Production and distribution of heat	Production of electricity	Total	Key
					(EUR)
1	2	3	4	5	
Equity and liabilities					
A. Equity					
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	5,824,583	42,762	89,227	5,956,572	
1. Legal reserves	111,314	1,886	3,972	117,173	
2. Other profit reserves	5,713,268	40,876	85,255	5,839,399	
IV. Revaluation surplus	-2,989	-239	-659	-3,886	K-1
VI. Net profit for the period	434,175	-50,786	141,641	525,029	
Total equity	11,780,909	186,360	1,032,462	12,999,732	
B. Provisions and long-term accrued costs and deferred revenues	178,638	861,054	34,675	1,074,368	
1. Provisions	177,458	821,194	34,675	1,033,327	K-1a, K-1
2. Long-term accrued costs and deferred revenues	1,181	39,860	0	41,041	
C. Long-term liabilities	0	491,667	0	491,667	
I. Long-term financial liabilities	0	491,667	0	491,667	
1. Long-term financial liabilities to banks	0	491,667	0	491,667	
D. Short-term liabilities	13,859,222	332,177	644,700	14,836,098	
I. Short-term financial liabilities	1,234,078	181,665	272,245	1,687,987	
1. Short-term financial liabilities to Group companies	3,707	296	818	4,820	K-1
2. Short-term financial liabilities to banks	1,230,371	164,869	271,427	1,666,667	K-1
3. Other short-term financial liabilities	0	16,500	0	16,500	
II. Short-term operating liabilities	12,625,144	150,512	372,455	13,148,110	
1. Short-term operating liabilities to Group companies	51,215	535	1,479	53,230	K-1a, K-2, K-6
2. Short-term trade payables	12,206,418	140,250	349,872	12,696,541	K-1a, K-2, K-6
3. Other short-term operating liabilities	367,510	9,727	21,103	398,340	K-1a, K-1
Total liabilities	14,037,860	1,684,898	679,375	16,402,132	
E. Short-term accrued costs and deferred revenues	62,632	25,823	23,347	111,803	K-1a, K-3
F. Liabilities to other activities	0	225,824	4,307,456	4,533,279	
TOTAL EQUITY AND LIABILITIES	**25,881,402**	**2,122,904**	**6,042,639**	**34,046,946**	

13 02 07 INCOME STATEMENT BY ACTIVITY FOR 2016

Item	Trading in electricity	Production and distribution of heat	Production of electricity	Total	Key
					(EUR)
1	2	3	4	5	
1. Net sales revenues	61,581,668	998,630	1,700,955	64,281,253	
a) in domestic market	56,400,465	998,630	1,700,955	59,100,050	K-1a, K-3
b) in foreign market	5,181,204	0	0	5,181,204	K-1a, K-3
2. Capitalised own products and own services	0	6,678	11,374	18,052	K-1a
3. Other operating revenues	210,550	134,781	124,794	470,125	K-1a, K-3
4. Costs of goods, materials and services	-58,506,205	-935,554	-1,071,151	-60,512,910	
a) costs of goods and materials sold, and costs of materials used	-53,352,616	-855,206	-957,495	-55,165,317	K-1a, K-6
b) costs of services	-5,153,589	-80,348	-113,656	-5,347,593	K-1a, K-6, K-2
5. Labour costs	-1,431,795	-101,776	-166,798	-1,700,369	
a) wages and salaries	-1,007,567	-75,320	-122,239	-1,205,125	K-1a, K-1
b) supplementary pension insurance	-46,595	-3,622	-6,168	-56,385	K-1a, K-1
c) social security contributions	-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 in value	-503,416	-465,704	-402,631	-1,371,751	
a) amortisation/depreciation	-221,707	-211,547	-356,285	-789,539	K-1a, K-2
b) revaluation operating expenses associated with intangible assets and property, plant and equipment	0	-234,954	-13,636	-248,590	K-1a
c) revaluation operating expenses associated with current operating 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 revenues from shares and interests	73,399	1,187	2,021	76,607	
a) in Group companies	73,399	1,187	2,021	76,607	K-1a
9. Financial revenues from loans	4	1,836	3,128	4,968	
b) to others	4	1,836	3,128	4,968	K-3
10. Financial revenues 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 for financial liabilities	-11,816	-2,985	-5,084	-19,885	
a) for loans received from Group companies	-87	-1	-2	-90	
b) for loans received from banks	-7,014	-2,460	-4,190	-13,664	K-1a, K-6
c) for bonds issued	0	0	0	0	
d) for other financial liabilities	-4,716	-524	-892	-6,132	K-1a, K-6
12. Financial expenses for operating liabilities	-5,895	-872	-1,485	-8,252	
b) for trade payables and bills payable	-5,895	-1	-1	-5,897	K-1a, K-6
c) for other operating liabilities	0	-871	-1,484	-2,355	K-1a, K-6
13. Other revenues	466	5	8	480	K-1a, K-3
14. Other expenses	-24,031	-250	-426	-24,708	K-1a, K-1
PRE-TAX PROFIT FOR THE PERIOD	1,444,568	-367,346	189,049	1,266,272	
15. Income tax	-75,678	20,787	-9,467	-64,357	
16. Deferred taxes	-86,943	-6,808	-19,312	-113,063	K-1
17. NET PROFIT FOR THE PERIOD	**1,281,948**	**-353,367**	**160,270**	**1,088,851**	

13 02 08 INCOME STATEMENT BY ACTIVITY FOR 2015

(EUR)

Item	Trading in electricity	Production and distribution of heat	Production of electricity	Total	Key
1	2	3	4	5	
1. Net sales revenues	57,114,839	777,481	2,149,465	60,041,785	
a) in domestic market	51,049,302	777,481	2,149,465	53,976,248	K-1a, K-3
b) in foreign market	6,065,537	0	0	6,065,537	K-1a, K-3
2. Capitalised own products and own services	0	5,108	14,182	19,290	K-1a
3. Other operating revenues	218,537	197,244	444,118	859,898	K-1a, K-3
4. Costs of goods, materials and services	-54,806,143	-765,473	-1,403,728	-56,975,344	
a) costs of goods and materials sold, and costs of materials used	-51,761,193	-680,435	-1,192,760	-53,634,387	K-1a, K-6
b) costs of services	-3,044,950	-85,038	-210,968	-3,340,957	K-1a, K-6, K-2
5. Labour costs	-1,345,734	-77,436	-188,519	-1,611,689	
a) wages and salaries	-999,581	-59,834	-141,015	-1,200,430	K-1a, K-1
b) supplementary pension insurance	-43,728	-2,287	-6,826	-52,841	K-1a, K-1
c) social security contributions	-161,517	-8,431	-24,145	-194,093	K-1a, K-1
d) other labour costs	-140,908	-6,884	-16,533	-164,324	K-1a, K-1
6. Write-downs in value	-300,681	-184,802	-510,786	-996,269	
a) amortisation/depreciation	-165,569	-151,818	-419,618	-737,005	K-1a, K-2
b) revaluation operating expenses associated with intangible assets and property, plant and equipment	-46	-17,289	-47,786	-65,121	K-1a
c) revaluation operating expenses associated with current operating assets	-135,066	-15,695	-43,382	-194,143	K-1a
7. Other operating expenses	-32,320	-56,983	-134,847	-224,150	K-1a, K-1
8. Financial revenues from shares and interests	68,887	892	2,467	72,246	
a) in Group companies	68,887	892	2,467	72,246	K-1a
9. Financial revenues from loans	276	4,164	1,546	5,986	
b) to others	276	4,164	1,546	5,986	K-3
10. Financial revenues from operating receivables	116,204	1,352	3,753	121,309	
b) due from others	116,204	1,352	3,753	121,309	K-1a
11. Financial expenses due to impairment and write-offs of investments	-101,398	-12,113	-33,481	-146,992	
11. Financial expenses for financial liabilities	-5,504	-5,555	-15,423	-26,482	
a) for loans received from Group companies	-1,933	0	0	-1,933	
b) for loans received from banks	-2,523	-5,472	-15,193	-23,188	K-1a, K-6
d) for other financial liabilities	-1,048	-83	-230	-1,361	K-1a, K-6
12. Financial expenses for operating liabilities	-49,419	-1,966	-5,453	-56,838	
b) for trade payables and bills payable	-49,375	-470	-1,298	-51,143	K-1a, K-6
c) for other operating liabilities	-44	-1,497	-4,155	-5,696	K-1a, K-6
13. Other revenues	52,372	672	1,867	54,911	K-1a, K-3
14. Other expenses	-9,004	-553	-1,535	-11,093	K-1a, K-1
PRE-TAX PROFIT FOR THE PERIOD	920,912	-117,968	323,625	1,126,569	
15. Income tax	0	0	0	0	
16. Deferred taxes	52,563	-16,396	40,344	76,511	K-1
17. NET PROFIT FOR THE PERIOD	**868,349**	**-101,572**	**283,282**	**1,050,058**	

13 02 09 CASH FLOW STATEMENT BY ACTIVITY FOR 2016

(EUR)

	Electricity sale	Heat production	Electricity production	Total	Key
A. CASH FLOWS FROM OPERATING ACTIVITIES					
1. Cash receipts from operating activities	130,559,489	1,403,737	2,390,969	134,354,195	
a) Cash receipts from the sale of products and services	130,048,386	1,376,910	2,345,275	133,770,571	K-1a, K-3
b) Other cash receipts from operating activities	511,103	26,827	45,694	583,624	K-1, K-1a, K-3, K-6
2. Cash payments from operating activities	-126,773,626	-1,721,649	-2,926,241	-131,421,516	
a) Cash payments to acquire materials and services	-69,707,893	-1,538,237	-2,620,061	-73,866,190	K-1a, K-3, K-6
b) Cash payments to employees (wages and salaries, and profit shares)	-1,317,511	-144,576	-240,046	-1,702,132	K-1, K-1a, K-6
c) Cash payments of taxes and contributions	-4,194,459	-21,606	-36,801	-4,252,866	K-1, K-1a, K-3, K-6
d) Other cash payments 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 dividends from investing activities	145,557	1,268	2,160	148,985	K-1a, K-3
b) Cash receipts from disposal of property, plant and equipment	210	0	0	210	K-2
5. Cash payments from investing activities	-85,799	-152,729	-257,222	-495,751	
a) Cash payments to acquire intangible assets	-49,926	-88,863	-149,660	-288,448	K-1a, K-2
b) Cash payment to acquire 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) Cash proceeds from increase in long-term loans	0	0	0	0	
b) Cash proceeds from increase in short-term loans	15,251,342	786,547	1,212,111	17,250,000	K-6
8. Cash payments 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 loans	0	-66,667	0	-66,667	
c) Cash repayments of short-term loans	-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 for the period	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. NET CASH INFLOW OR OUTFLOW FOR THE PERIOD	857,012	15,004	20,647	892,664	
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**1,214,236**	**19,632**	**33,439**	**1,267,308**	

energy
ecology
economy

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Main activities of E 3 are trading in electricity, production of electricity from renewable sources and in co-generation, energy efficiency-related activities, supply of steam and hot water, trading in gaseous fuels. The founder and 100-percent owner of E 3 is Elektro Primorska d.d.

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